



Pangolin Asia Fund April 2017 NAV

As at the 28th of April 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$436.54 net of all fees and expenses, up 0.14% from US\$435.93 in March.

Please see the table at the end of this letter for further detail.

We have a lot of cash due to new subscriptions of over \$20m in April. As of today, the fund is about 76% invested with the split being approximately as follows:

Singapore	13%
Malaysia	35%
Indonesia	33%
Thailand	19%

We don't disclose our names but some details are always available to 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	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Apr 2017	1.3%	0.9%	2.5%	1.6%	0.01%	-0.6%	2.1%	1.7%	0.1%
YTD 2017	6.0%	6.5%	7.7%	7.7%	10.2%	1.5%	15.5%	10.8%	11.6%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Apr 2017	1.3%	0.9%	2.4%	3.6%	0.02%	-1.2%	2.1%	1.7%	0.1%
YTD 2017	6.0%	6.5%	8.9%	11.3%	14.2%	5.2%	15.5%	10.8%	11.6%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Apr 2017	1.9%	0.01%	-0.1%	-0.7%
YTD 2017	3.3%	3.6%	1.1%	3.6%

Outlook

We have attended nearly all our companies' AGMs and are happy to say that the our businesses' outlook remains largely positive. One exciting development is that one of our Thai consumer companies has decided to unlock value via the disposal of a non-core asset, which I believe will ultimately result in upward re-rating of the company. Additionally, the replacement of older management with a younger, more professional and dynamic team should enhance the company's future prospects.

While we're not activists in the table-thumping sense, we do give recommendations to the managements of our holdings as to how they might improve their balance sheets. I.e. we are trying to match their financial efficiency with to their operational efficiency. We won't share our recommendations, but I'm happy to say that the companies' responses have been more than encouraging.



Life in Paradise¹

Imagine for a moment, that by the grace of God, or the luck of the draw, you were born and raised in North Korea (or the DPRK, as it prefers to be known). Most likely you would be born to family of the neutral or hostile *songbun* (hereditary caste system that has a clearly defined set of privileges and restrictions), not of the elite (or loyal). And you live outside Pyongyang, in the harsh, mountainous countryside. At the age of 2, you were taken to revolutionary day care and preschool, where you spent most of your time, rather than at home, and whose teachers became your primary influences and authority. Toy pistols and rifles lined the shelves of the playroom, alongside a framed poster depicting bright-eyed children attacking a bloody US soldier. Day care and preschool consisted of 14 hour days, usually 6 days a week. At a young age, you were taught endless slogans – "What the Party decides, we will put in practice" or "Let us become human bullets to defend the Great Leader" – and to always call the elder Kim "Great Leader Grandfather Kim Il Sung" or later "Comrade Great Leader Kim Il Sung." His son was "Comrade Dear Leader Kim Jong Il."

After preschool came nursery school, then 4 years of primary school and 6 of secondary school. The uniform at every establishment was cut in a military style. During those years, you learned Kim Il Sung's biography, by repetition, down to the smallest detail. You would also learn about the life of Kim Jong Il. You learned maths by adding, subtracting, and multiplying numbers of dead American soldiers; you learned conjugation by repeating, "We fought against Yankees. We fight against Yankees. We will fight against Yankees"; you learned history by reciting the state-sponsored biographies of Kim Il Sung. You were told that Leaders were gods². You learned that no pictures of these Leaders may be folded or thrown in the trash. It is blasphemy to insult the Leaders or make jokes at their expense.

When you turned 17, you received your "citizen certificate" or ID with basic information about yourself and permission to live in Pyongyang. This ID was to be carried with you at all times and renewed every 10 years. After school, there was military duty to be served; 7-8 years after high school or 3-5 years after university, which is why it is the state's recommendation that marriage happens at 28-30 for men and 25-28 for women. After that, you were assigned a job in a factory, office, or agricultural collective, most likely; the good jobs were reserved for Korean Workers' Party (KWP) members, and your *songbun* would never permit you the clearance necessary for one of those prestigious positions. From now on, you received your food rations every 2 weeks, measured by weight and relative to your type of work. You worked long hours every day - 6 days a week. The 7th day of the week was reserved for "volunteer" work - cleaning the streets, helping out on state farms or construction sites, preparing for big events such as the Mass Games. There was no such thing as free time. Body and mind were made to serve the regime.

One day you found a person to marry, so you asked the state's obligatory permission; when it was received, you were married by a local Party worker under your town's statues of Kim Il Sung and Kim Jong Il. You and your spouse stayed in the same area you were both born in. The same portraits (of the Great Leader and the Dear Leader) kept in your living room were in every factory, office, courtyard, schoolroom, coal mine, railway & subway stations and carriages. Travelling from one village to another even for a day, required an official permit. Every overnight guest in your own home required advance permission from the village police. You lived in the same block of flats or houses as the work colleagues from your unit, and a local auntie kept an eye on all of you for the people's group (or *inminban*), which reported back to the Public Safety Department. And that was your lot, for the rest of your life. As you grew older, you were reminded endlessly of how lucky you were to live in the Workers' Paradise: you have nothing to envy anything anywhere as outside is a living hell.

¹ The following section includes excerpts taken from the book "A Kim Jong-II Production."

² The process in which people start to see God and Jesus as absolute entities is very like the way the deceased Kim Il Sung and Kim Jong Il are revered in North Korea.



For your whole life, every newspaper article, television broadcast, book, film, song, conversation, and billboard had drilled the Truth into you and everyone around you. Enforcement of ubiquitous surveillance has been remarkably effective and it is good for you. All-for-one and one-for-all; and everyone subscribes to the same *Juche* ideology. The country was hermetically sealed to any communication from the outside world that might break the illusion: you likely never felt the urge to question any of it. For the most part, you might have lived a happy, contented life within its carefully drawn limits, as long as you never tried to think for yourself, never tried to question reality. This is the *Juche* Paradise created by the eternal father Kim Il Sung since the end of Korean War in 1953. It is a place where the entire population continually lived in the state of unimaginable happiness.

DPRK

Really? I never really planned on visiting DPRK until I heard from an investor friend, Josh Green in Kuala Lumpur, that he was organising a team to run the Pyongyang marathon on 9th April 2017. What comes to mind when you think of North Korea? A mad, sadistic country that is ruled by megalomaniac leader living on insane ideological zeal. A dangerous country that is infamous for decades of human rights violations; or better known for its famine, nuclear brinkmanship, and proliferation threats. A secretive country that had a bizarre taste for abduction in the 1970s. That's all that I knew before deciding to visit this country to run the marathon.

I felt reassured that Josh had been visiting DPRK since early 1990s and the tour operator that we were using is Beijing-based and British-run Koryo Tours, the largest and the most experienced company that has been organising trips for foreigners for over 20 years. Surely, it must have a good connection with the state. And since it is an organised tour where an estimated 1,000+ foreigners were expected to participate in the marathon, how bad could it be? I figured there is value seeing unique places like DPRK as it is one of the world's last five communist regimes. The visit to the hermit kingdom would be an eye-opening experience.

So, is it really life in a paradise as the prelude describe it? Having read news over the years, I had the impression that the place is full of bleakness, despair, and repression. North Korean people lead a sad, codified and monotonous life. When I was there, the scene was far more complicated than my initial impression. On a glance, it seems the people do not have much expression and look boring. That said, I believe people are not blank canvasses of naivety. Despite lack of warmth, they can be nice and curious. It is hard for me to give a well-rounded impression of a country that takes its privacy so seriously. Instead I can give a random snapshot of what I observed in my limited time and small glimpses into life I could gather.

As a tourist, you must be accompanied by local guides who work for the state-owned tourism agency, Korea International Travel Company (KITC). Your minders will tell you what you can and cannot do and the consequences of which will be severe if not followed. The program in the itinerary is more or less pre-set and approved by the government so that the things you see do not include poverty-stricken places, remote areas, or prison camps. While most of the time was spent in the political smokescreen of Pyongyang, we did venture into the countryside for insights into the history and the culture.

Pyongyang is the capital, where the elite families or the ruling Korean Workers' Party with the highest *songbun* reside and have access to the best North Korea has to offer - from imported goods to its elite schools and universities. It is also the gleaming showcase city or a city of monuments. Outside Pyongyang looks primitive (sad, lonely, and forgotten). The capital city itself is otherworldly. Monuments look fake, the statues hollow. There is little sign of real commerce that most of us are familiar with; no advertisement, no signs for businesses, no outdoor seating, no cafes, no delis, no street vendors, no kiosks. The city has broad streets with barely any traffic, save the odd trolley bus, black cars with dark-tinted windows (often Mercedes), some trams, and bicycles (and almost no motorcycles). There are few taxis, but long lines at every bus stop wait for buses, which are often very full. The famous Pyongyang traffic girls stand at some intersections, but most have been replaced by traffic lights. The city is notably absent of overweight and old people as well as animals, and devoid of cheer, noise, or joy. There are no street names, no signs on official buildings. Kim Il Sung and Kim Jong Il's faces, though, are everywhere: from statues to posters to giant propaganda billboards and placards on rooftops. It's hard to miss larger-than-life giant statues of deceased former DPRK leaders, riding horses, dressed as farmers, or simply being big tower over cities and towns and are there to greet you everywhere you go. You will see these omnipresent eternal leaders in tie-and-suit formal wear or uniform in expansive murals in the indoor or outdoor setting of public places: in the kitchen, library, garden, forest, beach, mountain, etc. The iconography is simply extensive.



Pyongyang 'Legoland' skyline



Traffic of Pyongyang



City tram



The iconic traffic police

In short, the scale of public places is huge, too large for the people living in it³. This is a city designed to inspire pride in its citizens, and impress and intimidate outsiders. The city seems orderly and in most instances, it is spotlessly clean. Pyongyang's subway is one of the deepest in the world and is like a North Korean ideological museum with its stunning mosaic artwork. Apartment buildings are not quite brightly lit at night, indicating either frequent power outages or few people living in them; or both. There are giant billboards with military and political slogans, on columns, buildings, posters, and banners. The slogans read phrases like: "The great comrade Kim Il Sung will be with us forever." "Follow the command of the great people's party" and "Always have a strong heart." And of course, "Long live the great comrade Kim Jong Un." The propaganda is always bright in colour, definitely adding to its impact. Everything looks beautiful and is presented as such a perfect world that you really want to believe in it. Of course, you never see anything that disagrees with the image the government wants to project.

³ According to CIA World Factbook and statistics given by our guides, Pyongyang has an estimated population of about 3 million.



Portraits of the eternal leaders



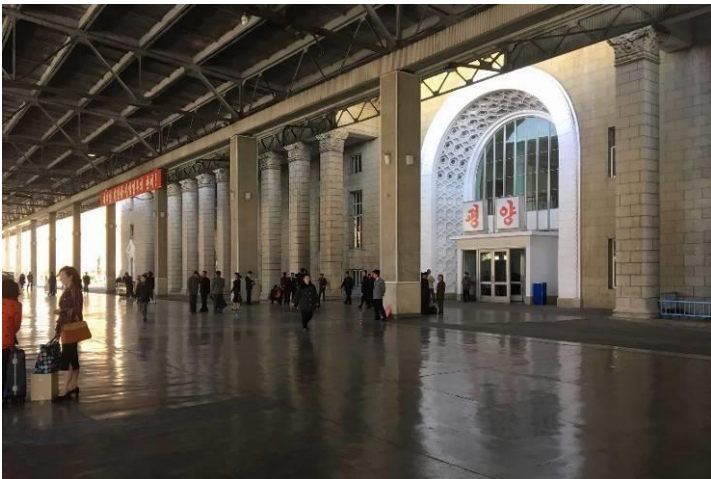
Large bronze statues



Giant propaganda billboard



Giant propaganda billboard



Pyongyang railway station



Pyongyang subway platform



Apartments that seem to be quite vacant



USA is the greatest imperialist enemy



KPW

The most striking part of DPRK is the personality cult of the Kim family that is a peculiar feature of its society. It is the cult of Kim, and fierce, absolute, unalloyed love and loyalty are demanded or stiff penalties must be paid. Before doing anything else you must first reverently and respectfully bow before the statues. After all, they are the two omnipotent men who made the North Korean Dream a reality for all. They are the source of North Korea's undying prosperity. The cult of worshipping the dead leaders is so strong, they even have flowers named after them; the fabled violet orchid *Kimilsungia*⁴ and the red begonia *Kimjongilia*.



Kimilsungia

The orchid



President Kim Il Sung seeing newly bred Kimilsungia together with Sukarno, President of the Republic of Indonesia (April 13, 1965)

Interesting connection with Indonesia

⁴ Interestingly, *Kimilsungia* is a gift that was given to Kim Il Sung by President Sukarno as an appreciation of his visit in 1965.



Pyongyang remains in full control of its country, a remarkable feat, considering it has to operate in a highly unfavourable outside environment and that the leaders are still held up not as the embodiment of repression but an inspiration to the population nearly oblivious to their misfortune. It was clear that everyone adores their leaders as the eternal absolute being. The complete control over information flows within society, combined with isolation from the outside world, gives North Korea's propagandists opportunities their worldwide peers could not dream of. In North Korea, there is no freedom of knowledge and no internet; there is no aspiration as there is not much exposure outside its own paradise; Kim Il Sung, Kim Jong Il, and now Kim Jong Un have long been their only providers. They've put the food on their tables, built their homes, arranged their jobs and led the fatherland to patriotic 'victory' against invaders. That is the beauty of totalitarian regime. Are people happy? Hard to say. Are they completely unaware of the outside world, especially the South? Not really, as they two countries have previously cooperated on an economic development via Kaesong Industrial Park, some 10km north of demilitarised zone. DPRK is just weird in so many ways.

One cannot help but wonder about the sustainability of the North Korean regime. It may eventually crack or go down, likely in a dramatic and dangerous crisis, as the peninsula itself is geographically unique. The income disparity is huge between the North and its Southern brethren. If CIA World Factbook statistics can be relied on, the South has 50 million population and USD 1.9 trillion GDP, while the north 25 million people and \$40 billion economy. The country's leaders may continue to enforce its political stability by keeping the system unchanged at the expense of prolonged economic stagnation, even if the outside world chooses to ignore its nuclear brinkmanship. As Josh put it, "nothing much has changed since early 1990s." Reform is unlikely to happen as there is too much to lose, at least from the viewpoint of the elites. If anything, the US aggression is much more of a threat than North Korea is to the world.

Marathon and Conclusion

The Pyongyang marathon was such an amazing event. Our run started and ended at the Kim Il Sung stadium with a clapping crowd of 50,000. The course ran through the city centre passing, by many iconic buildings, monuments and streets of Pyongyang, then heading out to the countryside before returning. Crowds filled the street; spectating, cheering and giving high fives, essentially giving us tired runners a mental boost. It is ironic that in face of current tension, Americans topped the list of foreign visitors, with 100 out of a total of 1,100 amateurs participating in the run. It is safe to travel as long as you respect the rules of the country. The Koreans you deal with are eager to show off their nation, giving you access to as much as possible and doing everything possible to help you take back positive stories to the wider world. Without visiting, there is no real way to capture the complexity and weirdness of North Korea. No amount of reading will provide the same insight into such an unusual and intriguing country.

The countryside:



Soldiers



Duty to help the country



Smashing rocks with basic tools to repair road



How gardens are maintained

Vinchel Budihardjo
8th May 2017

We don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in investing. The Pangolin Asia Fund is most suitable for investors who are happiest when markets are falling.



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	NAV	400.08	412.81	435.93	436.54									11.59%
	% chg	2.27%	3.18%	5.60%	0.14%									
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 -20.42%
Maximum drawdown -47.53%
% of positive months 66.44%
Annualised return 12.60%

By Sector

