



Pangolin Asia Fund September 2023 NAV

As at the 29th of September 2023, the NAV of the Class A shares of the Pangolin Asia Fund was US\$578.62 net of all fees and expenses, down 1.81% from US\$589.30 in August. YTD we're up 6.52%.

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

Singapore	6%
Malaysia	33%
Indonesia	61%

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.

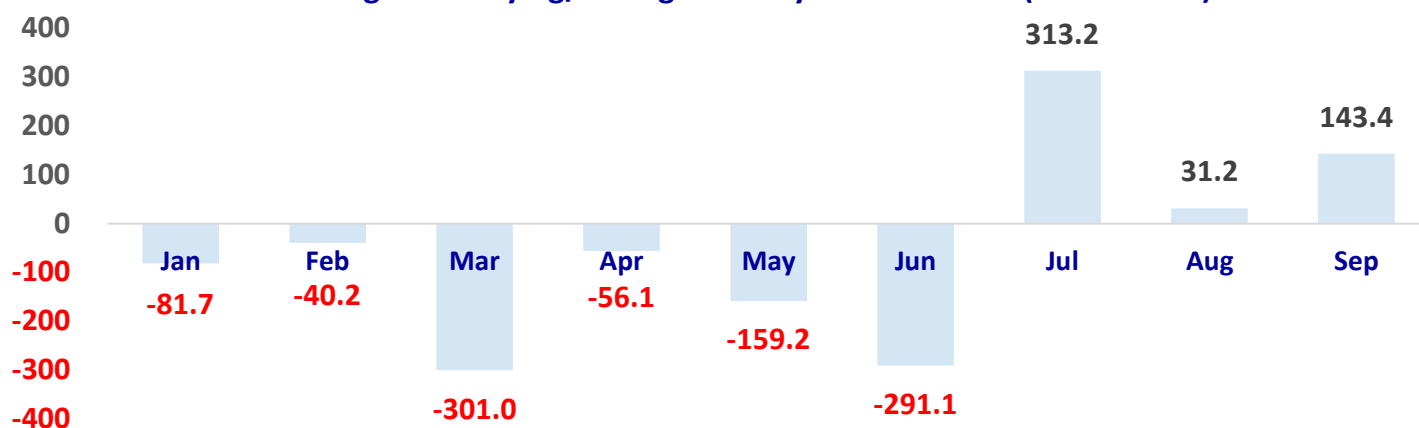
Return (in local currencies, except MSCI)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Sep-23	-3.50%	-4.87%	-5.81%	-0.19%	-1.91%	-0.49%	-2.86%	-3.20%	-1.81%
YTD 2023	1.09%	11.68%	26.30%	1.30%	-4.77%	-1.04%	-2.38%	-6.44%	6.52%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Sep-23	-3.50%	-4.87%	-5.81%	-1.68%	-3.09%	-1.58%	-2.86%	-3.20%	-1.81%
YTD 2023	1.09%	11.68%	26.30%	2.04%	-10.66%	-2.98%	-2.38%	-6.44%	6.52%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Sep-23	-1.20%	-1.10%	-1.49%
YTD 2023	-6.19%	-1.95%	0.73%

The region is yet again experiencing selling from US Emerging Markets funds. It's difficult for US EM managers to retain investors given the outperformance of NASDAQ. Despite the foreign net selling in Southeast Asia, the good news is unloved Malaysia has attracted some foreign buying in the last three months. Despite that, the index is down and so is the currency. Which means stocks are getting even cheaper!

FY23 Foreign Net Buying/Selling of Malaysian Securities (USD million)



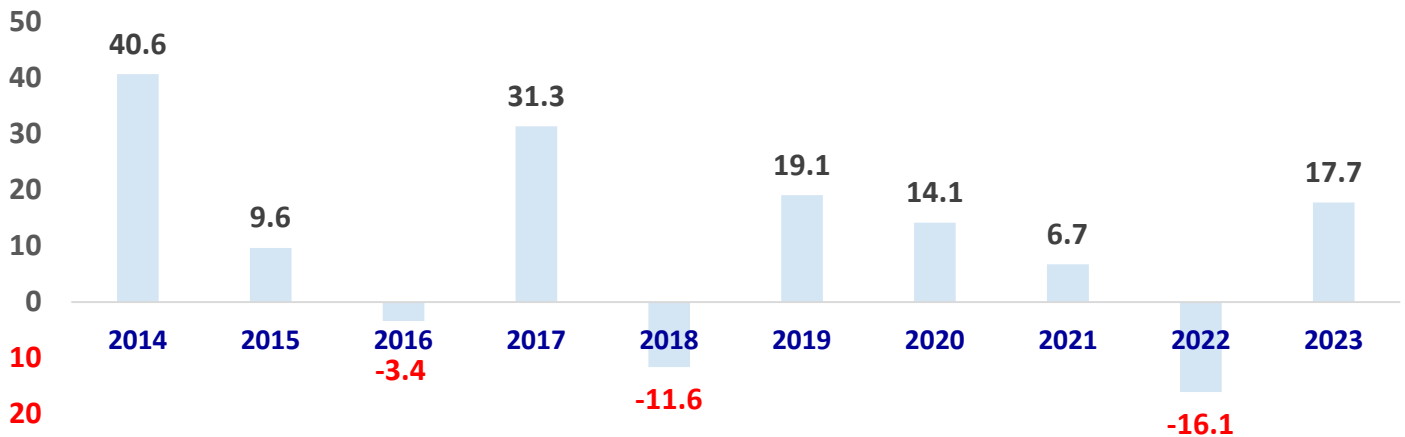
Source: Bloomberg



India vs. ASEAN

One of the headlines in the investing world over recent years has been the growth of the Indian market, now the world's fourth most valuable equity market. For many, investing in Asia has now merely become a question of how to allocate between China and India. In fact, investors have been moving into India in droves.

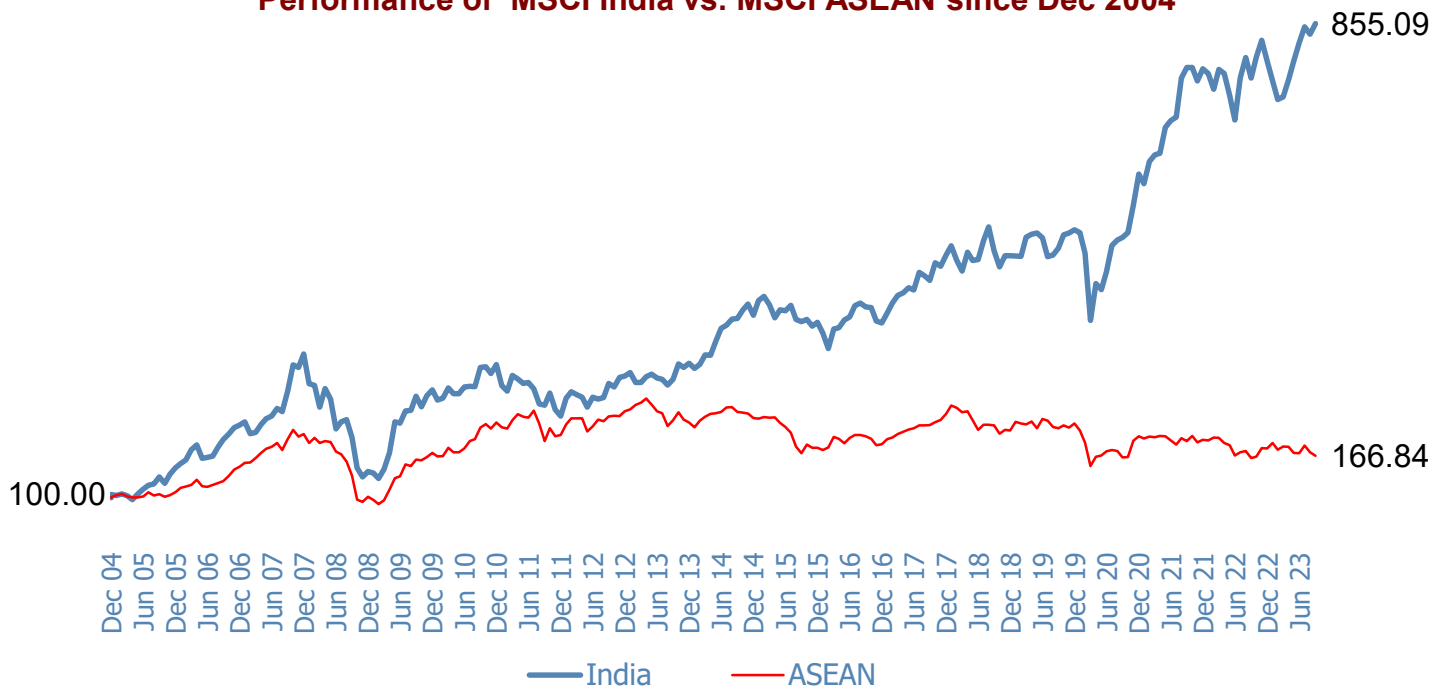
Foreign Net Buying/Selling of Indian Securities (USD billion)



Source: Maybank/CDSL

This has been for good reason too; the MSCI India index has gained an annualised +10% for the past decade. With a population of more than 1.4 billion and an economy growing annually at an average of over 6% since 2000, it is no wonder Indian markets are seeing such spectacular returns.

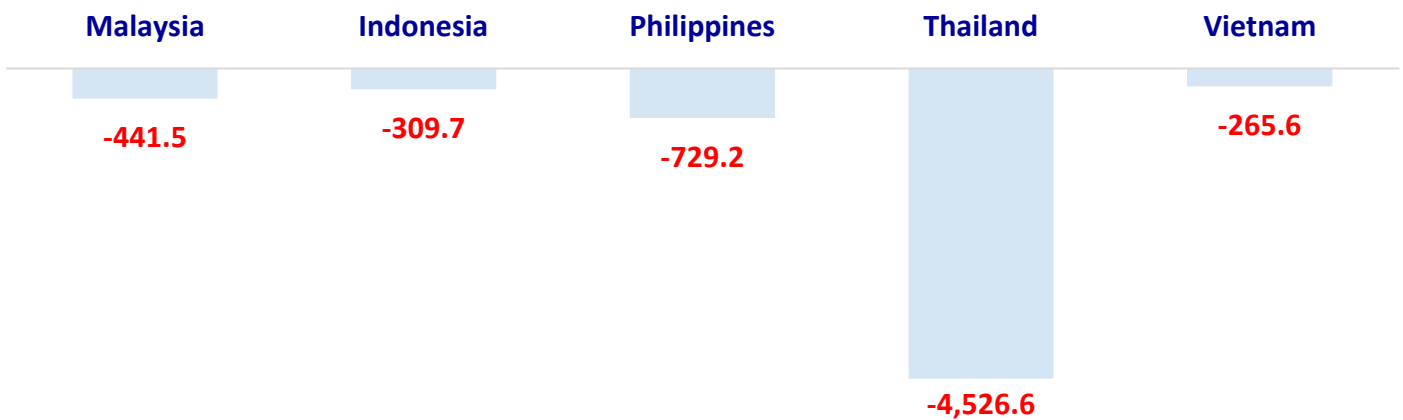
Performance of MSCI India vs. MSCI ASEAN since Dec 2004



So, where does the rise of India leave the ASEAN region in the question of investor allocation in Asia? The region is still so unloved; year to date, foreign investors are huge net sellers of Southeast Asian equities. When the MSCI ASEAN index is down 25% over the last decade, who can argue with these investors selling? Well, I, for one, will try!



YTD 2023 Foreign Net Buying/Selling of Securities (USD million)

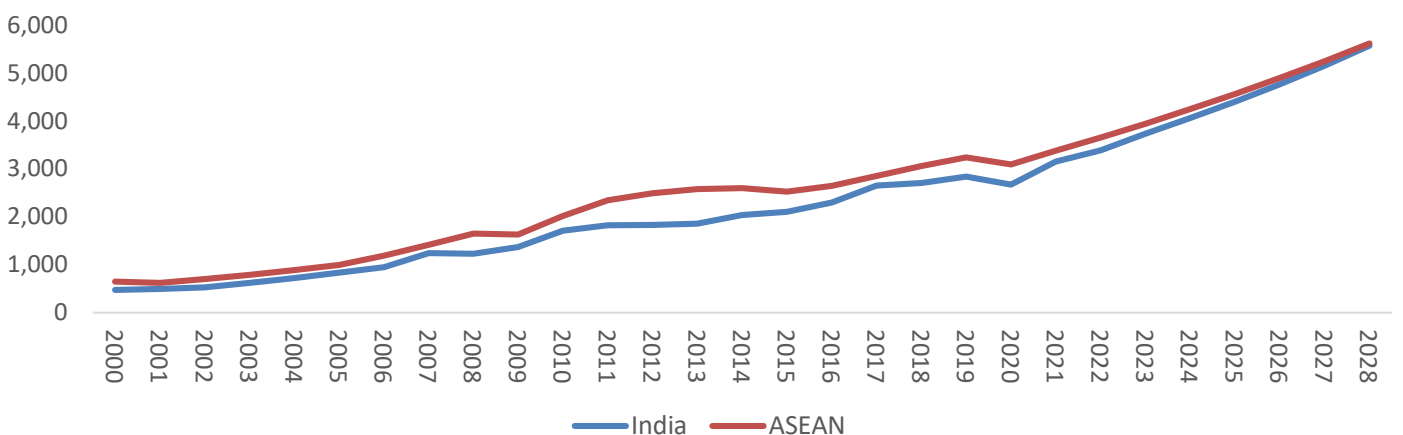


Source: Bloomberg

No one can deny that India is an economic titan, and its equity markets are revelling in a formidable bull run, but does that alone warrant such huge disparities in investor interest in India compared to Southeast Asia? ASEAN is not as economically inferior to India as the equity flows would suggest; and once stock valuations are considered, these disparities become even more bewildering.

Since the turn of the century, India has gained tremendous interest from investors, yet (and this may surprise you) ASEAN's GDP is larger than India's. Admittedly, this won't last forever, and India's freakish growth will eventually catch ASEAN's. Goldman Sachs predicts that by 2075 India will be the second largest economy in the world, behind only China; however, Indonesia is not far behind, sitting in 4th on that same forecast. With the ASEAN economy still growing at a respectable +/-5% most years, India certainly won't leave the region completely in the dust.

Nominal GDP Comparison since 2000 (USD billion)

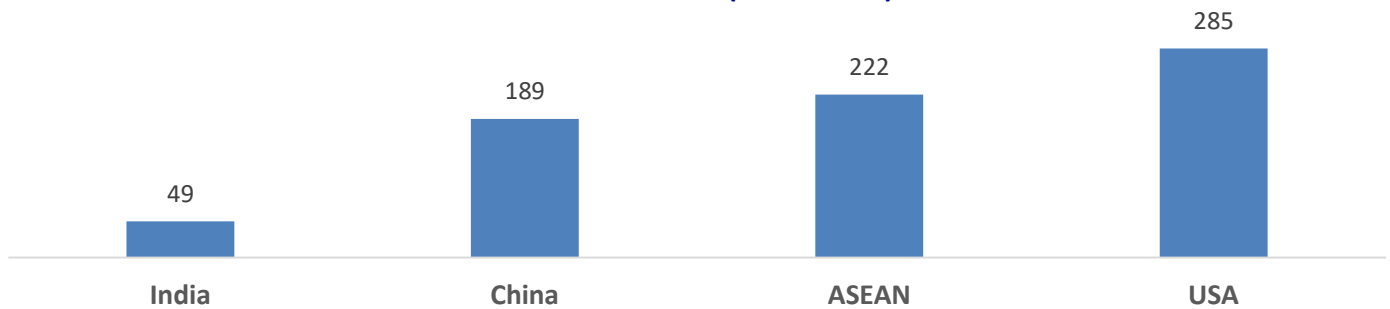


Source: Maybank

Furthermore, concerning Foreign Direct Investment (FDI), ASEAN has a superior appeal. In 2022, ASEAN's share of total world FDI reached an impressive 17%, a substantial increase from 6% in 2016. In contrast, India attracts less than 4% of the world's FDI. Southeast Asian industrial hubs, such as Indonesia and Malaysia, are strategically positioning themselves at the heart of Asia's transition to clean and renewable energy. Indonesia, with its abundant natural resources, has seen a substantial influx of investment from electric vehicle (EV) manufacturers. As the green transition accelerates, and companies seek 'China Plus One' solutions, these FDI injections are undoubtedly a boon to the ASEAN region.



2022 FDI Inflows (USD billion)

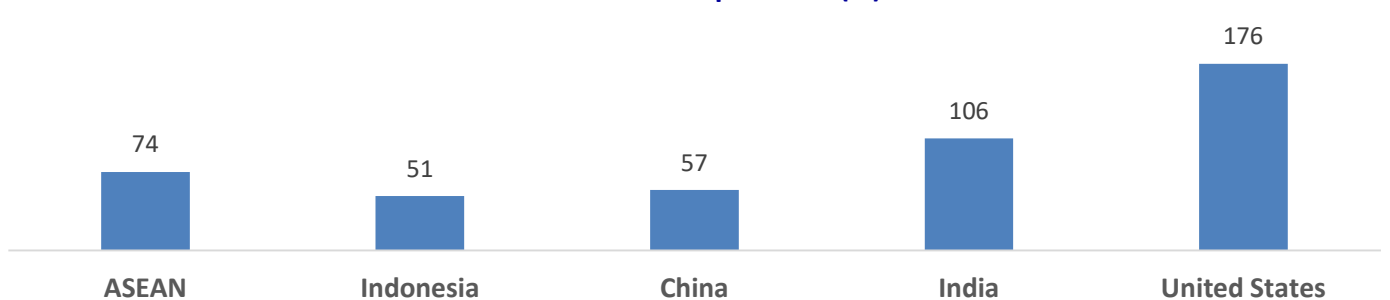


Source: UNCTAD World Investment Report 2023

Just recently, Nikkei Asia reported that Malaysia approved 71.4 billion Ringgit (\$15.25 billion) of FDI in the first quarter of 2023, already more than double the 32.4 billion Ringgit recorded for all of 2019. Infineon was cited building a \$7 billion facility in Kulim, Kedah. This facility is expected to become the world's largest production site for silicon carbide chips, a type of power semiconductor used in consumer electronics and various heavy applications.

Now, with my Pangolin hat on, it is incomprehensibly illogical that investors feel such unbridled adoration towards India yet such outright apathy towards ASEAN. The value points to ASEAN, simple! Looking at comparable MSCI indexes, the India index is priced at around 26x earnings, whereas the ASEAN index is on 16x. We can further highlight the disparity in stock market valuations by examining the market capitalisation-to-GDP ratio, often referred to as the Buffett indicator, after Warren Buffett labelled it 'probably the best single measure of where valuations stand.' In 2022, India's market cap to GDP ratio was 106%, which would indicate the market was slightly overvalued relative to the country's output. On the other hand, Indonesia's was 51%, showing the market to be significantly undervalued.

2022 Market Cap to GDP (%)



Source: Bloomberg

Delving deeper into value comparison, it is useful to compare two similar companies in the regions. In previous newsletters we drew comparisons between Prodia and Dr Lal Pathlabs. It doesn't take long to find another example that tells the same story.

Ultrajaya is an Indonesian dairy producer, and Hatsun Agro Product runs an equivalent business in India. Both companies have performed commendably and share promising prospects. Ultrajaya has compounded its net profit over the past 9 years at a rate of 12.8%, while Hatsun has managed only 8.2%. Moreover, the Indonesian milk company boasts a far superior balance sheet. Despite this, to buy shares in Ultrajaya, one would pay around 14x earnings, but Hatsun is priced at 84x. Is Hatsun really worth paying 6 times as much as Ultrajaya? Or does this just perfectly encapsulate the difference between a loved and unloved market?



PANGOLIN INVESTMENT MANAGEMENT

Updated on 29 September 2023

HATSUN AGRO PROD

Natl India, IN

SNA PSHOT

Rating: -/10

USDINR currency 83.066

Recent FX at 83.0675

Last close on September 29, 2023

INR 1144.65

% Return 1mo: (6.6) 3 mo: 19.7 1 yr: 10.5

Fwd PE 84.9
IN INR INR

FYE Mar	Sales INR mln	EBIT INR mln	Net Profit INR mln	Free Cashflow INR mln	Cash & equiv INR mln	+Cash or -Debt INR mln	# share outstg mln	EPS INR	DPS INR	N.CPS INR	1yr profit growth %	P/E Ratio x	P/B Ratio x	N.Cash to MCap x	N.Cash to Equity x	Inst Cover x	Divd Payout %	Divd Yield %	FCF Yield %	EBIT Margin %	Net Margin %	ROE %	ROIC* %
2019	47,518	2,426	1,148	(587)	326	-9953	219.8	5.23	4.42	(45.29)	26.4	219.0	31.3	(0.04)	(1.24)	2.8	84.5	0.4	(0.2)	5.1	2.4	31.4	7.0
2020	53,003	2,536	1,123	(936)	437	(11,533)	219.6	5.11	7.36	(52.52)	(2.2)	223.9	27.8	(0.05)	(1.28)	2.4	144.0	0.6	(0.4)	4.8	2.1	14.0	6.2
2021	55,438	5,069	2,464	(95)	392	(13,783)	219.7	11.21	7.22	(62.73)	119.4	102.1	24.6	(0.05)	(1.35)	4.7	64.4	0.6	(0.0)	9.1	4.4	27.2	12.0
2022	63,535	4,115	2,179	(1,222)	397	(16,686)	219.7	9.92	5.89	(75.94)	(11.5)	115.4	22.7	(0.07)	(1.50)	3.9	59.4	0.5	(0.5)	6.5	3.4	21.3	9.1
2023	72,283	3,404	1,659	1,441	419	(14,060)	222.7	7.45	6.00	(63.12)	(23.9)	153.7	17.7	(0.06)	(0.98)	2.7	80.6	0.5	0.6	4.7	2.3	15.0	6.0
2024F	82,905	4,855	3,004	5,765		0	222.7	13.49		0.00	81.1	84.9	16.3	0.00			0.0	0.0	2.3	5.9	3.6	20.9	10.6
2025F	95,516	6,264	4,326	5,845				19.42		n.a.	44.0	58.9	14.4	0.00			0.0	0.0	2.3	6.6	4.5	27.7	n.a.

Updated on 29 September 2023

ULTRAJAYA MILK

Indonesia, ID

SNA PSHOT

Rating: -/10

USDIRR currency 15484

Recent FX at 15484

Last close on September 29, 2023

IDR 1655

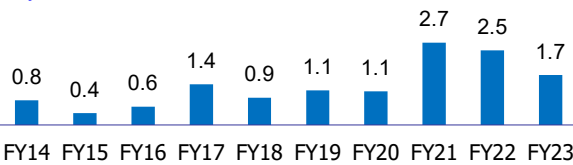
% Return 1mo: (10.8) 3 mo: (15.3) 1 yr: 18.2

Fwd PE 14.0
ID IDR IDR

FYE Dec	Sales IDR bln	EBIT IDR bln	Net Profit IDR bln	Free Cashflow IDR bln	Cash & equiv IDR bln	+Cash or -Debt IDR bln	# share outstg bln	EPS IDR	DPS IDR	N.CPS IDR	1yr profit growth %	P/E Ratio x	P/B Ratio x	N.Cash to MCap x	N.Cash to Equity x	Inst Cover x	Divd Payout %	Divd Yield %	FCF Yield %	EBIT Margin %	Net Margin %	ROE %	ROIC* %
2018	5,473	918	698	240	1,444	1,339	11.6	60.4	12.0	115.9	(1.5)	27.4	4.1	0.07	0.29	449	19.9	0.7	1.3	16.8	12.7	17.1	35.1
2019	6,223	1,303	1,032	854	2,041	2,021	11.6	89.3	12.0	175.0	47.9	18.5	3.4	0.11	0.36	908	13.4	0.7	4.5	20.9	16.6	22.2	31.1
2020	5,967	1,304	1,100	805	3,996	1,012	10.4	105.8	85.0	97.3	6.5	15.6	3.7	0.05	0.22	47	80.4	5.1	4.7	21.8	18.4	19.8	31.2
2021	6,617	1,610	1,272	1,159	3,437	1,942	10.4	122.3	25.0	186.8	15.6	13.5	3.4	0.10	0.38	7	20.4	1.5	6.7	24.3	19.2	27.1	34.6
2022	7,656	1,204	961	(119)	2,077	1,477	10.4	92.4	30.0	142.1	(24.4)	17.9	3.0	0.08	0.26	10	32.5	1.8	(0.7)	15.7	12.5	19.0	30.9
2023F	8,637	1,701	1,370	565	1,156	1,288	11.6	118.6	118.6	111.5	42.6	14.0	3.0	1.04	0.20	27	100.0	7.2	3.0	19.7	15.9	27.1	32.1
2024F	9,426	2,055	1,674	1,331	1,705	1,740	11.6	144.9	144.9	150.6	22.2	11.4	2.6	1.41	0.24	29	100.0	8.8	7.0	21.8	17.8	25.9	32.3

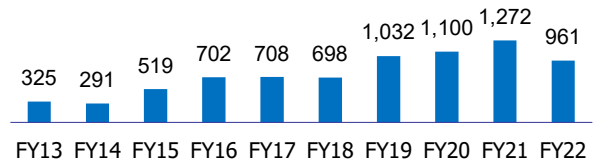
Hatsun Agro's Net Profit (INR bln)

9-yr CAGR of 8.2%



Ultrajaya Milk's Net Profit (IDR bln)

9-yr CAGR of 12.8%



Ultimately, those who are riding the Indian bull market will likely totally ignore everything I've written here. But all the while these investors are neglecting ASEAN, our markets remain massively undervalued. The time for action is now! Once investors finally do turn their attention to ASEAN, just like we've seen in India, the value opportunities will suddenly become exceedingly scarce, which will leave people wishing they paid more attention to the Pangolin newsletters!

Our fund's valuations are as below. Please bear in mind that our holdings are nearly all net cash businesses, yielding over 5% across the fund, with a return on invested capital of 25%.

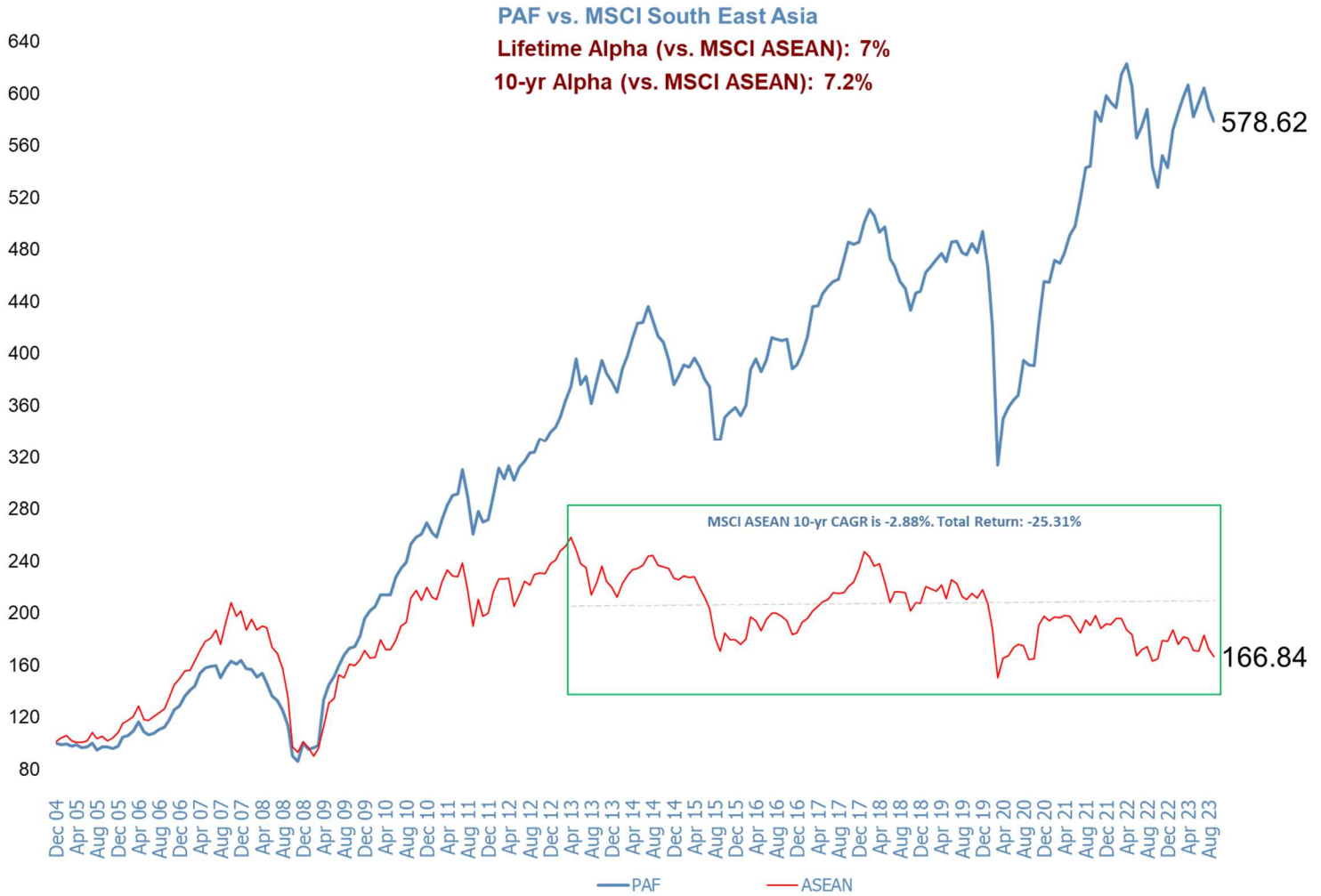
Pangolin Asia Fund weighted valuations (29/9/2023)

	2023F	2024F
P/E (x)	11.0	9.9
Profit Growth (%)	11	11
ROE (%)	20	20
ROIC (%)	25	28
Div Yield (%)	5.4	5.9

Bill Betts
5th October 2023



Eighteen years track record and annualised return of 9.77%





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				6.52%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%				
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 64.60%
Annualised return 9.77%



By Sector

