



Pangolin Asia Fund December 2022 NAV

As at the 31st of December 2022, the NAV of the Class A shares of the Pangolin Asia Fund was US\$543.22 net of all fees and expenses, down 1.67% from US\$552.46 in November. For the year we were down 9.23%, almost our second double-digit decline in 18 years.

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

Singapore	8%
Malaysia	26%
Indonesia	66%

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
Dec-22	-4.17%	-5.90%	-8.73%	-3.26%	0.45%	-1.19%	-0.39%	-0.36%	-1.67%
YTD 2022	-8.78%	-19.44%	-33.10%	4.09%	-4.60%	4.09%	-21.54%	-7.12%	-9.23%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Dec-22	-4.17%	-5.90%	-8.73%	-2.27%	1.40%	0.43%	-0.39%	-0.36%	-1.67%
YTD 2022	-8.78%	-19.44%	-33.10%	-4.67%	-9.75%	4.82%	-21.54%	-7.12%	-9.23%

% Change in Currency Vs USD			
Month	MYR	SGD	IDR
Dec-22	0.94%	1.63%	1.02%
YTD 2022	-5.40%	0.71%	-8.41%

As always, with hindsight, we could have done better. Hopefully we'll learn from our mistakes and improve in 2023. And in 2024, not repeat the mistakes we make in 2023...

I hadn't really noticed, until an investor pointed it out, that our down years haven't been down very much. We don't hedge anything, and I can't even begin to explain VAR, SD or any other measure of volatility. I remember, in 2004, on an early pre-launch marketing trip to Geneva, a huge Fund of Funds asked me to define risk. "Getting our research wrong" wasn't the answer they were looking for and the meeting was promptly concluded. (A few years later, it transpired that they owned a lot of Bernie Madoff.)

What We Look For

It always sounds so much more clever to be bearish. All these economists on the telly berating the Fed, the ECB etc. seem so brainy. Yet, as far as I can ascertain, these doomsters & gloomsters tend to be right approximately once a decade.

In my opinion, an even cleverer bunch are those who build great companies and succeed in keeping them great. Managements who can maintain a focus on profitability, core strengths while prioritising the interests of all shareholders are not so common. Those that do some (but not all) of the above are in the majority. It's rare to



be able to identify those we can trust not to get distracted by bankers offering deals or being tempted into non-core businesses; the superstars are those who realise that by returning all the excess cash their core competencies generate, they diminish the risk of spending it badly elsewhere. I think Peter Lynch can be credited for first coining the term “Diworsification”.

I’d rather put my faith in truly talented managers than economists.

Where we operate, finding those that fit the bill is not so easy. But there are some. And there are those who come close. In these cases, we try to encourage them to keep on the straight and narrow, often by asking difficult questions at AGMs. Some just can’t or won’t get it. But those that do often see a sharp increase in the price the market is prepared to pay for their earnings, something our fund has benefited from.

ASEAN grows at +/- 5% most years. Indonesia’s economy compounded at 5% for 60 years post-independence. Our investible universe, once management competence has been accounted for, is a small percentage of the listed companies. But there are still plenty. As I’ve stated before, there are close to 1,000 listed companies in Malaysia and if only 4% of them are any good, that still gives us 40 names to play with.

Part of our job is to determine whether a company is in the 4% or the 96%. And to ask, educate and cajole managements who are on the cusp of our parameters, to make the changes (normally in cash and balance sheet administration) that will elevate their companies from being good to great. This requires a change in mindset – too scary a leap for many.

We like to own our companies for a long time. To do this and sleep at night, we need to trust that those running these businesses will be consistent in making sensible and honest decisions. In effect, the managements become our fund managers, allocating the cash their firms generate rationally and fairly between the business’s requirements and shareholders’. Those that can do that, in these fast-growing and stable economies, will add shareholder value and their share prices will outperform. Yes, even in ASEAN’s unloved stock markets (the index has fallen 25% over the last 10 years).

Outlook

Much has been written in year-end reports about markets’ performance in 2022. The general conclusion is that the year wasn’t a good one for investors. Nonsense. As most share prices are lower than they were 12 months ago, 2022 was an excellent year for investors. Maybe not for speculators but great for those who wish to pay less rather than more for their investments.

For those who are Pangolin-like in their investing, ***that is preferring to buy at the wrong price***, 2022 only enhanced the investment opportunity to own well run companies in these growing economies.

My New Year’s resolutions:

- i) To continue with our quest to find the best-run companies
- ii) To constantly remind their directors not to stray from best practices
- iii) To underpay for these businesses (easy in our un-loved markets)
- iv) To grow a six-pack

Happy New Year and Happy Chinese New Year,

James Hay
6th January 2023

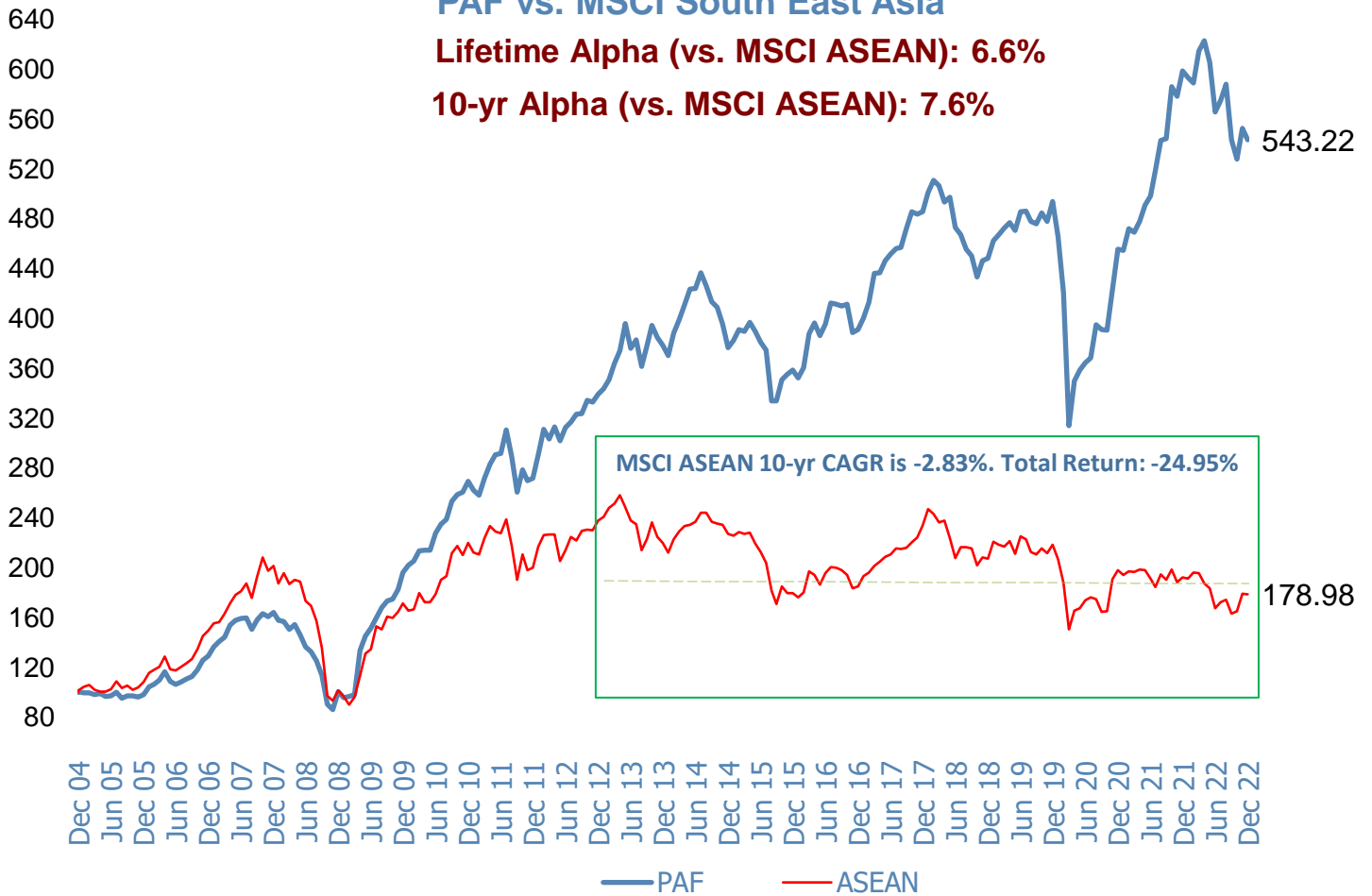


Eighteen years track record and annualised return of 9.81%

PAF vs. MSCI South East Asia

Lifetime Alpha (vs. MSCI ASEAN): 6.6%

10-yr Alpha (vs. MSCI ASEAN): 7.6%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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	0.37%
	% chg	-	-	-	-	-	-	-	-	-	-	-	-	

Best monthly return 35.77%
Worst monthly return -25.36%
Maximum drawdown -47.53%
% of positive months 64.52%
Annualised return 9.81%



By Sector

