Pangolin Asia Fund July 2020 NAV

As at the 31st of July 2020 the NAV of the Class A shares of the Pangolin Asia Fund was US$367.99 net of all fees and expenses, up 1.02% from US$364.26 in June.

As of today, the fund is about 86% invested, with the split being approximately as follows:

Singapore	14 %
Malaysia	25 %
Indonesia	52 %
Thailand	9 %

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
Jul 2020	2.38%	5.51%	6.82%	4.98%	6.85%	-2.32%	-0.78%	8.02%	1.27%	1.02%
YTD 2020	-7.39%	1.25%	19.76%	-18.25%	0.94%	-21.50%	-15.91%	1.83%	-19.38%	-25.49%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Jul 2020	2.38%	5.51%	6.82%	2.57%	8.03%	-0.96%	-1.89%	8.02%	1.27%	1.02%
YTD 2020	-7.39%	1.25%	19.76%	-22.36%	-2.59%	-23.14%	-20.09%	1.83%	-19.38%	-25.49%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Jul 2020	1.11%	1.39%	-2.29%	-1.11%
YTD 2020	-3.50%	-2.08%	-5.03%	-4.97%

Outlook

The economic impact of coronavirus on our companies so far has been mixed with some performing rather well and some not so. Our finance companies are slowly restarting their businesses after a large provision expense in the prior quarter. Apart from focusing on collection as 30% of their loan book has been restructured (in the form of delayed payment of principal or loan tenure extension), they are also looking to generate new loans. Asset quality remains a key focus. In the worst-case scenario, non-performing loan ratio (NPL) is expected to rise to 4%, which is manageable. This compares with 15-year historical NPL of less than 2%. These companies remain well capitalised and have the ability to pay dividends. Demand for motorcycles is still intact as people avoid using public transportation. They still look absurdly cheap (at 4-5x FY22 PE, which is our base case for 2019 numbers).

Our holdings in shopping malls and fast fashion retail in Malaysia were negatively impacted during the lockdown, albeit recovery is underway. The latest occupancy rate at major shopping malls is relatively intact vs. pre-Covid as landlords offered rent-free period and rental rebates on a case-to-case basis to affected tenants. As of now, the shopping mall crowds are back and footfall has recovered to 55-65% compared to normal times. The feeling is the same in Singapore, especially in the F&B space. While general retail sales remain weak, our Singapore electronic retailer did quite well as weaker retail operations were cushioned by stronger online sales, and their profit was partly supported by government grants in the form of job support scheme and wage credit scheme.

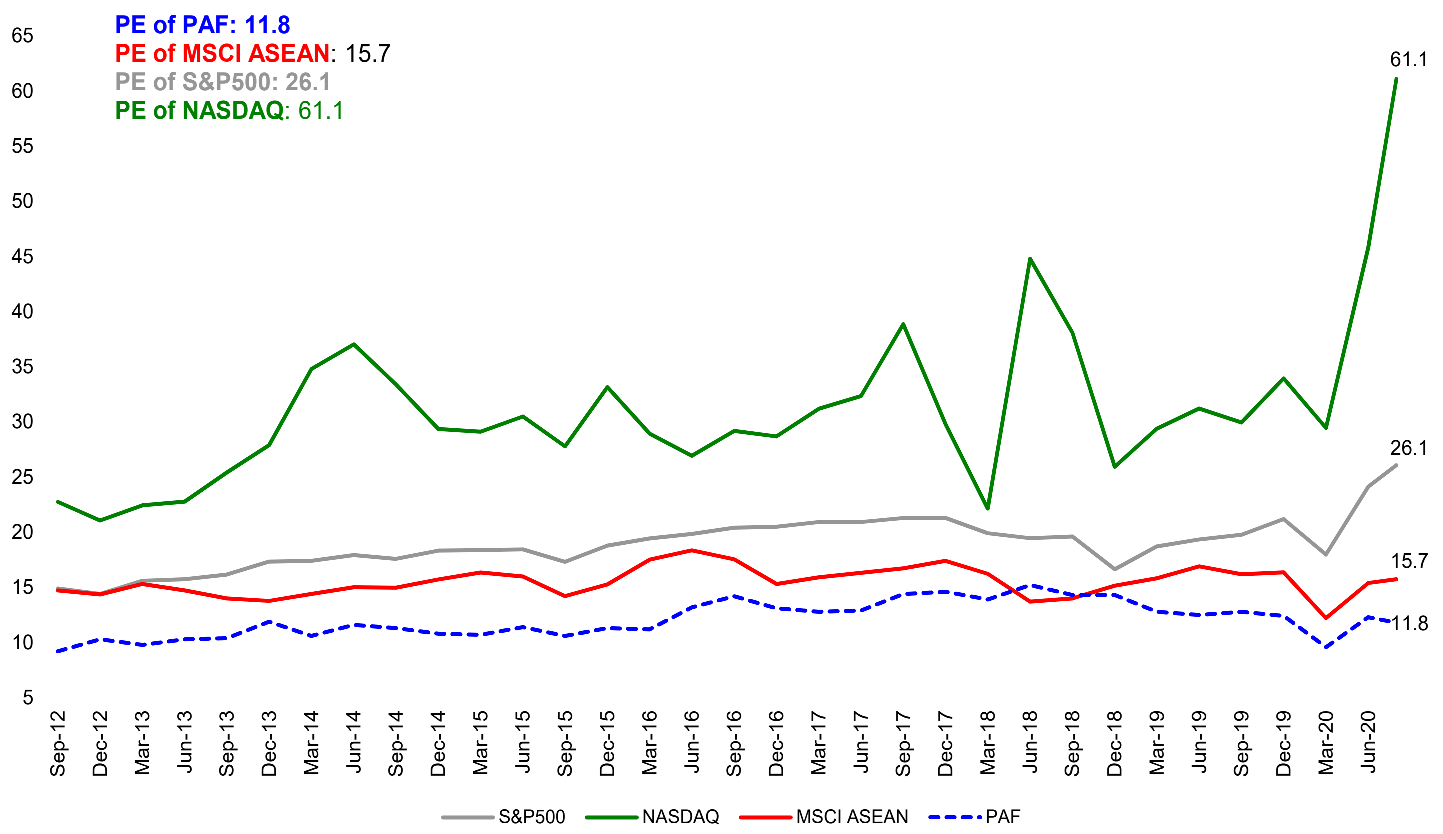
We are excited to hear that demand for IT products, services and infrastructure in Indonesia continues to increase despite the pandemic. There is an acceleration in the need to go digital, especially from SMEs. Companies will need to invest in more IT infrastructure and equipment to support automation and remote working. We think there is a structural shift from offline to online in Indonesia and the company that we own will stand to benefit from ongoing digital trends going forward.

It is evident by now that we will not be seeing a V-shaped recovery anytime soon. Some industries may need a much longer time to recover and will accumulate copious amount of debt along the way (airlines, cruise ships, etc). Based on our conversation with various companies, we would think the worst is over and we expect a gradual recovery as economies reopen. Our base case assumes vaccines can be administered by next year and earnings to return to normal by FY2022.

Despite Covid-19, South East Asia will continue to outpace most of the world. The fundamentals of our companies are resilient, with low leverage and sustainable long-term earnings growth. Our focus is on businesses that we understand, with a durable competitive advantage, and are run by competent management whom we admire and trust.

The fund is on a historic PE of 11x, Price to book of 1.15x, ROIC of 21%, and expected dividend yield of 4.7%. Most of our companies are in a net cash position, which gives them enough buffer to weather tough times ahead. Some of these companies' share prices have been hit hard, providing the opportunity for investors to acquire valuable assets cheaply.

Pangolin Asia Fund is Undervalued



Recent reading

I have recently read *Fossil Fuels Improve the Planet* by Alex Epstein. I highly recommend the book to investors. Alex is the founder of the Centre for Industrial Progress, a for-profit organization, advocates the use of fossil fuels such as coal, oil and natural gas which are abundant, affordable and reliable. This compares with renewable energy such as wind and solar which are still relatively expensive to produce. Some days are windier or sunnier than others, and the highs and lows create inconsistencies that make renewables less reliable as power sources than fossil fuels.

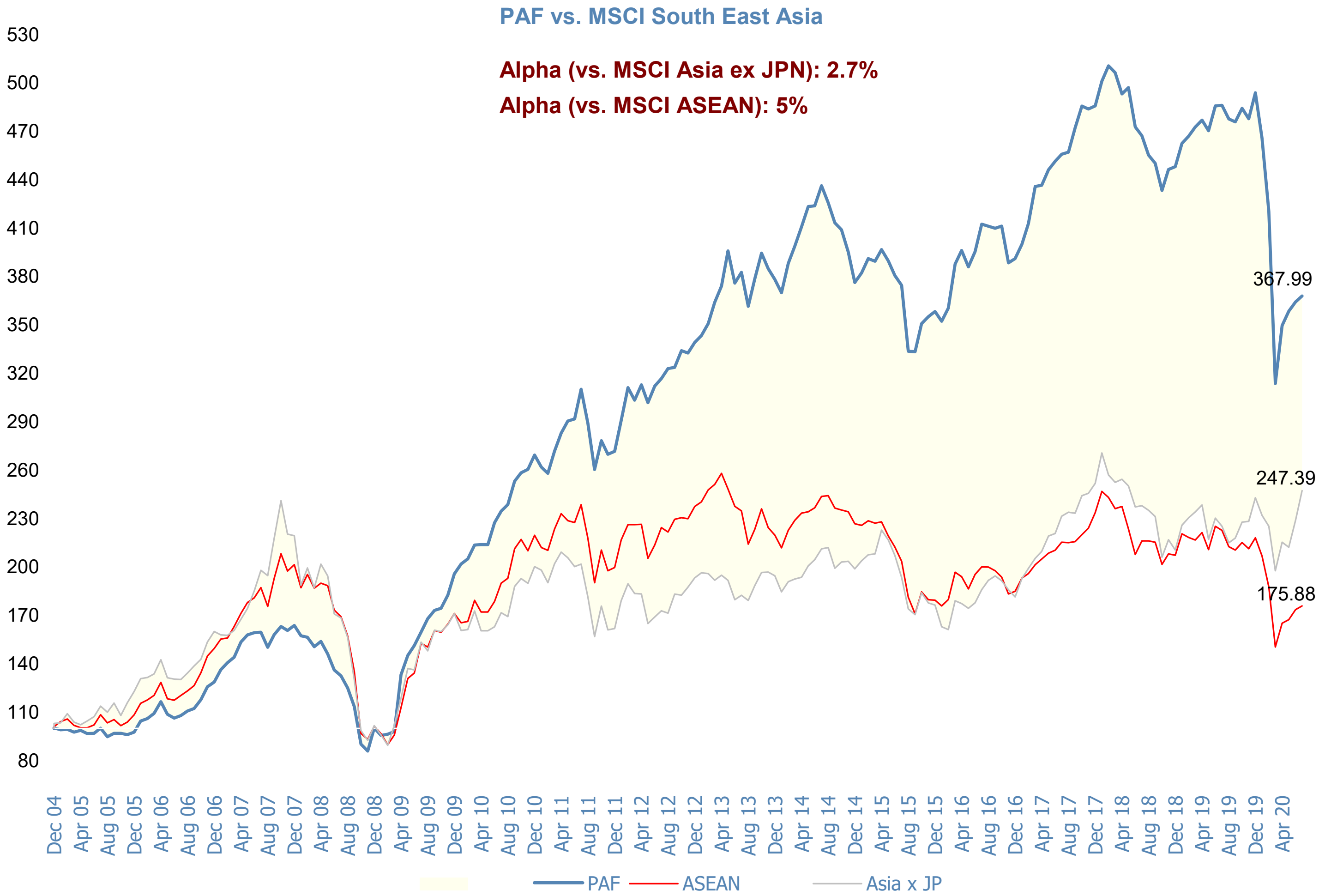
We are cognizant that we are living in an environment surrounded and empowered by mostly by-products of fossil fuels. About 30 years ago in Malaysia, people needed permission from the state-owned power company to install an air-conditioner in their house (nobody ever bothered getting). Today, every household will have at least 4 air-conditioners. We all know it consumes a lot of electricity and causes pollution but it is the one thing we can't live without, at least not in a tropical country.

According to a Forbes article, fossil fuels still supply 84% of world energy in 2019 while renewable energy makes up only 5%, hydro 6% and nuclear 4%. It is undeniable that fossil fuels play an important role in global development but we cannot deny the negative impacts they have brought to our environment. I believe fossil fuels and renewable energy will continue to co-exist for a long time as a reliable "combination" of energy supply to humanity.

Vinchel Budihardjo
7th August 2020

We don't like to discuss our stocks publicly but I am always happy to talk to existing investors and those interested in investing. The Pangolin Asia Fund is most suitable for investors who are happiest when markets are falling.

Fifteen years track record and annualised return of 8.67%

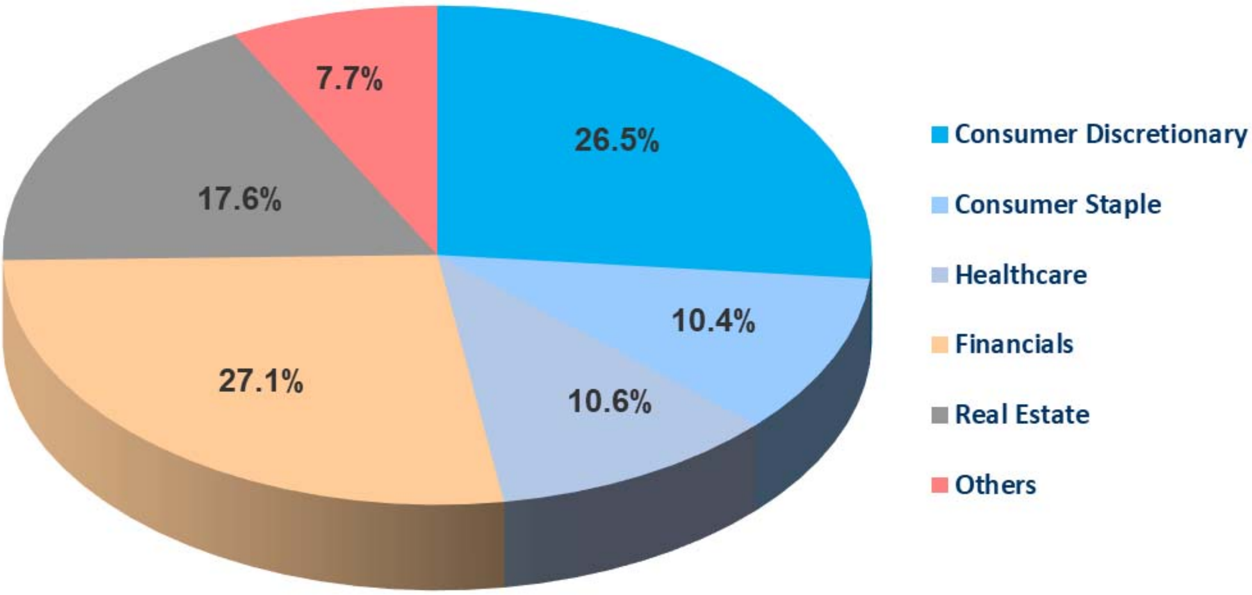


PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	*NAV*	465.73	420.43	313.82	349.63	358.55	364.26	367.99						-25.49%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%						
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	**65.43%**
Annualised return	**8.67%**

By Sector


7.7%
26.5%
17.6%
10.4%
27.1%
10.6%
Consumer Discretionary
Consumer Staple
Healthcare
Financials
Real Estate
Others