



Pangolin Asia Fund November 2018 NAV

As at the 30th November 2018 the NAV of the Class A shares of the Pangolin Asia Fund was US\$446.46 net of all fees and expenses, up 3.01% from US\$433.40 in October.

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

As of today, the fund is about 84% invested, with the split being approximately as follows:

Singapore	12%
Malaysia	39%
Indonesia	32%
Thailand	17%

We don't disclose our names but some details are always available to investors on request.

Overview

To put things 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	MSCI-ASEAN	PAF
Nov 2018	1.68%	1.79%	4.72%	-1.72%	3.27%	-1.64%	5.25%	3.16%	3.01%
YTD 2018	3.31%	3.24%	-3.91%	-6.51%	-8.38%	-6.38%	-13.85%	-10.95%	-8.10%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Nov 2018	1.68%	1.79%	11.32%	-1.72%	4.27%	-1.13%	5.25%	3.16%	3.01%
YTD 2018	3.31%	3.24%	-8.93%	-9.59%	-10.81%	-7.42%	-13.85%	-10.95%	-8.10%

% Change in Currency Vs USD				
Month	IDR	MYR	SGD	THB
Nov 2018	6.30%	0.00%	0.97%	0.51%
YTD 2018	-5.22%	-3.29%	-2.65%	-1.11%

I can't think of much to write. We've had pretty decent Q3 results from our holdings, particularly in Indonesia, with one exception in Malaysia. This, our high street retailer, was hit by rising costs and inventories although sales also increased. The higher costs are largely related to ongoing expansion, so I'm not too bothered. The share price however has fallen about 32% since the results were released, which is probably more a reflection of market sentiment than much else.

And you don't need me to tell you what's been happening to markets.



Palm Oil

There's an excellent report on palm oil in December's National Geographic magazine. I recommend you ask Santa for a copy. The pressure from Western companies is beginning to bite. Iceland in the UK is no longer selling any products with palm oil, much to the consternation of Malaysia's new primary industries minister. We don't invest in palm oil; for the sake of the pangolin, please don't either.

Outlook

Outperformance of the US vs Asia

PAF vs indexes return (rebased to =100)



As the above chart shows, Asia's markets have been underperforming rampant Wall Street for a while now. With Wall Street wobbling there is, if anything, increased investor fatigue towards our part of the world. And, as we've shown last month, the yield on the portfolio (at approximately 4.9%) is just about at an all-time high.

Do I feel optimistic? Given the valuation differentials, I reckon the fund should be fine over any sensible investing time period. The only caveat is what happens in other markets. If there's a bear market, what ought to happen is that allocators should move money from the overvalued West to undervalued Asia. What actually happens when the US craps out is that Asia gets sold along with it; in fact, sometimes more so as there is an oxymoronic "flight to safety".

I have just read a comment in another newsletter telling me that in bear markets balance sheets matter. *At Pangolin we believe they always matter.* Nearly all the portfolio consists of companies with net cash; the exceptions being our finance companies (not excessively geared) and a couple of our property businesses (again with low gearing). I just don't like debt. And it gives these businesses flexibility when their indebted peers are struggling.

Anyway, a high yield and investor fatigue are good omens, not bad ones.

As a fund we've just turned 14. Our USD annualised return is 11% and if this year we've been hit less hard than some others, I put that down to our stock selection more than anything else. With any luck we can continue to pick winners and avoid too many lemons.



Despite looking elsewhere, we remain invested in only four countries. It's not only laziness that restricts our geography; but a fear that by chasing higher returns in countries we understand less well, we also increase our risk. The fund currently has 19 holdings, all of which we know well. In our 14 years we've only ever owned 56 stocks. Our style is unlikely to change much, if at all. You can decide if that is good or bad.

Many thanks to my colleagues and directors for their hard work and support. Merry Christmas and a Happy New Year to all and we'll reconnect in early January when our diets have started and we still believe that this time we'll stick to our New Year resolutions.

James Hay.
10th December 2018

We 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 happiest when markets are falling.



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	NAV	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.4	446.46		-8.10%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%	-4.90%	-1.17%	-2.56%	-1.10%	-3.75%	3.01%		
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 -20.42%
Maximum drawdown -47.53%
% of positive months 65.48%
Annualised return 11.28%

By Sector

