



Pangolin Asia Fund June 2023 NAV

As at the 30th of June 2023, the NAV of the Class A shares of the Pangolin Asia Fund was US\$593.00 net of all fees and expenses, up 1.90% from US\$581.95 in May. YTD we're up 9.16%.

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

Singapore 5%
 Malaysia 28%
 Indonesia 67%

While we don't disclose our names, 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)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Jun-23	4.56%	6.47%	6.59%	0.43%	-0.75%	1.49%	2.17%	-0.16%	1.90%
YTD 2023	3.80%	15.91%	31.73%	-2.76%	-7.94%	-1.40%	1.84%	-4.12%	9.16%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Jun-23	4.56%	6.47%	6.59%	-0.05%	-1.89%	1.43%	2.17%	-0.16%	1.90%
YTD 2023	3.80%	15.91%	31.73%	0.52%	-13.11%	-2.34%	1.84%	-4.12%	9.16%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Jun-23	-1.15%	-0.06%	-0.48%
YTD 2023	-5.61%	-0.95%	3.37%

We've received subscriptions which we are investing in a new position. It's not a big company, so we'll keep the name to ourselves for now.

Malaysia's Labour Problem

Malaysia employs and relies upon a huge number of both legal and illegal workers. The country's relative wealth attracts migrants from Indonesia, Myanmar, Bangladesh and elsewhere. Part of the reason Malaysian businesses and individuals employ illegal labour is that the cost of legally employing workers is so high. For example, I paid in the region of RM20,000 (USD4,300) to an agency to employ my maid. This is to cover recruiters and agencies in both Indonesia and Malaysia, but no one seems to know why the costs are so high.

Surely the cost of an airfare, medical and government processing should be all? Which would amount to a few hundred Ringgit.

To be fair, the new government is looking into the issues; in the past previous governments have said likewise, but not acted. Let's hope there really is the will this time around.

Unfortunately, there are many cases of worker exploitation. Maids and other legal foreign workers often fall victim to all kinds of abuse. Employers forget that these people have left loving families in order to work overseas, in order to become breadwinners. That these issues are now being raised in the public sphere in Malaysia is significant progress. In the 1990s, Irene Fernandez, the founder of Tenaganita, an NGO working for the rights



of migrant labour and refugees, was prosecuted for “Maliciously Publishing False News”. This related to her publication of reports of abuses at an immigration detention centre.

As investors turn their focus to the **S** in ESG, Tenaganita is an organisation with which we’ve had some contact. One of its staff, Joseph Maliamauv, has provided the following example of abuse.

In 2009, at the age of 22 Suan Ly came to work as a domestic worker, for a family in Kuala Lumpur, through an agent in her home country who was affiliated to an agent in Malaysia. After Suan Ly was sent to her employer's house, her passport was retained by her employer and she was not permitted to contact her family during the first 12 years. Finally, in 2021, she managed to obtain a handphone and posted a message on her Facebook account; the message ultimately was conveyed to her mother through friends. The mother, who is illiterate, contacted an NGO for assistance to get back her daughter. The NGO contacted the embassy in Kuala Lumpur in 2022. The embassy called Suan Ly but was reprimanded by the employer for doing so. During this period of 13 years, the employer occasionally sent some money to Suan Ly's mother as wages; the total amount remitted during this period amounted to RM15,000 which worked out to just over a RM1,000 (USD250) per year.

Her passport was kept by the employer who regularly threatened her that she would be detained by the police if she was found without her passport. Her work permit had not been renewed after the first 3 years.

The embassy tried to make a police report but was unable to. Finally, the Embassy contacted Tenaganita for assistance.

We managed to make contact with Suan Ly and, after much planning and waiting, we succeeded in helping her to escape from her employer's house. We had arranged for a car to pick her up and send her to our shelter.

We then contacted the employer for her unpaid wages. When he refused, we helped Suan Ly to file a claim for unpaid wages at the labour department. Initially the labour department refused to entertain her claim on the grounds that she did not have her passport and she did not have a valid work permit. We pointed out that the passport was being retained by the employer and it was the employer's responsibility to obtain their work permit. Ultimately, the labour department agreed to accept the claim and summoned the employer.

Suan Ly's claim for unpaid wages was RM110,000, but the employer made many excuses to reduce the amount of unpaid wages and, after much negotiation, offered RM90,000, which was just over 80% of the amount claimed. Suan Ly had the option to reject the offer and take the case to the labour court which would involve a wait of many months. She decided to take the offer and go home.

Note: The offer of RM90,000 is in fact quite unacceptable, because there is no basis to reduce one's outstanding wages by 20% arbitrarily. Furthermore, it does not factor in any interest or any compensation for being unable to support her family during the 13 years, for the separation from her one-year-old child whom she had left behind, her inability to provide for his schooling etc. However, we leave the decision to the victims, who in most cases decide to accept a lower figure than what is due to them, because of the long wait if the case goes to court.

The backbone of Malaysia’s construction, plantation and manufacturing industries are migrant workers, some of whom are subjected to various forms of mistreatment and abuse. This can involve inadequate accommodation, compulsory overtime and confiscation of passports. In recent times, US government agencies have sanctioned glove and plantation companies for labour rights abuses. Malaysia’s initial response is often denial, followed begrudgingly by acceptance.

We own one manufacturer, a furniture company which has invested in purpose-built accommodation for their workers. As an exporter to the US, the company cannot afford to fall foul of international standards.



Many legal workers are less fortunate. During Lockdown, the construction workers living on-site opposite my house were not allowed to work. So, they weren't paid. There was a maid in my road begging neighbours for food, due to lack of salary.

Coincidentally, the former MP for Klang, Charles Santiago, has published a three-part report documenting, if true, a worse case of abuse of 41 Bangladeshi workers. His allegations can be read, in order, as follows:

<https://www.freemalaysiatoday.com/category/opinion/2023/07/08/high-hopes-turn-into-nightmare/>

<https://www.freemalaysiatoday.com/category/opinion/2023/07/09/we-were-confined-in-a-small-room-like-animals/>

<https://www.freemalaysiatoday.com/category/opinion/2023/07/10/still-no-jobs-after-1-month/>

Please note, these are workers who have entered the country legally.

Before getting too uptight, bear in mind that most foreign workers in Malaysia have a benign experience. Travelling to remote villages in Indonesia, often the nicest house with the only car is owned by someone who spent ten years in Malaysia. Long hours in a factory were probably easier than long hours in a padi field. And much of the employer mistreatment of labour that occurs overseas is also common in their home countries.

Companies such as Charoen Pokphand and Sime Darby have been working with the labour rights activist Andy Hall. That these issues are discussed in the Malaysian press and the government has responded is good news. Tenaganita performs employment audit work for Malaysian companies but insists that the company must be prepared to follow up on their recommendations before engagement.

But more work needs to be done to ensure that the extreme cases do not recur. Malaysia's government has also realised it needs to do more to attract foreign investors to its stock market. Being off-limits for ESG purposes is not acceptable. But still, I'd encourage those of you doing business in Asia to do more than just focus on the **E** in ESG. Ask about the employment conditions of the staff. Environmental pressure over palm oil has led to more sustainably produced oil. It's a slow process, but it does work.

For those with a further interest in the **S** in ESG, please click on the following links. And bear in mind that Tenaganita largely relies on donations.

Irene Fernandez

https://en.wikipedia.org/wiki/Irene_Fernandez

Tenaganita

<https://tenaganita.net/>

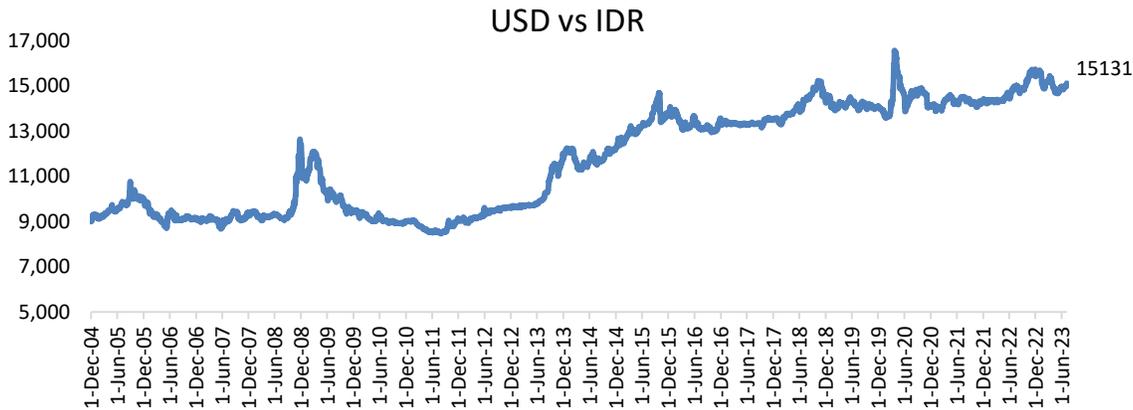
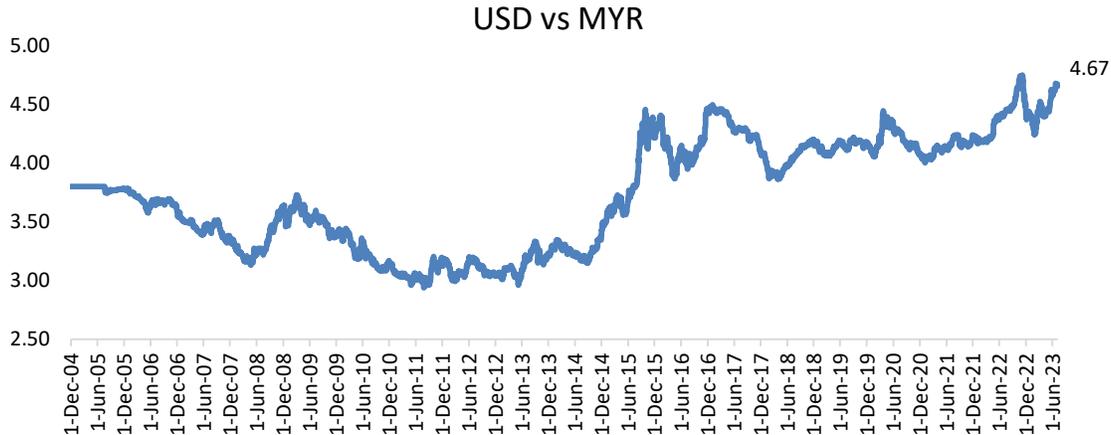
Andy Hall

<https://www.linkedin.com/in/andyhall1979/?originalSubdomain=np>



Outlook

Since the fund's inception in 2004, against the US Dollar, the Malaysian Ringgit has fallen from 3.80 to 4.67. And the Rupiah from 9,000 to 15,131.



We don't do any hedging, yet we've managed annualised USD returns of +10%. This has been possible because we've owned enough significantly undervalued stocks to prevail against what seems to be perpetual USD strength. Given that our fund's investments remain, in my view, significantly undervalued, I'm hopeful this can continue.

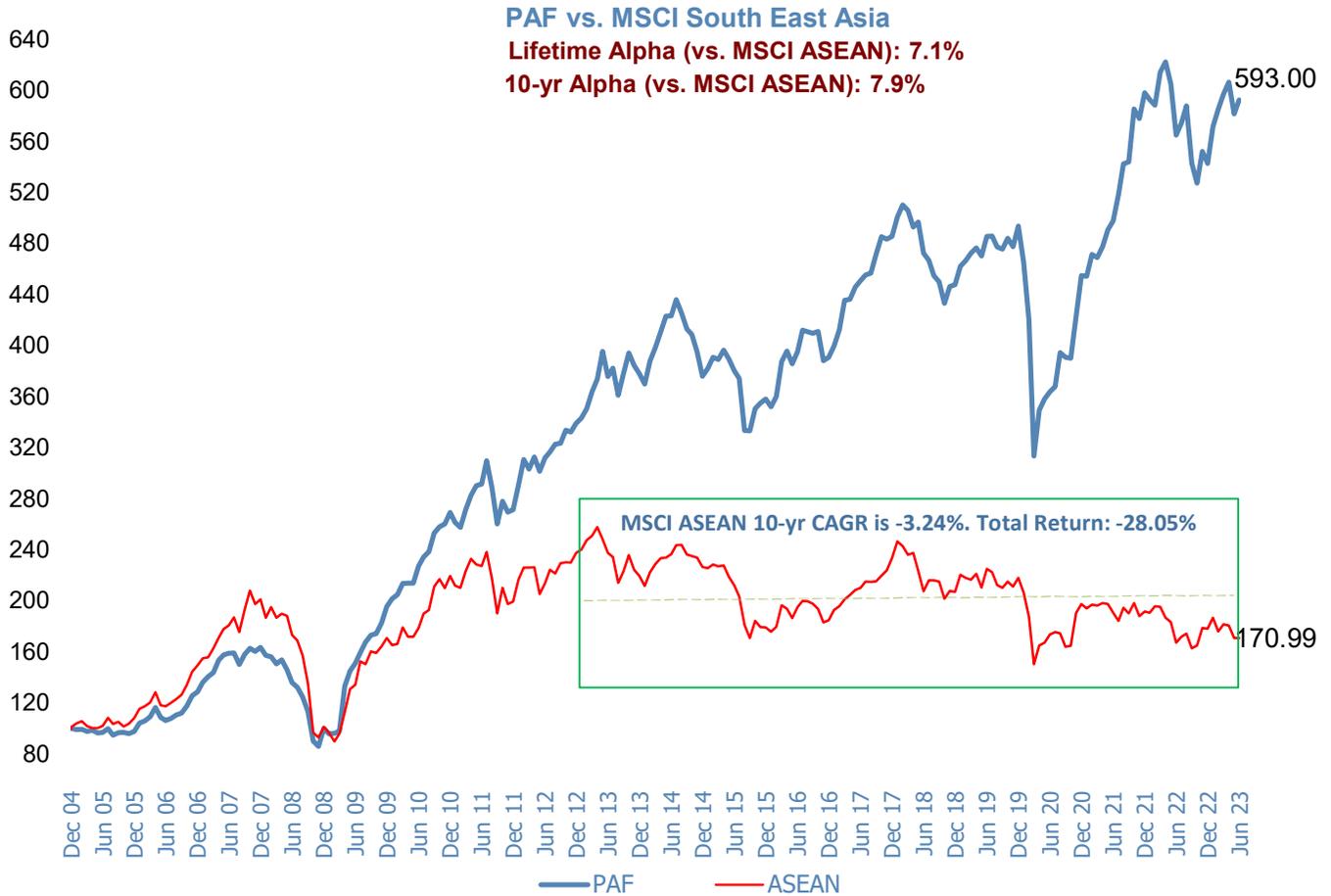
Pangolin Asia Fund weighted valuations (30/6/2023)

	2021A	2022A	2023F
P/E (x)	21.8	11.6	10.4
Profit Growth (%)	24	92	17
ROE (%)	17	20	21
ROIC (%)	31	27	39
Div Yield (%)	3.9	5.0	5.5

James
10th July 2023



Eighteen years track record and annualised return of 10.05%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	NAV	571.92	585.67	597.55	606.77	581.95	593.00							9.16%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%							
2022	NAV	593.29	588.82	614.73	622.83	605.35	565.54	574.94	588.17	543.35	527.78	552.46	543.22	-9.23%
	% chg	-0.86%	-0.75%	4.40%	1.32%	-2.81%	-6.58%	1.66%	2.30%	-7.62%	-2.87%	4.68%	-1.67%	
2021	NAV	454.64	471.89	469.26	477.70	491.07	497.99	518.78	542.88	544.24	585.87	578.32	598.45	31.44%
	% chg	-0.15%	3.79%	-0.56%	1.80%	2.80%	1.41%	4.17%	4.65%	0.25%	7.65%	-1.29%	3.48%	
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 **65.02%**
Annualised return **10.05%**



By Sector

