Pangolin Asia Fund March 2025 NAV

As at the 31st March 2025, the NAV of the Class A & C shares of the Pangolin Asia Fund was US$503.21 net of all fees and expenses, down 1.70% from US$511.93 in February.

As at 31st March, the fund was over 99% invested, with the split being approximately as follows:

Singapore 10%
Malaysia 31%
Indonesia 57%
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
Mar-25	-4.20%	-5.75%	-8.21%	3.83%	-3.88%	1.97%	-0.16%	1.00%	-1.70%
YTD 2025	-1.28%	-4.59%	-10.42%	-8.04%	-7.84%	4.88%	1.42%	-2.19%	-10.88%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia x JP	MSCI-ASEAN	PAF
Mar-25	-4.20%	-5.75%	-8.21%	3.93%	-3.26%	2.63%	-0.16%	1.00%	-1.70%
YTD 2025	-1.28%	-4.59%	-10.42%	-10.53%	-7.05%	6.68%	1.42%	-2.19%	-10.88%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Mar-25	0.64%	0.65%	0.10%
YTD 2025	0.85%	1.71%	-2.70%

Unsurprisingly, as share prices weaken, we have become more, not less, invested. At the end of February the fund had 3% cash. We ended March 99.7% invested. As of today, due to subscriptions, we have around 5% cash. I expect we'll be fully invested again by the end of April. I was one of the subscribers.

The tables above tell the story. With 60% of the fund being in Indonesia and 30% in Malaysia, if these markets fall severely, our stock prices fall too. We own one stock in Singapore and it's up this year. Not much else is.

Many of you very kindly forward me relevant news articles and research. Quite often they're about the illegal trade in pangolins. When there are good things written about our markets, I receive quite a few. But not nearly as many, as I've recently discovered, as when our markets are down, and journalists are portending worse to come. Thank you for sending them. I like to read everything. Bear in mind though, that often by the time the press gets to a crisis, we're past the nadir. Mainly they've been about Indonesia – more below.

Investors are nervous and looking for reasons to sell. A big global emerging markets fund might have 1% in Indonesia. It is probably facing redemptions right now. It's easy to sell the small positions (less work in the future) than the large ones. Especially if the manager is only seeing negative reports on the country in question.

Ditto with companies reporting a weak set of quarterly results. In a falling market, any unexpected weakness will result in the share price getting hammered. We like to see quarterly results announcements and use them as an update to how a business is performing. But only as a guide. If you own a share for a long time, some quarters, even years, will be better than others. Seldom is the announcement of three months' trading a reason to buy or sell. But that's not what your broker will tell you.

Tariffs

We shall have to see what happens. There's not much good news other than this is the low point in tariff wars. Negotiations will start from here. The Americans do have a point, and boy have they made it. I suspect that to start with we'll shave 1% off all our GDP forecasts and take it from there. The good news is that semiconductors have been excluded, presumably because the US wants to ensure that the supply of the latest technology is not disrupted.

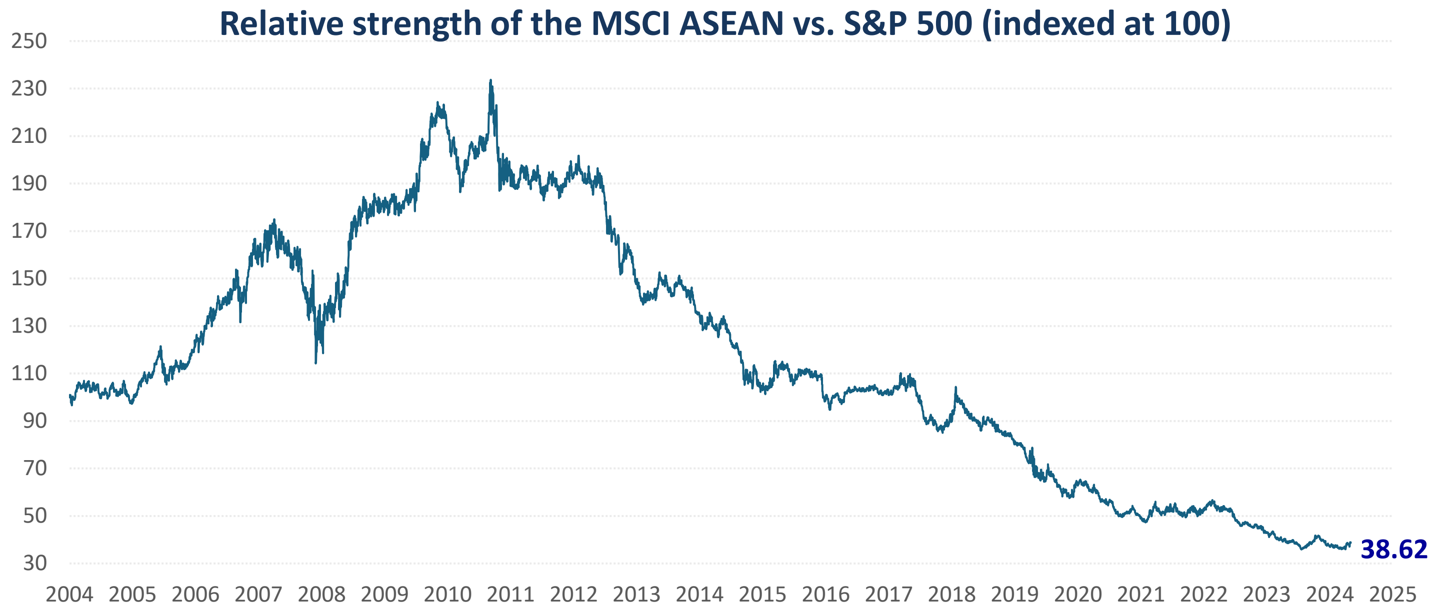
Malaysia has stated that it will not impose retaliatory tariffs. China might, but I can't imagine anyone else on this list doing so.

Countries	USA Discounted reciprocal tariffs (add on)
Singapore	10%
Philippines	17%
Malaysia	24%
Indonesia	32%
Thailand	36%
Myanmar	44%
Vietnam	46%
Cambodia	49%
China	54% (20% +34%)

Indonesia's US$1.4 trillion economy is driven primarily by domestic consumption, which accounts for 54% of GDP. Investment contributes 29% of GDP, while net exports make up just 1.8%. In 2024, Indonesia exported US$28 billion worth of goods to the U.S., representing 2% of its GDP. Meanwhile, U.S. exports to Indonesia were US$10 billion, resulting in an US$18 billion trade deficit for the U.S. Indonesia should remain relatively insulated from tariffs.

Compared to China, Thailand, or Vietnam, Malaysia faces lower tariffs, which may encourage Chinese companies to open more factories there. In 2024, Malaysia exported US$52.5 billion worth of goods to the United States, accounting for 12% of its GDP. The country's key exports to the U.S. are integrated circuits and semiconductors, which remain excluded from tariff restrictions—for now.

As we see NASDAQ unwinding, there are parallels with the year 2000. Then, as now, old economy stocks were out of favour. Our portfolio consists of companies exposed to the ASEAN consumer (plus tourists), the majority of which have net cash balance sheets. In a way, we are well positioned, in that not only have sensibly managed consumer stocks been out of favour, but ASEAN has been seriously overlooked for many years. Investors looking to reposition have already started looking at ASEAN.



I've written before about the near total lack of interest in the region from American endowments and other money managers. Given that the MSCI ASEAN Index has fallen over 29% in the last 12 years while the S&P has been so strong, this is understandable (said through gritted teeth). In October last year I met existing investors in New York and Boston. I also contacted many potential investors who we know and have met with in the past. Not one of them wanted a meeting.

This year, however, we have seen a return of interest from US money managers, including one new investor. My mornings and evenings are increasingly busy with Zoom calls to the US. There is outstanding value in this stable and growing region. Weakness in share prices provides liquidity and the chance to acquire stocks at low valuations. We're already at COVID low PEs and the US stock market and currency are no longer a sure thing.

Furthermore, Japan's, China's and India's stock markets have all had periods of outperformance over the past 12 years, while ASEAN's have been falling. This is something that investors have mentioned to us during their calls.

I should mention that we own one company, Poh Huat, with no exposure to the ASEAN consumer. It exports furniture to the US. They manufacture in Vietnam and Malaysia, and I suspect the management are not saying particularly nice things about Mr Trump right now. I'm not sure how their customers, American furniture retail outlets, are reacting to this news. Laying off staff perhaps?

True to Pangolin style, Poh Huat's cash and short-term investments are equal to the share price. I'm not expecting much performance from the company, but our value approach should protect our downside in this case. Poh Huat accounts for 2.7% of the fund.

Outlook:

When the news is only bad and share prices are falling, it's a good time to consider why it is we own shares. Are you a momentum investor, happy to be buying Nvidia & Tesla when everybody else is? In fact, because everybody else is?

That is speculating rather than investing, and the important factor in any decision to buy or sell will be the share price on any given day.

Or do you think of a share being exactly as the name implies? A stake in a business. This is investing. In this instance, the most important consideration is how the business is doing now and is likely to do in the future.

A few people speculate very well. Most don't. A well-known example is that of the Magellan Fund, under Peter Lynch, which compounded at 29% annually between 1977 and 1990. In 17% of those years, the fund's value declined. Peter Lynch estimated that the average investor in his fund lost money. How is that possible? It is fairly explicable. After a good year, many jumped in. And if this was followed by a bad year, they sold. Repeat, repeat, repeat. And learn nothing.

On the whole, those who make fortunes in the stock market fall into the investor camp. The beauty of being driven by the performance of the underlying business is that, quite often, the *in-and-outers* offer you stakes in good, growing companies at ludicrously cheap valuations. They are our friends and make our lives considerably easier. When buying and selling decisions are driven by expectations of the future value of the underlying business, then the background noise (politics, economics & markets) becomes largely an irrelevance.

What is relevant is whether the management of a company is capable enough to continue to grow the business through changing conditions. And the valuation one then assigns to that growth. There is never a stable time in business. Quite often we hear commentators waiting for some kind of economic certainty and stability. It never arrives. Selling a well-managed business because of an inflation number, or free meals for Indonesia's school kids makes no sense and reflects a focus on the share price, not the fundamentals.

Market pessimism tends to be indiscriminate. Concerns around Trump's tariffs, debt levels, wars etc. are frightening many into selling their stakes in their businesses. It's not unusual for a fund manager to state on CNBC that they're not doing anything, or they're staying on the sidelines, until the picture is clearer. If real businesses acted like that, they'd go bust.

There has been a lot of criticism about Indonesia's President Prabowo's policies. But should Nestle stop selling Nescafe, Milo and Kit Kats because Indonesia's new leader may or may not be as able as the last one? Are Indonesians, who on the whole are getting richer, likely to stop eating the above, because of the politics?

By extension, should we only own shares in companies with capable governments? What does that leave us? Singapore and Switzerland? At times like now, many shareholders forget that they are part-owners of businesses and are confusing politics, markets and economics with investing. Any connection to how their underlying company is doing, if it ever existed, has been severed.

It isn't just individuals whose behaviour results in underperformance. Many professional fund managers, whose motivation is growing their assets under management, seldom view their holdings as part ownership of businesses. Rarely do they vote at or even attend annual general meetings. And because it is easier to market a fund in a sector with recent strong performance, that is exactly what they do.

The Pangolin Asia Fund has now fallen for six consecutive months. This means that on average, the share prices of the companies we own are now cheaper, in our case by 17%. Depending on how you think, is this a good thing or a bad thing? Do the sharp share price movements reflect the underlying state of the business you partly own?

The sell off has resulted in many companies in Indonesia and elsewhere now meeting Ben Graham's cigar butt analogy (e.g. Poh Huat above). I started writing this letter in Bangkok, which is vying with Indonesia to have the world's worst performing stock market in 2025. Companies we've looked at in the past which we felt were overpriced, both here and in the region, are now at compelling levels.

At Pangolin our outperformance has often come from owning smaller, lesser researched companies. At current levels, many larger companies, that have compounded significantly over decades, are now trading at seldom seen valuations. There is an opportunity to own some these names very cheaply and we've started buying one of them just recently. Its shares have continued to fall as it has a high percentage of foreign ownership.

The fund's current AUM is $180 million. Given the recent sell off, we could invest another $180m. This is based on fundamental company analysis, not any expectation of markets' direction. There are companies which we've wanted to own, but which we felt were not attractively priced, now on offer at prices we'd be happy to pay. As they get cheaper, we get happier.

I've been working in stock markets for close to 40 years. In that time, markets have given me a few opportunities to make serious money.

i) The crash of October 1987

My first crash and opportunity. I was 24. I panicked and sold everything at market lows.

ii) The Asian Financial Crisis 1998

I'd learned my lesson. I put every penny I owned into Malaysian stocks pretty much at the market low. Everyone told me I was mad. Later I bought Indonesian companies absurdly cheaply.

iii) NASDAQ Crash 2000

When NASDAQ fell 80% my Malaysian stocks fell 30%. And remained subdued for a while. I was happy in the knowledge that my dividends were buying me more, not fewer, shares.

iv) The Global Financial Crisis 2008

In 2008, the Pangolin Asia Fund was down 46% at one point, before ending the year down 38%. We bought and bought and bought continually throughout the year, never quite catching the bottom. It didn't matter. Buying cheaply, and not worrying about the immediate returns, resulted in the fund's NAV more than quadrupling from its November 2008 low over the next five years.

In the latter three cases, it was a focus on underlying company fundamentals, not a guess at market direction that drove investment decisions. If a stock is cheap enough, it's cheap enough. The question is whether you can stomach buying into a falling market.

Our valuations are as below. Even if we scale back some of our forecasts, the fund remains extremely cheap.

Pangolin Asia Fund weighted valuation (31st March 2025)

	2024A	2025F
P/E (x)	10.0	8.9
ROE (%)	15	16
ROIC (%)	18	20
Div Yield (%)	6.2	6.4

GDP Forecasts (%)	2024A	2025F		
Malaysia	5.1	~~5.3~~	→	4.3?
Singapore	4.4	~~3.2~~	→	2.2?
Indonesia	5.0	~~5.3~~	→	4.3?
Philippines	5.6	~~6.5~~	→	5.5?

Most economists' reports I've seen this morning are shaving 0.5% off their 2025 GDP forecasts. It's all guesswork but the region's growth will continue to surpass most.

James

4th April 2025

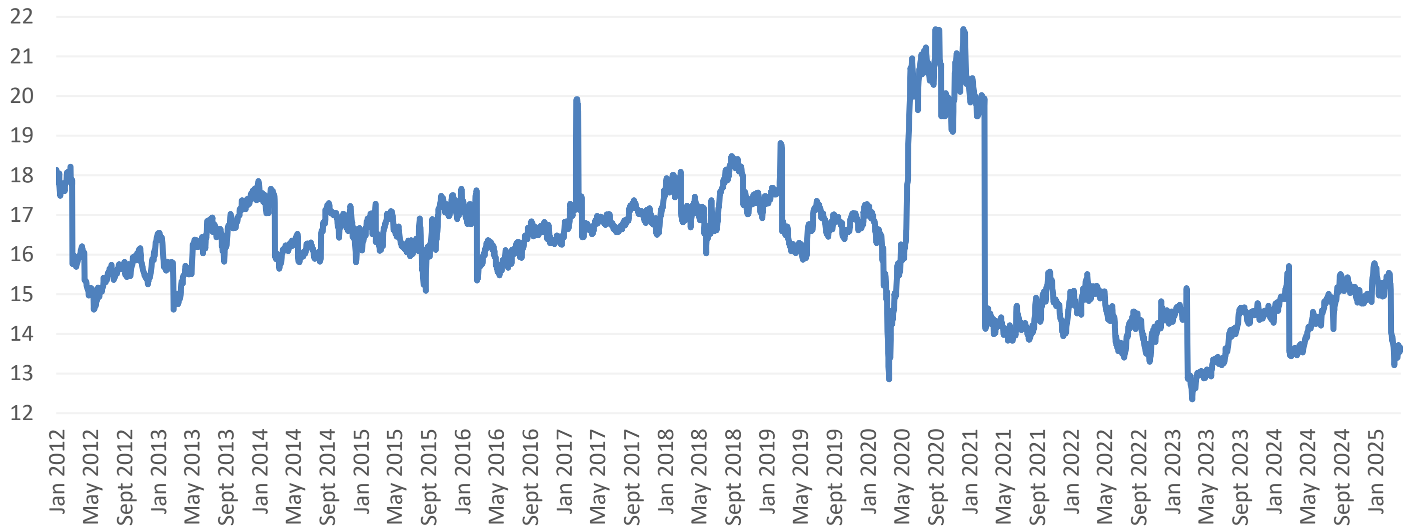
PS. For more on investor behaviour and the Magellan Fund, click on the following:

https://www.forbes.com/councils/forbesfinancecouncil/2021/06/02/how-investors-are-costing-themselves-money/

https://www.theglobeandmail.com/investing/article-how-some-investors-lost-money-on-a-fund-that-averaged-30-per-cent/

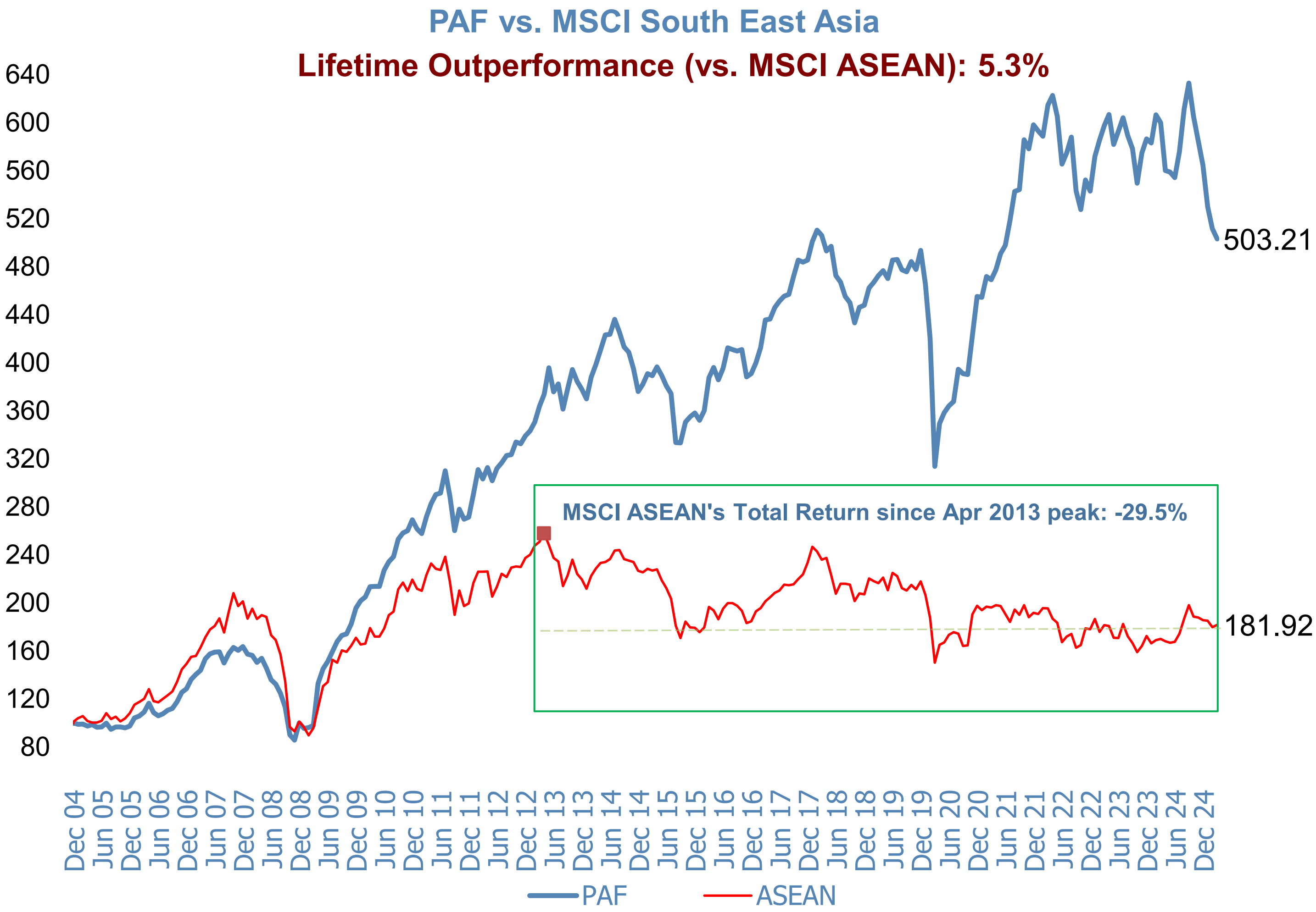
Forward P/E (x) of Jakarta Stock Exchange Composite Index since Jan 2012

Forward P/E (x) of FTSE Bursa Malaysia KLCI Index since Jan 2012



Forward P/E (x) of Stock Exchange of Thailand SET Index since Jan 2012

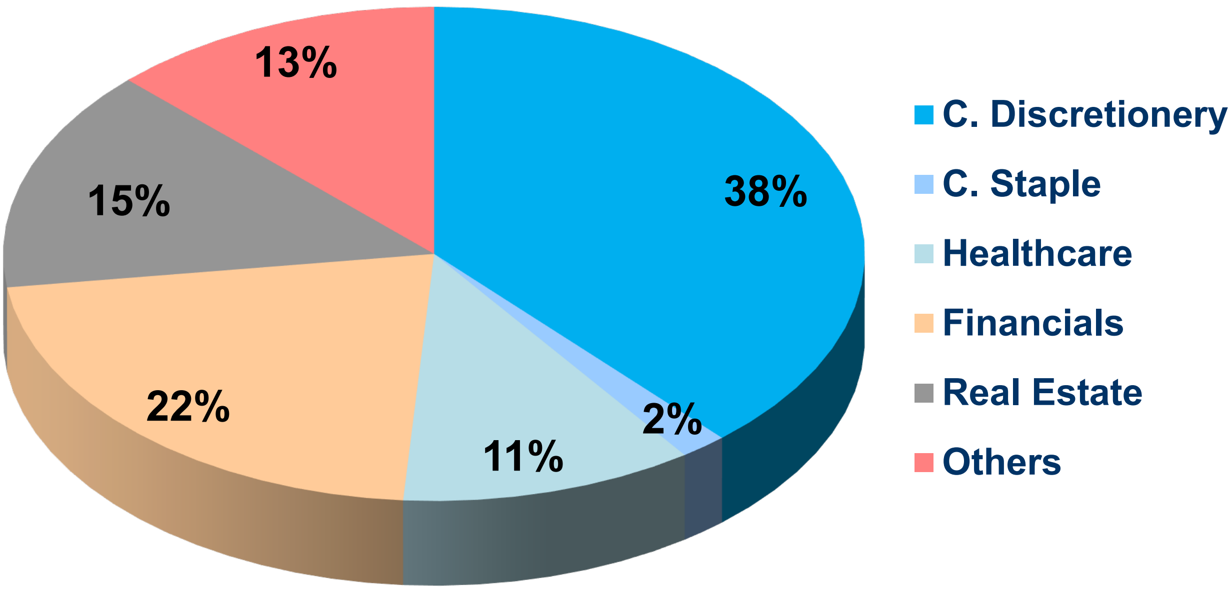
Twenty years track record and annualised return of 8.27%



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2025	*NAV*	530.12	511.93	503.21										-10.88%
	% chg	-6.12%	-3.43%	-1.70%										
2024	*NAV*	583.20	606.55	599.94	560.25	558.96	554.34	576.15	611.53	633.08	605.10	584.97	564.67	-3.75%
	% chg	-0.59%	4.00%	-1.09%	-6.62%	-0.23%	-0.83%	3.93%	6.14%	3.52%	-4.42%	-3.33%	-3.47%	
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	**62.30%**
Annualised return	**8.27%**

By Sector


13%
38%
15%
22%
11%
2%
C. Discretionery
C. Staple
Healthcare
Financials
Real Estate
Others