



Pangolin Asia Fund September 2017 NAV

As at the 30th of September 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$472.10 net of all fees and expenses, up 3.28% from US\$457.12 in August.

Please see the table at the end of this letter for further detail.

As of today, the fund is about 83% invested, with the split being approximately as follows:

Singapore	15%
Malaysia	30%
Indonesia	35%
Thailand	20%

We don't disclose our names but some details are always available to 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	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2017	2.08%	1.93%	0.63%	-0.99%	-1.75%	3.53%	-0.27%	0.28%	3.28%
YTD 2017	13.37%	12.53%	11.41%	6.93%	11.77%	8.44%	28.51%	16.59%	20.68%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2017	2.08%	1.93%	-0.34%	0.19%	-1.87%	3.12%	-0.27%	0.28%	3.28%
YTD 2017	13.37%	12.53%	11.41%	13.67%	19.12%	16.65%	28.51%	16.59%	20.68%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Sep 2017	1.20%	-0.13%	-0.96%	-0.39%
YTD 2017	6.30%	6.57%	0.01%	7.57%

We're working hard, trying to invest our cash. Our problem is that prices keep going up so, although we know what we want to buy, we're not necessarily getting the value we want. There are two ways to overcome this: (a) wait patiently for prices to fall or (b) go out there and find something else. We're doing both.

For close to 13 years, we have never invested outside of Singapore, Malaysia, Thailand and Indonesia. We are now looking further afield (even though the food's not as good).

We also have to re-examine some of the businesses we have historically invested in. We all know how the internet is changing retailing, but this also extends to the impact of smartphones and WhatsApp on photocopier sales. And the much-touted Chinese investment into SE ASIA under One Belt, One Road (whatever that is supposed to mean) sounds great until a massive Chinese-owned manufacturer enters your market.

Can those managements respond or are the new industry dynamics adversely affecting even the best of companies? Life isn't getting any easier.



Rohingya & Marawi

The town of Marawi in the southern Philippines has recently become ISIL's first SE Asian battleground, attracting fighters from across the region and elsewhere. Militarily the Philippine army will win but the risk of the militant Muslim rebels regrouping and forming a potent force for years to come is real. In this particular fight, tactics learnt in the Middle East have been employed making the final clearing up operation prolonged and dangerous.

The Philippines' predominantly Muslim south has long resented Manila's rule. Southern Thailand has a similar insurgency which, on average, has killed two people a day for the past decade. I think it was always hoped that, at some point, in both conflicts peace could be brokered in return for autonomy. However, with the rise of extreme Sunni politics, peace may well be more elusive than ever.

In Sumatera last month, the strength of feeling there concerning the plight of Myanmar's Rohingyas was obvious. In Medan, at traffic junctions the FPI (Islamic Defenders' Front) were visible collecting funds for the refugees. They are especially noticeable as they wear bandanas with FPI in big letters. The FPI are a hard-line organisation who want to create an Islamic State. Indonesia's government takes the view that banning them and driving them underground would create even more problems. Unfortunately, crises like these, in which the governments look particularly ineffective, are something the FPI can capitalise on; drawing on the understandable emotion generated by the news images.



FPI collecting for Rohingya refugees

ASEAN, of which Myanmar is a member, has long had a policy of non-interference. However, the Rohingya crisis is severely straining this policy and the ties between the members. The FPI wanted to rally at Borobudur, Indonesia's most famous Buddhist archaeological site. There is a danger of a Buddhist-Islamic rift developing in SE Asia and the region's leaders will have to rein in their rhetoric if it is not to widen.



Outlook

There was a time when visiting Indonesian towns was quite a pleasant experience. Unfortunately, with the rise in vehicle ownership, this is no longer the case. On the bright side, we have significant exposure to the growing vehicle ownership via our stakes in two finance companies.

We took the kids for a long weekend to Bukit Lawang in Gunung Leuser National Park to see orang utans. Medan has a fantastic new airport (infrastructure spending is dramatically changing Indonesia) but once on the road you just sit in traffic for hours.

The good news is that a soon-to-be-completed toll road will dramatically change this journey. In fact, the 2,600km trans-Sumatran highway will transform communication within this the world's 6th largest island. The economic multiplier effect will be significant. Those out-of-the-way-places, previously only accessible to backpackers, are falling within reach of ordinary tourists. Bukit Lawang is increasingly an attraction for PRC and other Asian tourists. I'd recommend a trip sooner rather than later.

Gunung Leuser is one of the last outposts of the orang utan and other rare species on an island that, from the air, looks as if it has been completely covered with palm oil. You all know Pangolin's views on the destruction caused by logging and palm oil cultivation; flying over Sumatera (or pretty much anywhere in Malaysia) really brings home the scale of deforestation. And the recent decline in the palm oil price has hit rural incomes and consequently led to an increase in the poaching of wildlife.

Life for Indonesians is changing dramatically. Rising incomes move people very quickly from mud floors to huge televisions. Owning a motorbike in a rural area changes so much. Old Nokias are still prevalent in rural North Sumatera, but not for long.

It is this progression from *subsistence to consumer to middle class* that the fund invests in. There are times when it can be bought more cheaply than others, but the change is real and irreversible. As already mentioned, infrastructure, where there is none, changes so much. And the good news is that president Jokowi is managing to build what his predecessors only talked about.

James Hay
October 5th 2017

We don't like to discuss 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.



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	NAV	400.08	412.81	435.93	436.54	446.18	451.43	455.76	457.12	472.10				20.68%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%				
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 -20.42%
Maximum drawdown -47.53%
% of positive months 67.53%
Annualised return 12.86%

By Sector

