



Pangolin Asia Fund January 2016 NAV

As at the 29th of January 2016 the NAV of the Class A shares of the Pangolin Asia Fund was US\$352.31 net of all fees and expenses, down 1.69% from US\$358.38 in December.

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

As of today, the fund is about 90% invested with the split being approximately as follows:

| | |
|-----------|-----|
| Singapore | 17% |
| Malaysia | 30% |
| Indonesia | 31% |
| Thailand | 22% |

We don't disclose our names but some details 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 16 | -5.5% | -5.1% | 0.5% | -1.5% | -8.8% | 1.0% | -7.7% | -1.7% |
| YTD 16 | -5.5% | -5.1% | 0.5% | -1.5% | -8.8% | 1.0% | -7.7% | -1.7% |

| Return (in USD) | | | | | | | | |
|-----------------|-------|---------|------|------|-------|------|------------|-------|
| Period | DOW | S&P 500 | JSE | KLSE | STI | SET | MSCI ex JP | PAF |
| Dec 16 | -5.5% | -5.1% | 0.6% | 1.8% | -9.1% | 1.7% | -7.7% | -1.7% |
| YTD 16 | -5.5% | -5.1% | 0.6% | 1.8% | -9.1% | 1.7% | -7.7% | -1.7% |

| % Change in Currency Vs USD | | | | |
|-----------------------------|------|-------|------|------|
| Month | MYR | SGD | IDR | THB |
| Jan 16 | 3.5% | -0.4% | 0.1% | 1.0% |
| YTD 16 | 3.5% | -0.4% | 0.1% | 1.0% |

We've continued buying in Indonesia and Malaysia. Our recent exit of a profitable investment in a Malaysian furniture manufacturer has been replaced with a durable household product manufacturer with a dominant market share, large cash pile, and an estimated dividend yield of 6%.

Outlook

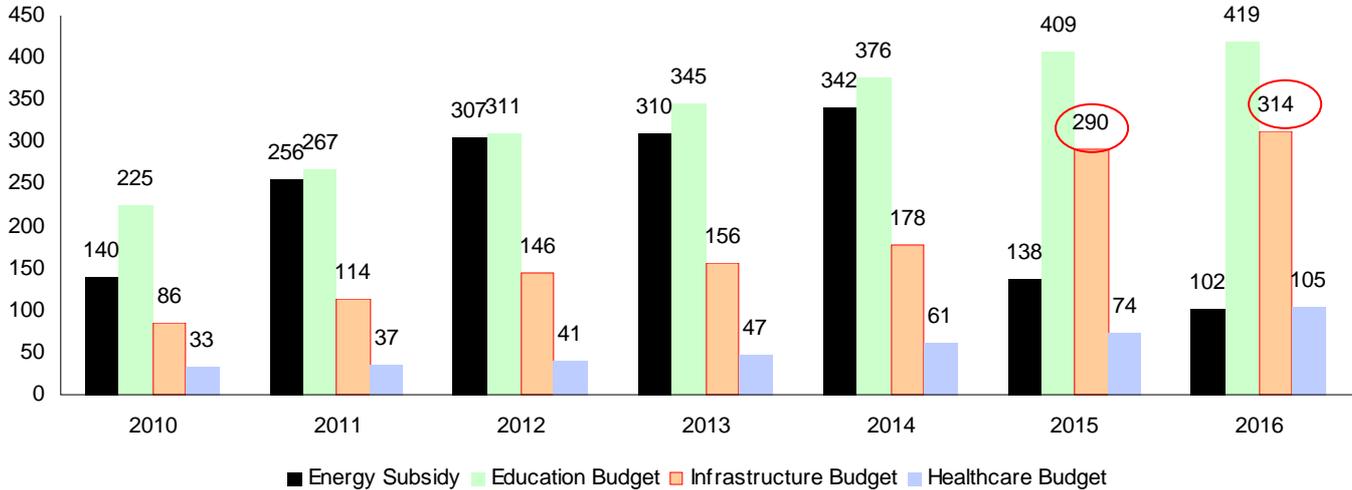
Much of our recent focus has been on **Indonesia** as the country looks to boost growth. Whereas in the past there has been much talk and not a lot else, now the government looks serious about the implementation of its infrastructure plans which are, this time around, accompanied by credible economic reform.

For many years the Indonesian government's infrastructure budget has been heavily constrained by spending on energy subsidies. In 2014, less than 2% of country's GDP was reserved for infrastructure. Now that the fuel subsidies have been removed and the oil price is at its low, there is ample room to spend more productively. And with government debt to GDP a mere 27%, Indonesia can easily leverage up to fund future growth.



IDR 314 trillion (or USD 22.9 billion) has been budgeted for infrastructure expenditure in 2016, a sign that the government is serious about unlocking bottlenecks and attracting more foreign and domestic direct investment.

Energy Subsidy vs. Govt Expenditure by Sector (IDR trillion)



Examples of ongoing infrastructure projects include:

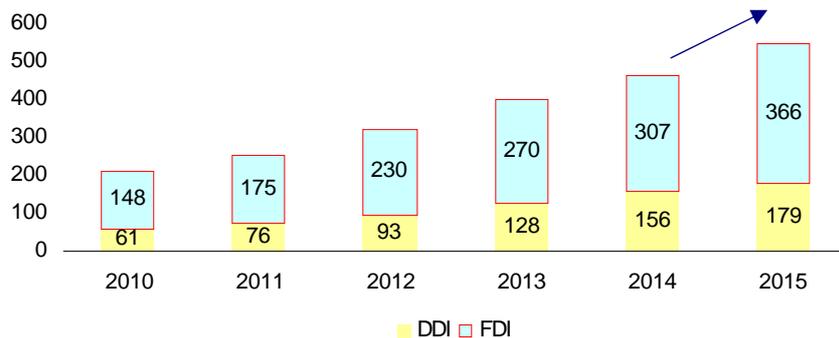
- Toll roads
- New airports and runway extensions
- In Jakarta, a much-needed airport railway, MRT, and LRT
- Ports such as the new Priok seaport in Jakarta, Kuala Tanjung Port in North Sumatra and Arun LNG Storage in Aceh
- In West Papua, the Holtekamp Bridge will be just about the first new road since the Dutch left
- A fibre optic cable system connecting Sulawesi, Maluku, and Papua
- And the much talked about Jakarta-Bandung high-speed train

These projects will have a multiplier effect on the economy, triggering growth in other industries such as cement and property, while job availability grows accordingly (and boosting consumption which is what we're in). It's not like in the West where infrastructure spending is just about traffic relief; in Indonesia and developing Asia this expenditure opens up whole areas to commerce.

On the private investment side, despite the collapse in commodity prices, FDI growth has been spectacular. In 2015, FDI grew +19% to IDR 366 trillion (or about USD 29 billion). Noteworthy is that commodities share of FDI dropped to 21% in 2015 (from 25% in 2011), while investment in the real estate, electricity, gas, and water sectors has picked up.

Indonesia's Domestic Direct Investment (DDI) & FDI (IDR trillion)

Source: Indonesia Investment Promotion Centre





Recent examples of larger, non-commodity investments include:

- January's announcement by the Chinese car maker SAIC General Motors Wuling to invest USD 700 million in a 300-hectare factory in Cikarang, and
- In September 2015, Fonterra opened its first blending and packing plant in Indonesia. The plant is the company's largest investment in ASEAN in the last decade.

Continuous rising investment figures give rise to optimism that Indonesia can expect to see more investment in the years ahead, particularly as the government has unveiled a series of 9 economic stimuli, which will make investing in Indonesia easier.

The country looks well set to recover from the commodities' rout. Fundamentals appear solid on the following counts:

- low debt levels (government debt to GDP of 27% and household debt to GDP of 10%)
- infrastructure projects are being rolled out
- factories are being built
- car & motorbike sales are recovering
- IT ownership & internet penetration is low
- loan growth is double digit, and
- consumption growth is back

This is coupled with cheap valuations. On a PB basis Indonesia is very cheap. Index PEs are not at all time lows but remember that these are distorted by struggling commodities companies (of which Pangolin owns none).

Figure 21

JCI PE band



Source: CLSA



Figure 22

JCI PB band



Source: CLSA

The market correction has led to buying opportunities. In our view, the companies we own in the portfolio are very cheap. And at this point, we are happily buying more.

Gong Xi Fa Chai

Vinchel Budihardjo

5th February 2016



| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|---------|--------|--------|--------|--------|--------|--------|--------|---------|--------|---------|--------|--------|---------|
| 2016 | NAV | 352.31 | | | | | | | | | | | | -1.69% |
| | % chg | -1.69% | | | | | | | | | | | | |
| 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 65.67%
Annualised return 11.94%

By Sector

