



## Pangolin Asia Fund November 2023 NAV

As at the 30<sup>th</sup> November 2023, the NAV of the Class A shares of the Pangolin Asia Fund was US\$574.87 net of all fees and expenses, up 4.59% from US\$549.62 in October. YTD we're up 5.83%.

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

Singapore	6%
Malaysia	35%
Indonesia	59%

We don't 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
Nov-23	8.77%	8.92%	10.70%	4.87%	0.74%	0.17%	6.86%	3.26%	4.59%
YTD 2023	8.46%	18.97%	35.92%	3.36%	-2.86%	-5.48%	0.25%	-7.84%	5.83%

Return (in USD)									
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YTD 2023	8.46%	18.97%	35.92%	3.78%	-8.21%	-5.33%	0.25%	-7.84%	5.83%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Nov-23	2.19%	2.42%	2.42%
YTD 2023	-5.51%	0.16%	0.41%

It's been another tough year to make money, with the ASEAN index falling almost 8%. For as long as the US indices continue to perform as they have done, it's unlikely we'll see much interest from American asset managers, endowments etc. – more on that in a moment.

Despite the weak market and currency, most of our gains have come from Malaysia this year. That's the beauty of stock picking, particularly in a market where few others are looking. Hopefully our Indonesian stocks will attract the attention we feel they deserve before too long. I suspect they will, given that (according to the Financial Times) Indonesia will be the world's 6<sup>th</sup> largest economy by 2027. See [https://www.linkedin.com/posts/financial-times\\_indonesia-is-set-to-be-the-sixth-largest-activity-7130838217230049280-bXi5/](https://www.linkedin.com/posts/financial-times_indonesia-is-set-to-be-the-sixth-largest-activity-7130838217230049280-bXi5/)

### Outlook

Our companies have announced their Q3 results which, overall, were OK. What we're seeing is a dichotomy in spending habits as the poorer are constrained by inflation while the richer seem to be splurging regardless. This affects retailers' margins, as do the wage increases which employers are paying to attract and retain staff. And inventories are only now beginning to normalise post the pandemic: revenge spending is over.

We've owned Padini in Malaysia for many years, which caters to those not wishing to spend a lot on their clothing. During Covid, the company, which buys largely from China, basically had to do all it could to secure stock in the



face of lockdowns and trade disruptions. Managing this excess inventory has been a challenge for Padini but they're sort of back to normal now. Fashions change quickly and much of last year's clothes have had to be marked down in order to shift them.

At their AGM, shareholders were asked to vote on the reappointment of two long-standing independent directors. This is standard after nine years. As corporate governance slowly improves in the region, we're seeing more companies implementing two-tier voting, which meant that the major shareholders couldn't vote on this issue. Those that didn't vote were assumed to be in favour. The good news is that the larger institutions in Malaysia are now taking this kind of thing seriously. A few years ago, I'd be lobbying them to vote against all kinds of things, but they weren't interested. Things are changing for the better and both KWAP (civil service pensions fund) and Tabung Haji (Haj savings fund) voted to remove these directors. As did we.

Last year, the institutional shareholders also blocked the implementation of a share options scheme which would have included the major shareholder. You can understand why these are popular with managements, but experience has taught that they are ineffective as a staff-retention tool. Those that propose them are not HR consultants, but bankers after a fee. As businesses mature and evolve, retaining staff comes down to much more than salary.

Kudos too to Padini for allowing this to be a two-tier vote. They could have stated a *Departure from the Governance Code* and allowed the major shareholder to vote on the issue. This is not uncommon in Malaysia, with companies picking and choosing which bits of the code they wish to adhere to. This Malaysian company is ahead of many in terms of its governance and treatment of minorities.

## **Oh Warren(o), Warren(o), where are you Warren? Oh, Don't waste your time in sleepy Tokyo...**

In 2020 Berkshire Hathaway saw value in overlooked Japan and spent \$6.25 billion to amass 5% stakes in each of the five Japanese trading companies (Itochu, Marubeni, Mitsubishi, Mitsui, and Sumitomo). The positions were first disclosed on the 30<sup>th</sup> of August 2020. As of June 2023, Berkshire Hathaway's position in the companies rose to 8.5%. Berkshire Hathaway also pledged not to take its stake in any of the five companies beyond 9.9% without board approval.

Over the years the stake in the Japanese holding companies increased to billions of dollars, with the roughly \$6 billion invested in 2020 growing to about \$17 billion today. The five Japanese companies Berkshire Hathaway invested in have sprawling holdings in assets such as real estate, chemicals, food, rubber plantations, and copper mines. Much of their business revolves around importing various goods to the Japanese islands, which, while flush with cash thanks to Japan's advanced economy, have relatively scarce natural resources.

The Nikkei has risen 44% since these Japanese investments were first announced.

Japan was cheap, but it's not the future. The future's in less-developed Asia. And the future, when combined with cheap, is ASEAN. Could Berkshire Hathaway invest \$6bn into ASEAN. Yes. And because we're helpful people, there's a table below of suggested investments. 20 companies, \$300m in each but realistically a lot more in the banks. In fact, I reckon Berkshire could probably get around \$10bn into the market.

And once this were to be announced, the herd would, as they have with Japan, turn enthusiastic and that \$10bn would overnight become \$20bn.



The Singapore banks can be seen as *ASEAN+China* trading companies. Singapore Airlines needs little introduction as a proxy for the well-heeled Asian consumer. Malaysia's Public Bank and Indonesia's BCA Have NPL's below 1%. Bank Rakyat, with the Indonesia's largest branch network, reaches the parts that other banks cannot; and Astra is a single-digit PE proxy on Indonesia's 280m people.

Furthermore, there are ETFs and investment trusts, both single country and regional, to the tune of approximately \$5bn which Warren might use to increase his exposure, albeit diluted by non-ASEAN Asia. He's in the fortunate position that when he announces he's bought something, the world says what a good idea and follows him.

The only real surprise is that he hasn't already invested...

Assume USD 300m each		Total	6,000 million											
Country	Name	FYE	Price (local)	Mkt Cap (USDbln)	ADT USD mln (6mo)	Free float (%)	P/E (x)	P/B (x)	ROE (%)	Div Yield (%)	% of Mkt Cap	ADTV in days	50% ADTV in days	
1	Singapore	DBS Group Holdings	Dec	32.5	62.1	78.4	70.8	8.2	1.4	17.7	5.5	0.48	4	8
2	Singapore	OCBC Bank	Dec	12.9	43.0	42.7	85.2	8.6	1.1	13.5	6.2	0.70	7	14
3	Singapore	United Overseas Bank	Dec	27.4	34.0	53.5	85.2	8.1	1.0	12.5	5.8	0.88	6	11
4	Singapore	Singapore Airlines	Mar	6.2	13.6	45.0	66.7	11.9	1.3	19.3	3.2	2.21	7	13
5	Singapore	Singapore Telecom	Mar	2.37	29.0	34.2	48.0	12.3	1.4	11.7	4.4	1.03	9	18
6	Malaysia	Public Bank Bhd	Dec	4.2	17.4	11.7	54.4	12.3	1.5	13.0	6.4	1.72	26	51
7	Indonesia	Bank Central Asia	Dec	8,925	70.5	40.8	42.4	22.8	4.7	21.5	2.3	0.43	7	15
8	Indonesia	Bank Rakyat Indo	Dec	5,300	51.8	42.2	46.8	14.3	2.6	18.6	4.4	0.58	7	14
9	Indonesia	Astra International	Dec	5,675	14.7	17.3	42.4	7.3	1.2	16.5	6.0	2.04	17	35
10	Indonesia	United Tractors	Dec	23,750	5.7	8.6	37.9	4.2	1.2	26.6	8.4	5.25	35	69
11	Indonesia	Telkom Indonesia	Dec	3,540	22.6	23.3	47.9	14.8	2.7	18.6	4.7	1.33	13	26
12	Thailand	Siam Cement Pcl	Dec	291	11.1	15.6	57.2	12.8	0.9	7.0	1.5	2.70	19	38
13	Thailand	SCB X Pcl	Dec	99	9.4	37.7	74.1	8.4	0.7	8.6	7.8	3.20	8	16
14	Thailand	Kasikornbank Pcl	Dec	132	8.8	58.3	95.2	8.6	0.6	7.1	3.0	3.41	5	10
15	Thailand	Delta Electronics	Dec	84.00	29.8	43.7	36.2	58.5	16.3	12.9	0.5	1.01	7	14
16	Thailand	Airports Of Thailand	Sep	67.25	27.3	35.6	28.3	110.2	8.7	30.0	0.0	1.10	8	17
17	Thailand	CP All Pcl	Dec	56.25	14.3	43.2	52.8	32.0	4.7	15.4	1.3	2.09	7	14
18	Thailand	Bangkok Dusit Medical	Dec	26.75	12.1	37.5	68.0	31.6	4.7	15.4	2.4	2.49	8	16
19	Vietnam	Vietnam Prosperity Bank	Dec	19,900	6.5	13.6	73.9	13.0	1.3	10.3	5.0	4.61	22	44
20	Vietnam	Viet Nam Dairy Products	Dec	71,600	6.2	9.9	35.2	19.9	4.9	24.3	5.4	4.87	30	61
				Average	24.5	34.6	57.4	21.0	3.1	16.0	4.2	2.11	13	25

## Pangolin Asia Fund weighted valuations (30/11/2023)

	2023F	2024F
P/E (x)	11.0	10.0
Profit Growth (%)	10	10
ROE (%)	19	19
ROIC (%)	25	27
Div Yield (%)	5.3	5.8

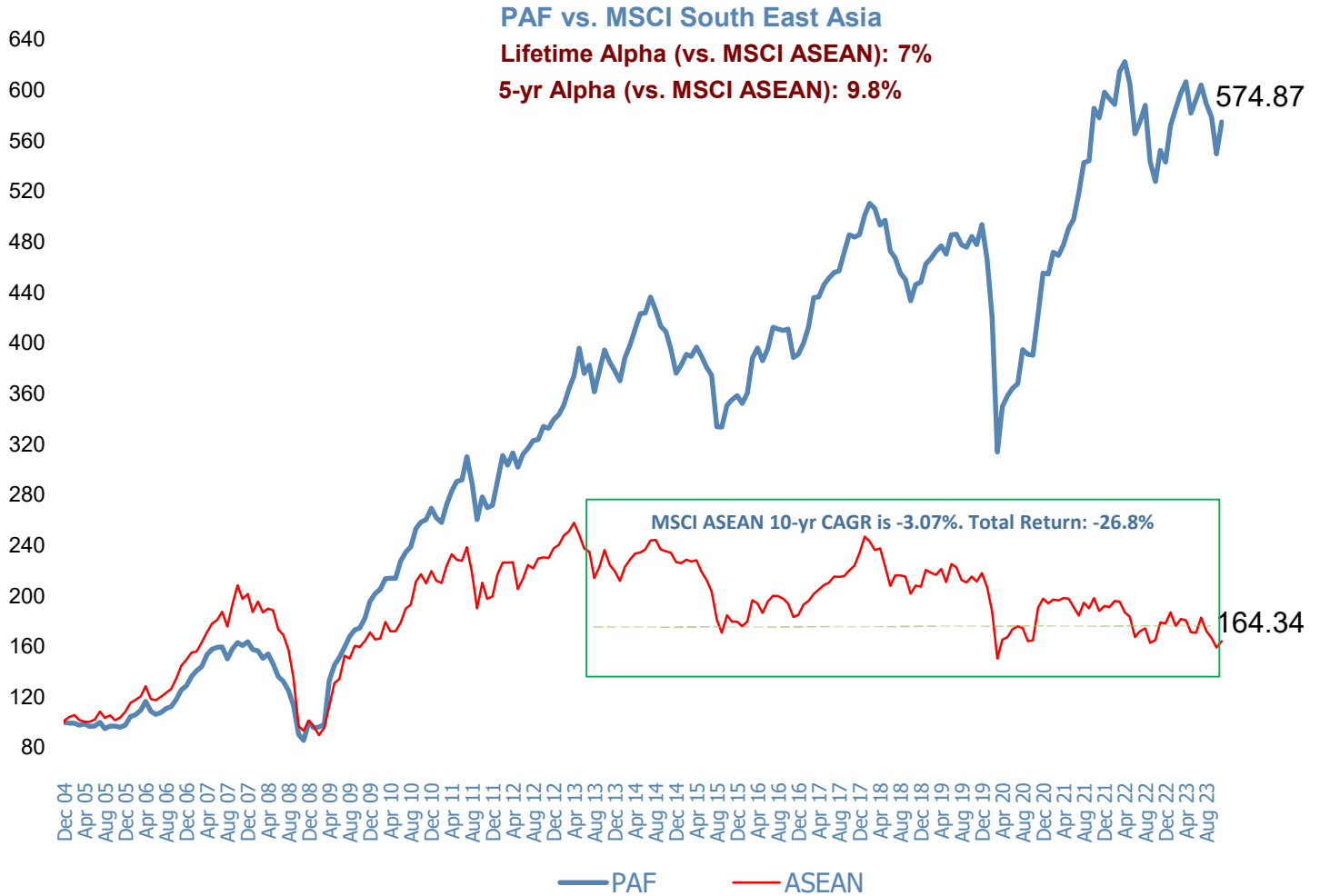
Merry Christmas and Happy New Year

And peace and goodwill to all mankind,

James  
6 December 2023



## Nineteen years track record and annualised return of 9.64%





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		5.83%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%	-5.01%	4.59%		
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	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

**Best monthly return** 35.77%  
**Worst monthly return** -25.36%  
**Maximum drawdown** -47.53%  
**% of positive months** 64.47%  
**Annualised return** 9.64%



## By Sector

