



## Pangolin Asia Fund March 2016 NAV

As at the 31<sup>st</sup> of March 2016 the NAV of the Class A shares of the Pangolin Asia Fund was US\$387.79 net of all fees and expenses, up 7.59% from US\$360.43 in February.

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	16%
Malaysia	31%
Indonesia	32%
Thailand	21%

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
Mar 2016	7.1%	6.6%	1.6%	3.8%	6.5%	5.7%	11.1%	7.6%
YTD 2016	1.5%	0.8%	5.5%	1.5%	-1.5%	9.3%	1.5%	8.2%
12 months	-0.5%	-0.4%	-12.2%	-6.2%	-17.6%	-6.5%	-14.0%	-0.4%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Mar 2016	7.1%	6.6%	2.4%	11.9%	11.3%	7.0%	11.1%	7.6%
YTD 2016	1.5%	0.8%	9.7%	11.7%	3.8%	11.8%	1.5%	8.2%
12 months	-0.5%	-0.4%	-13.4%	-10.9%	-16.0%	-13.5%	-14.0%	-0.4%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Mar 2016	7.8%	4.3%	1.0%	1.4%
YTD 2016	10.1%	5.2%	4.1%	2.6%
12 months	-5.0%	1.8%	-1.2%	-7.3%

Our fund seems more correlated to the S&P than Asia. The Ringgit is this year's best performing Asian currency as investors realise that not that much has really changed – and the oil price has gone up. A few of our share prices have risen too, as investors begin to wake up to the value in Asia.

Luckily we are close to being fully invested. There is a lot to be said for being in the right place at the right time when investing. More on that later.



## Concrete

My colleagues and I see many prospective investors. In fact, along with meeting business owners, it is the part of the job I enjoy most. We do realise that there are some investors for whom Pangolin is never going to fit. There are many different strategies out there for profitable stock market investing, and the *Pangolin Way* is just one.

Generally, the guys who talk to us about the Fed, the Euro, Gold, China's collapse, Yellen's this & that, politics, moving averages, Greek debt etc. are probably never going to be able to get their heads around our investment rules.

Which are:

- 1) *Don't confuse economics with investing*
- 2) *Don't confuse politics with investing*
- 3) *Don't confuse markets with investing*

No.3 is probably the most contentious and no doubt part of the reason the fund remains relatively small after 11 years (that coupled with my approach to marketing and need of a haircut).

Our 4<sup>th</sup> rule is

- 4) *A good investment is only good if you can get it at the wrong price*

I was unfairly admonished by a friend in Boston last year for gawking at beautiful girls. I had to point out that actually I wasn't gawking at the girls, but rather at the concrete behind them. I have no way of proving this but I reckon there is more concrete in Boston than there is in all of Malaysia. So when I get excited about concrete it's because it hammers home just how far the developing economies still have to go.

While not wanting to confuse economics with investing, I do believe that ASEAN's economies are likely to grow at a faster rate than the US. This translates into rapid growth of the consuming classes. I'm writing this from the Andaman Hotel in Langkawi where a few years ago the guests were almost 100% ex-pat and European. My guess is the split is now 1/3<sup>rd</sup> Asian, with Indians increasingly filling the places on my beach-cricket team.

- 5) *Stay invested – you have to be in it to win it*

If you are fortunate to have bought into a good business at the wrong price and, if it continues to be a good company, stick with it. Markets will occasionally crash (this is when the Fed watchers and Gold Bugs will say "I told you the world is ending") but, on a long-term price chart of any superior company in Asia, these crashes will appear as no more than blips.



The Public Bank chart below illustrates this perfectly. I chose 1993 as a start date to coincide with my arrival in Malaysia. Even 1997/98 is a blip.



Source: Thomson Reuters Eikon

And being out of the market when prices rise significantly hampers returns. Missing the best 25 days of the US market over the past 45 years would reduce your total return from 1,910% to 371%.

See <http://www.marketwatch.com/story/how-missing-out-on-25-days-in-the-stock-market-over-45-years-costs-you-dearly-2016-01-25> for more on this.

I'm not saying Pangolin's approach to investing is better than others. There are many ways to profit from the markets. This is how we do things. The final piece in the puzzle is of course the company analysis but that can be left for a future newsletter.



## Najib or Pandas?

Some of you readers will be coming to KL next week for the Invest Malaysia conference. On Tuesday morning you will have the chance to listen to Malaysia's PM mention nothing about 1MDB in his speech. My advice is to skip it and head to the Zoo where at 11am they release the panda cub and its mum for public viewing. Where else can you see a panda cub?

<https://youtu.be/RItvL4MVvDQ>

I wouldn't bother with the rest of the zoo though. I always thought the best bit was throwing stones at the lions and tigers, but they won't let us do that any more. And they haven't got any pangolins.



James Hay  
8<sup>th</sup> April 2016





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	NAV	352.31	360.43	387.79										8.21%
	% chg	-1.69%	2.30%	7.59%										
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** 66.18%  
**Annualised return** 12.70%

### By Sector

