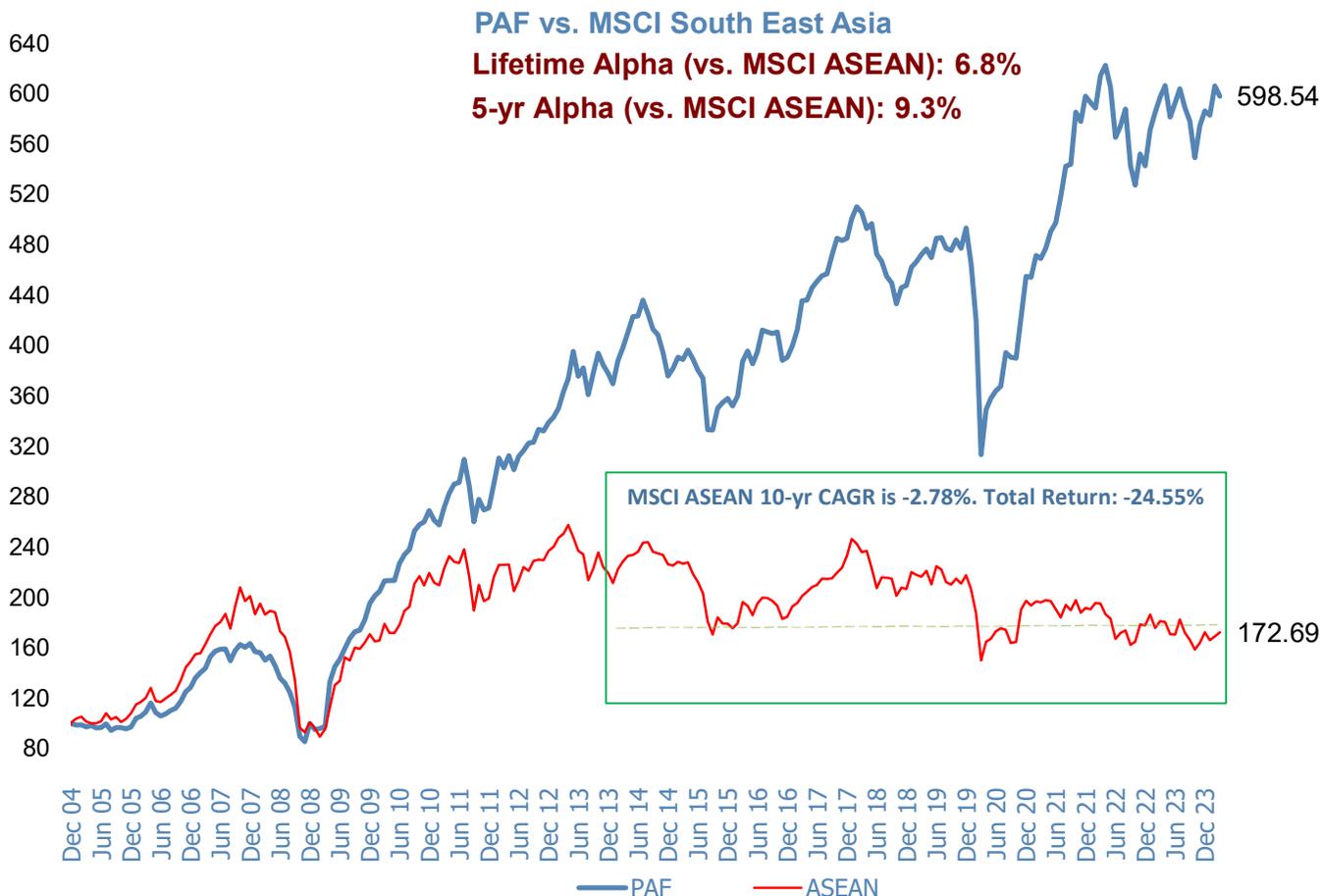




Pangolin Asia Fund March 2024 Interim Newsletter



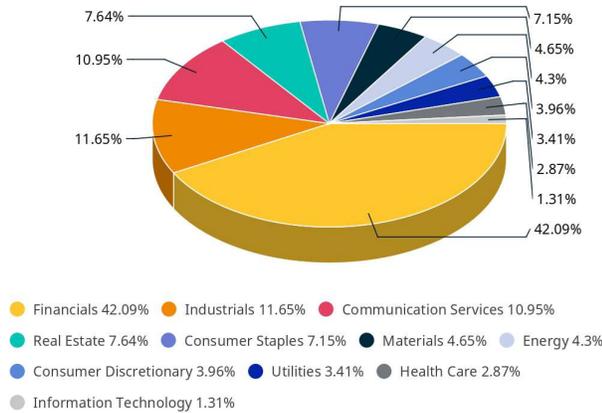
ASEAN's Underperformance

Those who have encountered any Pangolin Asia Fund material will most likely be familiar with the graph above, illustrating our performance versus that of the MSCI AC ASEAN Index. It is important to note that we do not hold ourselves to any benchmark but, if we were to use any, this is probably the most relevant. Although you'll be aware we've significantly outperformed it, perhaps it would be useful for us to explain what this index is, and why it's down 24% over the past decade.

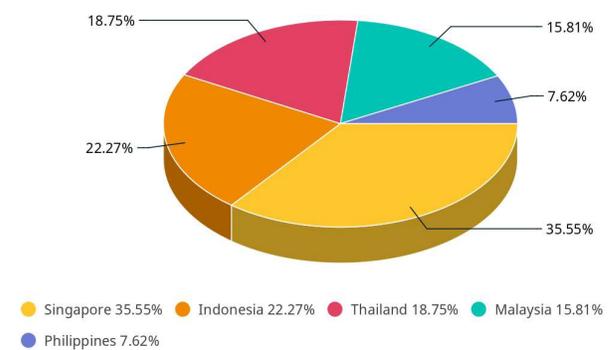
According to its most recent factsheet, the MSCI AC ASEAN Index is made up of 127 mid to large cap companies within 5 Southeast Asian nations: Singapore, Indonesia, Thailand, Malaysia and the Philippines. As the breakdown below shows, the index is dominated by Financials, with Industrials and Communication Services also holding a significant weighting. The only developed country in the index, Singapore, makes up over one third of the index, whereas Indonesia (the largest economy by far) is just 22%. The top 10 holdings (7 Financials and 3 Communication Service companies) make up nearly 40% of the index, with 17% of this alone coming from Singapore Banks. The median market cap of the index is nearly USD 2.2 billion (for reference, ours is USD 590 million). In general, the fundamentals of most of the companies within the index are OK, the index is on a P/E of 15x and a 4% dividend yield, yet its returns have been abysmal.



SECTOR WEIGHTS



COUNTRY WEIGHTS



Source: MSCI

There is a J.P Morgan ASEAN Equity fund that, although not an official index tracker, much resembles the MSCI ASEAN Index, with near identical Sectoral and Regional Breakdown and an incredibly similar top 10 holdings. This fund is nearly a billion dollars, and, although it has performed marginally better than the index, its returns are unequivocally underwhelming. One look at the index or this fund's performance would paint a bleak picture of investing in ASEAN and likely put off many investors.

The reality is that most investors in ASEAN get index or quasi-index exposure, as seen in funds like the J.P Morgan one; therefore, their returns will have fallen short of expectation. It is no wonder we've seen foreign investors reducing their ASEAN exposure over the last decade. So why has this index performed so terribly in a period where we've been able to make money?

The most obvious reason is simply the lack of interest in Emerging Markets and Southeast Asia. Most investors are far more interested in the NASDAQ and the S&P 500 than overlooked ASEAN. Even most locals would rather buy a "Magnificent Seven" US stock than a good company in their domestic market. Local companies just do not have the allure of these sexy US tech giants. Furthermore, for most investors over the last decade, Emerging Market and Asia exposure has meant just China, India and now Japan. Simply put, ASEAN is low down the pecking order, and the index has suffered for this. Having said this, in the past year or so we've seen a momentum shift, with our region starting to see much more foreign buying. If this continues, and ASEAN once again becomes flavour of the month, the index will shoot up and the flood gates will open.

In addition to the investor disinterest, the index has suffered due to the weak performance of our currencies over the last decade. It is an uphill battle that companies and investors are constantly fighting, us included. The below table shows the performance of four ASEAN currencies vs the US Dollar over the last decade. It is no wonder returns for so many investors in ASEAN have been below expectations.



Period	USD/MYR	USD/SGD	USD/IDR	USD/THB	y-o-y % change			
					USD/MYR	USD/SGD	USD/IDR	USD/THB
31-Dec-13	3.28	1.26	12,171	32.7	-8.9%	-3.1%	-21.0%	-7.2%
31-Dec-14	3.50	1.33	12,388	32.9	-6.2%	-4.7%	-1.8%	-0.6%
31-Dec-15	4.29	1.42	13,788	36.0	-18.6%	-6.6%	-10.2%	-8.7%
31-Dec-16	4.49	1.45	13,473	35.8	-4.3%	-2.0%	2.3%	0.5%
31-Dec-17	4.05	1.34	13,555	32.6	10.9%	8.3%	-0.6%	10.0%
31-Dec-18	4.13	1.36	14,390	32.3	-2.1%	-2.0%	-5.8%	0.8%
31-Dec-19	4.09	1.35	13,866	29.7	1.0%	1.3%	3.8%	8.8%
31-Dec-20	4.02	1.32	14,050	30.0	1.8%	1.8%	-1.3%	-0.8%
31-Dec-21	4.17	1.35	14,263	33.2	-3.5%	-2.0%	-1.5%	-9.8%
31-Dec-22	4.40	1.34	15,573	34.6	-5.4%	0.7%	-8.4%	-4.0%
31-Dec-23	4.59	1.32	15,399	34.3	-4.1%	1.5%	1.1%	1.0%

FX change

2023 vs 2013	-28.6%	-4.4%	-21.0%	-4.5%
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As our returns vs the index shows, exposure to ASEAN solely through an index is the wrong approach to take to the region. When we make the ASEAN investment case, the crux of it is the consumption story and the rapidly growing middle class. That is what makes ASEAN so promising and what our portfolio is centred around. However, the reality for those investors who buy the index, or something similar, is that they are not truly exposing themselves to this compelling growth story. Are big Singapore Banks and Telco companies really playing on the changing consumption patterns and growing middle class in Southeast Asia (Indonesia's middle class is growing by 10% a year)? Of course there is some overlap, and the consumption story won't hurt these companies, but it begs the question whether investors who target the index are missing the trick with ASEAN stocks, inadvertently avoiding this most pivotal element of the region's investment case.

Index investing has not been able to outweigh the effects of investor disinterest combined with significant currency depreciation. Value investing has managed turn a profit, despite the above.

However, for those looking to dig deeper and pursue careful research and stock selection, the region holds as good opportunities as any to make money. The demographic story is promising, economies and earnings are growing impressively, and the value is crazy. All in all, perhaps the most logical way for an investor to approach the region is through investing in the Pangolin Asia Fund. Like the Pangolin foraging the forest floor for food, we scour the landscape meticulously for our best ideas, often in areas where most do not tread. While investors keep buying the index, the rest of our markets are filled with value aplenty, and we believe it is only a matter of time before the herd will begin to take notice!

Bill Betts
27th March 2024



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	NAV	583.20	606.55											3.39%
	% chg	-0.59%	4.00%											
2023	NAV	571.92	585.67	597.55	606.77	581.95	593.00	604.19	589.30	578.62	549.65	574.87	586.68	8.00%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%	-5.01%	4.59%	2.05%	
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%	

Best monthly return 35.77%
Worst monthly return -25.36%
Maximum drawdown -47.53%
% of positive months 64.50%
Annualised return 9.82%