



Pangolin Asia Fund September 2013 NAV

As at the 30th of September 2013 the NAV of the Class A shares of the Pangolin Asia Fund was US\$378.56 net of all fees and expenses, up 4.71% from US\$361.54 in August. Please see the table at the end of this letter for further detail.

As of today, the fund is about 83% invested with the split being approximately as follows:

Indonesia	21%
Malaysia	37%
Singapore	24%
Thailand	18%

No names I'm afraid but some details of the individual holdings are always available to investors on request.

Overview

We have invested a little more of our cash over the past month, buying here and there on weakness. The intention is always to end up with a cheaper-looking portfolio but, frustratingly, our targets haven't fallen as much as most of the market.

Indonesia

Indonesia's stock market has been hit pretty hard this year as falling commodity prices have left investors wondering why they ever thought the story was so good. Indonesia's problem is that it doesn't actually make very much for export, so when the value of the stuff it grows or digs up plummets, this leaves quite a hole. And this seems unlikely to change anytime soon as excessive minimum wage demands combined with a nationalist and protective parliament continue to thwart those who would like to put the country's masses to work.

As the US\$ exchange rate falls through 11,500, many locals are becoming even more bearish. Those who wanted to jump on the property band wagon are having second thoughts (perhaps sensibly as land values in some areas of Jakarta have tripled in two years); and next year's elections, which in good times analysts look forward to as a source of increased consumption based on the parties' spending, are now seen as a cause for worry and greater uncertainty.

I have mentioned before that we have started to invest again in Indonesia. There are a few companies which I think are already cheap enough, but there remain far more which are still trading well above what they are worth. Our approach is to try and work out what we would like to own and buy if the price is right (and pray that our sums are not too far out of whack).

The rise of the Asian and Indonesian consuming classes is unstoppable. If I didn't believe that I'd give up investing. There are times when this growth moves faster than at others. Nevertheless, even in the bad times, poorly-run Indonesia continues to add millions to its middle classes. We may well be buying into the Indonesian consumer story a bit too early again, but I hope that we are protected by under-paying.

An aside

I first bought a stock for myself in Indonesia in 2002 when a man I knew from London (who I thought was a friend) started calling me every day from the office of a Jakarta broker and imploring me to buy a certain government-controlled pharmaceutical company. Daily he said there was going to be big move very soon and that I'd better get in quick. As I'd just sold my London, flat *his* timing was impeccable. So, like the fool I am, I bought a load of it and set off for 3 weeks to Japan in the expectation of seeing England win the World Cup.



On my return the shares were down about 30% and my *friend* was no longer contactable. I quickly arranged to meet the company (and a few others) and made my first business trip to Jakarta. After meeting the managers of the pharmaceutical company, I immediately rang my broker and sold my holding.

I lost 30% but I still count myself lucky. About two weeks later the company's shares were suspended as it announced that it had been falsifying its accounts for the previous couple of years and rather than making money, it had been losing lots of it. And it wasn't relisted for at least a year or so.

This ought to have put me off the place for life. However on the same trip I met other companies trading at 2-3x earnings which were growing, had real businesses, but just hadn't seen any investors for 3 or 4 years. I am glad to say I was able to redeploy my (albeit smaller) pile of capital while the market was still out of favour.

I learnt a good lesson or two. (1) Never rely on someone else's word but always do your own homework. (2) Do not invest in government-linked companies in corrupt countries. The experience turned me into a grumpy cynic and as a result I miss quite a lot of the more "exciting" stuff in the markets, but so be it.

And Finally

While I was in Indonesia the Jakarta Post ran a story on a policeman who was found with the equivalent of US\$132 million in his bank. Furthermore, he is apparently unlikely to be charged with any wrong-doing. His name is Labora Sitorus. If any of you know where he lives could you please tell me; I'd like to send him the fund's subscription documents.

James Hay.

8th October 2013.

I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in the fund. If you have any questions, concerns, ideas, or just fancy an argument, please get in touch. Otherwise, just send money.



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	Nav	343.47	350.86	364.04	374.14	395.94	375.98	382.69	361.54	378.56				11.57%
	% chg	1.23%	2.15%	3.76%	2.77%	5.83%	-5.04%	1.78%	-5.53%	4.71%				
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 -20.42%
Maximum drawdown -47.53%
% of positive months 70.75%
Annualised return 16.27%

By Sector

