



Pangolin Asia Fund February 2021 NAV

As at the 28th of February 2021 the NAV of the Class A shares of the Pangolin Asia Fund was US\$471.89 net of all fees and expenses, up 3.79% from US\$454.64 in January.

As of today, the fund is about 94% invested, with the split being approximately as follows:

Singapore	12 %
Malaysia	23 %
Indonesia	64 %
Thailand	1 %

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 Asia Ex-Japan)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Feb-21	3.17%	2.61%	0.93%	6.47%	0.72%	1.60%	2.03%	1.22%	1.57%	3.79%
YTD 2021	1.06%	1.47%	2.36%	4.39%	-3.04%	3.70%	3.27%	5.25%	-0.31%	3.64%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Feb-21	3.17%	2.61%	0.93%	4.94%	0.48%	1.33%	0.28%	1.22%	1.57%	3.79%
YTD 2021	1.06%	1.47%	2.36%	3.04%	-3.75%	2.88%	1.65%	5.25%	-0.31%	3.64%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Feb-21	-0.24%	-0.27%	-1.44%	-1.71%
YTD 2021	-0.73%	-0.79%	-1.30%	-1.57%

So much for the USD being finished Vs Emerging Markets currencies.

Outlook & a personal history lesson

Is Bitcoin the new alchemy? There is a big bubble out there and, at some point, it will burst. The question is, how hard will the rest of us be hit when it pops?

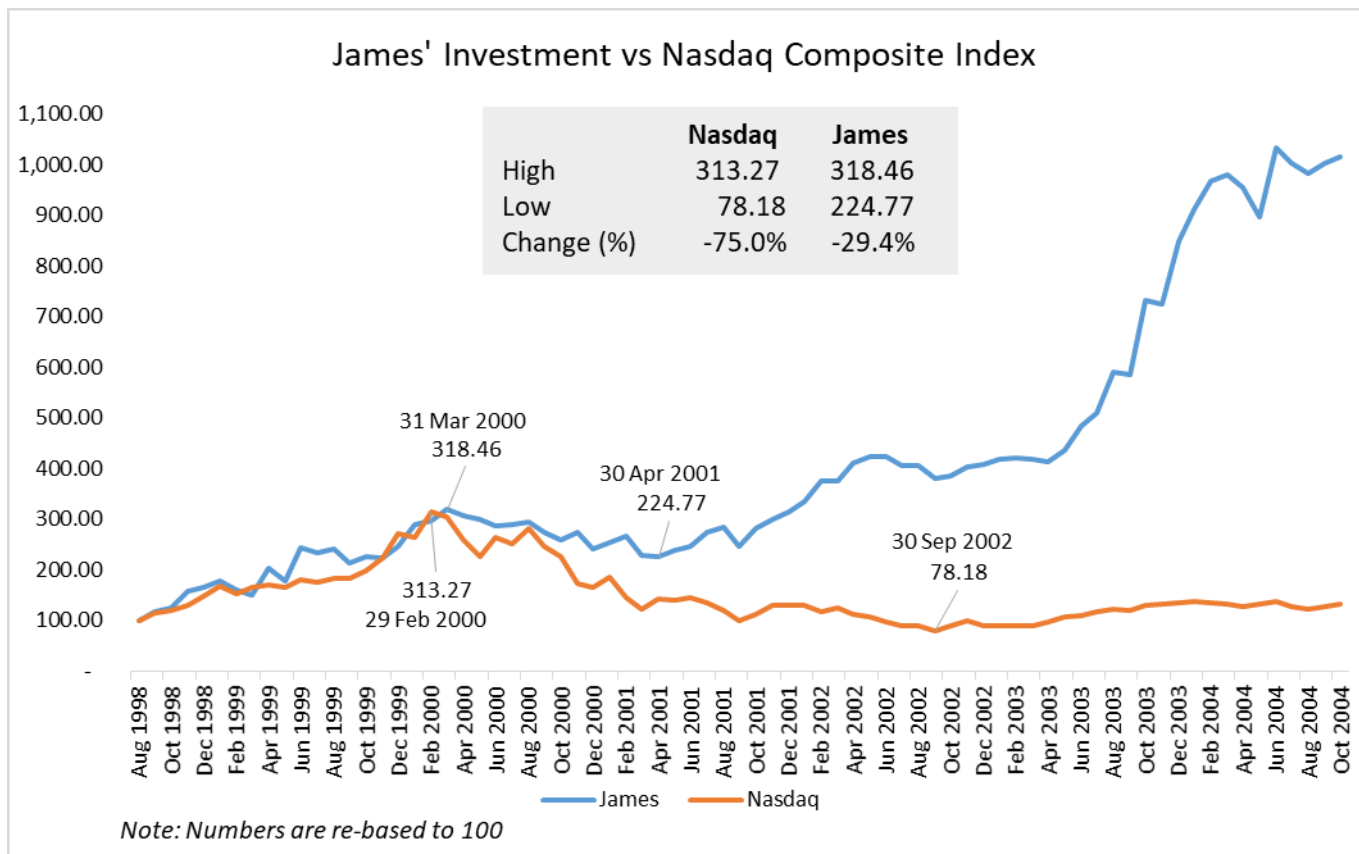
Back in 1998, in the depths of the Asian Financial Crisis, I had the good fortune to be made redundant. I decided to backpack for a year but only after putting virtually every spare penny I had into around six Malaysian stocks, despite most of my friends telling me I was mad to be doing so. This portfolio went up approximately 10x in the next few years. Unfortunately, the modest amount of my savings meant that this was by no means retirement money, but it gave me the capital to start Pangolin on my terms; I could afford to remain a genuinely long-term investor at a time when all the rage was 130:30 long-short hedging. The fact that we're still going (and growing I hope) is largely as a result of not having to chase short-term gains.



1998 was a unique opportunity to be an investor in Asia. 2008 was low but I've never seen stocks so cheap as they were in SE Asia coming out of the Asian Financial Crisis. One mistake I made was selling Indonesian companies too early – I was so used to paying sub 5x PEs that once they hit 12x I reckoned they were overpriced.

Anyway, buying cheap, holding and reinvesting the dividends proved rewarding. In 2000 there was yet another financial crisis when the tech bubble burst. The **crash** that followed saw the **Nasdaq** index, which had risen five-fold between 1995 and 2000, tumble from a peak of 5,048.62 on March 10, 2000, to 1,139.90 on Oct 4, 2002, a 76.81% fall. I don't think it's impossible that something similar could happen again.

If so, what would happen to Asia? My personal experience was that my Malaysian portfolio's drawdown from March 2000 – April 2001 was 30%. And I can remember thinking that this fall in share prices was a good thing – my reinvested dividends could buy me more shares than before Nasdaq's meltdown.



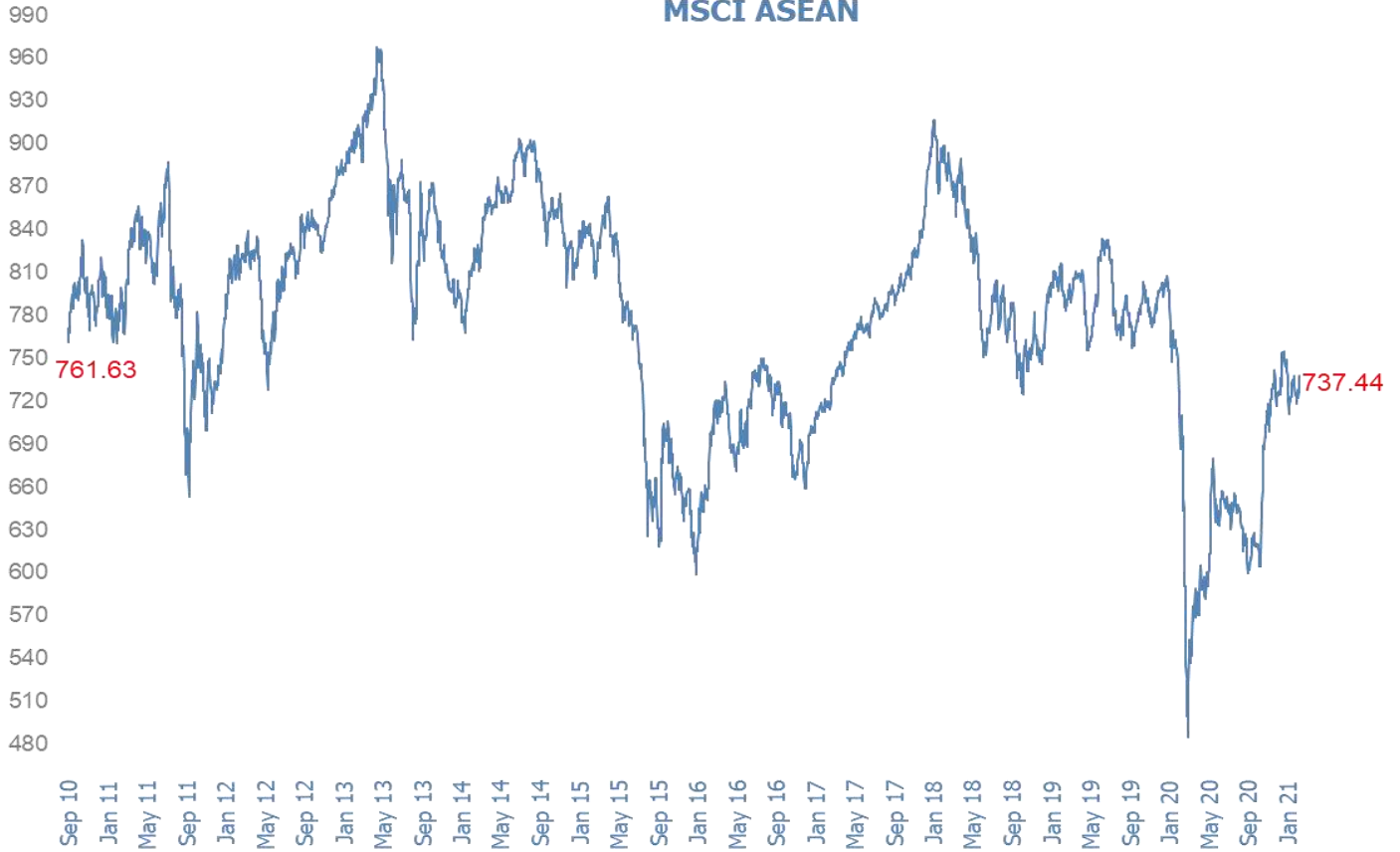
But not only was my drawdown significantly less than Nasdaq's, but it only lasted 11 months, as opposed to Nasdaq's 70% fall over 2½ years. And the opportunity to invest ultra-cheaply again in 2000 meant that my portfolio was fully loaded for when the world rediscovered Asia's stock markets in 2003 and thereafter.

How does the present compare?

SE Asian stocks, like much of emerging market listed equity, have been unloved for many years now. For example, the MSCI ASEAN Index has gone nowhere for a decade. There is so little interest from overseas investors that there is almost free money on the table. We don't have the same across-the-board ultra-low valuations as we did in 2000, but we can still find ultra-low valuations.



MSCI ASEAN

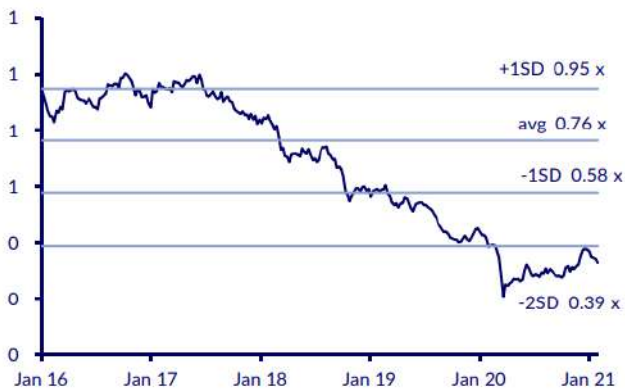


MSCI ASEAN has barely moved in a decade

For example, Malaysian property stocks trade at discounts to Net Assets of around 80% in some cases. I.e., you are paying 20c for \$1.00.

Malaysia's Property Sector

Sector P/BV 5-year bands



Source: CLSA, Bloomberg, Company constituents: SDPR MK, SPSB MK, MSGB MK, ECW MK, IOIPG MK, UEMS MK

Sector RNAV discount



Source: CLSA, Bloomberg, Company constituents: SDPR MK, SPSB MK, MSGB MK, ECW MK, IOIPG MK, UEMS MK



Selected Malaysian Property Company Valuations

Company	Market Cap US\$m	Share Price RM	RNAV (RM/sh)	P/RNAV (x)	Discount to RNAV (%)
Eastern & Oriental	149	0.420	4.04	0.10	-89.6
EcoWorld	364	0.500	2.24	0.22	-77.7
Glomac	59	0.310	1.51	0.21	-79.5
IGB	563	2.580	11.74	0.22	-78.0
LBS Bina	158	0.410	3.65	0.11	-88.8
Sime Darby Property	985	0.585	2.12	0.28	-72.4
SP Setia	914	0.910	4.05	0.22	-77.5
Tambun Indah	69	0.640	2.28	0.28	-71.9
UEM Sunrise	513	0.410	1.58	0.26	-74.1
Average				0.21	-78.8

Pangolin owns some IGB. IGB isn't just trading at 22% of NAV but actually trades at a discount to the value of its listed REIT. The 53% stake in IGB REIT is worth RM3.44 per share against IGB's market price of RM2.58. The REIT has extensive analyst coverage, the parent IGB, none. The REIT model basically means that IGB has a ready buyer for its developments. At what level do you imagine most money is made? And guess where the Tan family, with their long-term outlook, hold their shares?

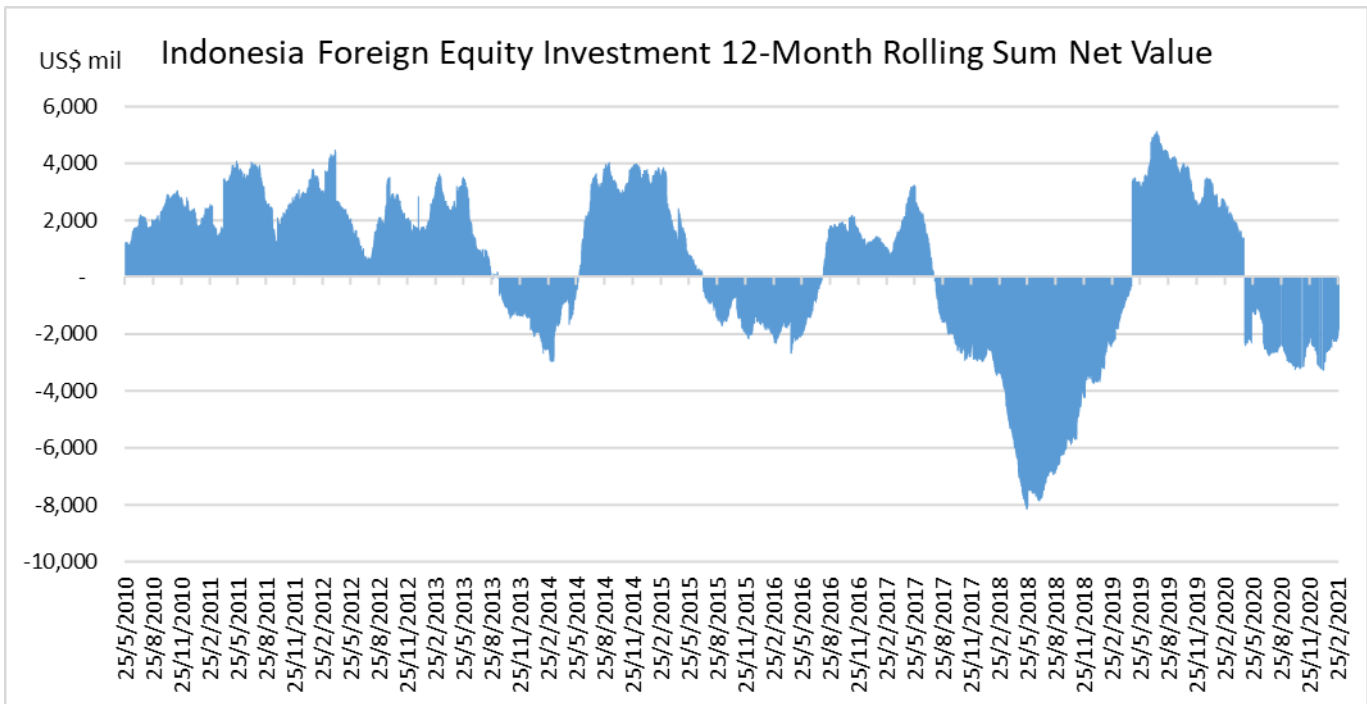
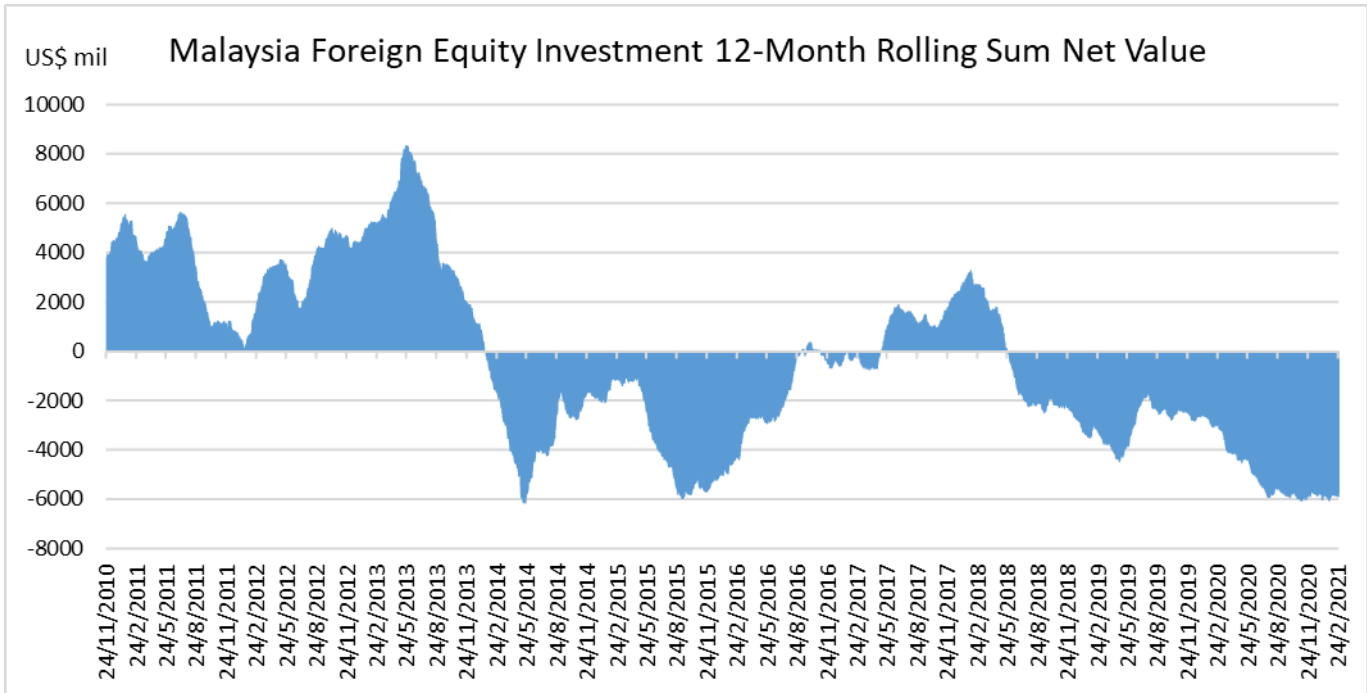
Malaysia's OSK Holdings (which we don't own) trades at less than the market value of its 10% share in RHB Bank. We don't own it but it's another example of a non-sensical discount.

In Singapore we own Haw Par which trades at less than the value of its holdings in UOB, UOL and its cash. This means that we get to own its jewel in the crown, Tiger Balm, for free. This isn't some obscure small-cap (Mkt cap is US\$2bn) and I reckon Tiger Balm is worth around US\$1bn - despite its Asian sales collapsing last year. Normally Tiger Balm grows at around 15% with an ROIC in excess of 100%. Yet again, there is zero analyst coverage for this company.

Increasingly we've been seeing owners taking their listed companies private. They can offer 50% more than the market price and still get a steal. It has happened to us in the past and I'm surprised there aren't even more offers. Perhaps the kudos of owning a listed company still means something at the golf club.

Long-term investors should be loading up on SE Asia (I can't speak for other geographies). As shown above, there is a precedent for resilience in the face of a 70% fall in NASDAQ, although admittedly stocks aren't as cheap now as they were then. But they are cheap and they are unloved. The economies are definitely in better shape and there is a new driver of demand, in the shape of China, which was far less significant 20 something years ago.

The chances of SE Asia underperforming US markets for another decade seems unlikely. Recently, as the charts below show, investors have been net sellers of Indonesia and Malaysia. In pre-Covid days, when invited to discuss Malaysia and Indonesia at a conference, I'd be given the 5pm Friday slot. Not only would the room be almost empty, but I could hear the laughter and clinking of glasses from the closing cocktails in the adjoining ballroom. If Covid has spared me that humiliation for the past 12 months, maybe it's not all bad.



What can go wrong?

The greatest risk for a longer-term investor is the politics and the threat of conflict. The likelihood of that would appear slim, but that's the greatest danger to continued regional economic growth that I can see.

What about interest rates, I hear you ask? Well, over the next decade interest rates will rise and fall, as will the prices of many of inputs. Good companies will navigate changing circumstances, as they have in the past.



The big difference between now and my 1998 portfolio is that the fund has outside investors. This means that there is the possibility of redemption pressure if Nasdaq does what we think is possible. This is clearly a risk we cannot eradicate, but after 16 years of ups and downs, the fund's investor base has remained relatively stable, with redemptions being less common at times of market strife. Our quarterly liquidity and 60 days' notice do a pretty good job of deterring shorter-term money from the fund and we have many investors who have been with us for over a decade.

Our marketing focus is towards genuinely long-term money, whether private or institutional. As you know, because we tend to take early positions in some fairly small companies, we have to make sure that incoming investors both understand and are comfortable with this. Institutional money is underweight this part of the world. Given the region's growth prospects and equities' cheap valuations, it is presumably a matter of time before this imbalance is corrected. And with it, much of the above mispricing.

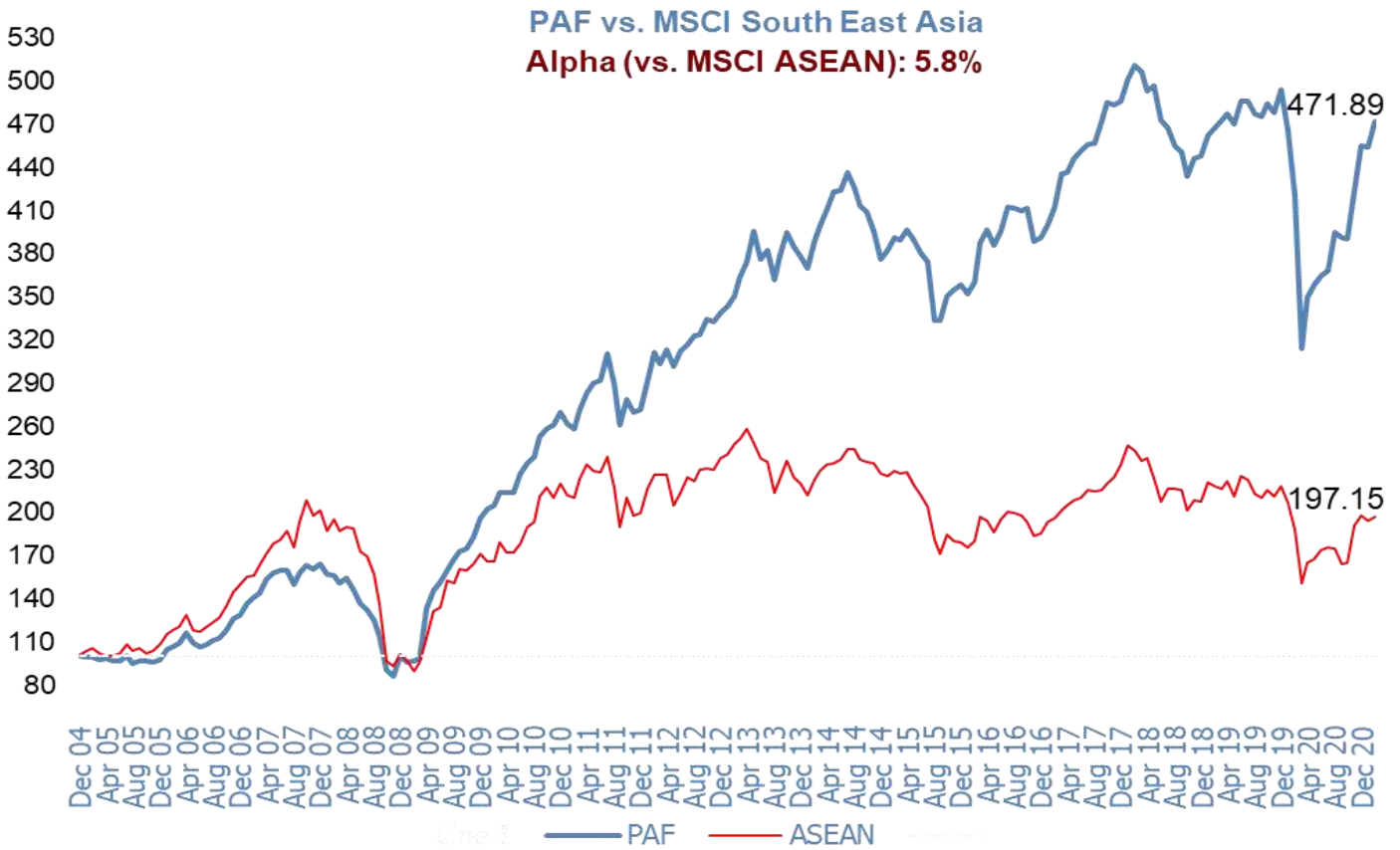
The only question is: what time to arrive at the party?

James Hay

4th March 2021



Sixteen years track record and annualised return of 10.02%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	NAV	454.64	471.89											3.64%
	% chg	-0.15%	3.79%											
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 65.13%
Annualised return 10.02%



By Sector

