PANGOLIN INVESTMENT MANAGEMENT

Pangolin Asia Fund June 2024 NAV

As at the 28th June 2024, the NAV of the Class A shares of the Pangolin Asia Fund was US$554.34 net of all fees and expenses, down 0.83% from US$558.96 in May.

As of today, the fund is about 95% invested, with the split being approximately as follows:

Singapore	8%
Malaysia	37%
Indonesia	53%
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
Jun-24	1.12%	3.47%	5.96%	1.33%	-0.41%	-0.11%	3.87%	0.42%	-0.83%
YTD 2024	3.79%	14.48%	18.13%	-2.88%	9.31%	2.86%	8.58%	-2.91%	-5.51%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia x JP	MSCI-ASEAN	PAF
Jun-24	1.12%	3.47%	5.96%	0.58%	-0.64%	-0.47%	3.87%	0.42%	-0.83%
YTD 2024	3.79%	14.48%	18.13%	-8.67%	6.45%	0.15%	8.58%	-2.91%	-5.51%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Jun-24	-0.23%	-0.35%	-0.75%
YTD 2024	-2.62%	-2.63%	-5.96%

We continue to see selling of the region from large US based Emerging Markets funds. With NASDAQ doing its thing, as ever, it is increasingly difficult for US managers to invest elsewhere and remain employed. The beginning of the year saw optimism that Emerging Markets' currencies might perform, leading to a rally in their markets. As the table above shows, that hasn't happened.

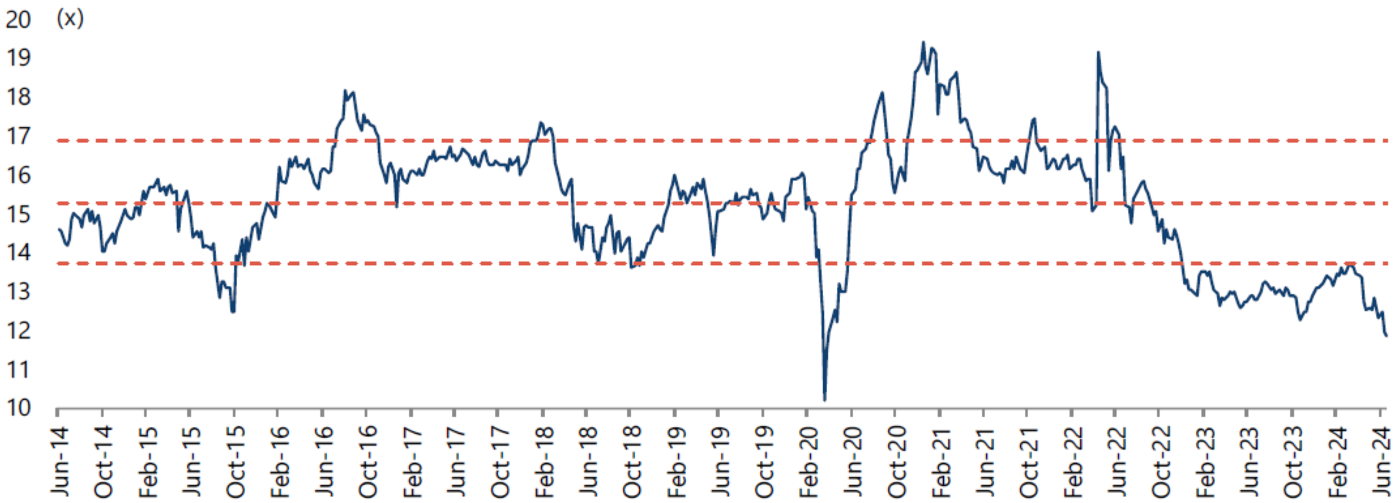
Indonesia raised interest rates by 0.25% in April. Since then, banks and consumer stocks have been walloped. Our largest holding, BFIN, has fallen 32% from its 2024 peak. Our core Indonesian holdings are off between 6% - 32% from this year's highs, before adding in the 6% currency depreciation.

Indonesia resembles NASDAQ in that it also has a big 5 whose share prices seemingly only rise, namely Barito Renewables Energy, Chandra Asri Pacific, Amman Mineral Internasional, Dian Swastatika Sentosa and Petrindo Jaya Kreasi. Without these FAANG equivalents, the Indonesian market would be down 14.6% (in USD) this year. Of course, we don't own any of them.

Our Malaysian holdings have helped. As have our dividends. Without dividends, the fund would have fallen 8.13% this year (as opposed to 5.51%). For June, we'd have been off 1.53% (0.83%). Our overall yield across the fund is an estimated 5.6% for 2024. And the beauty is, that as the dividends pour in, we can invest them into stocks that are getting cheaper.

I visited a few companies in Jakarta last month. Sentiment, on the whole, reflected the market's performance. Interestingly, the people I spoke to, if they had the election tomorrow, would not vote for Prabowo. It would appear that the President-in-Waiting's honeymoon period is already over, which is unfortunate given that his inauguration isn't until October.

Exhibit 17: Jakarta Composite (JCI) 12-month forward PE



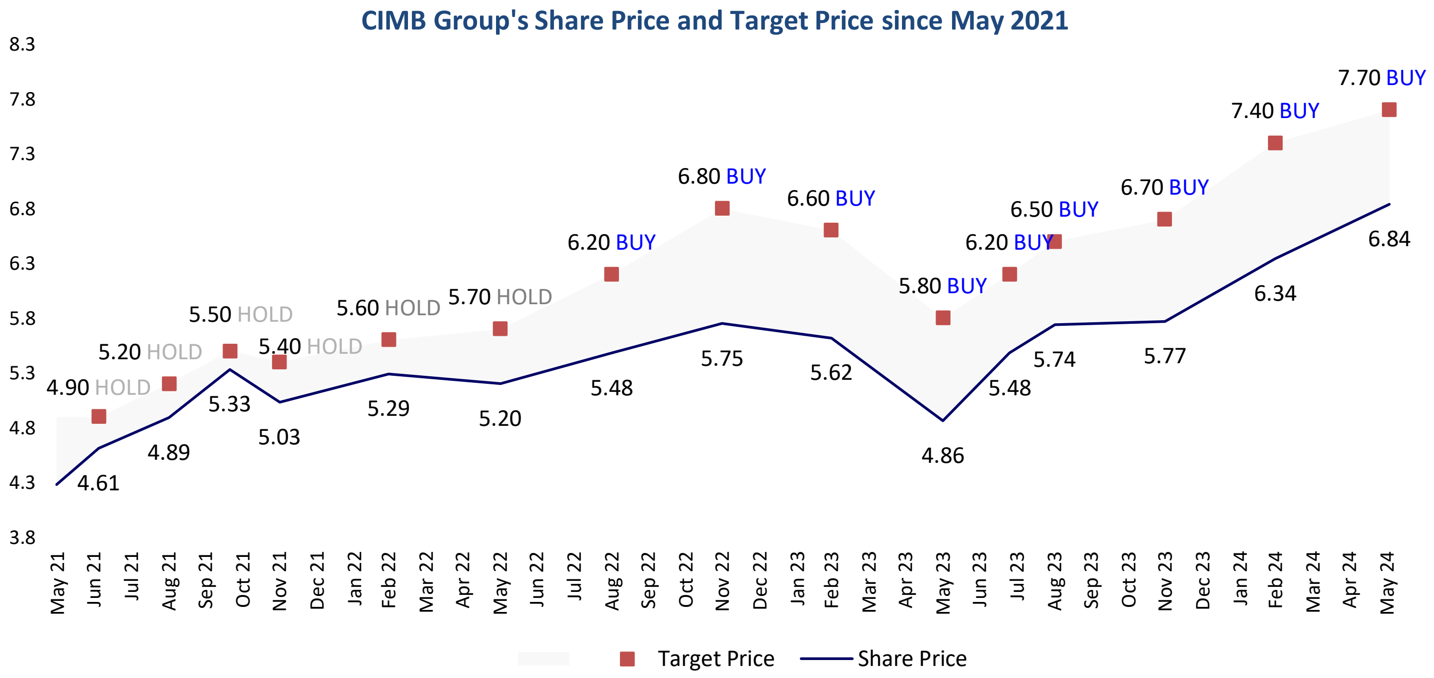
Source: Bloomberg

Meanwhile in Malaysia, dissatisfaction with Prime Minster Anwar appears to be reducing. Possibly because the alternative looks worse; possibly because the economic news would appear to be improving (FDI is flooding in); or probably because everything (including prime ministers) looks better when the markets are up.

When a market goes up, it attracts more buyers. Malaysia dedicated funds will be experiencing inflows. Don't worry about rising prices, we'll just upgrade our valuations. Based on more optimistic expectations.

Case in point, Maybank Securities' upgrading of Malaysia's CIMB from HOLD to BUY as its price has risen. See the chart below. This renewed optimism is being repeated all across the market, particularly in the construction sector in which it's easy to up forecasts. IPOs are also surging, as investors fight for allocations. And if the market has a weak day or two, this is described as a "healthy correction", certainly not the start of anything to be concerned about.

Fair enough, many Malaysian stocks, in a country where GDP growth will exceed 5% this year, remain undervalued. The only argument I have is why weren't brokers and institutional investors bullish when the price was low?



Source: Maybank Securities, Pangolin

Outlook

GDP Per Capita in USD

Country	1990	2000	2010	2023	CAGR 1990-2023	CAGR 2000-2023
Indonesia	583	771	3,094	4,941	6.7%	8.4%
Malaysia	2,513	4,088	8,880	11,649	4.8%	4.7%
Philippines	820	1,073	2,202	3,726	4.7%	5.6%
Singapore	11,862	23,853	47,237	84,734	6.1%	5.7%

Source: World Bank

ASEAN Middle-Class Population Growth

Country	Population (mln) (2023)	Share of Middle Class (2000)		Share of Middle Class (2020)	2023 GDP (in USD bln)	GDP CAGR (1970-2022)
Indonesia	279	4%	→	29%	1,371	5.3%
Malaysia	34	23%	→	33%	416	6.0%
Philippines	116	12%	→	27%	437	4.1%
Singapore	6	50%	→	88%	501	6.5%

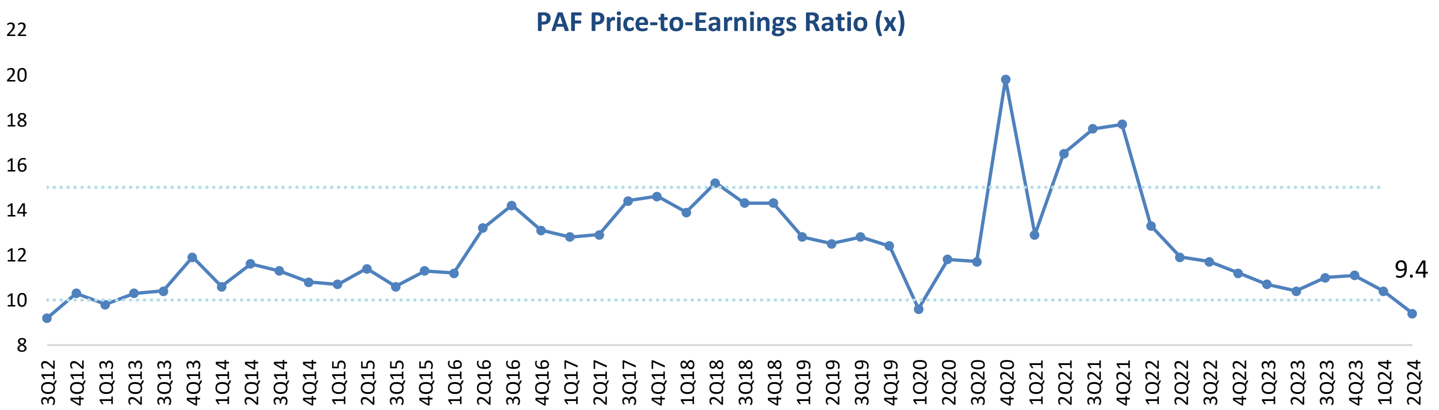
Source: World Bank, Asian Development Bank

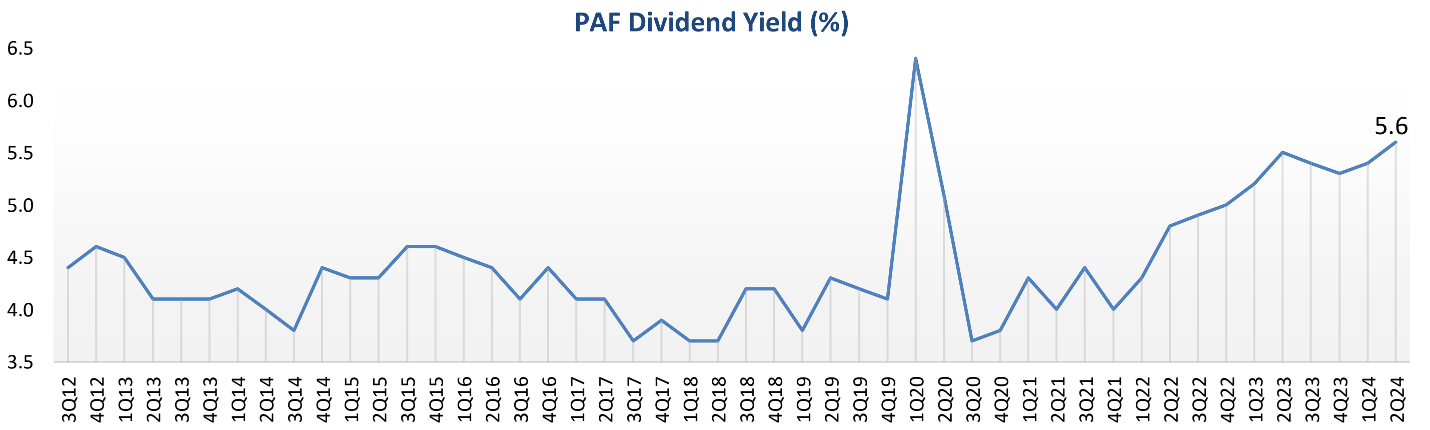
The tables above illustrate the historical growth in personal wealth in the countries in which the fund is invested. Current share price performance would be implying that this is coming to an end. In a region where the adverts at the cinema are for colleges, universities and technical education courses, this is so wide of the mark. I've now lived in Malaysia for over thirty years. The contrast in the (young) population's personal ambition with that in the UK, Europe and the US is striking. No way is this generation satisfied with its lot. And they know, from experience, that hard work will bring the rewards they strive for.

GDP Forecasts	**2024F**
Malaysia	5.2%
Singapore	2.6%
Indonesia	5.0%
Philippines	6.0%

Our economies are booming. Stock market investors may be ducking ASEAN for Nvidia, but real businesses are not. Only yesterday, Hyundai & LG announced plans for what will be Southeast Asia's largest EV battery plant, at a cost of USD9.8bn. The plant will be in Indonesia, which has an abundant supply of iron, nickel and copper which are important components of batteries. (All these batteries will need charging which will probably ensure that the coal price remains elevated, but let's get into that another day).

Our fund's valuations are as cheap as they have been since 2009.





Pangolin Asia Fund weighted valuations (30th June 2024)

	2024F
P/E (x)	9.4
Profit Growth (%)	10
ROE (%)	19
ROIC (%)	25
Div Yield (%)	5.6%

Eagle-eyed readers will note that our fund's forecast dividend yield has fallen from 5.7% to 5.6%. We have sold our shares in Indonesia's Hexindo Adiperkasa, a supplier of heavy equipment. In a way it's a proxy to the coal price and we prefer not to be invested in commodities, largely because I have no idea what their prices will do (watch coal prices soar now). Whichever way they go, we find the increase in purchasing power of the consumer to be more predictable.

Why did we buy it, you ask? In May 2020 it was trading on 4x historic earnings with a dividend yield of around 16%. Including dividends, from first in to last out we've made around 240% on this, although our overall return is lower due to later purchases and earlier sales. It was truly cheap, but we also got lucky with a soaring coal price and a special dividend. The company's balance sheet has moved from a net cash position to one of net debt – we prefer the former.

The consequence of institutional investors continued shunning of ASEAN is the opportunity to own a part of this compellingly-undervalued region at giveaway prices. Our time will come, just as it did for China and India. It won't only be Malaysia which experiences upgrades along with rising prices and optimism. Prices are so cheap, absolutely, historically and relatively. I'm reminded of a young fund manager who, in 2009, wrote the following about the valuations he was seeing in his markets:

*In the meantime you can buy companies which won't go bust at ludicrously cheap valuations coupled with decent yields. History tells us that investing carefully at times like now is the right thing to do, especially when only a few barking maniacs like myself will agree with you. **

James Hay

5th July 2024

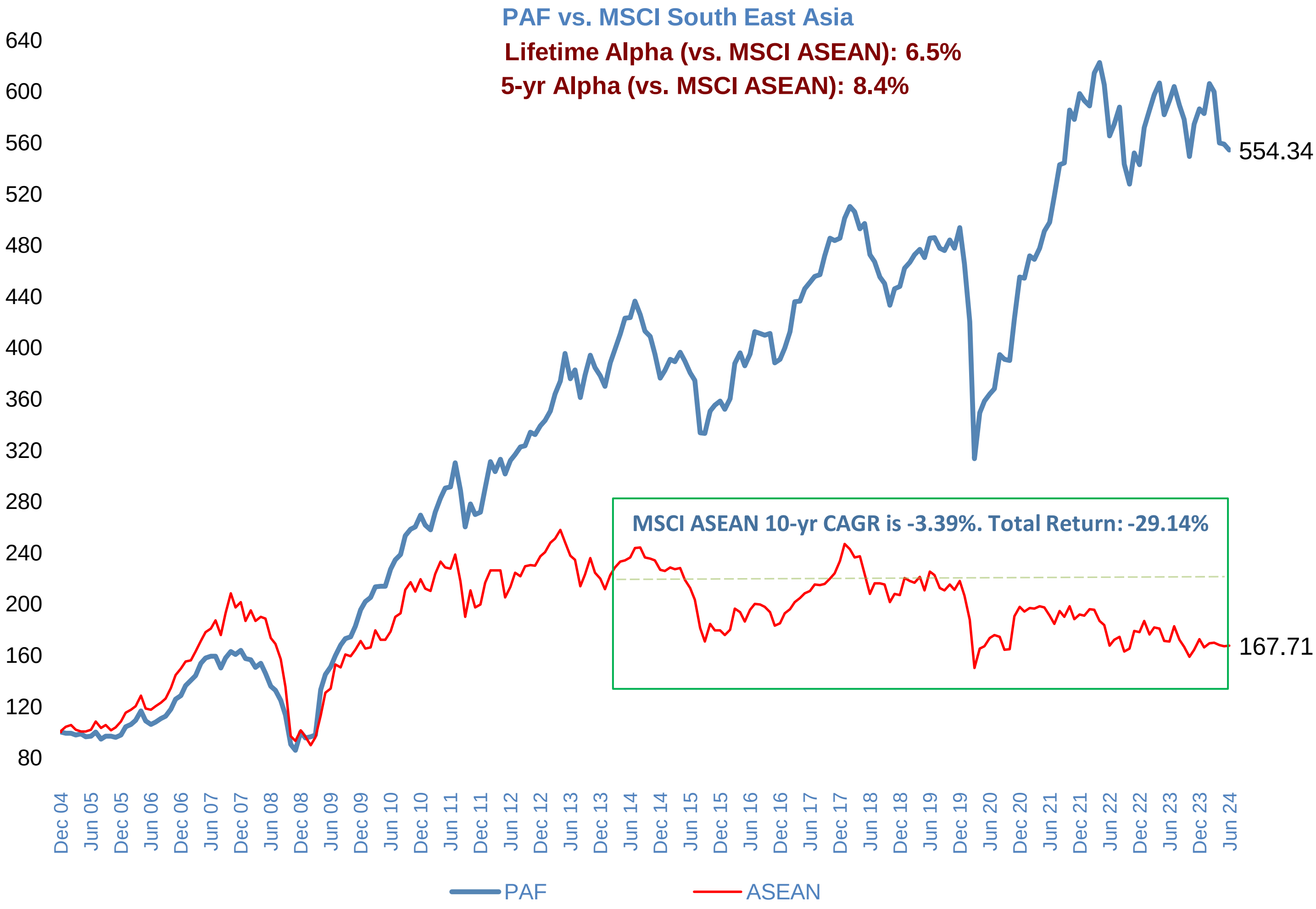
* Source: Pangolin Asia Fund Newsletter January 2009 www.pangolinfund.com

This table is interesting because it illustrates how, by taking a longer-term view, buying when stocks are cheap (red years) has historically set up the fund’s future returns (blue years).

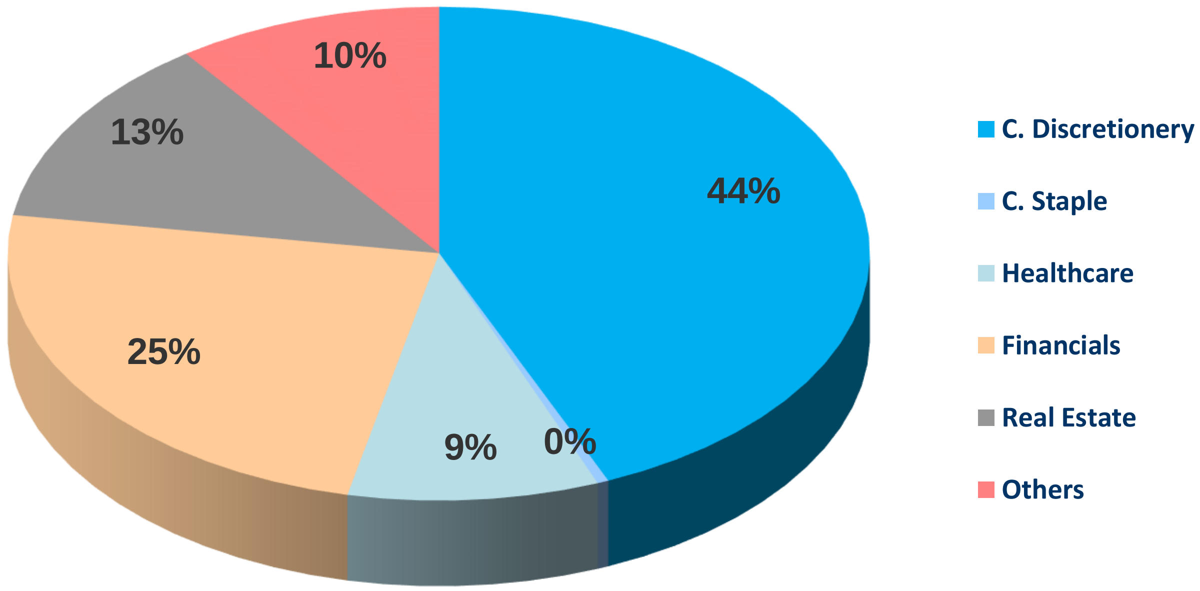
Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	*NAV*	583.20	606.55	599.94	560.25	558.96	554.34							-5.51%
	% chg	-0.59%	4.00%	-1.09%	-6.62%	-0.23%	-0.83%							
2023	*NAV*	571.92	585.67	597.55	606.77	581.95	593.00	604.19	589.30	578.62	549.65	574.87	586.68	8.00%
	% chg	5.28%	2.40%	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	**63.40%**
Annualised return	**9.14%**

Nineteen years track record and annualised return of 9.14%



By Sector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