



Pangolin Asia Fund January 2015 NAV

As at the 31st of January 2015 the NAV of the Class A shares of the Pangolin Asia Fund was US\$382.31 net of all fees and expenses, up 1.60% from US\$376.28 in December.

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

As of today, the fund is about 85% invested with the split being approximately as follows:

| | |
|-----------|-----|
| Singapore | 23% |
| Malaysia | 27% |
| Indonesia | 32% |
| Thailand | 18% |

No names I'm afraid but some details of the individual holdings are always available to investors on request.

Overview

To put the month 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 | PAF |
|--------|-------|---------|------|------|------|------|------------|------|
| Jan 15 | -3.7% | -3.1% | 1.2% | 1.1% | 0.8% | 5.6% | 1.8% | 1.6% |

Return (in USD)

| Period | DOW | S&P 500 | JSE | KLSE | STI | SET | MSCI ex JP | PAF |
|--------|-------|---------|-------|-------|-------|------|------------|------|
| Jan 15 | -3.7% | -3.1% | -1.1% | -2.5% | -1.3% | 6.1% | 1.9% | 1.6% |

| Month | USD / MYR | USD / SGD | USD / IDR | USD / THB |
|--------|-----------|-----------|-----------|-----------|
| Jan 15 | -3.64% | -2.12% | -2.24% | 0.46% |

We've been buying shares in Indonesia, Thailand and a little bit in Malaysia. The markets' nervousness has made buying slightly easier, and some of what we like has become available both at attractive pricing and in reasonable size.

Outlook

A month ago all the clever people were very bearish of our investment geography. Bear in mind that it is normal for strategists, traders, brokers and fund managers to rage hot and cold; it's all part of the cycle.

There are still plenty of bears but one thing that has changed is that there is now an occasional optimist. Some have been brave enough to say that even **Malaysia's** economy might not be doomed after all.

As you all know a large part of Malaysia's state revenue is from oil. But Malaysia is much more than a Venezuelan-style petro-economy. Last month's trade numbers show a continued surplus, much of which is derived from electronics exports. It remains an easy place for foreign manufacturers to invest and the weaker Ringgit will only have enhanced its attractiveness.

The government seems committed to reducing the budget deficit. The oil price fall has not derailed this plan; just slowed it down.



Yes there is weakness in Malaysia. The consumer sector is not exactly booming and there are too many new properties. I live in a nice bit of town (Damansara Heights) but there are many empty houses. Some put this down to my new hi-fi and a love of pre-Brian Johnson AC/DC, but actually rich Malaysians have stopped buying Malaysia and have been snapping up London property in a big way. And when London prices and the pound go up, they buy more.

At some point London's bubble will pop. And at some stage people will realise that KL property is attractively priced again. It's all about cycles.

Please bear in mind that slowdowns in Asia are not like slowdowns in the West. In bad times here, companies still open new stores; they just perhaps grow the number in a given year by 5%, not 10%. There are many towns without a modern mall or even supermarket. Let alone fashion stores and other essentials (KFC, McDonald's etc). This continues to be a region of expansion.

I was at a conference in **Bangkok** last week. It is obvious that the PRC tourists are back and spending big. At the conference the cosmetics company Beauty told me their 2014 18% same store sales growth was driven largely by Chinese visitors. In January the Malaysian authorities, anxious not to miss out, reduced visa requirements for PRC tourists. ASEAN governments in need of tourist \$\$ now roll out the red carpet so the Chinese can come and buy products made in China to take home.

And we all know about the crumbling of the **Indonesian** economy due to the drop in commodity prices. So it might come as a surprise that FDI grew 13.5% last year and domestic direct investment was up 21%. A lot of the surge happened after the election, reflecting confidence in the new president.

Indonesia's 2014 electricity sales grew 10% and are forecast to grow 6% in 2015. Presumably a combination of industrial demand and some people getting the stuff for the first time led to the growth.

Nice Politics - Not

Next Tuesday Anwar Ibrahim (Malaysia's opposition leader) will learn if he is going to be jailed (yet again) for sodomy. In **Thailand** the coup leaders seem to be losing patience with the limited criticism they have allowed. And there is still the Lèse Majesté law that makes any criticism of the royalty an offence. An opposition activist was arrested this week for, I believe, passing on an email about the king's health. It's difficult to know exactly what the charge is as reporting it might also be construed as negative. When the king does eventually die, I wonder who will be brave enough to tell anyone?

Valuations

The fund's weighted average PE for 2015 is 10.5x with an ROE of 20%. If we take out our two large-caps the PE falls to 8.9x.

While relatively relaxed about the region's economies, I remain concerned about some of the expensive valuations out there. When there is a lot of cash swilling around, some investors happily overpay for *potential*. At Pangolin, we try to underpay for what is already there.

And if you want potential – try the Congo.

Vinchel

This time tomorrow our colleague and the-brains-behind-Pangolin will be a married man. We wish him and Corinne a happy future together.

James Hay.
6th February 2015

I 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 happy when markets falling.



| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|---------|
| 2015 | NAV | 382.31 | | | | | | | | | | | | 1.60% |
| | % chg | 1.60% | | | | | | | | | | | | |
| 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 68.03%
Annualised return 14.10%

By Sector

