



Pangolin Asia Fund Sep 2019 NAV

As at the 30th of September 2019 the NAV of the Class A shares of the Pangolin Asia Fund was US\$475.87 net of all fees and expenses, down 0.38% from US\$477.67 in August.

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

As of today, the fund is about 87% invested, with the split being approximately as follows:

Singapore	22%
Malaysia	30%
Indonesia	34%
Thailand	14%

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	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2019	1.95%	1.72%	0.46%	-2.52%	-1.75%	0.43%	-1.07%	1.44%	-0.91%	-0.38%
YTD 2019	15.39%	18.74%	20.56%	-0.41%	-6.31%	1.67%	4.69%	3.55%	1.62%	6.19%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2019	1.95%	1.72%	0.46%	-2.50%	-1.39%	0.80%	-0.96%	1.44%	-0.91%	-0.38%
YTD 2019	15.39%	18.74%	20.56%	0.96%	-7.57%	0.25%	10.58%	3.55%	1.62%	6.19%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Sep 2019	0.43%	0.38%	0.02%	0.12%
YTD 2019	-1.29%	-1.37%	1.37%	5.64%

It's hard to make progress at the moment as the narrow ETF-driven focus continues to prevail at the expense of nearly all else. Malaysia's KLCI touched a low last week not seen since 2012. This is despite the economy continuing to do pretty well. I'm told that GDP growth will be roundabout 5% this year and next.



Street Fighting Man

“The time is right for fighting in the street, boy.” Mick & Keith.

HK. Papua. And all over Indonesia. The problem with an educated youth is that they will no longer swallow (hook, line and sinker) the nonsense spouted by their politicians. Indonesia has been wracked by nationwide demonstrations against the government as it has tried to introduce new measures. These include:

- a) Rendering the anti-corruption committee toothless
- b) Making it an offence to insult the president
- c) Banning pre-marital and extra-marital sex

In this connected age, President Jokowi has gone from hero to zero with the young very quickly, despite winning the election just a few months ago. The people are no longer uninformed and, as we see elsewhere, no longer prepared to put up with politicians putting their interests ahead of the people's.

The demonstrations have been violent and students have been beaten by the police. There have been 2 deaths. Indonesia has the region's freest press and this will lead to further problems. In 1998, the protests were largely contained until the police started killing demonstrators, after which Suharto was ousted pretty quickly.

In theory, President Jokowi is an Obama style reformer. After securing his second and final term, the expectation was that he would push his reformist mandate. Instead, he seems to be going against what we assumed he stood for.

When it comes to corruption, many Indonesians are just fed up with the politicians creaming off so much. As for insulting the president, it reminds me of Zimbabwe's attempt to make it a crime to laugh at their then president's name (Canaan Banana).



As to the third point, Indonesia is a conservative country and, although it looks like Jokowi is pandering to the religious lobby, most young people don't have a problem confining sex to within marriage. But what is different is that this generation wants to choose for themselves.

Developing nations' governments are discovering that their emerging middle classes will not be quiet just because they own a Dyson.

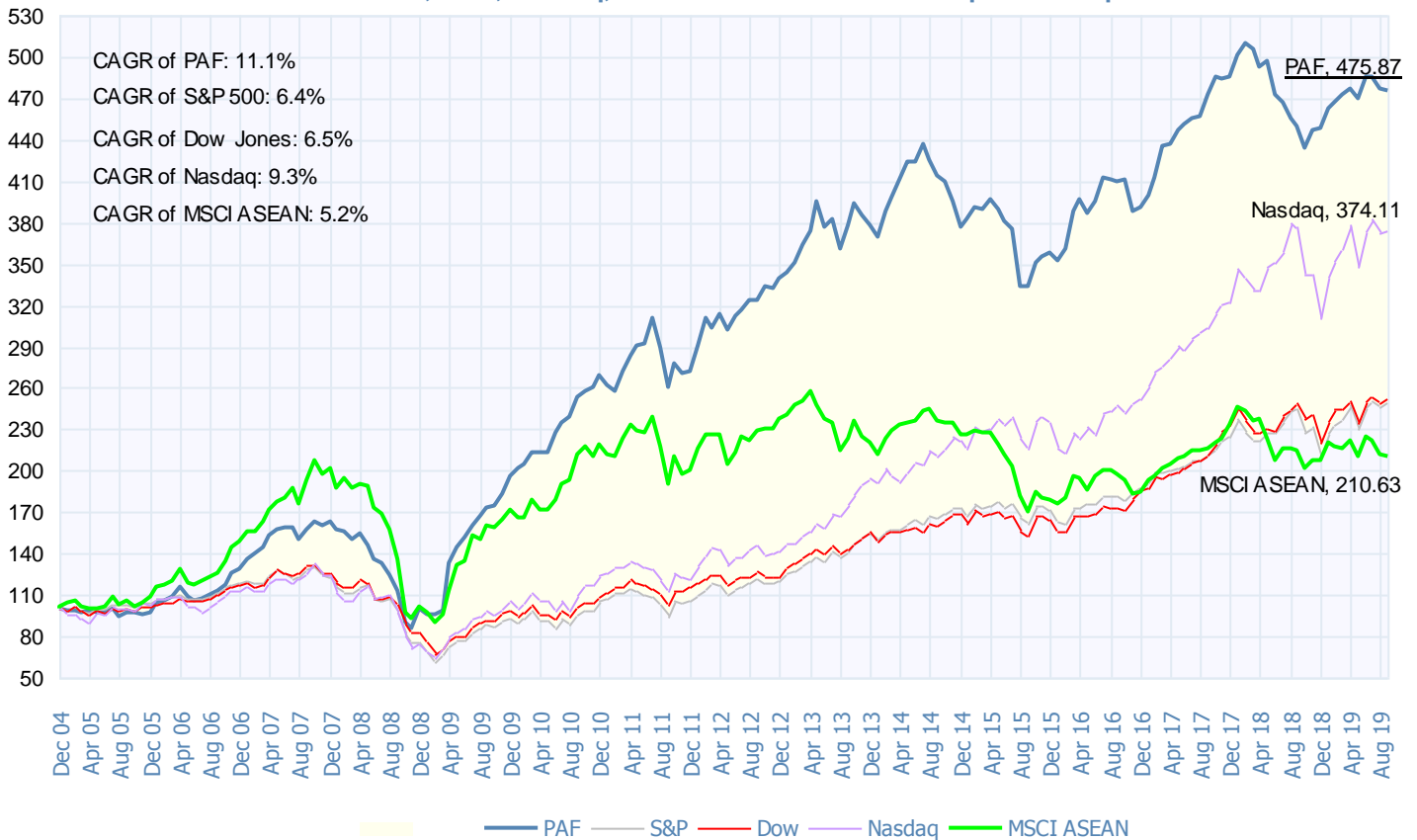
Outlook

I've just been marketing the fund in the Midwest. There used to be a time when fixing meetings in the US was a doddle. Not anymore. There hasn't been this little interest in what Pangolin does since 2009. We are seeing capitulation from investors who ought to know better, but are getting flak for holding a portion of their portfolios in anything-but-NASDAQ.

And it's not that surprising given the underperformance of our region. Over the past 3 years the compound growth rates have been:

MSCI ASEAN	2.1%
Pangolin	5.1%
NASDAQ	14.6%

PAF vs. S&P 500, Dow, Nasdaq, and MSCI ASEAN since Inception to Sep 2019





ASEAN is a stable region with above-par growth and a youngish population eager to put in the hours to improve their lives. Debt levels are reasonable (we still remember 1998) and the lack of analyst coverage ensures that if we stick away from the index names, there are many mispriced opportunities.

We run a concentrated portfolio. The top 5 names in the fund account for about 50% of what is invested. Up until recently four of these had no analyst coverage. Last month this fell to three as the broking community discovered a company we've owned since 2014.

A lack of analysts has to play to our advantage. The issue is not finding value but when it will move. These markets are stodgy. It's not just here; US small cap value managers are experiencing the same thing.

If you look at our performance chart below you will see that we underperformed from launch till 2008. That's not so surprising – it was a rip-roaring bull market. Highly-g geared, commodity-based, crony-capitalist shares did much better than conservatively managed consumer stocks. Effectively we were buying too early, but in the long run that hasn't mattered too much.

I think we're in a similar period now. There are many clever, complicated and convoluted ways of making money in the stock market. Some of these involve algorithms (whatever they are). Luckily for us thickos at the back of the class, buying cheap and waiting has been proven to work just fine too.

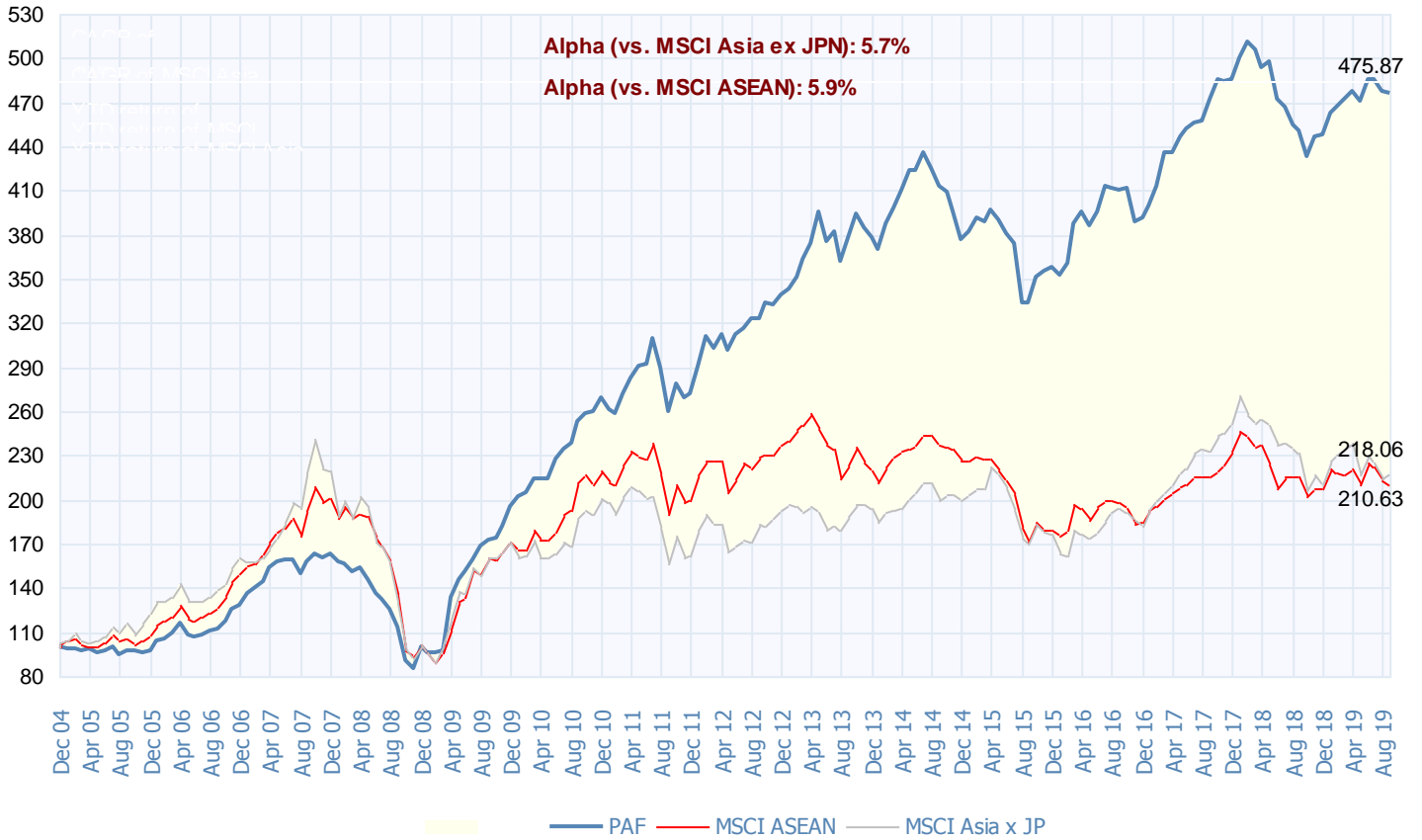
James Hay.
9th October 2019

We don't like to discuss our 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.



Fourteen years track record and annualised return of 11.09%

PAF vs. MSCIs





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87				6.19%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%				
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%	
2004	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 65.73%
Annualised return 11.09%



By Sector

