



## Pangolin Asia Fund May 2021 NAV

As at the 31<sup>st</sup> of May 2021 the NAV of the Class A shares of the Pangolin Asia Fund was US\$491.07 net of all fees and expenses, up 2.80% from US\$477.70 in April.

As of today, the fund is about 98% invested, with the split being approximately as follows:

Singapore	13 %
Malaysia	22 %
Indonesia	64 %
Thailand	1 %

We don't disclose our names but some details are always available to investors (and those wishing to become investors) on request.

### Overview

To put things into some perspective, please see the tables below.

Return (in local currencies, except MSCI Asia Ex-Japan)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
May-21	1.93%	0.55%	-1.53%	-0.80%	-1.13%	-1.68%	0.66%	1.01%	-0.32%	2.80%
YTD 2021	12.82%	11.93%	6.68%	-0.53%	-2.68%	11.27%	9.95%	5.98%	-0.02%	7.85%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
May-21	1.93%	0.55%	-1.53%	0.34%	-2.02%	-1.00%	0.55%	1.01%	-0.32%	2.80%
YTD 2021	12.82%	11.93%	6.68%	-2.13%	-5.16%	11.30%	5.60%	5.98%	-0.02%	7.85%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
May-21	-0.90%	0.69%	1.16%	-0.11%
YTD 2021	-2.54%	0.03%	-1.61%	-3.96%

We're about as fully invested as we've ever been which probably says a lot about what we feel the value is on offer. Current AUM is \$137m and I reckon, with our ten-year investment horizon, we could currently invest the same again.

When (if) ASEAN markets move, they often move sharply; particularly given the limited liquidity when prices are low. Possibly the recent strengthening of the Yuan will divert money from the bubble assets but, beware, we've had many a false dawn over the past few years.

### 1984 applied to passive investing & ESG

I've just reread George Orwell's 1984 and its message is as relevant as ever. If you haven't read it, you'll enjoy it. And if you haven't read it for a while, ditto.



An important part of 1984 is the concept of **Doublethink**, which is a process of indoctrination whereby the subject is expected to simultaneously accept two mutually contradictory beliefs as correct, often in contravention to one's own memories or sense of reality. Examples include:

WAR IS PEACE

FREEDOM IS SLAVERY

IGNORANCE IS STRENGTH

VALUE IS WORTHLESS

PASSIVE INDEX BUYING IS INVESTING

To be totally honest, the last two are not in Orwell's book. But, if he were writing it today, I'm sure they would be.

Anyone with a brain can see that buying shares on the back of market capitalisation is not investing. The more money that goes into a stock, the larger its capitalisation and therefore the larger weighting it should attract. This has no relationship to its underlying value, its earnings, dividends, management quality or otherwise. As shareholders who care about these things become a smaller minority, poor earnings reports (or the owner smoking dope on a chat show) count for less.

In fact, the kind of valuation measures that work (such as earnings & dividend yields) get replaced with less tangible measures (price/sales ratio sums it up). Does anyone else recall "revenue is vain, profit is gain"?

Tesla's forward PE is 140x. Toyota's and VW's are 10x. Current valuations imply that Tesla will be selling more cars in a decade than Toyota and VW. Does this sound credible? The market is basically giving you odds of 14/1 against Toyota & VW outperforming Tesla.

<i>US\$ billions</i>	Tesla Inc	Toyota Motor	VW (VOW:GR)
Market cap	602	272	163
Net cash	6	-21	48
Net cash to equity	0.26	-0.85	0.31
Sales	32	249	254
Profit	0.69	21	10
current P/E (ttm)	607x	11.7x	13.3x
forward P/E	139x	10.7x	10.6x

vehicle sales 2020			
full EV	499,535	3300	231,600
hybrid	-	2,087,000	190,500
total	500,000	9,920,000	9,305,400

Pretty much anyone can see the nonsense. I'm not sure if many really believe in it, but cheap money keeps the Ponzi going. This is as good a living example of **Doublethink** as any.



The latest addition to the passive investing baloney is the tagging on of ESG. It's so easy to comply with the box-ticking and, when the value of the underlying asset doesn't matter, we will probably find that ESG passive funds outperform non-ESG.

There is of course a genuine need to be aware of what you are investing in, but what we are seeing is *on-the-surface compliance* in order to attract funds. It's almost like having a party line and if you stray from it, or are suspected of straying from it, you'll end up in Room 101 (read the book).

These days, annual reports often contain a corporate governance report (seldom written by the company). Additionally, we now have ready-made sustainability reports, often with a picture of a benevolent-looking boss handing food to orphans or watching his staff picking up litter on a beach.

And the brokers, in order to attract business, now give an ESG rating to every company. Plantations – yes, no problem. All good. And I've just read a research report on a company that fells virgin rainforest for a living, displacing both wildlife and people. According to a regional broker's research arm, its ESG scores are as follows:

E: Moderate  
S: Moderate  
G: Good

Presumably if you're the analyst covering timber and plantations, if you were to honestly rate them all as un-investible, you'd be out of a job.

Please bear in mind that what drives share prices over the long term are expected cash returns to shareholders. That's it. Not ESG, market capitalisation or anything else.

## Outlook

I've been emailing and calling existing investors for the past month or so. (If you'd like a call and haven't been contacted, please let me know.) What is obvious is that SE Asia is not near the top of many investors' in trays. Asia, for many, is an allocation to India and China. ASEAN's 670m people have slipped down the back of the sofa.

This is both frustrating and encouraging (*Doublethink* again?). Anyhow, after 35 years in this game, I've learnt that *the hardest time to raise money is the best time to invest*.

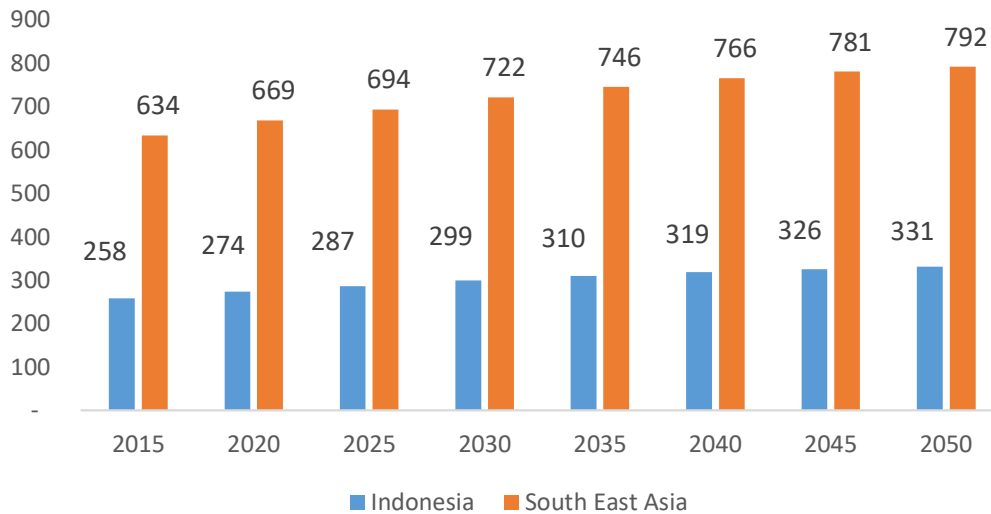
Below are some charts that show the current situation and the opportunity in ASEAN. As we're 60% invested in Indonesia, we're using that country as our proxy. For consumer companies, ASEAN and Indonesia have the twin attractions of population growth and increasing affluence.

In 2019 Indonesia's population grew by 1.1%. More importantly perhaps, between 2002 and 2016, its middle class tripled as a proportion of the population, growing at an average annual rate of 10%. (*Source: world bank*)

This means millions who can presently only dream of owning a car, will be able to do so in their lifetimes. Apply this to future sales of cosmetics, junk food, health care, Nespresso machines or exercise bikes and you can see why we Pangolins get excited. As I've stated before, it's estimated that 270 million girls in ASEAN don't have access to a hairdryer. The good news is that rising affluence will consign this crime against humanity to history's dustbin.

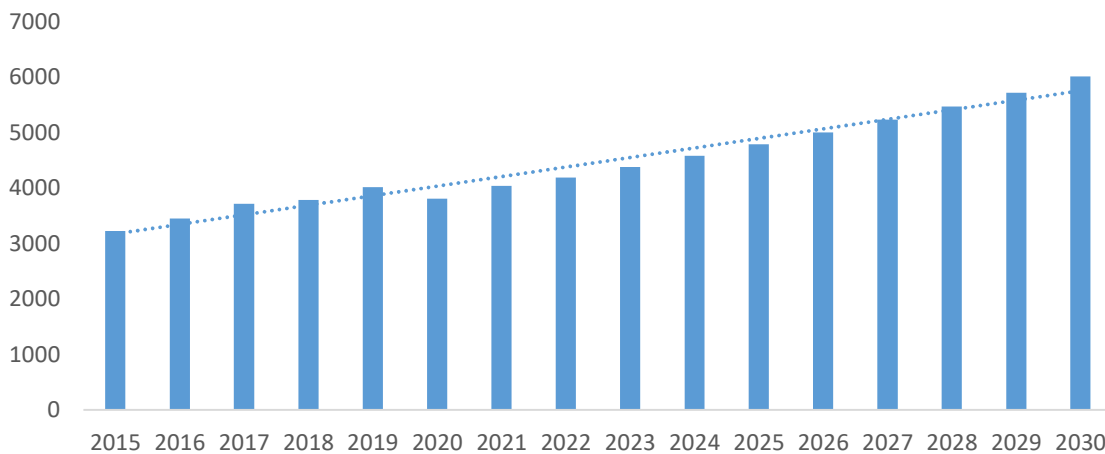


## South East Asia & Indonesia Population (in millions)



Source: United Nations

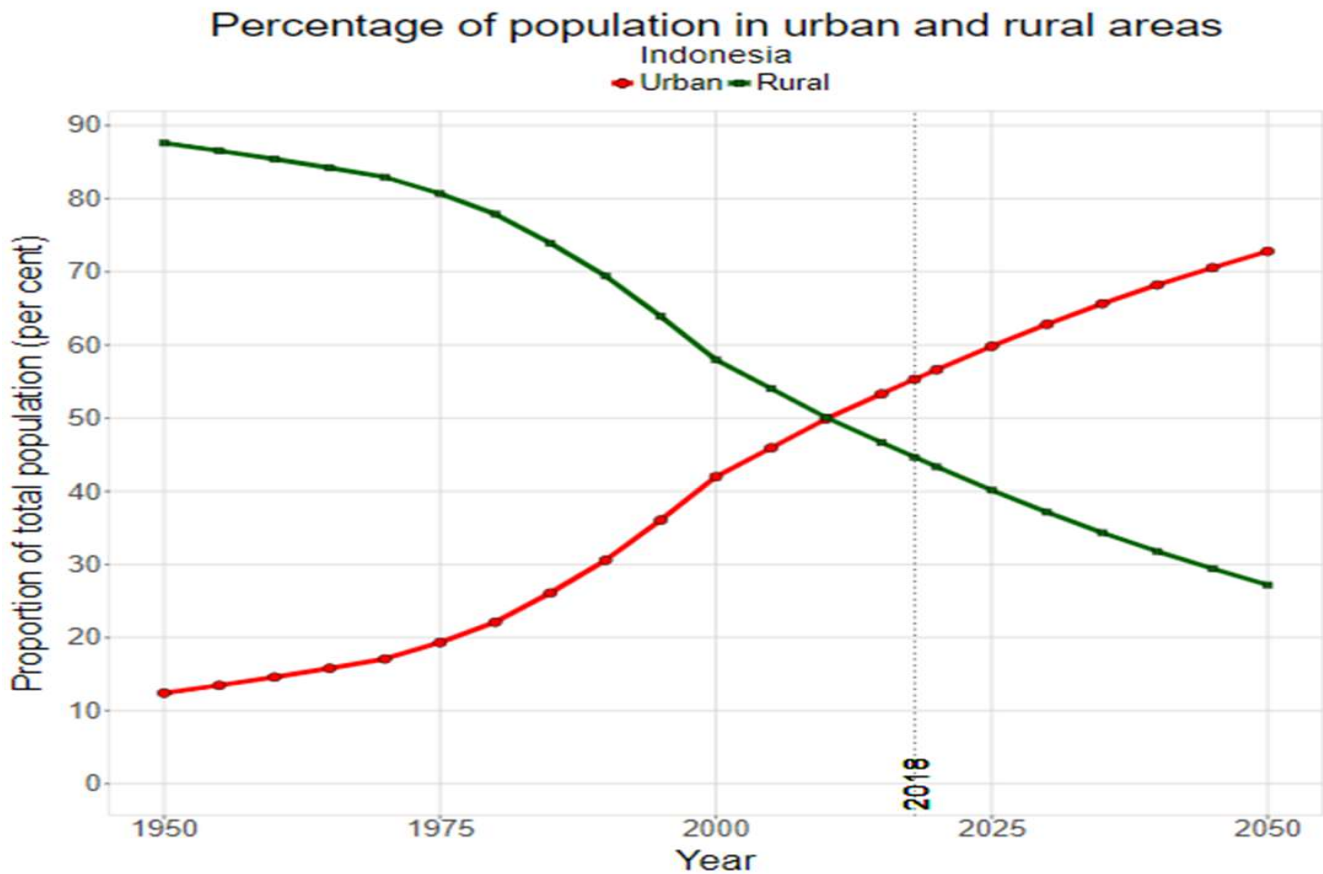
## Indonesia Gross National Income per capita (in USD)



Source: World Bank forecasts



Once people move to cities, their incomes rise and consumption behaviour changes. Indonesia's middle class is the fastest growing segment of the population, at 10 percent annually, and now accounts for almost half of national consumption. That's why we love the following chart.



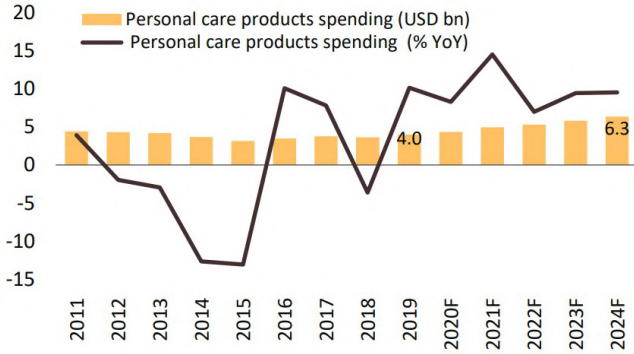
© 2018 United Nations, DESA, Population Division. Licensed under Creative Commons license CC BY 3.0 IGO.

**Note:** Urban and rural population in the current country or area as a percentage of the total population, 1950 to 2050.

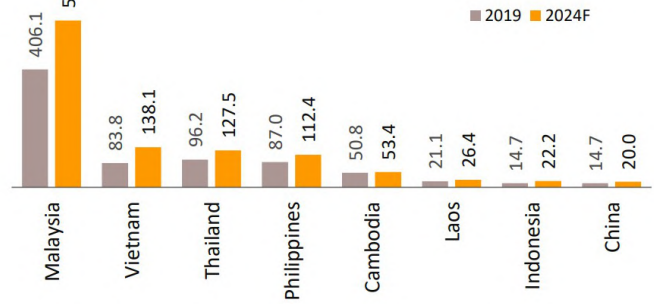




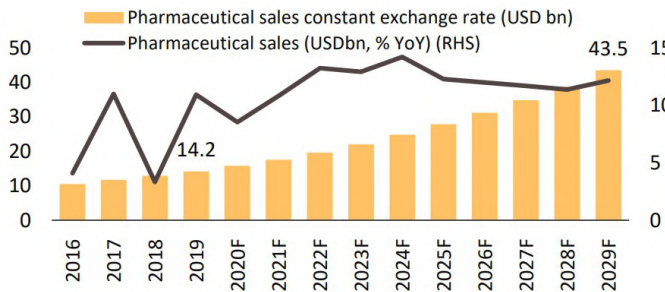
**Personal care product spending in Indonesia**



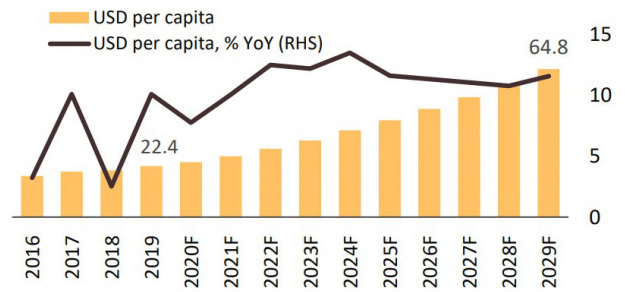
**Personal care products spending (USD per capita) Indonesia**



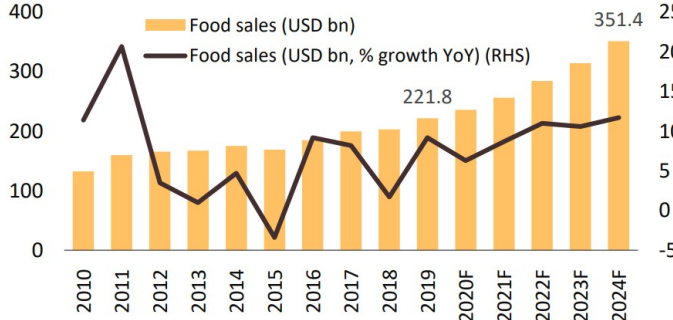
**Pharmaceutical sales in Indonesia**



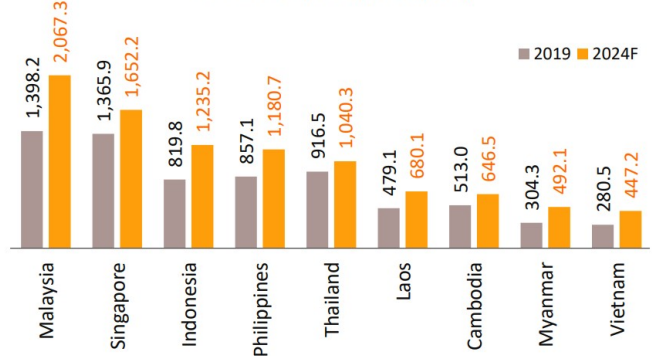
**Generic drug sales in Indonesia**



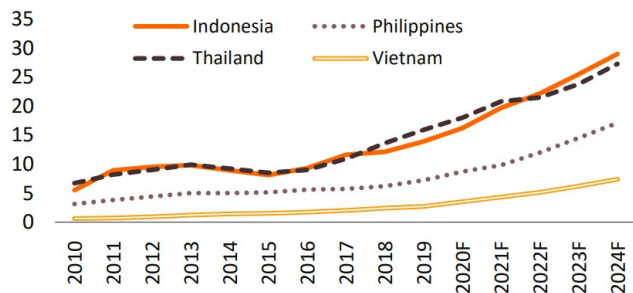
**Market size: Food sales in Indonesia**



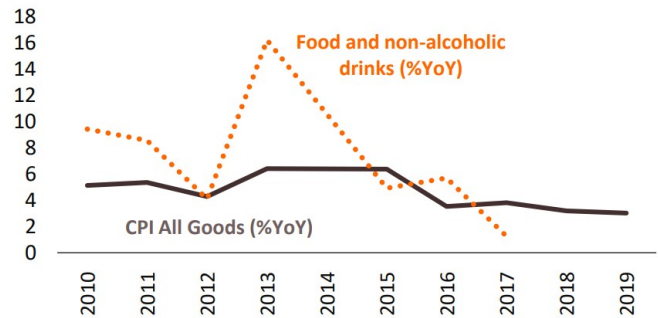
**Food sales (USD per capita)**



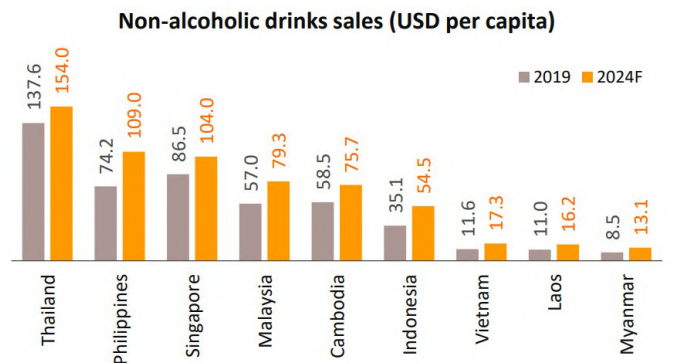
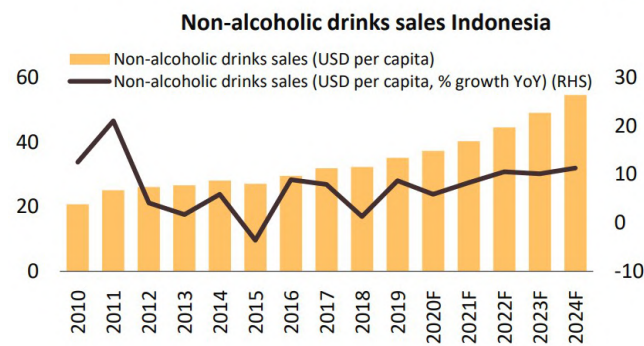
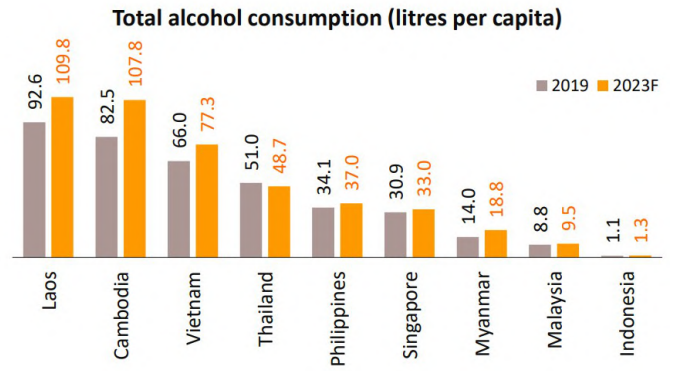
**Households earning USD15,000+ (% of total)**



**Developments of food prices**



Source: Indonesia data from Fitch, Krungsri, EMIS, Euromonitor



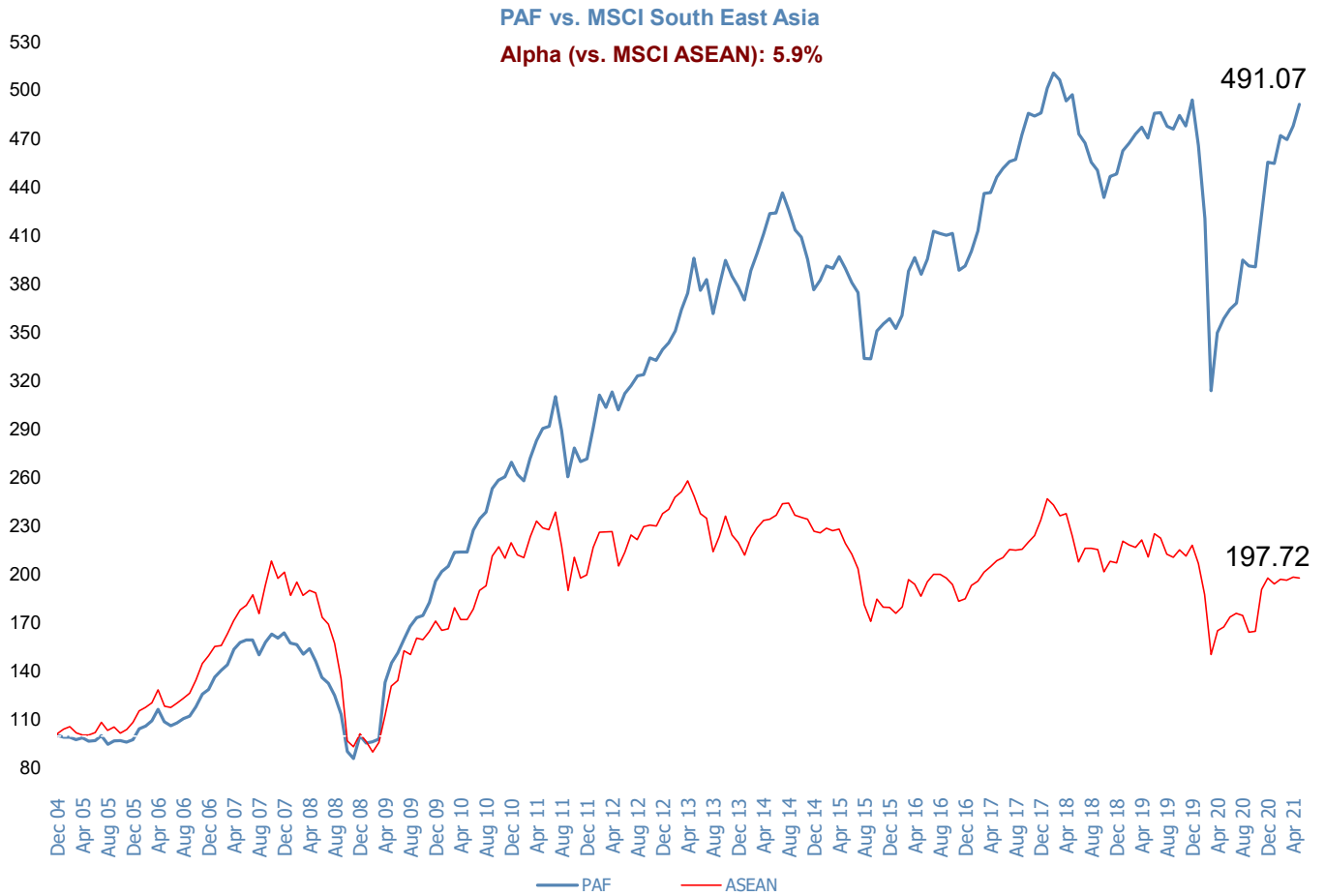
Note: Indonesia data non-alcohol includes energy drinks, bottled water and fruit juices functional beverages as well as non-alcoholic drinks such as higher-value coffee products. Source: Fitch, Krungsri, EMIS, Euromonitor

Does this excite you as much as it does me?

James Hay  
4<sup>th</sup> June 2021



Sixteen years track record and annualised return of 10.13%







# PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	NAV	454.64	471.89	469.26	477.70	491.07								7.85%
	% chg	-0.15%	3.79%	-0.56%	1.80%	2.80%								
2020	NAV	465.73	420.43	313.82	349.63	358.55	364.26	367.99	394.82	391.21	390.47	422.87	455.32	-7.80%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%	7.29%	-0.91%	-0.19%	8.30%	7.67%	
2019	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87	484.37	477.85	493.85	10.21%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%	1.79%	-1.35%	3.35%	
2018	NAV	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.40	446.46	448.11	-7.76%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%	-4.90%	-1.17%	-2.56%	-1.10%	-3.75%	3.01%	0.37%	
2017	NAV	400.08	412.81	435.93	436.54	446.18	451.43	455.76	457.12	472.10	485.61	483.86	485.79	24.18%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%	2.86%	-0.36%	0.40%	
2016	NAV	352.31	360.43	387.79	396.17	386.04	395.41	412.53	411.2	410.02	411.25	388.48	391.19	9.16%
	% chg	-1.69%	2.30%	7.59%	2.16%	-2.56%	2.43%	4.33%	-0.32%	-0.29%	0.30%	-5.54%	0.70%	
2015	NAV	382.31	391.18	389.48	396.82	389.67	380.77	374.61	333.73	333.52	350.84	355.19	358.38	-4.76%
	% chg	1.60%	2.32%	-0.43%	1.88%	-1.80%	-2.28%	-1.62%	-10.91%	-0.06%	5.19%	1.24%	0.90%	
2014	NAV	370.08	388.25	398.79	410.89	423.38	423.84	436.37	425.85	413.36	408.97	395.23	376.28	-0.52%
	% chg	-2.16%	4.91%	2.71%	3.03%	3.04%	0.11%	2.96%	-2.41%	-2.93%	-1.06%	-3.36%	-4.79%	
2013	NAV	343.47	350.86	364.04	374.14	395.94	375.98	382.69	361.54	378.56	394.53	384.87	378.24	11.48%
	% chg	1.23%	2.15%	3.76%	2.77%	5.83%	-5.04%	1.78%	-5.53%	4.71%	4.22%	-2.45%	-1.72%	
2012	NAV	290.78	311.15	303.35	313.01	301.88	312.18	316.87	323.01	323.75	334.08	332.63	339.29	24.85%
	% chg	7.00%	7.01%	-2.51%	3.18%	-3.56%	3.41%	1.50%	1.94%	0.23%	3.19%	-0.43%	2.00%	
2011	NAV	261.86	258.03	271.83	283.00	290.51	291.75	310.23	289.05	260.46	278.31	269.95	271.75	0.85%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%	0.43%	6.33%	-6.83%	-9.89%	6.85%	-3.00%	0.67%	
2010	NAV	201.91	205.09	213.68	227.44	213.93	227.45	234.62	238.78	253.28	258.37	260.53	269.47	37.58%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%	2.01%	0.84%	3.43%	
2009	NAV	95.67	96.38	98.12	133.22	145.25	151.32	159.71	167.99	173.21	174.49	182.60	195.87	95.34%
	% chg	-4.59%	0.74%	1.81%	35.77%	9.03%	4.18%	5.54%	5.18%	3.11%	0.74%	4.65%	7.27%	
2008	NAV	157.49	156.55	150.63	154.03	146.18	136.23	132.58	125.09	113.55	90.36	85.98	100.27	-38.81%
	% chg	-3.89%	-0.60%	-3.78%	2.26%	-5.10%	-6.81%	-2.68%	-5.65%	-9.23%	-20.42%	-4.85%	16.62%	
2007	NAV	136.43	140.75	144.17	153.68	157.90	159.36	159.56	150.23	158.13	163.17	160.72	163.86	27.19%
	% chg	5.90%	3.17%	2.43%	6.60%	2.75%	0.92%	0.13%	-5.85%	5.26%	3.19%	-1.50%	1.95%	
2006	NAV	104.53	106.09	109.42	116.62	108.82	106.34	107.96	110.76	112.41	117.94	125.81	128.83	31.74%
	% chg	6.89%	1.49%	3.14%	6.58%	-6.69%	-2.28%	1.52%	2.59%	1.49%	4.92%	6.67%	2.40%	
2005	NAV	99.24	99.37	97.77	98.86	96.77	97.05	100.14	94.90	96.99	97.05	96.14	97.79	-2.57%
	% chg	-1.13%	0.13%	-1.61%	1.11%	-2.11%	0.29%	3.18%	-5.23%	2.20%	0.06%	-0.94%	1.72%	
2004	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

**Best monthly return** 35.77%  
**Worst monthly return** -25.36%  
**Maximum drawdown** -47.53%  
**% of positive months** 65.15%  
**Annualised return** 10.13%



## By Sector

