



## Pangolin Asia Fund June 2015 NAV

As at the 30<sup>th</sup> of June 2015 the NAV of the Class A shares of the Pangolin Asia Fund was US\$380.77 net of all fees and expenses, down 2.28% from US\$389.67 in May.

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 | 23% |
| Malaysia  | 26% |
| Indonesia | 31% |
| Thailand  | 20% |

No names I'm afraid but some details of the individual holdings are always available to investors on request.

### Overview

To put the month 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 | PAF   |
|--------|-------|---------|-------|-------|-------|------|------------|-------|
| Jun 15 | -2.2% | -2.1%   | -5.9% | -2.3% | -2.2% | 0.6% | 0.8%       | -2.3% |
| YTD 15 | -1.1% | 0.2%    | -6.1% | -3.1% | -1.4% | 0.5% | 4.2%       | 1.2%  |

#### Return (in USD)

| Period | DOW   | S&P 500 | JSE    | KLSE   | STI   | SET   | MSCI ex JP | PAF   |
|--------|-------|---------|--------|--------|-------|-------|------------|-------|
| Jun 15 | -2.2% | -2.1%   | -6.6%  | -5.1%  | -2.0% | 0.2%  | 0.8%       | -2.3% |
| YTD 15 | -1.1% | 0.2%    | -12.7% | -10.2% | -3.0% | -2.1% | 4.2%       | 1.2%  |

#### % Change in Currency Vs USD

| Month  | MYR    | SGD   | IDR    | THB    |
|--------|--------|-------|--------|--------|
| Jun 15 | -2.80% | 0.03% | -0.86% | -0.30% |

You may have noticed that our % cash has risen. This is not due to selling but as a result of inflows. We have continued to be buyers throughout the past month; and the tables above show that while our stock selection hasn't been too bad, the currencies are tamping performance.

We're not a hedge fund. When companies look cheap enough we have little option but to buy. There are times (like now) when that can be a painful in the short term – but the expectation is that buying cheaply enough makes sense over any reasonable timeframe. Valuation timing, not market timing.

Our fund's *investment risk* is not falling markets, but poor stock analysis on our part.

### Malaysia

The 1MDB scandal won't go away. The latest pouring of petrol onto the fire comes from the Wall Street Journal, which has alleged that hundreds of millions of \$\$ were deposited into accounts belonging to the Prime Minister, Najib Razak.

His most convincing rebuttal is basically - if I were to steal, do you think I'd be so stupid as to deposit the money into my bank in Malaysia.



I have often argued that a certain amount of corruption is not the end of the world. In fact it can be an enabler. In the UK, the debate about whether to build a 3<sup>rd</sup> runway at Heathrow continues well into its third decade. (Of course, to most of the world it is incredible that LHR should be so ridiculously capacity constrained – even Little Ole Nashville has 4 runways).

Imagine if in Britain the politicians were raking off 10% of the contract value of everything, as happens in many places. The infrastructure would be fantastic, yet the cost would still be less as there would be no need for interminable inquiries.

It is all about the level of corruption. In many places the powers that be just take the 10% and build nothing; and these countries tend to be basket cases.

Because Malaysia is far from being such a case, it is crucial that Najib must convince of his innocence. Otherwise the perception will be that he is untouchable and can even transfer public money to himself and get away with it. Where corruption is that blatant and unchallenged, you tend to find extremely poor countries – think Zimbabwe. And remember Zimbabwe wasn't always so poor.

It should be noted that Najib's cabinet ministers remain loyal to their boss. Self-interest possibly, or maybe a genuine belief that he is not as he is being painted.

For more, I suggest you regularly look at [www.sarawakreport.org](http://www.sarawakreport.org) or [www.themalaysianinsider.com](http://www.themalaysianinsider.com).

## Outlook

Investing anywhere can be a bit scary. Emerging markets tend to provide more of a roller-coaster ride than others; their economies grow faster but the wobbles are wobblier.

Please peruse the charts below which I hope should provide some comfort to those who despair of ever making money in ASEAN again. The underlying growth is still there and the region's advantages outweigh its risks.

At times like this it is always good to read refresher on value investing. The easiest and among the best is The Warren Buffett Way – although there are plenty of others. The message is always similar – fear leads to buying opportunities.

Finally, as the holiday season fast approaches, I would like to wish all my Muslim friends a happy Idul Fitri.

Selamat Hari Raya,

James Hay  
10<sup>th</sup> July 2015

*I 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 happy when markets falling.*



## ASEAN: Growth in the fast lane

### POPULATION

Set to rise by more than **10%** to 690 million by 2020



### INVESTMENT

ASEAN attracted **9%** of global foreign direct investment in 2013 (more than China)



### GROWTH

**2% faster** than average global growth from 1980-2013



### LABOUR

By 2030, ASEAN's labour force estimated to

**grow by 70 million**



### GLOBAL TRADE

**4th largest exporter** globally (in 2013)



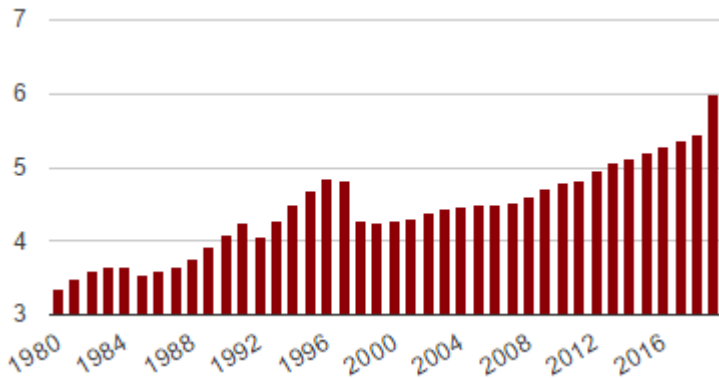
**7%** of global exports in 2013



Source: Standard Chartered Global Research

\* Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

### ASEAN share of World GDP (%)



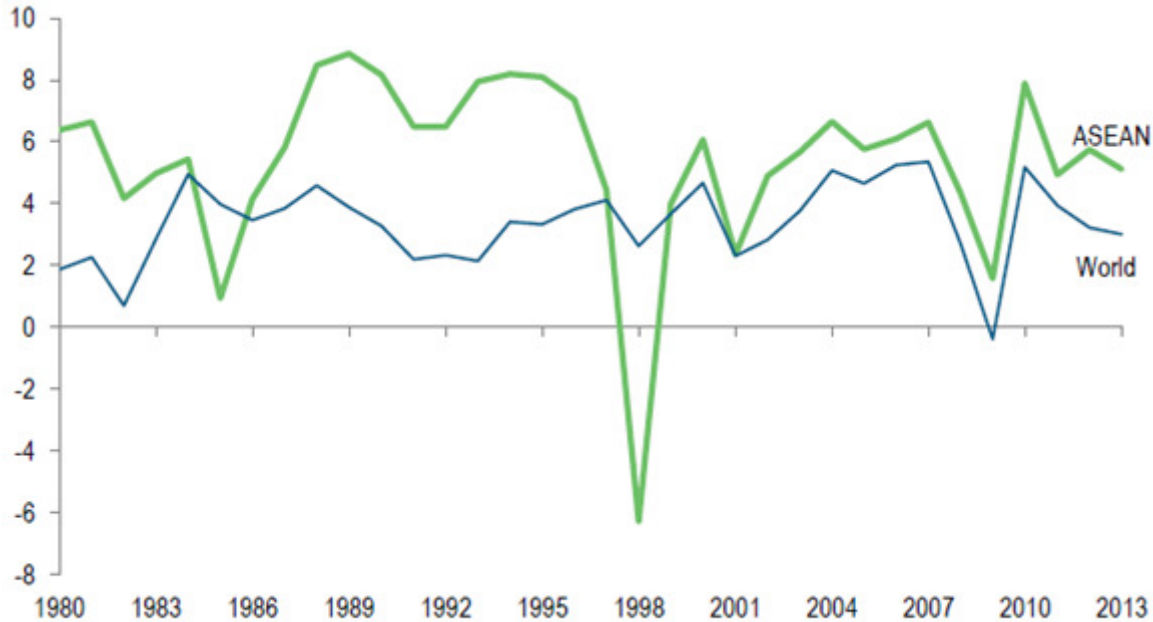
[www.economywatch.com](http://www.economywatch.com)

ASEAN is the seventh largest economy in the world today with close to 6% of global GDP.

ASEAN stock markets represent 3 % of global market capitalisation.



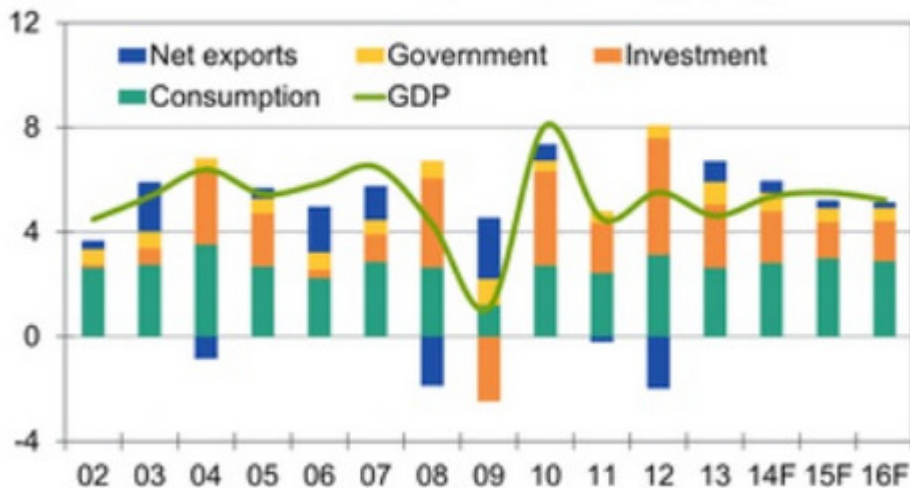
## ASEAN has consistently outperformed global growth (%)



Source: IMF, World Bank, Standard Chartered Research

## Consumption Drives Growth Across ASEAN

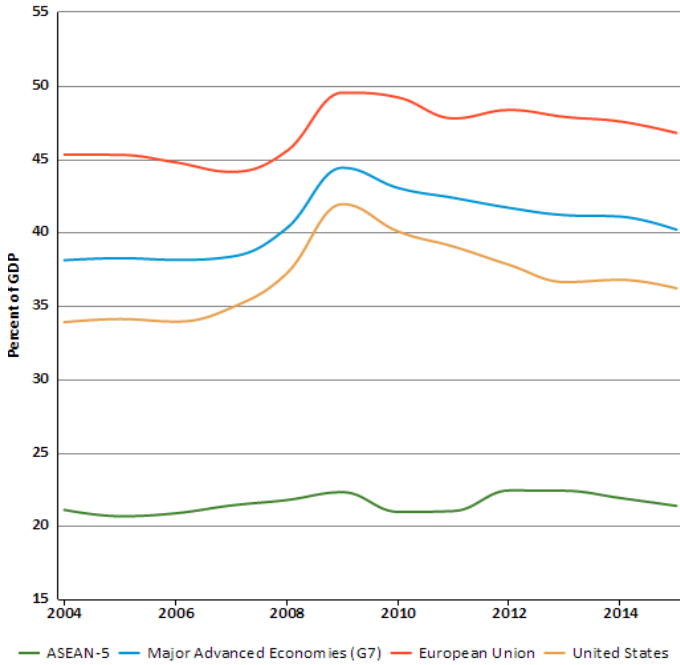
Weighted contributions to GDP growth, % change yr ago



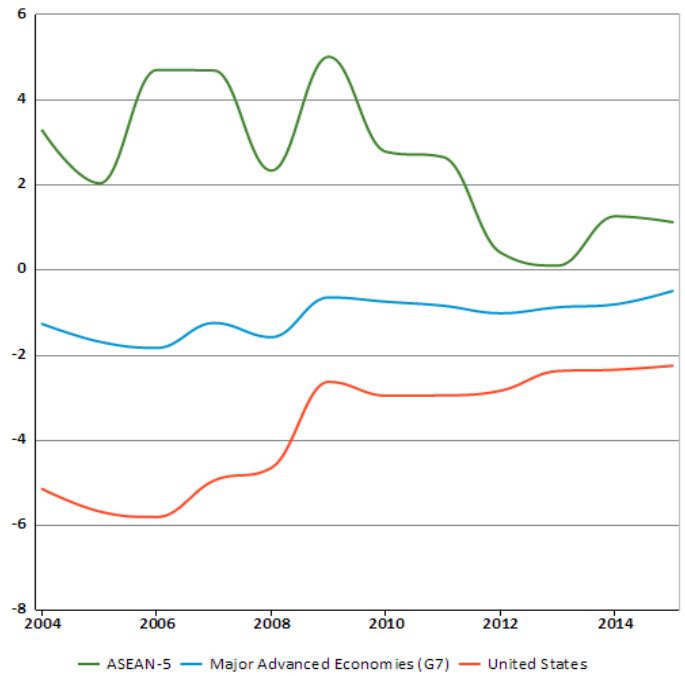
Sources: Various statistical agencies, Moody's Analytics



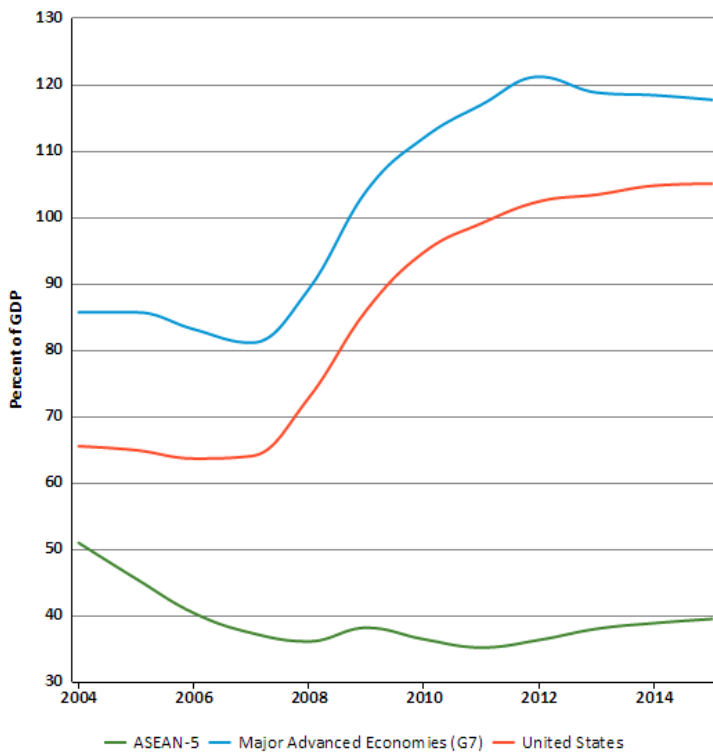
## General government total expenditure (Percent of GDP)



## Current account balance (Percent of GDP)



## General government gross debt (Percent of GDP)



Source: IMF World Economic Outlook 2015



| Year | Details | Jan    | Feb    | Mar    | Apr    | May    | Jun    | Jul    | Aug    | Sep    | Oct     | Nov    | Dec    | YTD     |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|---------|
| 2015 | NAV     | 382.31 | 391.18 | 389.48 | 396.82 | 389.67 | 380.77 |        |        |        |         |        |        | 1.19%   |
|      | % chg   | 1.60%  | 2.32%  | -0.43% | 1.88%  | -1.80% | -2.28% |        |        |        |         |        |        |         |
| 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**     66.93%  
**Annualised return**         13.47%

## By Sector

