



Pangolin Asia Fund October 2017 NAV

As at the 31st of October 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$485.61 net of all fees and expenses, up 2.86% from US\$472.10 in September.

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:

Singapore	13%
Malaysia	30%
Indonesia	37%
Thailand	20%

We don't disclose our names but some details are always available to investors on request.

Overview

What we do doesn't change much. It is a matter of visiting, visiting, visiting in the hope of finding something significantly undervalued. Occasional weakness has given us the opportunity to add to a couple of our positions in the past month, and we have also been exiting a company we have held for many years, largely due to corporate governance concerns.

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
Oct 2017	4.34%	2.22%	1.78%	-0.44%	4.79%	2.88%	4.69%	2.04%	2.86%
YTD 2017	18.29%	15.03%	13.39%	6.47%	17.12%	11.56%	34.53%	18.96%	24.14%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Oct 2017	4.34%	2.22%	1.10%	-0.71%	4.39%	3.17%	4.69%	2.04%	2.86%
YTD 2017	18.29%	15.03%	12.63%	12.86%	24.34%	20.34%	34.53%	18.96%	24.14%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Oct 2017	-0.27%	-0.38%	-0.67%	0.28%
YTD 2017	6.01%	6.16%	-0.66%	7.87%

Outlook

I've been spending a bit more time in Indonesia and revisited Surabaya for the first time in 18 years. My two days there were a lot more pleasant than the following three which were spent in Jakarta's jams, or *macet* in the local lingo.



Visiting a non-capital city reinforces what we know; Indonesia is changing fast, but for many there is still a long way to go until they can be considered as “middle-class consumers”. Even in Indonesia’s second city, basic foodstuffs comprise a large proportion of many households’ monthly expenditure. Some thoughts:

- 1) My feelings towards Indonesia and other EMs remain schizophrenic. Last week, page one of the Jakarta Post ran the headline that Indonesia had jumped 19 places to 72 in the Global Ease of Doing Business Survey, with a target of Top 40 for next year. Fill your boots.

But on page two was the news that 20% of Java’s students would support the establishment of a caliphate to replace secular democratic government; and close to 1 in 4 students said they were, to varying degrees, ready to wage jihad to achieve a caliphate. Quick, sell everything.

- 2) Jokowi’s infrastructure spending will transform the country. Surabaya’s airport, like Medan’s and T3 in Jakarta, put much of the West’s to shame. But while the terminals are great, we are still awaiting the connections to avoid the jams into town.
- 3) While we fund managers may love Jokowi, he is far from universally popular. The infrastructure building has been funded by the removal of basic subsidies which, we all know makes economic sense, but makes no sense to the poor who have trouble feeding their families without them. A walk round Surabaya’s Pasar Pabean (*pasar* means market) reinforces how important the prices of chillies, onions, soya (which is imported) and garlic are to the average Indonesian, for whom meat is a luxury.
- 4) The next presidential election is in 2019. The on-the-ground feedback is that Jokowi is not popular but there is respect for his anti-corruption stance. However, he’s going to have to splash the cash if he is to be sure of a second term.

Surabaya & the Sarkies

Back in the day, the Sarkies brothers spent their time operating beautiful hotels in Asia. Some of you will be familiar with Raffles in Singapore. Penang has the Eastern & Oriental and the Strand in Yangon isn’t a bad spot either. But, dollar for dollar, you cannot beat Surabaya’s Majapahit, where a suite set me back US\$120. If you’re Dutch, you might want to stop reading any further, because the Majapahit played a significant role in Indonesia’s struggle for independence.

After WW2, the hotel Yamato quickly reverted to its colonial name of Hotel Oranje. And naturally the Dutch flag was raised, an event that caused such consternation that the Indonesians quickly rose up and began their struggle for independence. As the Dutch were all pretty much back in Holland, the rebels found themselves fighting British troops (whose hearts weren’t really in it).

The site of the main confrontation was the Jembatan Merah (Red Bridge) and is a must-see attraction, or so the locals will tell you. This was really the first time blood was spilled in the revolution, after which there was no going back.

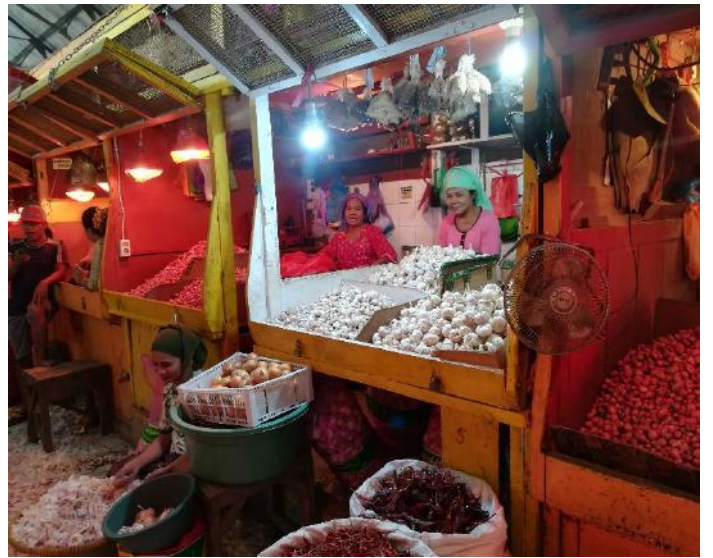
Is Surabaya worth a visit? Yes. If you have the time, a couple of nights at the Majapahit are well worthwhile. Indonesia’s second city gives a different insight to the country than Jakarta and the traffic moves fairly freely – or would if there weren’t demonstrations against high prices (which there were on both days I was there).

In terms of sights, there aren’t a lot, but the city’s Arab quarter (Kampung Arab) is home to Java’s holiest mosque and is thus a pilgrimage site. I managed to talk my way in although the guard at first was quite insistent that it was for Muslims only. Nearby is the Pasar Pabean (housed in the building of the former Dutch barracks) which is worth seeing; and then you are so near the Jembatan Merah that you may as well have a look.

Back at the hotel, they will tell you that you haven’t lived until you’ve seen the bridge that connects Java to Madura or the city’s multicoloured dancing fountain but, after a day of mosques and markets, a cold bottle of Bintang by the pool trumps the lot.

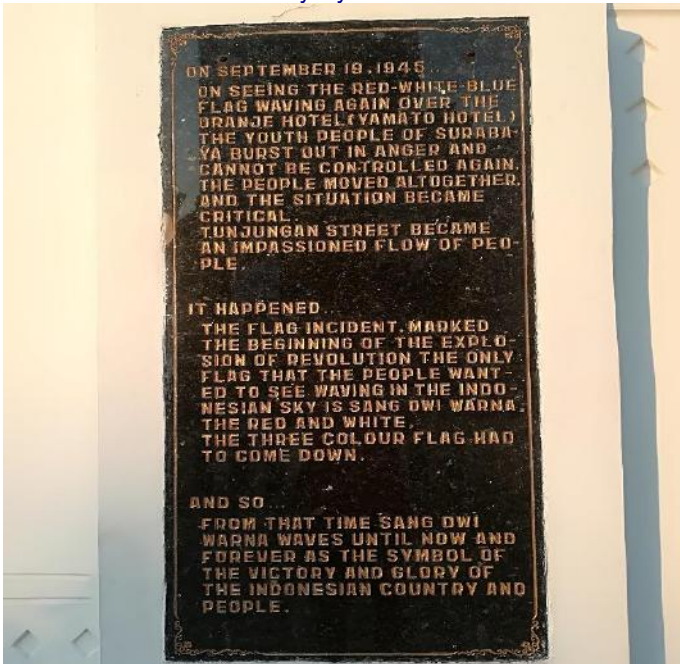


Inside Pasar Pabean - They haven't made a chilly I can't eat





Look away if you're Dutch



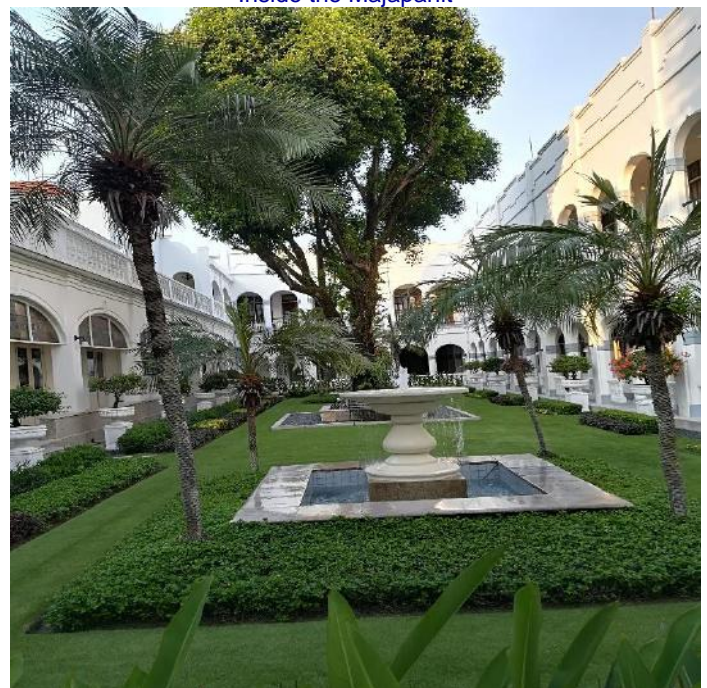
Site of old Dutch Flag



That's more like it



Inside the Majapahit



James Hay
7th November 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	446.18	451.43	455.76	457.12	472.10	485.61			24.14%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%	2.86%			
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 67.74%
Annualised return 13.01%

By Sector

