



## Pangolin Asia Fund September 2024 NAV

As at the 30<sup>th</sup> September 2024, the NAV of the Class A shares of the Pangolin Asia Fund was US\$633.08 net of all fees and expenses, up 3.52% from US\$611.53 in August.

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

Singapore	7%
Malaysia	33%
Indonesia	58%
Philippines	2%

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 x JP	MSCI-ASEAN	PAF
Sep-24	1.85%	2.02%	2.68%	-1.86%	-1.78%	4.13%	8.19%	6.08%	3.52%
YTD 2024	12.31%	20.81%	21.17%	3.51%	13.35%	10.65%	18.83%	14.87%	7.91%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia x JP	MSCI-ASEAN	PAF
Sep-24	1.85%	2.02%	2.68%	0.18%	2.91%	5.89%	8.19%	6.08%	3.52%
YTD 2024	12.31%	20.81%	21.17%	5.28%	26.29%	13.69%	18.83%	14.87%	7.91%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Sep-24	4.78%	1.69%	2.08%
YTD 2024	11.41%	2.75%	1.71%

Another up month for the fund as we saw a continuation of investor interest returning or, in some cases, discovering the region. Much of the gain has been driven by shorter term investors playing the weak dollar game. More on the relationship between our markets and the USD below, but since the end of September the dollar has rallied, as of today having gained 3.9% vs. the Ringgit and 3.6% vs. the Rupiah.

Our fund's focus remains on the ASEAN consumer. We are hoping for better numbers in the second half of the year, given that the first half was still depressed as inflation ate into disposable incomes, disproportionately so for the poor. The other factor, which companies but not governments are discussing, is the effect of online gambling, which is widespread, problematic and, in some cases, obliterating disposable incomes of the poor.

While a business in conservative and Islamic Indonesia or Malaysia can discuss this, it seems to be one of those matters that the governments pretend doesn't exist, especially when many of the avenues for gambling are accessed via porn sites. Where does a Muslim with a gambling problem go for help when what they are doing is both illegal and frowned upon?



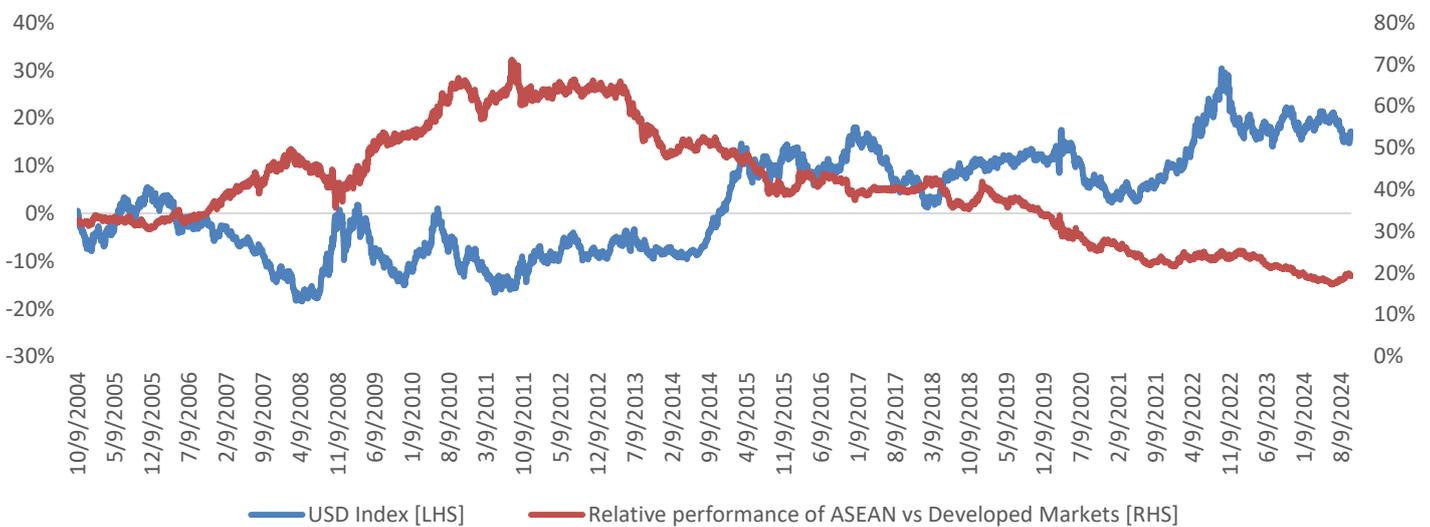
As we mentioned last month, we are seeing unprecedented investor interest in the region and our fund. Whether this has been piqued by the recent dollar weakness or not, we expect some follow-through from investors who are now turning some of their focus to our markets.

Weak dollar or strong dollar, the opportunity to invest in this massively undervalued region remains. And it would appear that, finally, a wider audience is sharing this view.

## The Dollar Effect

The decline in the US dollar is part of the reason that ASEAN markets have been in favour of late. There is an inverse relationship between ASEAN assets and the US dollar. A major commodity exporter like Indonesia will see increased demand when commodities (typically priced in USD) become more attractively priced. Furthermore, a weaker USD resulting from lower interest rates will drive investors to ASEAN assets in search of higher returns.

### The inverse relationship between strength of the USD and the relative performance of MSCI ASEAN Index

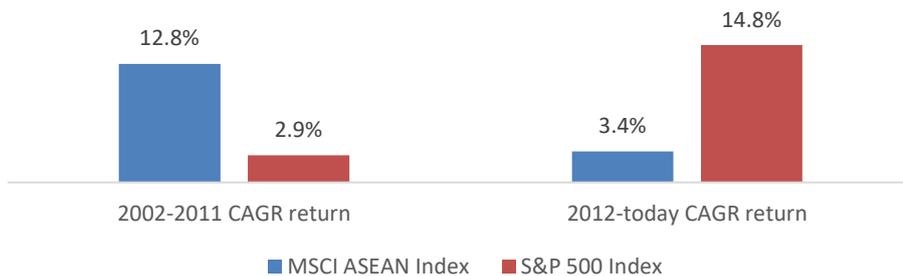


Source: Bloomberg

The table below highlights the performance of the S&P 500 and MSCI ASEAN Index during two distinct decades. After the dot-com bubble burst in 2002, the US dollar began a steady decline, lasting until 2011. During this period, ASEAN thrived, delivering an impressive 12.8% annualised return. However, the following period (2012–today) saw a reversal in fortunes. The S&P 500 surged with a 14.8% annualised return, while ASEAN lagged behind, with a more modest annualised return of 3.4%. Of course, the dollar is just part of the equation. For Pangolin, we don't benchmark ourselves against any index. We invest in small and mid-cap companies that will benefit as Asia's growing middle class gets richer. It is through this careful stock picking that we have outperformed the MSCI ASEAN Index in those two decades.



## Two decades: Reversal of fortunes

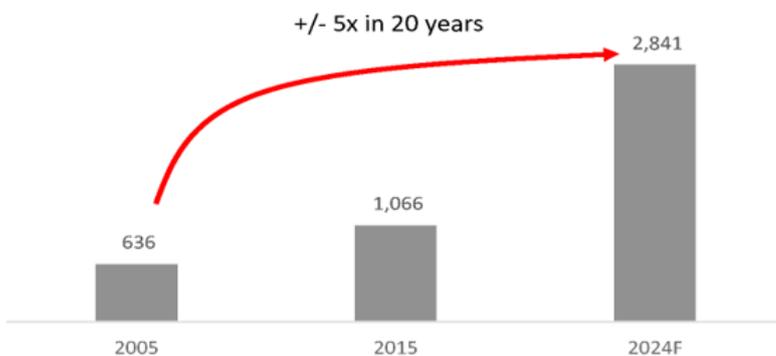


Source: Bloomberg

## Paving the Way: The Expansion of Indonesia's Toll Roads

Indonesia's toll road development has come a long way since the Jakarta-Bogor-Ciawi (Jagorawi) Toll Road in the 1970s. The government's commitment to infrastructure development reflects its focus on improving connectivity and boosting economic growth across the archipelago. Over the following decades, Indonesia's toll road development expanded gradually, with the focus on being Java Island. However, it wasn't until the 2000s that Indonesia began to significantly accelerate its toll road construction (see figure below).

## Indonesian toll roads in operation (km)



Source: BPJT, Verdhana research

## Trans Sumatra Toll Road: A Game Changer

The nation's largest toll road operator, state-owned Jasa Marga, operates over 1,200 km of toll roads across the country, representing approximately 60% of the toll road network. However, a notably larger and more ambitious project is the Trans Sumatra Toll Road, the longest in Indonesia. This toll road will stretch 2,998km, from Banda Aceh in the north of Sumatra to the port of Bakauheni in the south, connecting all ten provinces of the world's sixth largest island.

Located in Western Indonesia, Sumatra is renowned for its lush rainforests and rich wildlife, including endangered species such as the orangutan and Sumatran rhino. Slightly smaller than Thailand, the island plays a vital role in Indonesia's economy, contributing nearly a quarter of the nation's GDP.

Started in 2015, the ambitious Trans Sumatra Toll Road is a long-term project with four stages of development to complete all twenty-four sections of the toll road. It is one of the major infrastructure projects that President Joko Widodo pushed to bridge the infrastructure gap during his two terms in office. The second phase of this project is expected to be completed in 2024, with the aim to reduce traveling time by up to 70% and logistic costs by 30%.



Toll Road Development	Operational Since	Length (km)	Old Travel Time	New Travel Time	Time Saved
<b>Sumatera Island</b>					
Bakauheni–Terbanggi Besar	2019	140.9	4-5 hours	1.5-2 hours	61%
Terbanggi Besar–Pematang Panggang–Kayu Agung	2019	189.2	6-7 hours	2-3 hours	62%
Kayu Agung–Palembang–Betung	2020	111.7	3-4 hours	1-1.5 hours	65%
Pekanbaru–Dumai	2020	131.5	5-6 hours	2-3 hours	55%
Medan–Kualanamu–Tebing Tinggi	2019	61.7	2-3 hours	1 hour	58%
Sigli–Banda Aceh	2020-2021	74	2-3 hours	1-1.5 hours	50%
Medan–Binjai	2017	16.72	1-1.5 hours	30-45 mins	50%
<b>Kalimantan Island</b>					
Balikpapan–Samarinda	2019-2021	99.35	3-4 hours	1.5-2 hours	50%
<b>Sulawesi Island</b>					
Manado–Bitung	2020	39.8	1.5-2 hours	30-45 mins	65%
Makassar Toll Road (Sections 1-3)	2008	10.4	1-1.5 hours	30-45 mins	50%
Makassar Toll Road (Sections 4)	2018	11.6	1-1.5 hours	30-45 mins	50%

Source: press releases of toll road operators, Verdhana research

Sumatra's most iconic landmark is Lake Toba, located in the northern part of the island. Formed by a massive volcanic eruption 70,000 years ago, Lake Toba holds the distinction of being both the largest lake in Indonesia and the largest volcanic lake in the world, with the scenic Samosir Island resting at its centre. It now takes less than two hours to get to Lake Toba from Kualanamu International Airport by the new toll road, a significant improvement from previous four to five hours. This will substantially boost tourism and stimulate economic growth around the area, driven by the increased purchasing power of the middle class.

Enhanced connectivity will also stimulate economic growth in the surrounding areas and expedite logistics to economic zones such as the Sei Mangkei Special Economic Zone, Sumatra's largest industrial estate strategically located in the centre of palm oil & rubber plantations. One of the fund's companies, Arwana Citramulia, will benefit from reduced logistics costs at its ceramic tile plant in Ogan Ilir, Palembang. This facility, the only one located outside of Java, serves the rapidly growing middle class in the region.

The Trans Sumatra Toll Road is a crucial development in supporting the second largest economy in Indonesia and its population of over 55 million people. It would also provide a significant multiplier effect to various economic sectors, including construction, mining, large-scale trading, and transportation. With 800km already completed and 435km under construction, the current government is targeting the Trans Sumatra Toll Road to reach 1,100km by the end of 2024. The Trans Sumatra Toll Road is just one example of the continuously improving infrastructure in Indonesia, reflective of the wider growth of the country and its people's wealth. See the map on page 7 for the latest progress.

Those of us originating from the UK will envy Indonesia's ability to get things built. When I left in 1993, they were discussing the construction of a third runway at Heathrow. It's still being discussed. If any of you have travelled overland in Sumatra on the old roads, you'll understand the difference a highway will make, particularly with the explosion of vehicle ownership. Upgrading infrastructure in developing nations has a hugely transformative effect on lifestyles and the economy. And, even if there is some corruption in procurement, it's still almost certainly a lot less than is swallowed up by lawyers, tribunals and QUANGOs back home.

## Outlook

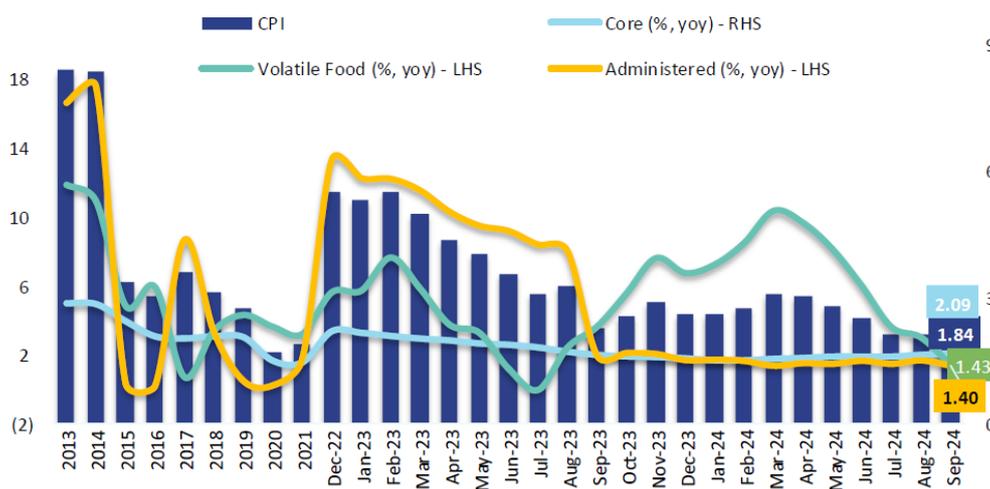
Indonesia's inflation numbers have been improving, leading to stronger purchasing power. In September, food inflation rose by 2.57% compared to a year earlier, down from 3.39% in August 2024, marking the slowest pace since July 2023. The annual inflation rate for September stood at 1.84%, the lowest since November 2021. On



a month-on-month basis, prices fell 0.12%. On the back of these numbers, economists are forecasting Bank Indonesia to lower its policy rate by as much as 0.75% to 5.25%, although probably not all in one go.

Conversations with retailers, building materials suppliers, and consumer goods companies have revealed that most companies reported better-than-expected numbers (10-20% sales growth) during the month of August. This suggests that the middle class now has more disposable income, as the easing of food inflation has provided some financial relief.

## CPI Inflation



Source: Bank Indonesia

For Pangolin, continuing positive macro news will naturally benefit our portfolio. What's more exciting is that we continue to discover more companies on single-digit PEs, even after the recent surge of interest in our region. The Pangolin Asia Fund's portfolio, with a P/E ratio of 10.3x and a dividend yield of 5.2% has rarely looked so attractive.

We've lagged the recent run up, but our focus is always on investing as cheaply as we can for a long time. This approach has, for the past two decades, led to significant outperformance. We won't be changing our style to chase shorter term performance.

The fund's AUM currently stands at US\$210m. I think we could invest the same amount again, within our current markets, without changing the valuations below. Obviously, when our stocks get noticed by others, investing that amount would be more difficult.

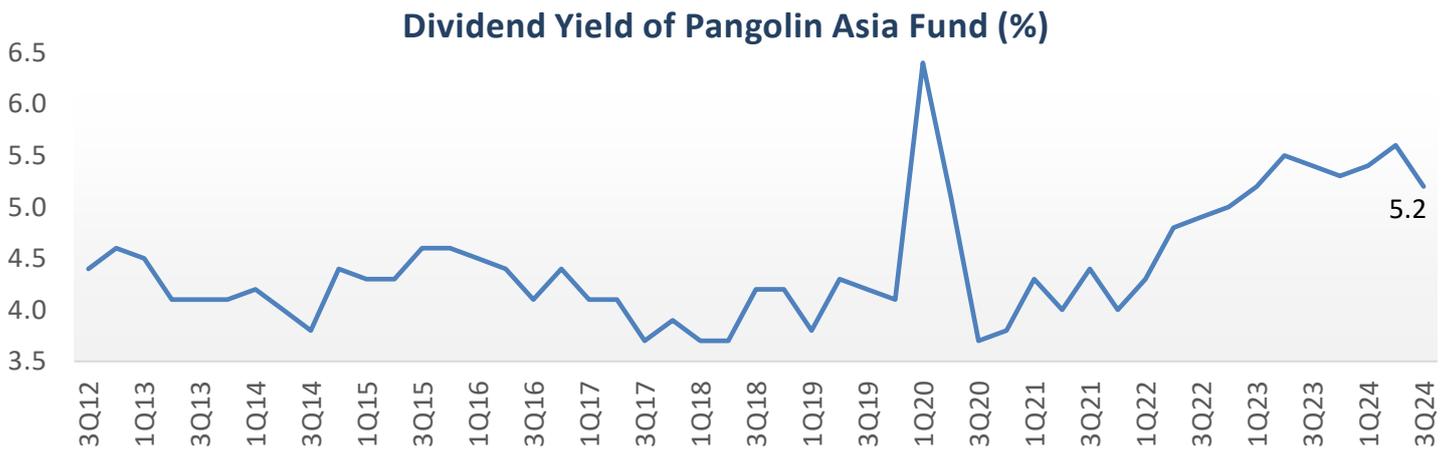
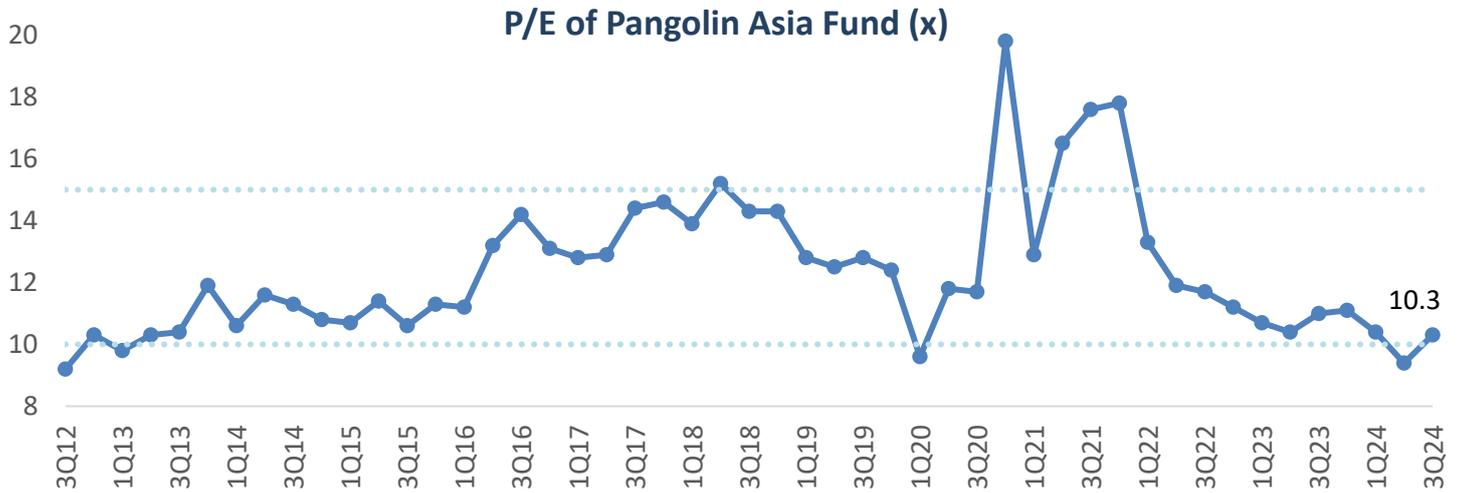
### Pangolin Asia Fund weighted valuation (30<sup>th</sup> September 2024)

	2024F	2025F
P/E (x)	10.3	9.2
ROE (%)	18	18
ROIC (%)	24	26
Div Yield (%)	5.2	5.7



### GDP Forecasts

	<b>2024F</b>
Malaysia	5.2%
Singapore	2.6%
Indonesia	5.0%
Philippines	6.0%

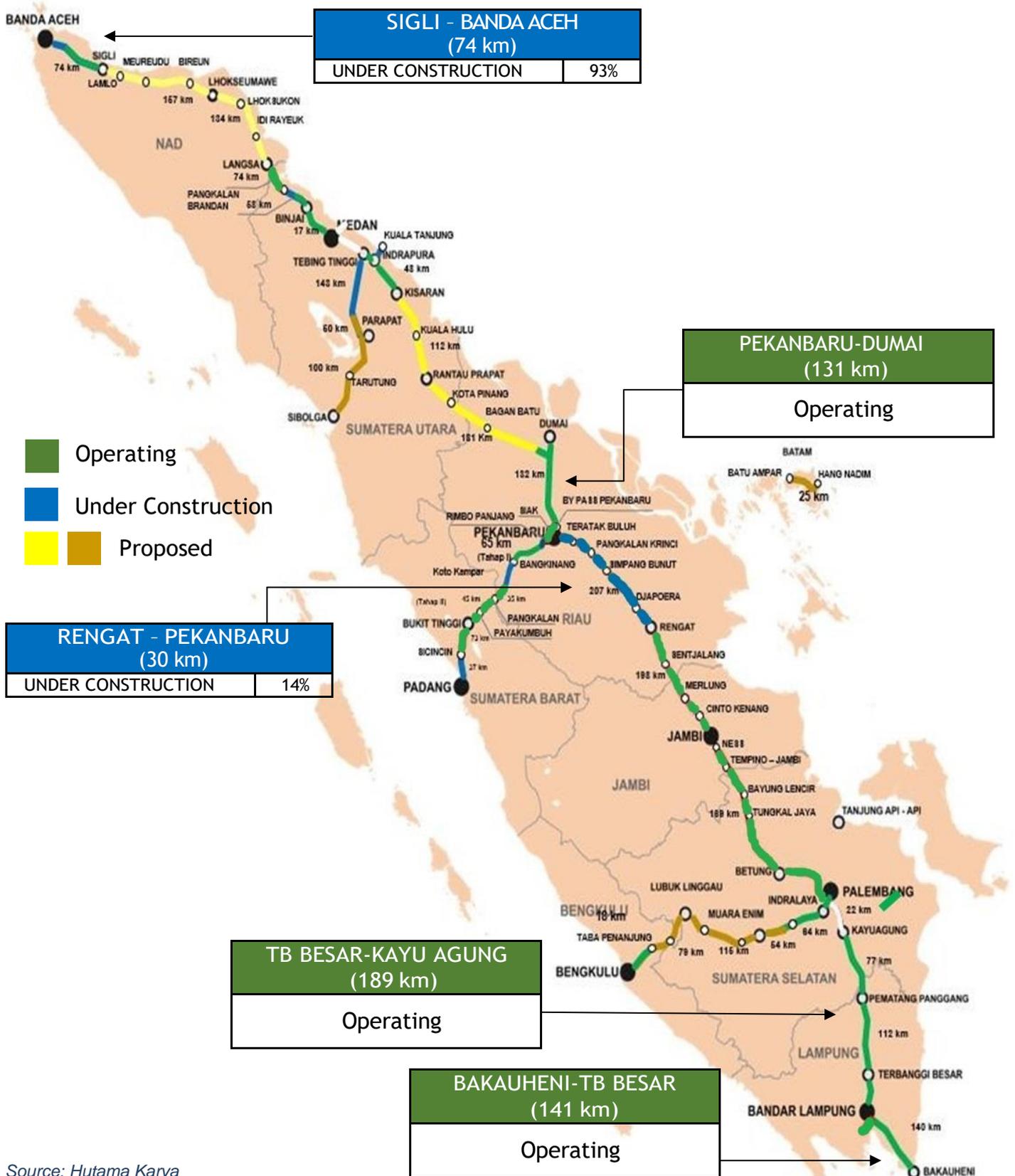


Vinchel, Irvan and James.  
8<sup>th</sup> October 2024



# PANGOLIN INVESTMENT MANAGEMENT

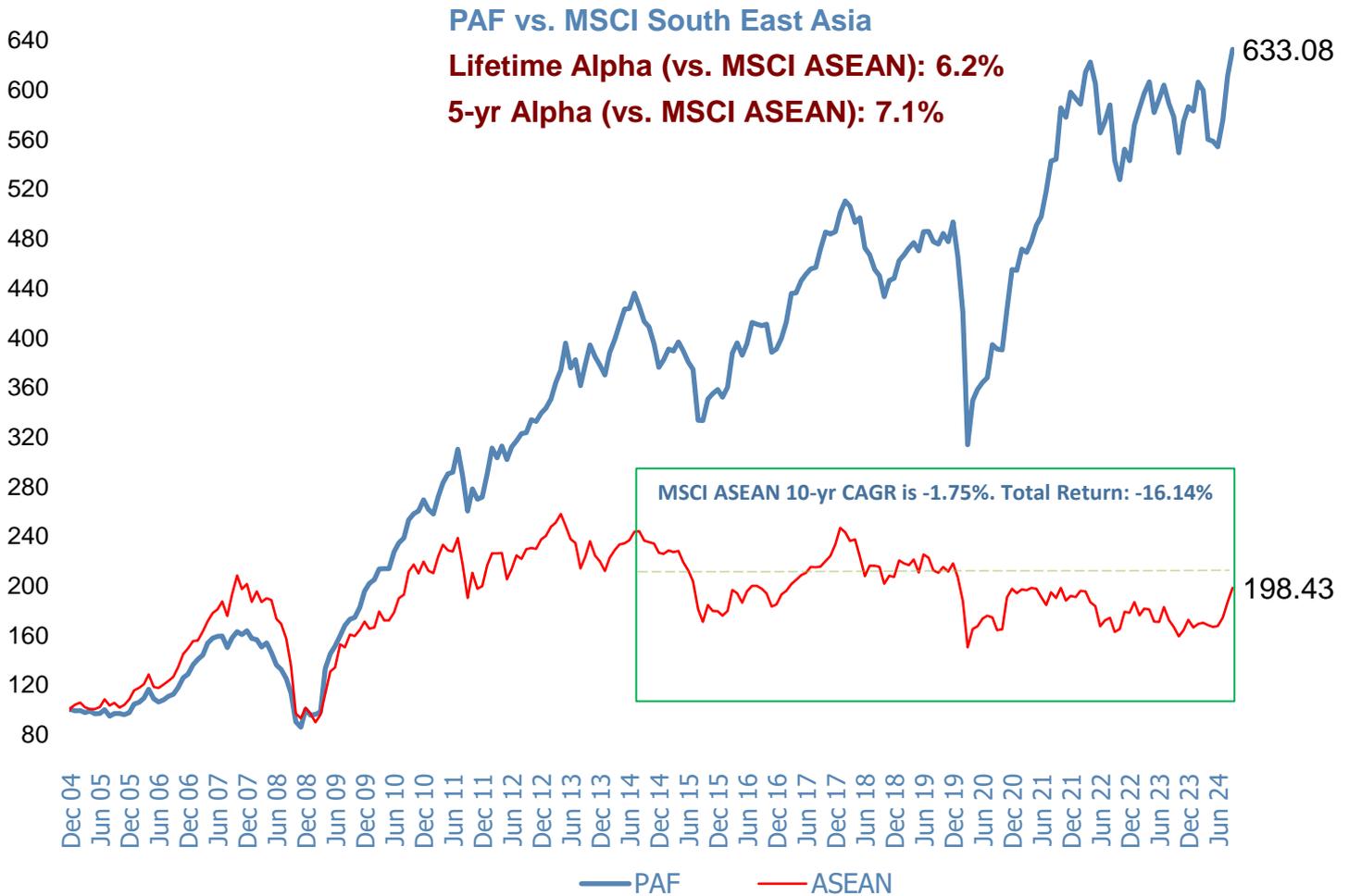
Map 1: Trans Sumatra Progress as of June 2024



Source: Hutama Karya



## Nineteen years track record and annualised return of 9.75%





# PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	NAV	583.20	606.55	599.94	560.25	558.96	554.34	576.15	611.53	633.08				7.91%
	% chg	-0.59%	4.00%	-1.09%	-6.62%	-0.23%	-0.83%	3.93%	6.14%	3.52%				
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%	

**Best monthly return**                    35.77%  
**Worst monthly return**                -25.36%  
**Maximum drawdown**                 -47.53%  
**% of positive months**                63.87%  
**Annualised return**                     9.75%



## By Sector

