



Pangolin Asia Fund December 2023 NAV

As at the 31st of December 2023, the NAV of the Class A shares of the Pangolin Asia Fund was US\$586.68 net of all fees and expenses, up 2.05% from US\$574.87 in November. For 2023, we were up 8.00%.

As of today, the fund is about 97% invested, with the split being approximately as follows:

Singapore	6%
Malaysia	34%
Indonesia	60%

We don't like to 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)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Dec-23	4.84%	4.42%	5.52%	2.71%	0.13%	5.44%	3.35%	5.11%	2.05%
YTD 2023	13.70%	24.23%	43.42%	6.16%	-2.73%	-0.34%	3.60%	-3.13%	8.00%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Dec-23	4.84%	4.42%	5.52%	3.45%	1.60%	6.80%	3.35%	5.11%	2.05%
YTD 2023	13.70%	24.23%	43.42%	7.36%	-6.74%	1.11%	3.60%	-3.13%	8.00%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Dec-23	1.46%	1.29%	0.72%
YTD 2023	-4.12%	1.45%	1.13%

We own 1% of the shares of Sepatu Bata in Indonesia. We bought 2% as an asset play many years ago and managed to sell 1% when we received a special dividend from its land sale in around 2009. Since then, Bata has become a loss-making company and it is incredibly thinly traded, to the extent that our dealing costs would outweigh the proceeds of any sale in the market. The theoretical value is about \$120,000 and it accounts for 0.06% of the fund.

After discussing with our auditors, we've written Sepatu Bata down to zero. Hopefully one day I'll be informing you that we've reversed this decision, but don't hold your breath. In the meantime, if anyone would like to buy the shares from us, drop me a line.

Outlook

At the beginning of every year, we receive optimistic reports forecasting the decline of the US Dollar and the relative rise of EM currencies. And for about two weeks it looks like it may happen. And then it doesn't. The theory is that if the dollar weakens, then investors will put their money elsewhere. And that could include our markets.



It all sounds great. Personally, I would prefer our markets to rise on the back of fundamental analysis, not FX money sloshing around. And the greatest obstacle to Southeast Asia's markets' valuations reflecting their undoubted value remains the strength of NASDAQ and the S&P.

The fund's two largest holdings failed to make us any money last year. Our Indonesian vehicle finance company, BFIN, was hit by a cyber-attack which severely curtailed its operations, including new bookings and collection. The company is now running as normal. We own another vehicle finance company in Indonesia, and it saw an increase of 40% in new bookings for the first nine months of 2023. This is what BFIN missed out on in 2023.

The share price of our second largest investment, Indonesia's leading IT distributor, fell 5% on worries of excess hardware supply following boosted production during COVID, when laptops were virtually unavailable. The company will still show profit growth in 2023 as it has a strong and fast-growing Solutions & Consulting business. In my view, this growing company trades at about half of what it's worth and what investors will be prepared to pay for it one day.

Ever the optimist, I remain hopeful that 2024 can be a good year for the fund, if not just because our two largest positions' share prices did so little last year. Other than hoping the above-mentioned companies catch up, I look at our portfolio and remain enthused. Despite what I've written above, we still managed to return 8% in 2023, in a year that the ASEAN index fell another 3%. For as long as the US markets continue to do what they do, the opportunity to invest at bargain-basement prices in Southeast Asia remains. One day, I expect that our region will again be the flavour of the month. Being invested before that happens would seem sensible.

Malaysia and Indonesia's economies are forecast to grow by 4.5% and 5% respectively in 2024. Foreign Investment continues to flood into this peaceful region and millions are becoming middle-class consumers for the first time. The fund's dividend yield is 5.8% and has not been this high since 2009.

Malaysia's KLCI index is up 2% this year. That's a big move for this stolid, low beta index. There have been bigger moves in some of the more interesting blue chips, largely driven by foreign buying. The 5th day of the New Year is probably too early to be determining a trend for the year, but there is definitely renewed interest in what has been a non-performing market – down 23% in USD over the last five years (12% in Ringgit).

We are seeing more interest from those wishing to visit us in Singapore; we are always happy to talk with investors. However, I do believe that, rather than sitting with fund managers in Hong Kong, Singapore etc., those of you living outside of Asia might learn more by throwing a dart at maps of Indonesia, Vietnam, Malaysia, Thailand and visiting the towns you hit. If it's the capital, throw again. If it's by the beach, I'll come too.

Pangolin Asia Fund weighted valuations (31/12/2023)

	2024F
P/E (x)	10.0
Profit Growth (%)	11
ROE (%)	19
ROIC (%)	29
ROIC ex-props (%)	32
Div Yield (%)	5.8

Of the above measures, my preferred is *Return on Invested Capital*. To make life easy, we just strip the cash away from the Equity, so it's net profit on non-cash assets minus liabilities. Remember that pretty much all of the fund's investments are net cash companies. (The cash drag is relevant, and we nag our investee companies' boards to repay all non-essential cash at every opportunity).



This measures a company's returns on its non-cash assets. In 2024, across the portfolio, we're expecting our companies to make a net return of 29% on these assets. And if we exclude our asset-play property stocks, this rises to 32%. We look to own companies that can consistently generate these kinds of returns. Net cash, high ROE and ROIC are our initial screens. Then we look at the rest. Thus, with this kind of profitability at only 10x earnings, it's not so surprising that the fund's dividend yield is so high.

Or as the late, great Charlie Munger put it: *"Investing is where you find a few great companies and then sit on your ass."*

Pendatang

Those of you familiar with Malaysia will be aware of the dynamics within this multiracist nation. On the whole, everyone rubs along pretty well, but this doesn't prevent some politicians playing the race card when it suits. This includes describing non-Malays as Pendatang, or visitors, despite them being citizens.

An independent filmmaker has made a movie by that name, set in a near future, in which the races have been segregated. The movie has been released on YouTube. They reckoned, probably correctly, that there was no way would it have been allowed to be shown in cinemas by the censors. If you can't find anything else on, it's worth watching. In fact, even better, if you are an investor in the region, watching it at work in the name of research is fully justified. Click here: <https://www.youtube.com/watch?v=yI50AwTDpiU>

James
5 January 2024

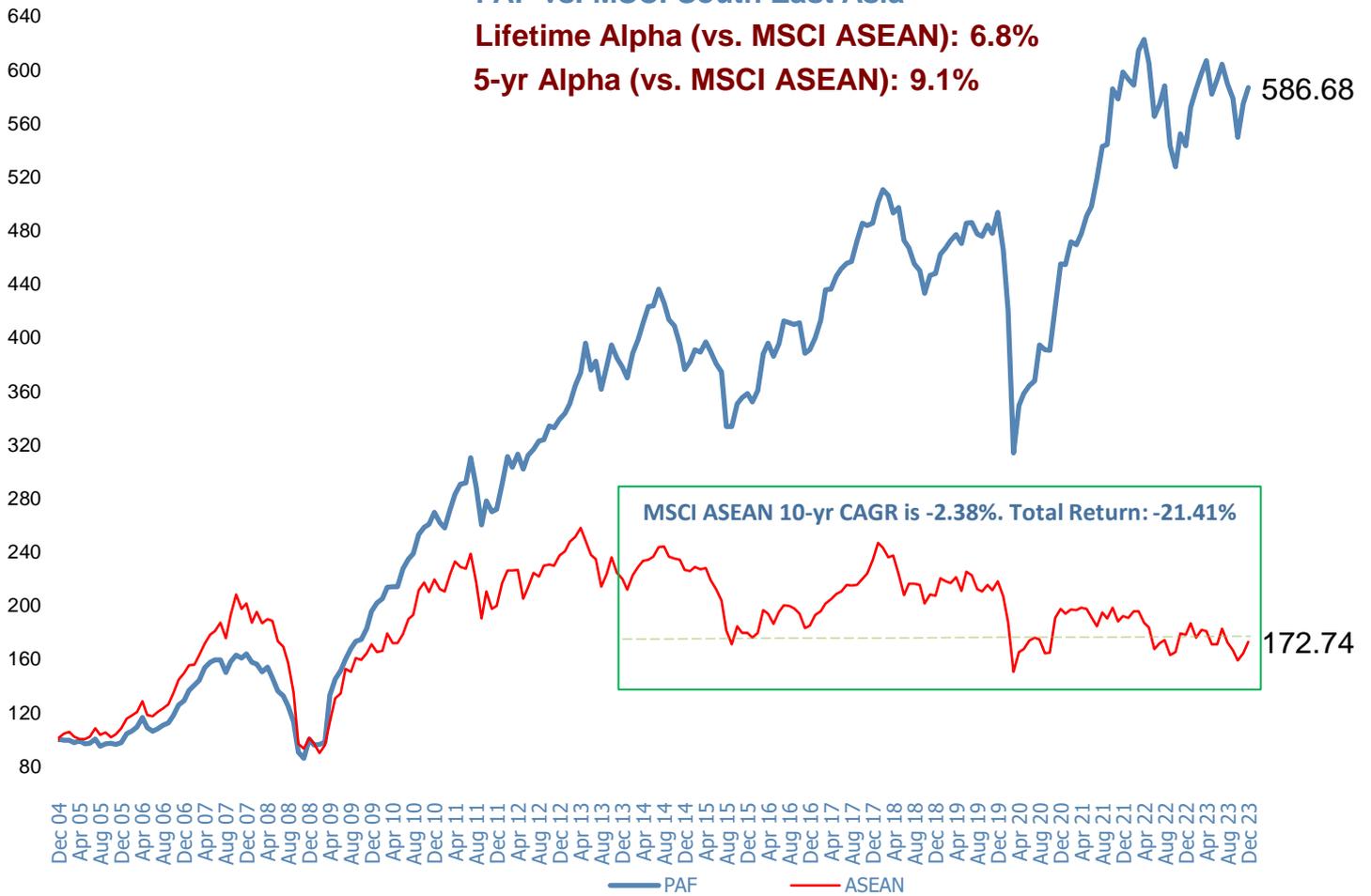


Nineteen years track record and annualised return of 9.71%

PAF vs. MSCI South East Asia

Lifetime Alpha (vs. MSCI ASEAN): 6.8%

5-yr Alpha (vs. MSCI ASEAN): 9.1%





PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	NAV	571.92	585.67	597.55	606.77	581.95	593.00	604.19	589.30	578.62	549.65	574.87	586.68	8.00%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%	-5.01%	4.59%	2.05%	
2022	NAV	593.29	588.82	614.73	622.83	605.35	565.54	574.94	588.17	543.35	527.78	552.46	543.22	-9.23%
	% chg	-0.86%	-0.75%	4.40%	1.32%	-2.81%	-6.58%	1.66%	2.30%	-7.62%	-2.87%	4.68%	-1.67%	
2021	NAV	454.64	471.89	469.26	477.70	491.07	497.99	518.78	542.88	544.24	585.87	578.32	598.45	31.44%
	% chg	-0.15%	3.79%	-0.56%	1.80%	2.80%	1.41%	4.17%	4.65%	0.25%	7.65%	-1.29%	3.48%	
2020	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%	
2019	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%	
2018	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%	
2017	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%	
2016	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%	
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	0.37%
	% chg	-	-	-	-	-	-	-	-	-	-	-	-	

Best monthly return 35.77%
Worst monthly return -25.36%
Maximum drawdown -47.53%
% of positive months 64.63%
Annualised return 9.71%



By Sector

