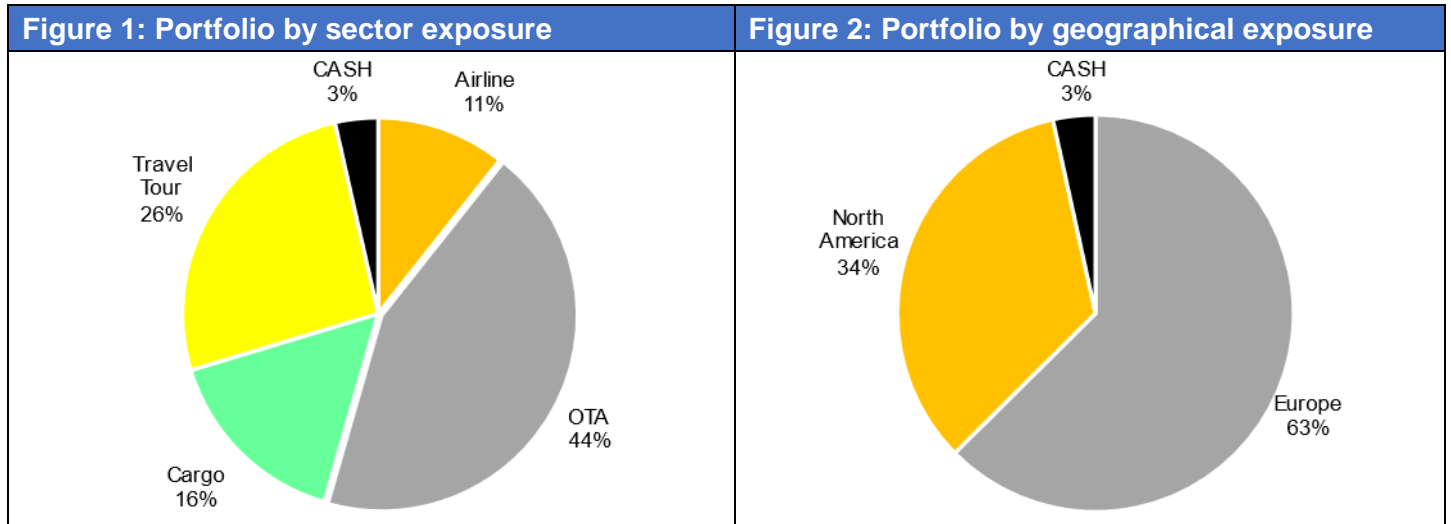




Pangolin Aviation Recovery Fund July 2023 NAV

As at 31st July 2023, the NAV of Class A shares of the Pangolin Aviation Recovery Fund was US\$91.94 net of all fees and expenses, up by 2.85% compared to US\$89.39 in June 2023. Year to date, the fund is up by 11.92%.

The fund is 97% invested with the split approximately as follows:



Overview

There was a minor tweak in the portfolio; we sold some Booking.com shares for rebalancing purposes. The winners for the month were Booking.com and Expedia, while the underperformers were JET2 Airways and On-the-Beach.

The heatwaves cannot overturn a determined tourist

I just returned from a soul-revitalising trip to sizzling Spain. I brought my kids for a long overdue vacation, taking full advantage of their school's one-week earlier start to the summer holidays as compared to the national calendar.

This gave me somewhat of a head start, or so I thought, but everywhere I went in Spain was packed. Much to my pleasure, things were going along fine in the early part of our holidays. The queues, although long, moved smoothly, and it was our turn before long. This was the case at the water parks, aquariums, museums, Snowzone, and restaurants too.

Towards the end of our holidays, which was the official start of Europe's summer holidays, things took a turn for the worse. It was total chaos. Everything was already sold out before it opened, you had to fight for your spot, tourists outnumbered locals, and people posed anywhere and everywhere for their Instagram pictures to be taken. While Spain baked at >40° Celsius, a determined tourist would stop at no end to ensure they get what they came for.

Spain has always been the key destination for holiday goers. But this summer is much crazier than ever before. My hotels are 100% full one month out, entrance to Pablo Picasso art gallery is sold out for the next few days, and so is the case for many tourists' must-go venues. This gives us a first-hand view of what to expect for the upcoming results for the summer period. I expect nothing but record performances.



UK-based travel tours are minting it

In early July, JET2 Airways delivered its best-ever financial year (March year-end) performance with a net profit of GBP291 million. To put things in perspective, this is double the amount before the pandemic happened. JET2 Airways broke records on every key operating metric: number of passengers carried, average package value, and net profit margins.

Most impressively, this was achieved this under extreme challenging operating conditions. The industry suffered from severe staff shortages, multiple employee union strikes across Europe, abrupt cancellations, and curtailment of air services by the authorities. JET2 had to incur GBP50 million compensation to its customers.

There are valid reasons to feel optimistic as operations are much smoother this year thus far. This will keep JET2's operating costs competitive and boost profits. Plus, jet fuel prices are significantly lower compared to the same period last year.

Despite the undeniable positive outlook, the market took a negative view of the announcement that Philip Meeson (Chairman and founder) will be retiring. JET2 Airways' share price collapsed and is currently 10-15% below where it was before the announcement.

It is a painful Déjà vu for us as a similar thing happened to On-the-Beach earlier in the year. Simon Cooper (CEO and founder) announced his retirement, and the share price has been moving down ever since, tracking new lows.

Mr. Phillip Meeson is 75 years old and Mr. Simon Cooper is 56. I don't see the problem for two ripe-old men wanting to retire. Especially when both companies are in the pink of health and have a proven deep management team as successors. We believe the market will overcome this retirement overhang eventually, and the company fundamentals will take centre stage again.

Outlook

I am pleased with the operating performance of our investments. They have performed well, and the management is embarking on a well thought strategy. The markets might overlook this, choosing instead to focus on other less impervious matters. Unfortunately, irrationality is part of the cycle which we must endure.

Mohshin Aziz

2 August 2023



Pangolin Aviation Recovery Fund Fundamentals (31 July 2023)

	2022A	2023F	2024F
PE ratio (x)	21.8	13.8	11.0
PAT growth (%)	n.a	55.5	21.6
ROE (%)	28.8	59.0*	61.5*
Free cash flow yield (%)	14.4	13.0	11.9
Net cash/(debt) (x)	0.04	0.16	0.27

* We assume share buybacks will be cancelled and reduce the equity base

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	NAV	96.44	95.71	94.23	91.47	85.88	89.39	91.94						11.92%
	MoM %Δ	17.40%	-0.75%	-1.55%	-2.93%	-6.11%	4.09%	2.85%						
2022	NAV	110.60	108.72	106.42	103.80	97.14	76.62	79.66	79.91	65.91	75.13	82.18	82.15	-22.54%
	MoM %Δ	4.28%	-1.70%	-2.11%	-2.46%	-6.42%	-21.12%	3.97%	0.31%	-17.51%	13.99%	9.38%	-0.04%	
2021	NAV	93.38	112.20	116.33	116.30	119.97	113.86	109.74	108.43	115.97	109.28	93.87	106.06	6.06%
	MoM %Δ	-6.62%	20.15%	3.68%	-0.49%	3.16%	-5.09%	-3.62%	-1.19%	6.95%	-5.77%	-14.1%	12.98%	

Figure 3: Pangolin Aviation Recovery Fund NAV (USD/share)

