



## Pangolin Asia Fund April 2021 NAV

As at the 30<sup>th</sup> of April 2021 the NAV of the Class A shares of the Pangolin Asia Fund was US\$477.70 net of all fees and expenses, up 1.80% from US\$469.26 in March.

As of today, the fund is about 95% invested, with the split being approximately as follows:

Singapore	14 %
Malaysia	22 %
Indonesia	63 %
Thailand	1 %

We don't disclose our names but some details are always available to investors (and those wishing to become 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
Apr-21	2.71%	5.24%	5.40%	0.17%	1.79%	1.67%	-0.26%	2.41%	0.94%	1.80%
YTD 2021	10.68%	11.32%	8.34%	0.28%	-1.57%	13.17%	9.23%	4.93%	0.30%	4.92%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Apr-21	2.71%	5.24%	5.40%	0.72%	3.21%	2.73%	0.06%	2.41%	0.94%	1.80%
YTD 2021	10.68%	11.32%	8.34%	-2.47%	-3.20%	12.38%	4.94%	4.93%	0.30%	4.92%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Apr-21	1.39%	1.04%	0.55%	0.32%
YTD 2021	-1.66%	-0.70%	-2.73%	-3.92%

There's been a pullback (again) in the rest of the world Vs NASDAQ. And in value Vs growth. I.e., the bubble keeps going. For those of us planning to live another decade, this presents an opportunity. There's lots to buy. We need more cash (please).

### Outlook

As the majority owner of a listed company, life would probably be easier without Pangolin as a shareholder. The problem is that we Pangolins like to attend AGMs and exercise our right to ask difficult questions, making our opposition known to around 50% of resolutions. Examples include:

- i) The right to issue and allot new shares. This is supposedly to be able to raise money quickly in the event of an investment opportunity, without having to seek the shareholder scrutiny for the deal that a rights issue would entail. Never a good idea. And the *allot* bit goes against the principle that shareholders should choose directors, not the other way round.



- ii) The mandate to buy back shares. There is no tax advantage over paying dividends in this part of the world. Pay dividends and focus on the business of the company. Buying back shares becomes a distraction to management, particularly when the share price drops below the purchase price.

And in a company where there is an individual major shareholder, there are conflicts of interest here. How do we know that a buyback isn't there to support the price because his holding is collateral for a gambling debt? It's totally wrong that a guy with 30% of the shares can be approving this use of shareholders' money. I've yet to see any authorities mention this. Maybe that's because I get most of my news from *The Sun* but, surely, it's glaringly obviously wrong.

There is also corporate schizophrenia at work here. The mandate to buy back shares and the one to issue new ones are often to be found on the same agenda.

- iii) The reappointment of long serving auditors. It's quite common for the same auditors to have been settled in their roles for decades. Best practice is to change auditor every 5 years. Not just the audit partner but the company. I like to ask the chairman of the audit committee why they don't do this. He or she replies that the auditor is fine. I then ask if they even requested quotations from any other firm. He replies "no". "So, what do you talk about in your four audit committee meeting?" I ask.

You have to question why a major shareholder wouldn't want a fresh set of eyes on his company at least every 5 years.

- iv) At an AGM I attended last week, we voted against the payment of the final dividend. It was too low. Just making a point. The money belongs to all shareholders and should be distributed if not being utilised. When boards sit on excess cash, they start finding ways to spend it, usually unproductively. And investment banks see the cash and start suggesting deals.
- v) Reappointment of long-serving independents. In Malaysia, after 9 years independents must face a vote of reappointment by the shareholders. We always vote against.

After 12 years, the vote becomes two-tier. I.e., the major shareholder cannot vote, only the minorities. We always vote against. Why? Because familiarity kills independence.

**But, the really good news is that Malaysia's Securities Commission (SC), which has been advocating that directors stand down after 9 years, let alone 12, has now given up waiting for companies to act. From 2022 directors will not be allowed to stand for re-election. And after 9 years, they will be subject to two-tier voting.**

There are other issues at play here. Malaysia's SC is basically handing power to minority shareholders. At Pangolin we attend AGMs. It is extremely rare for us to encounter another fund management company there. And incredibly rare, even if they are in attendance, to vote against any of the resolutions. This needs to change.

There's bound to be a backlash. Major shareholders won't want to lose their pliant, geriatric friends from their boards. They'll appeal for more time. Be firm, SC.

The SC have also advised that politicians should not sit on company's boards. This has raised many eyebrows. Again, it's blindingly obvious from a corporate governance (CG) standpoint. However, the SC haven't banned the practice. That really would take some balls.

Small steps, but Corporate Governance (once an alien concept) is improving.



I've asked to go on the board of one of our companies. I don't think they want me. I'll let you know what happens.

James Hay  
6<sup>th</sup> May 2021

## Two-tier Voting Process

For Practice 4.2, companies should use the two-tier voting process in seeking annual shareholders' approval to retain an Independent Director beyond 12 years.

Under the two-tier voting process, shareholders' votes will be cast in the following manner at the same shareholders meeting:

- Tier 1: Only the **Large Shareholder(s)** of the company votes; and
- Tier 2: Shareholders other than **Large Shareholders** votes.

For the purposes of Practice 4.2, **Large Shareholder** means a person who–

- is entitled to exercise, or control the exercise of, not less than 33% of the voting shares in the company;
- is the largest shareholder of voting shares in the company;
- has the power to appoint or cause to be appointed a majority of the directors of the company; or
- has the power to make or cause to be made, decisions in respect of the business or administration of the company, and to give effect to such decisions or cause them to be given effect to.

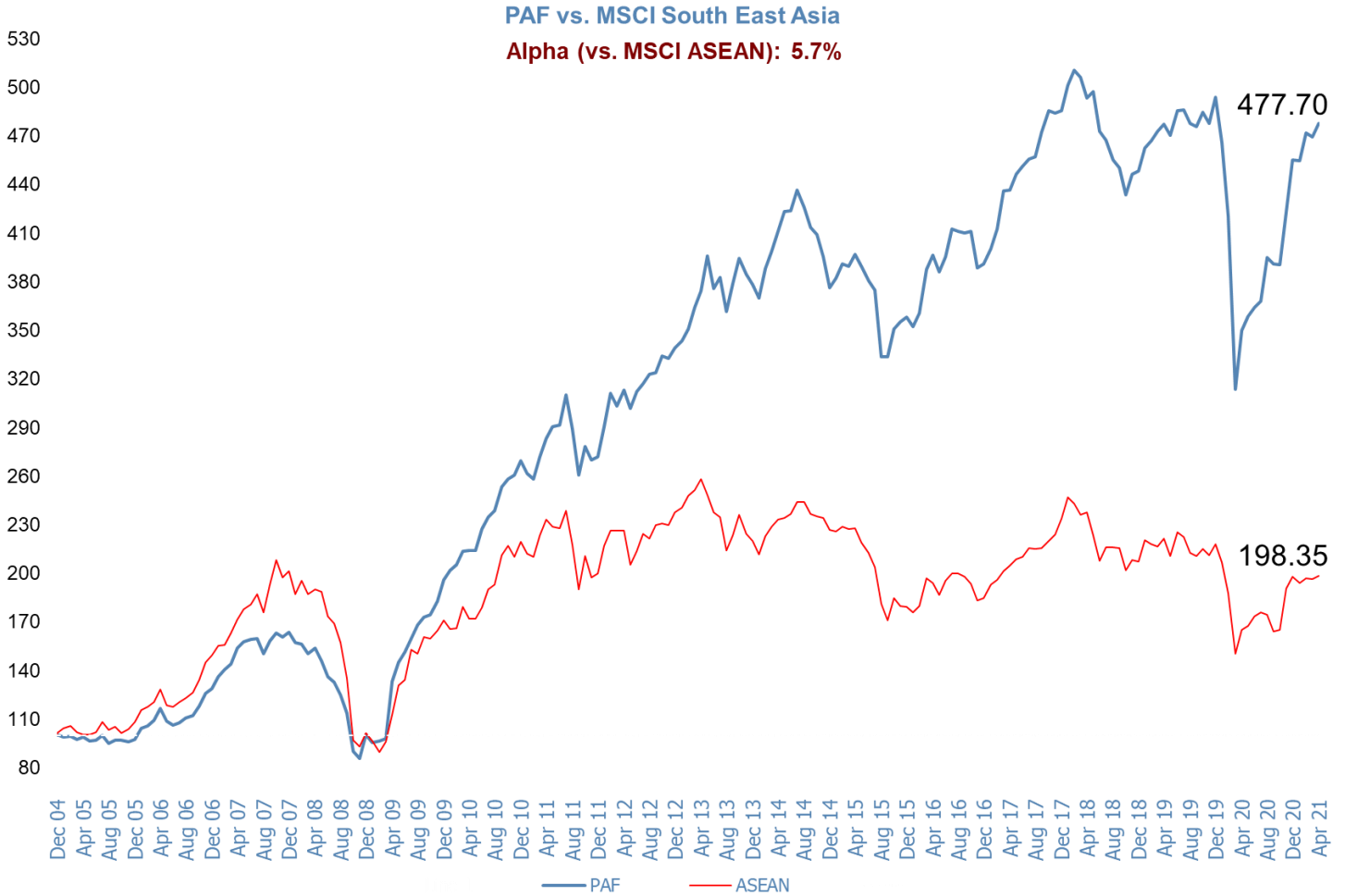
The decision for the above resolution is determined based on the vote of Tier 1 and a simple majority of Tier 2. If there is more than one **Large Shareholder**, a simple majority of votes determine the outcome of the Tier 1 vote.

The resolution is deemed successful if both Tier 1 and Tier 2 votes support the resolution.

However, the resolution is deemed to be defeated where the vote between the two tiers differs or where Tier 1 voter(s) abstained from voting.



## Sixteen years track record and annualised return of 9.99%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2021</b>	NAV	454.64	471.89	469.26	477.70									4.92%
	% chg	-0.15%	3.79%	-0.56%	1.80%									
<b>2020</b>	NAV	465.73	420.43	313.82	349.63	358.55	364.26	367.99	394.82	391.21	390.47	422.87	455.32	-7.80%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%	7.29%	-0.91%	-0.19%	8.30%	7.67%	
<b>2019</b>	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87	484.37	477.85	493.85	10.21%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%	1.79%	-1.35%	3.35%	
<b>2018</b>	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%	
<b>2017</b>	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%	
<b>2016</b>	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%	
<b>2015</b>	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%	
<b>2014</b>	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%	
<b>2013</b>	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%	
<b>2012</b>	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%	
<b>2011</b>	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%	
<b>2010</b>	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%	
<b>2009</b>	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%	
<b>2008</b>	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%	
<b>2007</b>	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%	
<b>2006</b>	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%	
<b>2005</b>	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%	
<b>2004</b>	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

**Best monthly return**            35.77%  
**Worst monthly return**        -25.36%  
**Maximum drawdown**           -47.53%  
**% of positive months**        64.97%  
**Annualised return**             9.99%



## By Sector

