



Pangolin Asia Fund December 2014 NAV

As at the 31st of December 2014 the NAV of the Class A shares of the Pangolin Asia Fund was US\$376.28 net of all fees and expenses, down 4.79% from US\$395.23 in November. For 2014 the fund's NAV fell 0.52%

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

As of today, the fund is about 79% invested with the split being approximately as follows:

Singapore	24%
Malaysia	27%
Indonesia	31%
Thailand	18%

No names I'm afraid but some details of the individual holdings 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
Dec 14	0.0%	-0.4%	1.5%	-3.3%	0.4%	-6.0%	0.0%	-4.8%
YTD (2014)	7.6%	11.9%	20.5%	-2.5%	5.8%	22.7%	4.6%	-0.5%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Dec 14	0.0%	-0.4%	0.0%	-6.4%	-1.2%	-6.2%	0.0%	-4.8%
YTD (2014)	7.5%	11.4%	20.2%	-11.6%	1.2%	15.2%	4.6%	-0.5%

Month	USD / MYR	USD / SGD	USD / IDR	USD / THB
Dec 14	-3.09%	-1.58%	-1.93%	-0.03%

YEAR	USD / MYR	USD / SGD	USD / IDR	USD / THB
2014	-6.40%	-4.71%	-2.12%	-0.62%

We have been buying more in Indonesia over the past month, paying 10x and below for three companies which we believe have excellent growth potential. Nevertheless our cash as a proportion of the fund has risen due to a combination of:

- (a) New subscriptions
- (b) Dividends
- (c) A fall in the value of the equities

I'd like to be buying more but the falls have not (frustratingly) been accompanied by a lot of volume.

Consumer companies haven't fared so well as others in the past year and this has affected our performance, as has our exposure to Malaysia.



Outlook

I seem to recall most Januaries everyone being quite optimistic. This year it is all gloom and doom. I listened to an economist the other day, a guy I rate highly (i.e. his predictions have a 50% chance of being correct) who reckons the US\$/Ringgit will fall to 3.70 (3.55 now) and the Baht to 40 (33 now).

The point is it doesn't matter (much). Good companies will continue to take advantage of prevailing conditions to grow their businesses. And in the long run, if they can succeed, then this will be reflected in their share prices. Our aim is to try to identify those companies most likely to remain successful.

There has also been a seismic shift in the subsidy mindset. Indonesia and Malaysia have both taken the opportunity to scrap petrol subsidies. The message has been given that other subsidies are also on the way out, something that the populations would appear to have taken on board.

I mentioned above that we are paying around 10x for businesses in Indonesia. At the end of 2008 and beginning of 2009 we were able to buy companies for 5x or less. The difference between then and now is that back then there wasn't really a deterioration in business conditions, just a big drop in share prices.

What is different is that businesses, in particular consumer companies, are not firing on all cylinders. Depressed earnings obviously raise PEs but sometimes it's OK to pay what seems a bit more at or close to the bottom of the earnings cycle. So the hope is that what is 10x today will in fact be 7-8x when things recover; and that then other investors might want to pay 12-15x for the same companies.

The oil price drop, if sustained, is clearly going to have a further impact on various businesses in the region, and elsewhere. Petronas, Malaysia's state oil company, has already announced it will slash its exploration budget and cut costs this year. This is significant. It has been a while since oil companies have been worried about operating costs.

A large number of the region's expats are employed in the oil business. In the past, oil companies have given them business class flights, big rents and private school places. "Just get your ass on a plane we'll take care of yaaall" has been the call from Houston. "Och aye pal I wull, but I dinnae ha' a donkey" has been the reply.

I suspect the St Andrew's societies in the region are likely to see their numbers declining. The financial planners and others who follow these guys will have a harder time of it too. I may even be able to get my rent reduced if enough expats leave.

However if the oil guys go, others will fill their shoes/cowboy boots. A lower oil price will boost other sectors and Asia will remain the place to be for while yet. The combination of a young population wanting to better themselves and business friendly governments will ensure that.

James Hay.
9th January 2015

I 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 happy when markets falling.



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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	0.37%
	% chg	-	-	-	-	-	-	-	-	-	-	-	-	

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 67.77%
Annualised return 14.04%

By Sector

