Dear Investors,

I hope you are all well and not finding 2020 as tough going as we at Pangolin are. It's not the easiest time to be a value manager anywhere, let alone in SE Asia. As I write, I see that the Dow is now up for the year while NASDAQ & the S&P are touching new highs.

By contrast, the **Pangolin Asia Fund** is down 20% YTD, despite being up 6% for the month. The MSCI ASEAN Index is down 19% YTD, so we are a bit behind that.

Generally, our fund does better than the indices in a down year, lags a rip-roaring bull market and over the longer-term, when fundamentals count, has outperformed. But this year, we are behind the index.

Why? Largely because I was reluctant to commit money when prices were low earlier in the year as I could see no predictability for corporate earnings. I confess that, also, I was guilty of wishful-thinking in hoping that prices would collapse further and we would get the opportunity to really make hay.

The good news is that we are beginning to see some earnings clarity. We remain cautious investors, unwilling to commit when we think we are putting long-term capital at risk. Our base case, for a lot of the companies we follow, was that 2022's earnings would look like 2019's. There is now, as economies settle at a lower level, enough business stability for us to determine what looks cheap and what doesn't. And without being able to forecast earnings, committing capital would, in my view, have been speculating rather than investing.

ASEAN markets are down 20%. Some of what we like has done worse than that (remember we're often in the small-cap space). The economies have all taken a hit but are gradually bouncing back and business activity is retuning to a new normal.

By country, Malaysia had 5 new cases today and gets agitated if there are more than 10. Given that there is virtually no chance of contracting COVID, normality has returned. Offices are back at work, restaurants are full and rush-hour is jammed. We can play football but not watch it. And retail is recovering slowly.

Indonesia is learning to live with it. Testing is way behind and the grave-diggers remain busier than the statistics would suggest they should be. But there is no choice for many than to go out and work.

Singapore's high numbers of late have largely been from stringent testing and re-testing of its migrant worker population. Infections have been high, spread through the somewhat cramped workers' hostels. The numbers are now falling quickly. Today there were 77, new cases, all but 2 within the migrant community. Singapore will be back in business in October.

In April, I was not accepting new money into the fund. We're not at the lows, but many companies are now a lot cheaper than they were, even when basically writing off 2020's profits and heavily discounting next year's. We remain long-term investors and are now reopening the fund to take advantage of what we believe to be superior opportunities.

For the next month, I'll be in the UK and I'm more than happy to discuss the above in greater detail. Zoom, WhatsApp or whatever, just let me know.

James Hay.
27th August 2020.

Pangolin Investment Management Pte. Ltd., 50 Raffles Place, #22-02 Singapore Land Tower, Singapore 048623.
Tel : +(65) 6334 4475 / Fax : +(65) 6438 8082, Email : info@pangolinfund.com Website : www.pangolinfund.com