



## Pangolin Asia Fund May 2019 NAV

As at the 31<sup>st</sup> of May 2019 the NAV of the Class A shares of the Pangolin Asia Fund was US\$470.36 net of all fees and expenses, down 1.39% from US\$477.00 in April.

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

As of today, the fund is about 85% invested, with the split being approximately as follows:

Singapore	20%
Malaysia	32%
Indonesia	33%
Thailand	15%

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
May 2019	-6.69%	-6.58%	-3.81%	0.52%	-8.31%	-3.18%	-8.94%	-4.76%	-1.39%
YTD 2019	6.38%	9.78%	0.24%	-2.36%	1.60%	3.60%	3.14%	1.73%	4.97%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
May 2019	-6.69%	-6.58%	-3.90%	-0.81%	-9.24%	-2.01%	-8.94%	-4.76%	-1.39%
YTD 2019	6.38%	9.78%	1.09%	-3.67%	0.72%	6.23%	3.14%	1.73%	4.97%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
May 2019	-1.32%	-1.02%	-0.08%	1.22%
YTD 2019	-1.35%	-0.87%	0.85%	2.54%

The cash level has risen as we have received the money from the Selangor Properties privatisation. Excluding that, cash would be lower as we continued to buy last month – weak markets throwing up opportunities.

Occasionally, when our performance strays from the index as it did in May, we are asked what we did that made the difference. Just to reiterate, the valuation at any month end is the result of decisions made over many years. We are not a hedge fund\* and don't do anything to manage weekly, monthly or quarterly numbers.

The portfolio evaluation is rather on the basis of “do you think this company's shares will be a lot higher in 5 years? Or not?”

Recently the fund has held up reasonably well in weak times, but isn't rip-roaring ahead in strong markets. Presumably, that's because we hold quite boring, steady, cash-rich companies, but if any of you have a better interpretation (if there is one) please let me know.



\*Actually, if you scrutinise our documentation closely, we are a hedge fund, but over the past 14+ years we have not acted like one and have no plans to do so.

## Outlook

For the past two newsletters I've lamented on the underperformance of our part of the world compared to Nasdaq. I'm not the only one. The comparable is probably the dotcom boom of 1999/2000. Then, like now, some parts of the stock market flew (anything with dotcom in its name) and a lot didn't. Effectively, the dotcoms sucked money from elsewhere.

Some of you will recall Berkshire Hathaway's underperformance at the time – and the Barron's article "[What's Wrong, Warren?](#)" which suggested Warren Buffett might have lost his touch. Below is the relevant chart - The Nasdaq was up 145%, while Berkshire was down 44% — a 189% underperformance.

Berkshire Hathaway Inc. (BRK-A) ★ Watchlist

**214,610.00** -1,575.00 (-0.73%) NYSE - As of 02:09pm EDT



The Barron's article mentions Yahoo, which has of course been one of the few big winners. There are many that didn't make it. Around that time, I was working with a guy who had turned down \$400m for what was little more than a good idea. He was looking for higher bidders in Asia. In the end he got nothing.

At the time, I was quietly running a personal portfolio of Malaysian companies. I had no dotcoms. When Nasdaq cracked, my portfolio fell 30% over the next twelve months. Below, lifted from the internet, is what happened to US markets. It was a crazier time than even now and perplexing for those of us not inclined to be investing in the new, hot thing.



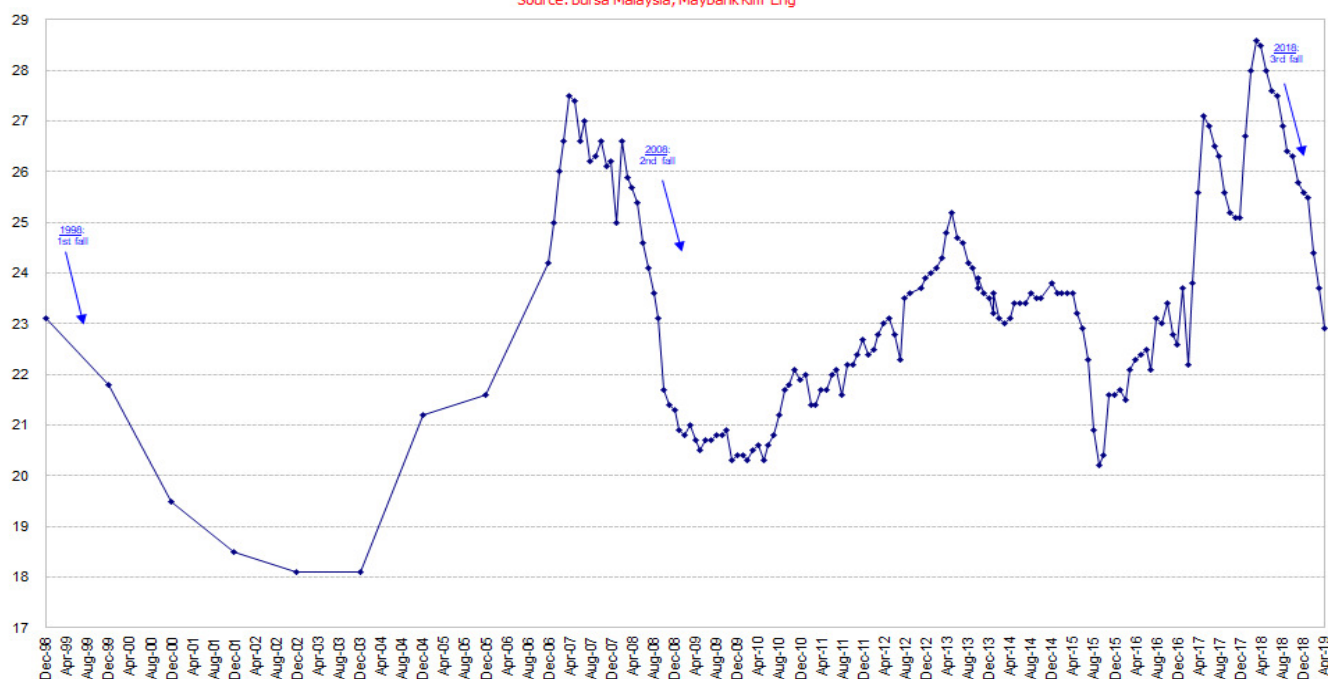
Date	Nasdaq	% Change	Dow Jones	% Change	Notes
January 1, 1997	1,291.03	—	6,448.30	—	
January 1, 1998	1,570.35	21.63%	7,908.30	22.64%	
January 1, 1999	2,192.69	39.63%	9,181.40	16.10%	
January 1, 2000	4,069.31	85.58%	11,497.10	25.22%	
January 14, 2000	4,064.27	-0.12%	11,723.00	1.97%	The day the DJIA peaked.
March 10, 2000	5,048.62	24.22%	9,928.80	-15.31%	The day the Nasdaq peaked.
January 1, 2001	2,470.52	-51.07%	10,788.00	8.65%	
January 20, 2001	2,770.38	12.14%	10,587.60	-1.86%	President Bush takes office.
September 10, 2001	1,695.38	-38.80%	9,605.50	-9.28%	Levels before September 11, 2001.
September 21, 2001	1,423.19	-16.05%	8,235.80	-14.26%	Lows after markets reopened.
January 1, 2002	1,950.40	37.04%	10,021.60	21.68%	
October 9, 2002	1,114.11	-42.88%	7,286.27	-27.29%	2002 lows.
January 1, 2003	1,335.51	19.87%	8,341.63	14.48%	
January 1, 2004	2,003.37	50.01%	10,453.92	25.32%	

There are parallels with Nasdaq now and Nasdaq then, but it isn't the same. Nevertheless, for those of us who fear a Nasdaq meltdown, there is some comfort from history given that well capitalised and cheap Asian stocks fell, but not as much.

Down 30% is sort of nothing in stock market terms; falling markets just gave me the opportunity to reinvest my dividends even more cheaply. I remember being quite happy all the way through it.

Foreign investor appetite in Malaysia currently looks like this:

Foreign Shareholding in Malaysian Equity Market (%) (From Dec 1998 - Apr 2019)  
Source: Bursa Malaysia, Maybank Kim Eng





Malaysia is, I think, probably the cheapest market we cover. I'm not referring to any index but to what we uncover through our research and meetings. When will anybody care is the question?

I remain convinced that SE Asia represents a better long-term investment than much of the world. I could dig up (or make up) a bunch of stats to bolster this argument. Or I could just state that, in the long-run Asia will do better, *because when you go to the cinema here, the adverts are for universities.*

Taylor's University Commercial: <https://www.youtube.com/watch?v=kivAoXKF56I>

Sunway University Commercial: <https://www.youtube.com/watch?v=CCEQoHbKaD8>

SEGI University Commercial: <https://www.youtube.com/watch?v=RiCJWT1G2-o>

And the degrees are nearly all Business or Technology. A young Asian telling their 100-hour-a-week-taxi-driving-dad-who-sacrificed-everything-for-them-so-they-can-go-to-university that they want to study Philosophy, Sociology or Anthropology is going to be disappointed.

The focus of the ads is on achievement – although the SEGI one does rather hint that you might get laid as well.

James Hay.  
10<sup>th</sup> June 2019

*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.*



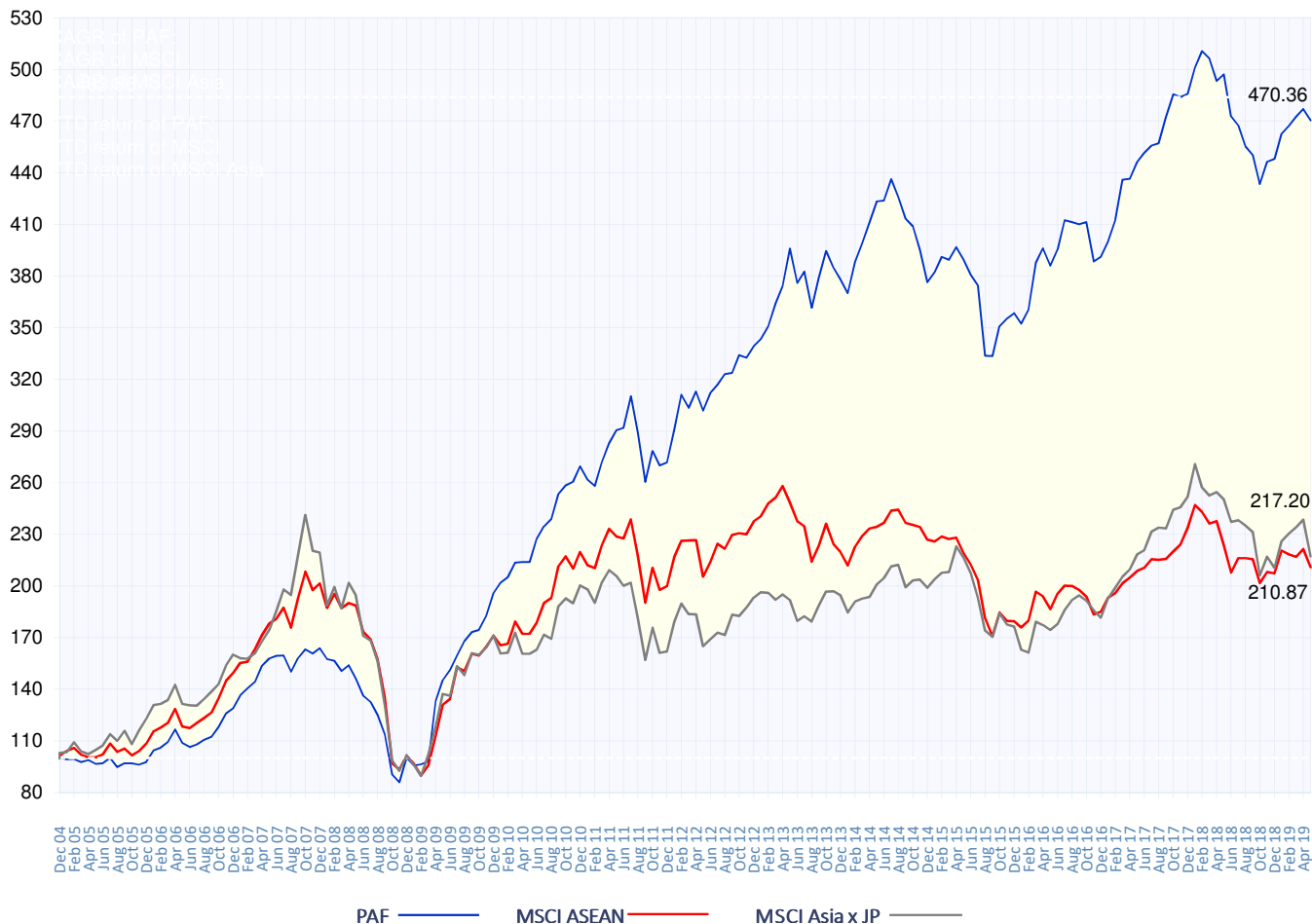
Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	NAV	462.51	467.10	472.67	477.00	470.36								4.97%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%								
2018	NAV	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.40	446.46	448.11	-7.76%
	% chg	3.15%	1.90%	-0.84%	-2.59%	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** -20.42%  
**Maximum drawdown** -47.53%  
**% of positive months** 66.09%  
**Annualised return** 11.27%



## Fourteen years track record and annualised return of 11.27%

PAF vs. MSCI South East Asia



### By Sector

