



Pangolin Asia Fund July 2024 NAV

As at the 31st July 2024, the NAV of the Class A shares of the Pangolin Asia Fund was US\$576.15 net of all fees and expenses, up 3.93% from US\$554.34 in June.

As of today, the fund is about 96% invested, with the split being approximately as follows:

Singapore	8%
Malaysia	36%
Indonesia	55%
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
Jul-24	4.41%	1.13%	-0.75%	2.72%	2.23%	3.69%	-0.59%	4.10%	3.93%
YTD 2024	8.37%	15.78%	17.24%	-0.23%	11.75%	6.66%	7.94%	1.07%	-1.79%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia x JP	MSCI-ASEAN	PAF
Jul-24	4.41%	1.13%	-0.75%	3.45%	5.06%	5.25%	-0.59%	4.10%	3.93%
YTD 2024	8.37%	15.78%	17.24%	-5.52%	11.83%	5.40%	7.94%	1.07%	-1.79%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Jul-24	2.77%	1.50%	0.71%
YTD 2024	0.08%	-1.18%	-5.30%

In July we saw currency appreciation (which has continued in these first strange days of August) and a significant rise from overseas investors' interest in our markets.

Evolution of the ASEAN Consumption Trend

As we've been repeating since the inception of our fund, the ASEAN consumer story is developing at an unrelenting rate, with decades still to run. The changes in ASEAN consumer behaviour can be seen throughout society; for example, the move from one car per household to two or three, the growth of designer brand spending and the increased propensity to eat out at fancy restaurants. All these behavioural changes are tied in with the perennial growth of ASEAN income levels and its middle class. As incomes rise, consumers desire more and higher quality products and services. We see examples of this phenomenon all the time on the ground, and most recently it is the booming industries of confinement and eldercare that have caught our attention – both of which we will expand upon in this letter.



Confinement Centres

Postpartum confinement is a common practice in many Asian cultures and is seen as a critical time for the mother's recovery and long-term health. Both mothers and their new-born babies are required to stay indoors for a period of 30-44 days and follow a certain dietary routine deemed to aid the mothers' recovery and well-being of the babies. In the past, confinement was done at home, with the help of family members. Today, the practice is now commonly outsourced to third-party nannies or stay-in confinement centres. Common services provided include comfortable accommodation, nutritional food, medical care, emotional support, and expert classes to equip new mothers with necessary skills to care for themselves and babies. These confinement centres are popular in much of Asia, and their growth in number and quality here in Malaysia and Singapore has been very notable.

In Malaysia and Singapore, different races have slightly different practices, but they share the same goal of helping postpartum mothers to recover from labour. Below is a table summarising some of the practices for the Chinese, Malay and Indian communities.

The Dos and Don'ts During the Confinement Period

	Chinese practices	Malay practices	Indian practices
Confinement period	30 days	40 - 44 days	40 days
Dietary requirements	<p>Common dishes: pigs' trotters cooked with ginger and vinegar, fish soup, herbal chicken soup, chicken cooked in sesame oil and wine.</p> <p>Avoid plain water to reduce the risk of water retention. Instead, take specially prepared drinks from a mixture of herbs and red dates.</p> <p>Avoid 'cooling' food and drinks like cucumbers, cabbage, pineapples as well as iced drinks.</p>	<p>Food of choice includes fresh fish like snakeheads (ikan haruan), which speeds up healing. However, avoid fishes like mackerel (ikan kembong), shellfish and prawns which are believed to cause itchiness and impede wounds from healing quickly.</p> <p>Encouraged to take a special drink called "jamu" which has properties to keep the body warm.</p> <p>Turmeric juice is said to be able to help uterus to contract and flush out all the postpartum blood.</p>	<p>Common food: chicken and shark fish cooked with herbs, garlic cooked without oil, oral intake of herbs, garlic milk, and gourds such as lauki and tori cooked with fenugreek as those are believed to be milk boosters.</p> <p>Avoid: Chilli, "cooling" foods especially tomatoes, cucumbers, coconut milk and mutton, gas inducing vegetables like cabbage, cauliflower and broccoli</p>
Common objective: To purge out the "wind" in the body after delivery, promote "blood circulation", strengthen the joints and promote milk supply			
Confinement taboos, restrictions and other practices	<p>Not allowed to wash hair for the entire confinement period.</p> <p>No fan and air-conditioning to avoid body exposed to wind. Wear long sleeves, sarongs and socks.</p> <p>Only warm herbal baths are allowed.</p> <p>No sex as her body needs to recover from the traumas of giving birth.</p>	<p>Avoid vigorous activities and get ample rest, especially during the first week postpartum. Avoid exposure to wind.</p> <p>Avoid sex as her body is still weak.</p> <p>To improve body shape, after each massage, moms wear a Bengkung or corset/girdle</p> <p>bertungku (hot stones) on the abdomen to 'cleanse' the womb (menaikkan rahim)</p>	<p>Avoid air-conditioners and fans. Wear socks and remaining in bed as long as possible especially during the first few days.</p> <p>Wash hair on specific days and dry their hair with incense smoke. Only herbal infused bath is allowed.</p> <p>Daily massages with special oil blends.</p> <p>No entry to the prayer altar room.</p>

Source: Health Xchange, Astra Family



Confinement Centres in Malaysia and Singapore



Source: Hatchery Cribs, Little Precious Postnatal Care, Tots & All

Growing middle class families, urbanisation and changing lifestyles have contributed to the rising demand for confinement centres. Confinement nannies are still in high demand, but the experienced ones are usually fully booked for many months ahead. One tends to source these nannies through recommendations and word-of-mouth. Meanwhile, confinement centres are advertised and easily searchable on the web. They provide well-built facilities, trained nannies and other professional services. Mothers can rest assured they'll receive the right care and support at confinement centres.

If you're imagining a glorified hospital, think again. Some of these confinement centres put most luxury hotels to shame. And people pay a small fortune for the pleasure of staying in one! The costs of the centres vary, depending on location, facilities and level of care. This can range from a few thousand to tens of thousands of dollars.



Jalene, our resident Singaporean mom, expands on her confinement experience below:

The One-Month Jail Term

In Singapore, families are presented with various confinement options:

- 1) Do-it-yourself confinement - the most budget-friendly option. Most families who opt for this either have a very hands-on daddy with flexible work arrangements or a reliable domestic helper who is good with newborns.

Estimated costs: Just give daddy a pat on the back!

- 2) Confinement food delivery – Confinement food is believed to help the new mother recover from childbirth and regain her strength. Nutritious confinement food aids in the healing process, boosts energy levels, promotes lactation, and restores balance in the body. Mothers are encouraged to eat meals with ‘warming’ ingredients such as ginger, black pepper, sesame oil and rice wine. As these specialised diets usually include tedious cooking methods, with particular ingredients and recipes, many new mothers turn to professional confinement food caterers during their postpartum period.

Estimated costs: USD 1,250 for a 28-day package with two meals a day.



A typical confinement meal. Soup and red dates tea are a must for extra fluid intake.

Source: NourRiche

- 3) A stay-in confinement nanny - I would say the most popular option. The nanny will provide care and support for both mother and baby, prepare confinement meals, feed and bathe the baby, and perform simple household chores.

Estimated costs: USD 2,720 for 30 days to the nanny, while ingredients needed for confinement meals can cost up to USD 735.

- 4) Staying in a confinement centre - Most confinement centres offer different durations of stay, ranging from 7 days to the standard 28 days. On the lower end, prices start from USD 390 per day, with most centres costing on average USD 603 per day, while luxury confinement centres charge from USD 1,838 per day.

If you opt for a standard 28-day stay, you are looking at forking out a whopping USD 16,900!



It was back in January 2018 when I was greeted with a positive pregnancy test right after the New Year celebrations, and the next moment I found myself scrambling through my fellow mommy friends' contacts for recommendations on a confinement nanny. Being a typical Singaporean, we are known to be "kia-su", which in layman's terms means afraid to lose out, particularly because one is overly competitive.

I went for option 3, a stay-in nanny. My expected due date was in September, but I was told that it's the norm here to book a nanny nine months in advance and pay a deposit immediately. I contacted 5 nannies, of which only 2 were available in September (yes that is how "kia-su" Singaporeans are!). I had a short video-call with them before placing my bet on who would be the best.

I was lucky that I had a very pleasant experience with my nanny, whom I fondly address as Ping Jie. Ping Jie was more than a nanny to me. I regarded her as a friend, not just a baby whisperer. Being a first-time mom (FTM), the learning curve was so steep that I was anxious over practically everything. Ping Jie ensured I got ample rest, gave me good advice on baby care and made sure I was well fed (as well as the baby!). She addressed my insecurities and moulded me into a more confident FTM. I couldn't be any more grateful for having her in my 4th trimester!



We kept in contact through the years.



My all-time-favourite Red Glutinous Wine Mee Sua.

Ping Jie is a Malaysian and Singapore has a special employment pass for confinement nannies, recognising the demand for such services and a desire to increase its population.

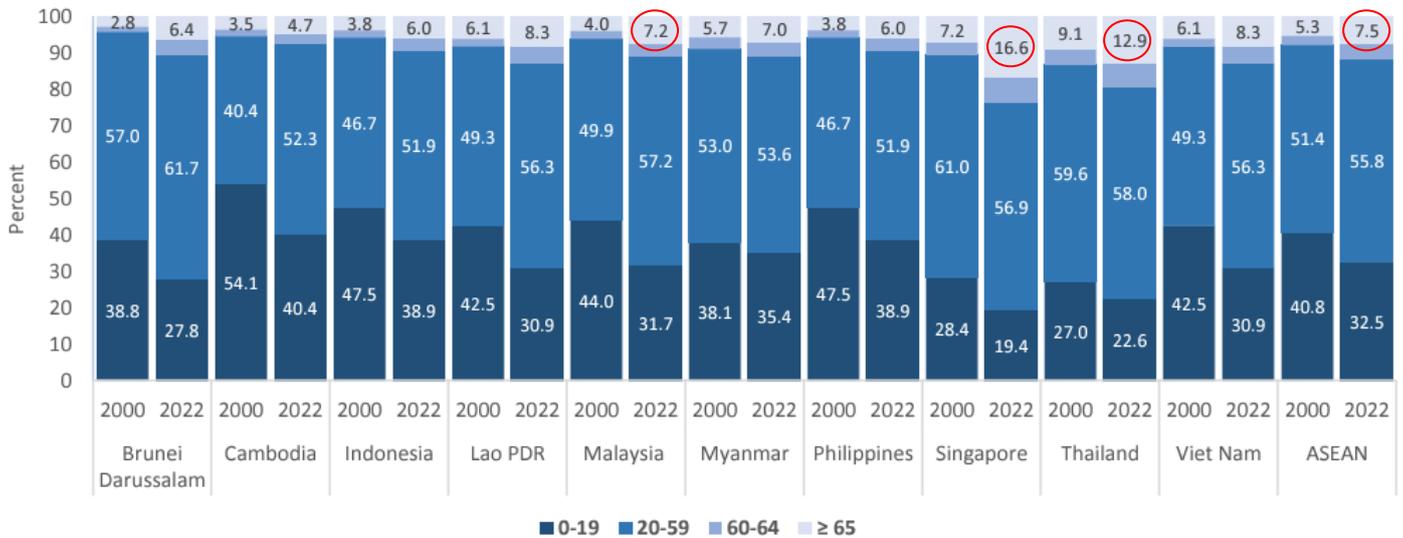
Luxurious Retirement Home

Aside from confinement services, another booming industry in our part of the world is that of retirement homes/villages. Different from a simple nursing home, these retirement communities are a place for retirees to continue to live an independent, active and healthy life with access to amenities such as meals, entertainment, fitness centre, rehabilitation care and much more.

Although ASEAN has a relatively young population (see figure below), the increase in demand for these posh retirement homes has been notable, especially in Singapore and Malaysia. As the wealth those retirees (or their children) have accumulated over their careers has increased, the propensity to spend money on luxuries such as retirement homes has grown. With these retirement homes roughly priced at US\$1,800 a month in Malaysia and US\$2,000-3,000 a month in Singapore, their popularity is undeniable proof that the growing middle class in South-East Asia are spending money like never before.



ASEAN Population By Age Group



Source: ASEAN Stats

One of the fund's companies, IGB Berhad, has entered the retirement and post-operative care business, with a facility called ReU Living (<https://reuliving.com/>) which it set up in July 2022. It is located at MiCasa Hotel, Kuala Lumpur. ReU Living offers a wide range of services such as post-operative retreat, stroke recovery, orthopaedic recovery, Traditional Chinese Medicine (TCM), assisted-living care, senior daycare, senior staycation, physiotherapy and so on. The business has received good response and has been profitable since opening. They are looking to set up new branches in Johor and Penang, targeting the growing demand from the locals as well as medical tourism. They are also seeing more players coming into this space given the promising long-term outlook.

IGB's ReU Living



Source: ReU Living

Overall, these two booming industries reflect the broader socioeconomic trends in Asia. From our first days until our last, Asians are demanding higher quality products and services, and are spending more money to achieve this. The ASEAN consumer story remains a seemingly unstoppable force and, being on the ground here, we constantly see evidence of this. And it is not slowing down...



Outlook

Pangolin has three investment mantras, which I'll repeat here.

- i) Don't confuse economics with investing.
- ii) Don't confuse politics with investing.
- iii) Don't confuse markets with investing.

The events of the past few days, with the unwinding of the carry-trade, will have had little impact on the working day of those employed in our companies. Our region's economic growth rates remain enviable, and our companies remain undervalued.

Now, this doesn't exclude the risk of a stock market crash. I recall the Asian Financial Crisis (AFC) started with the Thai Baht devaluing, and we in Malaysia assuming it was just a Thai thing. In the Nineties, there was excess liquidity sloshing around ASEAN's stock markets, the very opposite of the present. For the past few years, money, driven by excessively low interest rates and complacency, has been sloshing around almost everywhere else but ASEAN.

While we have to wait to see how this settles (will it be like October 1987 or the AFC?), it's important to remember that **investing** is not about being where the liquidity is. That is speculating. **Investing**, from a Pangolin's perspective, involves thorough analysis of listed businesses, resulting in an opinion on whether the share price is significantly under-pricing the company. And, given that markets can behave irrationally, any decision to invest has to be based on at least a five-year view.

- i) Will the company be far more valuable in five years than it is now?
- ii) Will that be reflected in the share price?
- iii) Is the current share price significantly under-pricing (i) & (ii)?

If we can get that right, most of the time, we can largely ignore economics, politics and markets. The fund will turn 20 later this year, and during that time we've had periods of horrible politics, economics and markets. We've managed to outperform by owning businesses managed by motivated people driven to exploit the opportunities on offer, in this increasingly prosperous and growing region.

I would argue that the fund's valuations already reflect undue pessimism. Our profit growth forecast has been scaled back due to inflation's impact on the Indonesian consumer (the poorest are always hit hardest). The good news is that the last three months' inflation numbers have been falling compared to the previous month.



Pangolin Asia Fund weighted valuation (6th August 2024)

	2024F
P/E (x)	9.8
Profit Growth (%)	7
ROE (%)	18
ROIC (%)	25
Div Yield (%)	5.5%

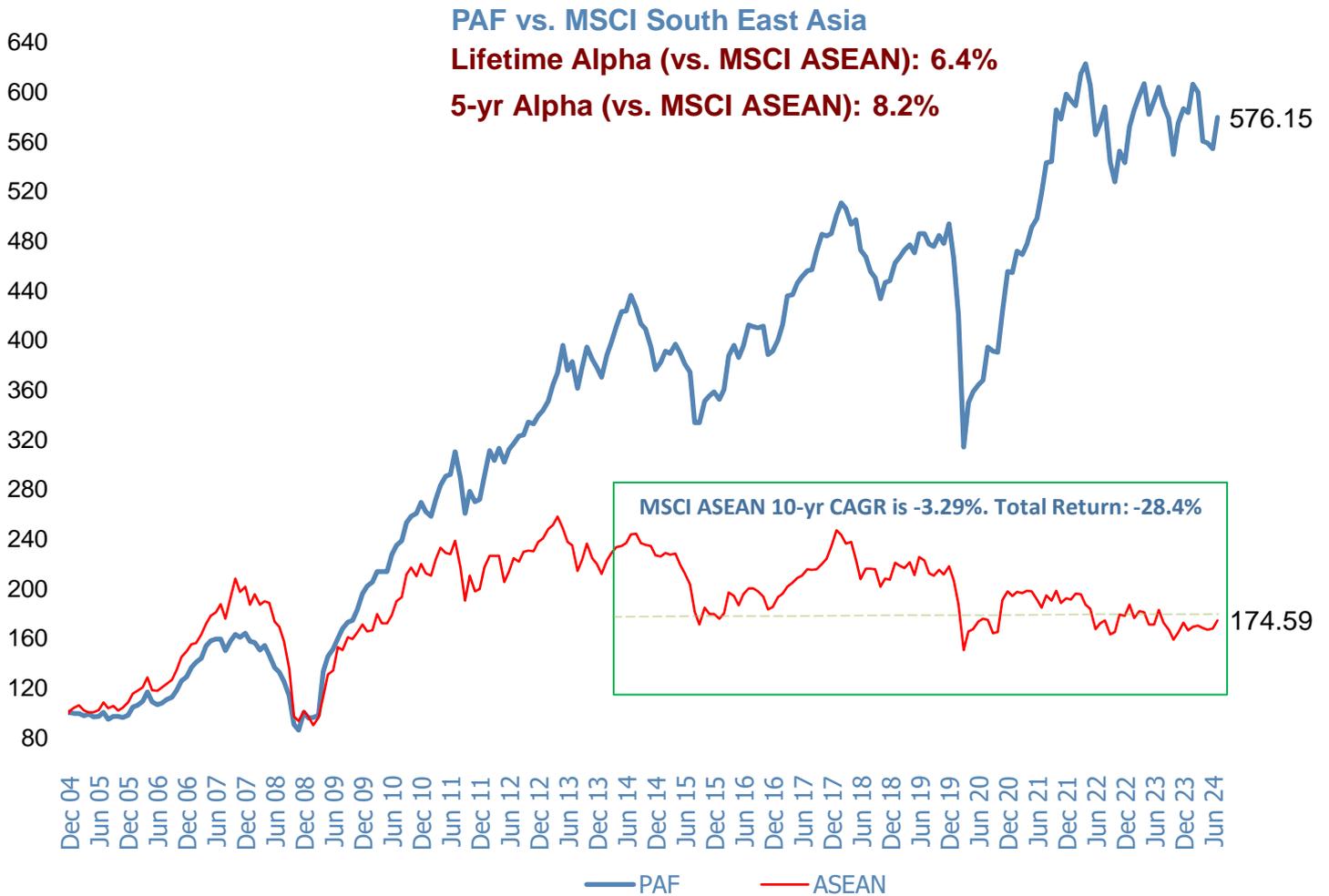
GDP Forecasts	2024F
Malaysia	5.2%
Singapore	2.6%
Indonesia	5.0%
Philippines	6.0%

James, Chiew Sia & Jalene.

6th August 2024



Nineteen years track record and annualised return of 9.31%





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						-1.79%
	% chg	-0.59%	4.00%	-1.09%	-6.62%	-0.23%	-0.83%	3.93%						
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 63.56%
Annualised return 9.31%



By Sector

