



## Pangolin Asia Fund April 2014 NAV

As at the 30<sup>th</sup> of April 2014 the NAV of the Class A shares of the Pangolin Asia Fund was US\$410.89 net of all fees and expenses, up 3.03% from US\$398.79 in March. Please see the table at the end of this letter for further detail.

As of today, the fund is about 83% invested with the split being approximately as follows:

Indonesia	26%
Malaysia	24%
Singapore	29%
Thailand	21%

No names I'm afraid but some details of the individual holdings are always available to investors on request.

### Overview

If any of you read last month's newsletter you may recall that I was rather worried about the impact of Thailand's politics on its stock market. As usual I seem to have got this rather wrong with the SET being the best performance in our universe last month. And it was largely our Thai stocks that drove the NAV higher.

#### Return (in local currencies, except MSCI Asia Ex-Japan)

Period	Dow	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Apr 2014	0.7%	0.6%	1.5%	1.2%	2.4%	2.8%	0.5%	3.0%
YTD (2014)	0.0%	1.9%	13.2%	0.2%	3.1%	8.9%	-0.5%	8.6%

#### Return (in USD)

Period	Dow	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Apr 2014	0.7%	0.6%	-0.3%	1.2%	2.6%	3.1%	0.5%	3.0%
YTD (2014)	0.0%	1.9%	19.2%	0.6%	3.7%	10.6%	-0.5%	8.6%

Those of you who follow these things will be aware that Thailand's judiciary has this week sacked the country's popularly elected Prime Minister. Her supporters are claiming that the "establishment" is using the courts against the democratic process. Lord knows what'll happen next there.

Fewer of you may be aware that in Malaysia the opposition stalwart (and Anwar Ibrahim's lawyer), Karpal Singh, died in April. He was in the process of appealing his conviction for sedition, which would have disqualified him from being an MP. Another opposition MP, Teresa Kok, has this week also been charged under the sedition act. Of course those who don't like Malaysia's government allege that, as in Thailand, the establishment is using the judiciary for its own ends.

What on earth is sedition anyway? Wikipedia gives us the answer [http://en.wikipedia.org/wiki/Sedition\\_Act\\_\(Malaysia\)](http://en.wikipedia.org/wiki/Sedition_Act_(Malaysia)). It is understandable that an unelected colonial administration would want such power, but it seems a bit odd in a democracy.



## Malaysia's Warren Buffett

Tan Sri Teh Hong Piow, the founder of Public Bank, is Malaysia's answer to Warren Buffett; and the bank's shares have proven to be an even better investment than Berkshire Hathaway's.

Public Bank has a special place in the hearts of Malaysia's Chinese community. Teh Hong Piow is seen by the retail shareholders as someone who looks after their interests; and these shareholders are predominantly, but not exclusively, ethnic Chinese Malaysians.

The recent AGM was attended by 4,800 shareholders. As the bank's achievements were put up on the big screens and read out, the shareholders cheered and applauded.

Loan growth up: "Hooray".  
Profits up: "Yippee".  
Largest listed non-government company: "Way hay".

One lady sang Happy Birthday to the bank's founder and added other verses wishing him a long-life and happiness. No-one was angry or critical, other than asking why they had to wait till the end of the meeting for the food.

A few years ago I had the audacity, at an EGM, to question the bank's takeover offer for its subsidiary, Public Finance. The aunties behind me were amazed by my cheek. As I attempted to argue a better deal for the minorities, I was bombarded with comments such as: "Sit down stupid gwailo. Tan Sri has made us so much money over the years, what for you question him?"

Despite my convincing argument, the motion was carried; those for: 4,799, those against: 1.

And the aunties were right; he has made them, the Chinese community and other shareholders a pile of money.

Coincidentally, Berkshire Hathaway and Public Bank were both listed in 1967. Berkshire doesn't pay dividends; PB does and has had the odd rights issue along the way too.

If you had invested in Berkshire in 1967, you would have a compounded annualised return of 21.4% up to 30<sup>th</sup> April this year. Investors of Public Bank since 1967 who subscribed to any rights issues and reinvested their dividends, would have an annualised return of 21.6%. Of course these returns are stated in their respective currencies.

We spend a lot of time visiting managements and traipsing around factories in order to beat the market. (And we have beaten the market.) We attempt to identify good companies that can reinvest in themselves at superior rates of return, in the belief that holding them for a long time will be profitable. The hard work is in the initial analysis. If the findings are correct, the easy bit should be owning the shares and watching them appreciate.

So, is an investment in the Pangolin Asia Fund better than just buying Public Bank? Since the fund's inception in December 2004, the answer is YES, but it has been marginal. See the table below:

CAGR % since Dec 1 <sup>st</sup> 2004 to 30 <sup>th</sup> Apr 2014	MYR	USD
Pangolin Asia Fund	-	16.2
Public Bank Berhad	14.2	16.0
Berkshire Hathaway	-	9.3
CAGR % since 1967	MYR	USD
Public Bank Berhad	21.6	-
Berkshire Hathaway	-	21.4



## Public Bank's 2014 AGM



I can clearly be seen in the middle of the third row in from the back



Teh Hong Piow is the one on the right



## Outlook

The fund owns some Public Bank (and I own some for myself). As long as we can continue to identify good companies at decent valuations, the fund's prospects remain reasonable. And as our compounded return of 16.19% is net of fees and other costs, it implies that our other investments have done better than PB. The truth is that some have and many haven't, but the aggregate has been OK.

The above has shown that if you can identify a good company, sticking with it over the long term makes a lot of sense. If you can do that, you don't need to be so concerned with economics, charts, CNBC, Vladimir Putin, or much else.

James Hay.  
9<sup>th</sup> May 2014

*I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in the fund. If you have any questions, concerns, ideas, or just fancy an argument, please get in touch. Otherwise, just send money.*

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									8.63%
	% chg	-2.16%	4.91%	2.71%	3.03%									
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     69.91%  
 Annualised return         16.19%

## By Sector

