



## Pangolin Asia Fund September 2016 NAV

As at the 30<sup>th</sup> September 2016 the NAV of the Class A shares of the Pangolin Asia Fund was US\$410.02 net of all fees and expenses, down 0.29% from US\$411.20 in August.

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

As of today, the fund is about 89% invested with the split being approximately as follows:

Singapore	13%
Malaysia	36%
Indonesia	32%
Thailand	19%

We don't disclose our names but some details are always available to investors on request. I'm often asked why we are less than transparent. It's simple really; as investors our life is much easier if others don't jump on our ideas. And if we're right, the market will discover and revalue our ideas in good time anyway.

### Overview

To put the things 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	MSCI-ASEAN	PAF
Sep 2016	-0.5%	-0.1%	-0.4%	-1.5%	1.7%	-4.2%	1.4%	-1.1%	-0.3%
YTD 2016	5.1%	6.1%	16.8%	-2.4%	-0.5%	15.2%	10.2%	10.1%	14.4%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2016	-0.5%	-0.1%	1.3%	-3.2%	1.7%	-4.1%	1.4%	-1.1%	-0.3%
YTD 2016	5.1%	6.1%	23.5%	1.3%	3.6%	19.9%	10.2%	10.1%	14.4%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Sep 2016	-1.7%	-0.1%	1.7%	0.1%
YTD 2016	3.8%	4.1%	5.7%	4.2%

Our Thai stocks, which were weak in August, recovered somewhat in September. Our Thai and Indonesian stocks are lagging their markets which either means we're in the wrong companies, or the action hasn't filtered down to our level yet. Let's hope it's the latter.

### Outlook

Not a great deal has changed in the past month. For 2016, the dividend yield of the fund's holdings is over 4%. We own two asset plays at steep discounts. Excluding these the weighted PE is 11.8x 2016 and 11x next year with 2016 earnings growth of 15% and 7% next year. The PE range (excluding asset plays) is 4x – 25x.

ROE is 21% & ROIC 39%.

As always, I remain hopeful for the long-term and happy to take advantage of ST wobbles.



## Cricket

Two years ago I founded Pangolin Cricket Club in order to play English village-style cricket with a like-minded bunch. We tour the region (Yangon next month), play the odd game and make friends along the way.

Last weekend, my other team (the Royal Selangor Club) hosted the Kuala Krai Cricket Club who have a remarkable history.

Kuala Krai is a sleepy backwater town in Malaysia's north east state of Kelantan. They speak their own dialect and the ultimate colonial game had not, until the 1990s, taken hold. But fortunately for the boys of the local school their headmaster, Jerome Fernandez, was asked to introduce the game to the state.

Jerome was the only non-Malay headmaster in Kelantan. Teaching was his love but he was struggling with the kelas lembab (slow learners class) of poor rural kids. Previously written off as no-hopers Jerome decided they would form the school's first cricket team. These boys had never heard of the game and the first bat and equipment was knocked up by the school's gardener.

Saiful Hawari, who went on to represent Malaysia, recalls "Being the headmaster, he too knew that we preferred to hold a bat than carry books. So when lessons were boring (especially English and Maths) he will come to the class and say: "Boys you can go and play cricket now."

"We liked this headmaster," Saiful Hawari said, adding that Fernandez was however a disciplinarian who had sacked one of their best bowlers once for coming late for a group photograph and another fast bowler who was caught smoking.

Apart from learning the game and, in many cases excelling in it, their academic results also improved. One added rule was that only English could be spoken on the pitch which helped that subject.

Being the only school cricketers in the state the team was selected to represent Kelantan in the national schools' championships. The other states had the pick of the schools but Kelantan performed creditably, making it to the semi-finals and becoming the darlings of the spectators.

On Saturday they turned up at the RSC to play a match to honour their former headmaster's 70<sup>th</sup> birthday. Many of them brought their wives and kids. One player, a motorbike policeman, rode in his uniform.

Saiful continues "We are grateful because if not for cricket many of us would be goners," adding that some of them had jobs today directly attributed to cricket. Saiful Hawari himself had been picked for a pre-university course at the National Sports School before continuing a degree in physical education at University Putra Malaysia. He now coaches the Johor schools state team.

Two other team mates also entered the Bukit Jalil Sports School. Shukri Abdul Rahim who now coaches the Air Force team and Saiful Hawari were later selected as bowler and wicket keeper respectively in the national team. Their other teammates are now teachers, project managers, policemen, one is a prison warden, another a bus driver, one is a deputy director in a government agency and others are self-employed.

They were a pleasure to play against and afterwards we had a most enjoyable get together over dinner. Afterwards, Jerome gave a speech.

"To me every child is teachable, some of them may not be good academically but they have other gifts and talents that can be honed. There is a saying: "If you don't get milk from the cow, then get the leather, it is still useful."

Jerome said there does not seem to be any place for students like these boys in the Malaysian education system which is obsessed with academic excellence. "The emphasis is on top performing schools during public exams and strings of A's," he said adding that there were even some schools that stopped students from being involved in sports activities during exam year.



“Seeing these boys today with their families and how their lives changed made my day.”

What's this got to do with investing? Not a lot but there's no shortage of gloom and doom to read about elsewhere.



Kuala Krai CC with their former headmaster, centre

And for you Americans and other assorted others who have no idea about the game it is best explained at <https://www.youtube.com/watch?v=83oa1S0x9zI>

James Hay  
7<sup>th</sup> October 2016

*I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in investing, especially about cricket. The Pangolin Asia Fund is most suitable for investors who are happiest when markets are falling.*





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	NAV	352.31	360.43	387.79	396.17	386.04	395.41	412.53	411.2	410.02				14.41%
	% chg	-1.69%	2.30%	7.59%	2.16%	-2.56%	2.43%	4.33%	-0.32%	-0.29%				
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** 65.49%  
**Annualised return** 12.66%

### By Sector

