



Pangolin Asia Fund May NAV

As at the 31st of May 2015 the NAV of the Class A shares of the Pangolin Asia Fund was US\$389.67 net of all fees and expenses, down 1.80% from US\$396.82 in April.

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	22%
Malaysia	27%
Indonesia	31%
Thailand	20%

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
May 15	1.0%	1.0%	2.6%	-3.9%	-2.7%	-2.0%	7.6%	-1.8%
YTD 15	1.1%	2.4%	-0.2%	-0.8%	0.8%	-0.1%	8.9%	3.6%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
May 15	1.0%	1.0%	0.5%	-6.6%	-4.5%	-4.0%	7.6%	-1.8%
YTD 15	1.1%	2.4%	-6.5%	-5.4%	-1.0%	-2.3%	8.9%	3.6%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
May 15	-2.84%	-1.79%	-1.97%	-2.02%

Our stocks haven't fared too badly but the strong US\$ is against us. The Malaysian Ringgit is especially weak and has continued to weaken into June. There is clearly poor sentiment towards the country, exacerbated by the 1MDB scandal that continues to rumble on. Someone in the US (where I am now) compared it to FIFA under a refusing-to-resign-Sepp-Blatter. Much as Prime Minister Najib would like this issue to go away, it won't.

You can get plenty of detail at www.sarawakreport.org or www.themalaysianinsider.com but basically it is alleged that 1MDB, a government controlled investment vehicle, cannot account for/has misappropriated something like US\$7bn. Of course the government says this is nonsense, but their clarifications have not cleared the air. There is a chance that this may well lead to a change of prime minister; we shall have to wait and see.

In the meantime it makes selling Malaysia an easy "trade", for those who "trade". Of course if this alleged missing money has to be replaced from the country's coffers, it will hinder deficit reduction. There has been talk for a while of Fitch downgrading Malaysia's ratings, but remember Malaysia (and the region) thrives on exports, so it won't be all bad.



Hedging

We are often asked why we don't hedge the currencies. My reason is that, although we think we have some ability to determine when a good company is undervalued by the market, we have no such aptitude with respect to currencies. One is basically an accounting skill and the other is (I think) an economics judgement. And despite sailing through my first year economics retakes, I'm not sure I am the right person to be forecasting exchange rates.

Perhaps lazily, we believe that the managers of our companies kind of do it for us. Well run businesses have to adapt to swings in currencies, input prices and all sorts of other things all the time. Strong companies have shown that they can manage the uncertainties of trade over time, which we hope is at best a precursor for the future.

In response to an investor request, we analysed the currency impact on the fund since inception over a decade ago. In that time the FX has impacted the fund's NAV negatively by less than 3% i.e. it has been negligible. This is absolutely no precursor for the future. Please bear in mind that we have no intention of hedging anything in the fund.

Outlook

I'm writing this from the States where I am on a marketing trip (which fortuitously coincided with the Stones' tour). Talking to current and prospective investors is something I enjoy and if any of you want more information on what we do, please let me know.

The US seems to be an optimistic place at the moment. At my hotel there is a big homes furnishing conference going on. In the lift (elevator) I met a man who sells fireplaces for new homes. He says business is good, something that is repeated by a small Malaysian furniture exporter we own in the fund.

It is expounded ad nauseum that when US rates rise, emerging markets will collapse and that is when it will be time to invest. This probably has to be the most flagged event of all time, so much so that I wonder if it is not already in the price. We'll see.

Nevertheless I remain of the view that we own an undervalued portfolio of companies, some of which trade well below their asset backing. Why are they so cheap? you ask. Because they are small and illiquid and not worth a sell-side analyst's time.

While the ASEAN consumer remains in hibernation, we can continue to invest cheaply for when spring finally reappears. The current situation reminds me of 2005 when we were probably a bit too early into Indonesian consumer companies; but it is better to be in early than to miss the boat.

James Hay
10th June 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.



PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	NAV	382.31	391.18	389.48	396.82	389.67								3.56%
	% chg	1.60%	2.32%	-0.43%	1.88%	-1.80%								
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 67.46%
Annualised return 13.83%

By Sector

