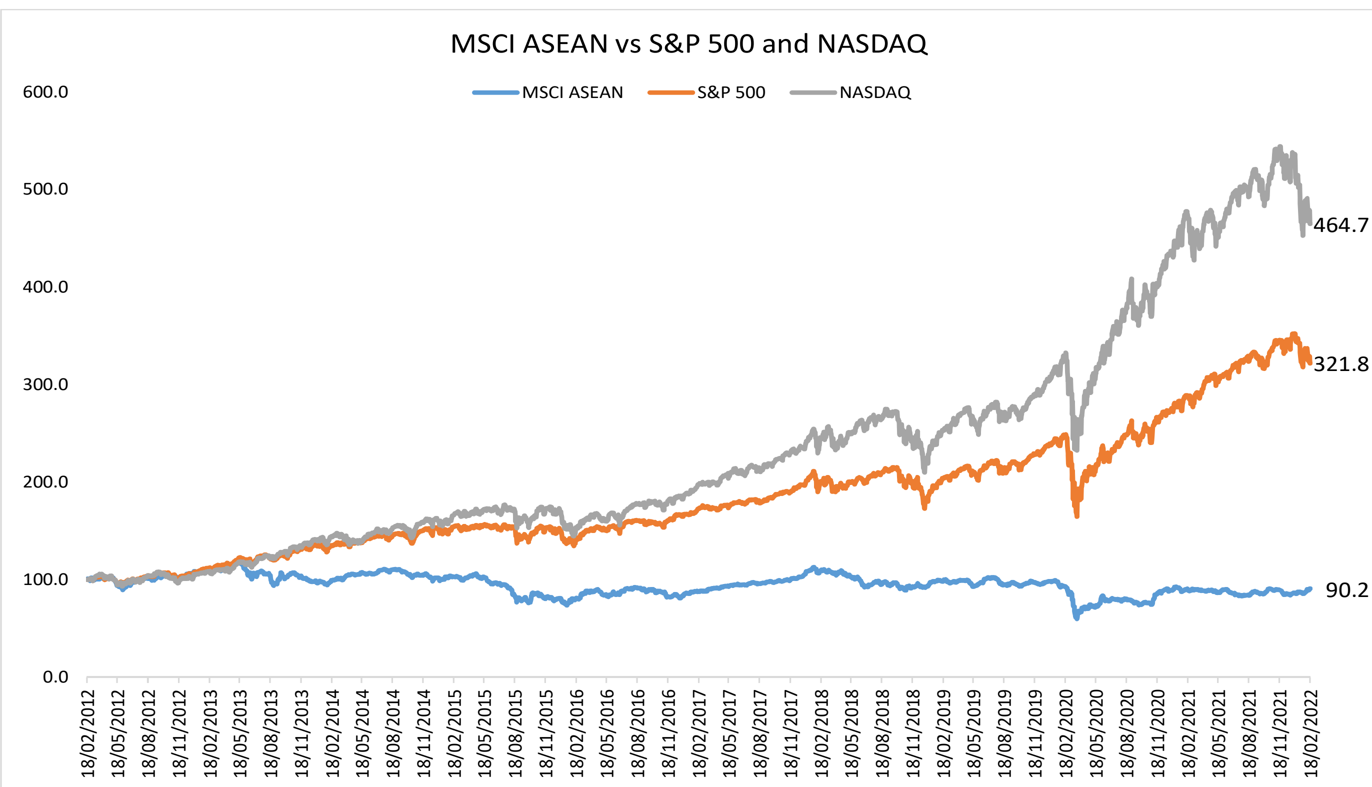
Dear Investors,

I'm rehashing my letter of 23rd April 2021 because I remain convinced of the opportunity for long term investors (i.e. investors) in SE Asia. I appreciate that the region is not in vogue, but that was also the case last year. Since then, the fund has risen 25% (last night's NAV was $599.19 vs $478.31 on 23rd April – net of all fees & expenses).

Since 23rd April	S&P 500	NASDAQ	MSCI ASEAN	PANGOLIN ASIA FUND
	+4.79%	-2.14%	+2.24%	+25.27%

Current valuations in Pangolin's markets present a chance to invest in companies at a significant discount to their true worth. SE Asia has one of the world's most stable business environments, witheconomic growth expected to continue through the next decades. Yet, due to the flow of (self-fulfilling) passive money elsewhere (effectively a Ponzi), this region has underperformed for over a decade. It remains the case that, for example, good Malaysian and Indonesian property companies can be acquired at 20% of their Net Asset Values - and these kinds of valuations are not considered abnormal. They are. I believe that long-term investors will regret not taking advantage of this disconnect from reality.

As the charts below show, ASEAN as an investment destination has gone nowhere for a decade. Yet the region is richer, the numbers of the middle classes have grown and with it their consumption. Our returns demonstratably illustrate the advantage of fundamental investing, as opposed to buying an index (in order to avoid fees).



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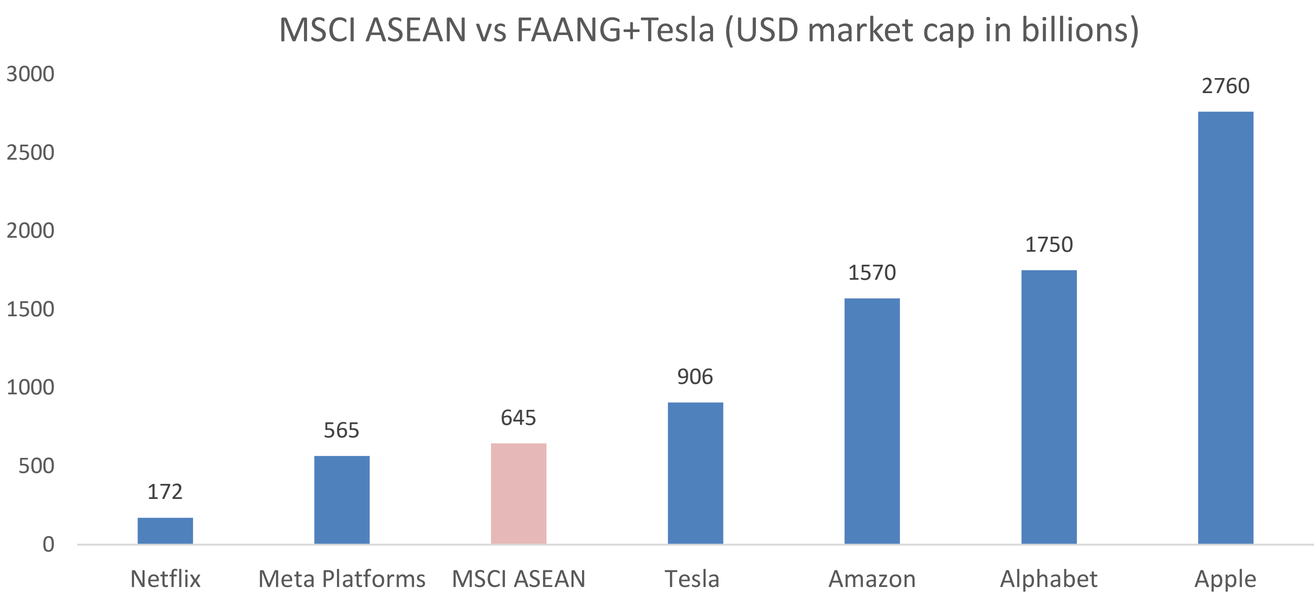
What we are beginning to see is the value of underlying investments becoming relevant again. Our aim is to continue to invest in what we think are the best managed bargains. If we get it right, we will continue to outperform our benchmarks.

SE Asia will have its time in the sun again. And, when it does, substantial flows into ASEAN's relatively small market capitalisation will inevitably result in rapid share price appreciation. Although the region's story will remain a good one for years to come, it would seem a shame to miss out on the initial gains.



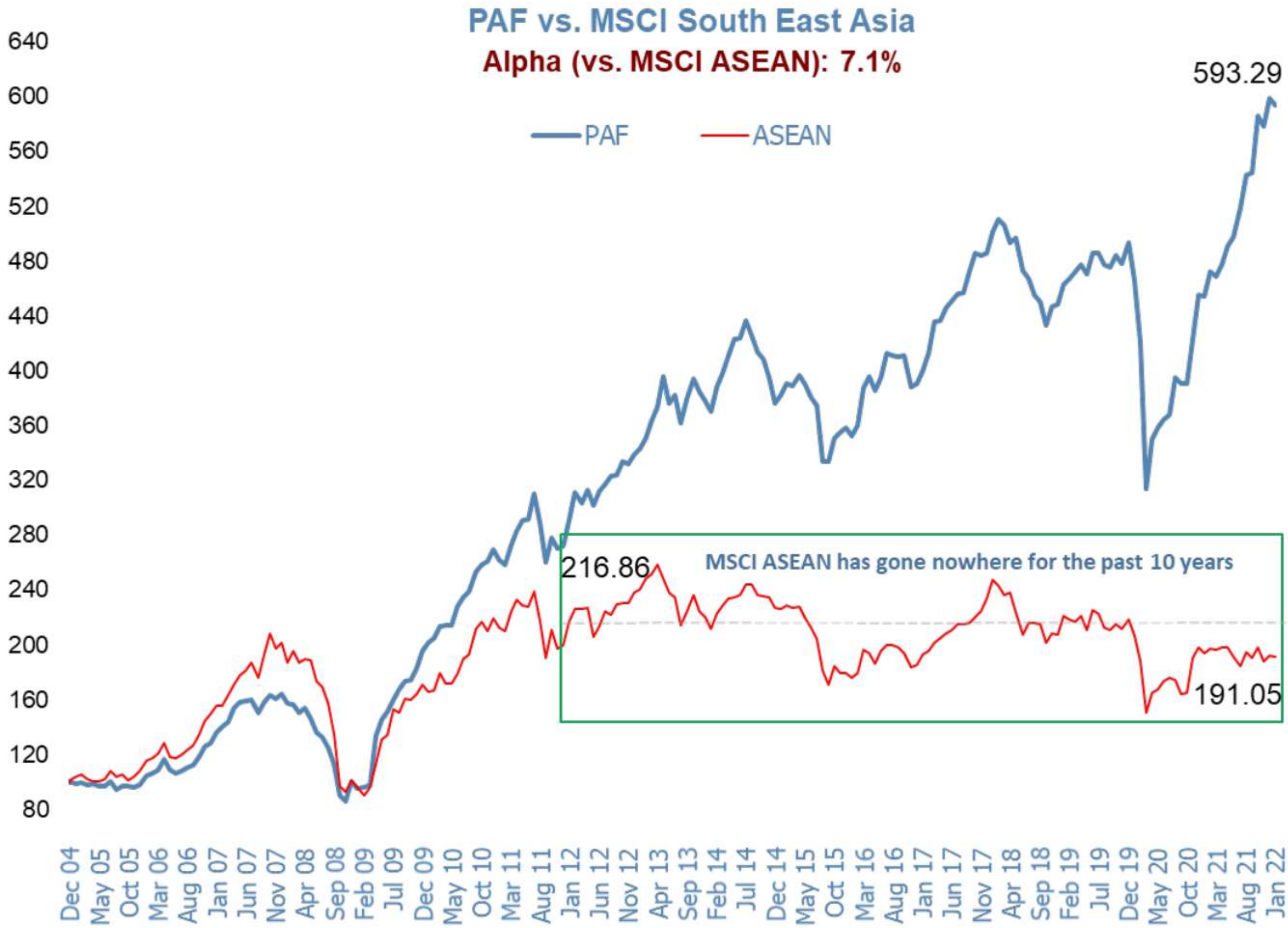
Since last April's letter, Facebook (Meta) & ASEAN have swapped places

Market inefficiency is greatest when interest is lowest. For the past decade, because ASEAN has been of little interest to many, we now find many more companies with scant or zero analyst coverage. This has been driven by:

- i) portfolio flows being diverted to the US & Tech,
- ii) passive ETF investing (which requires no analysts),
- iii) lower commission rates to pay for research,
- iv) MiFID II,

We continue to see capitulation by longer-term funds, as the underperformance caused by not holding the *passive-Ponzi* has cost some managers their jobs. Within ASEAN, we are at an of extreme of market inefficiency. Or, as I like to think, a time of great investment opportunity. On a five-to-ten-year time frame, current prices will, I believe, be seen as having been bargains. Those who miss out will kick themselves.

At Pangolin, we like to be able to take at least a five-year view. Preferably longer. If we find, at the right price, a well-managed, conservatively financed business with high sustainable returns on invested capital, along with a history of sensible and fair capital allocation, we would ideally still be holding it after a decade. That doesn't mean we switch off, but if the factors that initially got us excited remain in place, we're likely to stick with it. So far, over the past seventeen years, this approach has worked.



PAF vs MSCI ASEAN performance since inception (1 Dec 2004 to 31 Jan 2022). PAF 17 years annualised return is 10.93%.

This letter reflects some frustration. I'm now in my 37th year of analysing Asian companies. I've lived in Asia for nearly three decades, yet the response I get is uniformly "SE Asia, not now. Maybe 4th quarter". Last year's similar missive attracted virtually no interest.

As a fund that charges a performance fee, there are times when it makes sense to take money and times when it doesn't. We've closed to new money in the past and will do so again when we suspect increasing our AUM will impact our LT performance. As we currently have a long list of companies we can comfortably acquire, now is not one of those times. But a rapid rise in the markets can change that.

James Hay
19th February 2022

Ps. Last year's letter can be found at

https://jimdo-storage.global.ssl.fastly.net/file/8fb96af5-1eee-41a7-b490-9f9c46b08296/Pangolin%20Asia%20Fund%20Investor%20Letter%2023%20April%202021.pdf