



Pangolin Asia Fund September 2020 NAV

As at the 30th of September 2020 the NAV of the Class A shares of the Pangolin Asia Fund was US\$391.21 net of all fees and expenses, down 0.91% from US\$394.82 in August.

As of today, the fund is about 81% invested, with the split being approximately as follows:

Singapore	15 %
Malaysia	30 %
Indonesia	51 %
Thailand	4 %

We don't 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 Asia Ex-Japan)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2020	-2.28%	-3.92%	-5.16%	-7.03%	-1.34%	-2.60%	-5.62%	-1.68%	-5.94%	-0.91%
YTD 2020	-2.65%	4.09%	24.46%	-22.69%	-5.28%	-23.46%	-21.70%	3.52%	-24.69%	-20.78%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Sep 2020	-2.28%	-3.92%	-5.16%	-9.01%	-1.16%	-2.97%	-7.18%	-1.68%	-5.94%	-0.91%
YTD 2020	-2.65%	4.09%	24.46%	-27.96%	-6.78%	-24.56%	-26.39%	3.52%	-24.69%	-20.78%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Sep 2020	0.18%	-0.37%	-2.13%	-1.65%
YTD 2020	-1.58%	-1.43%	-6.81%	-5.99%

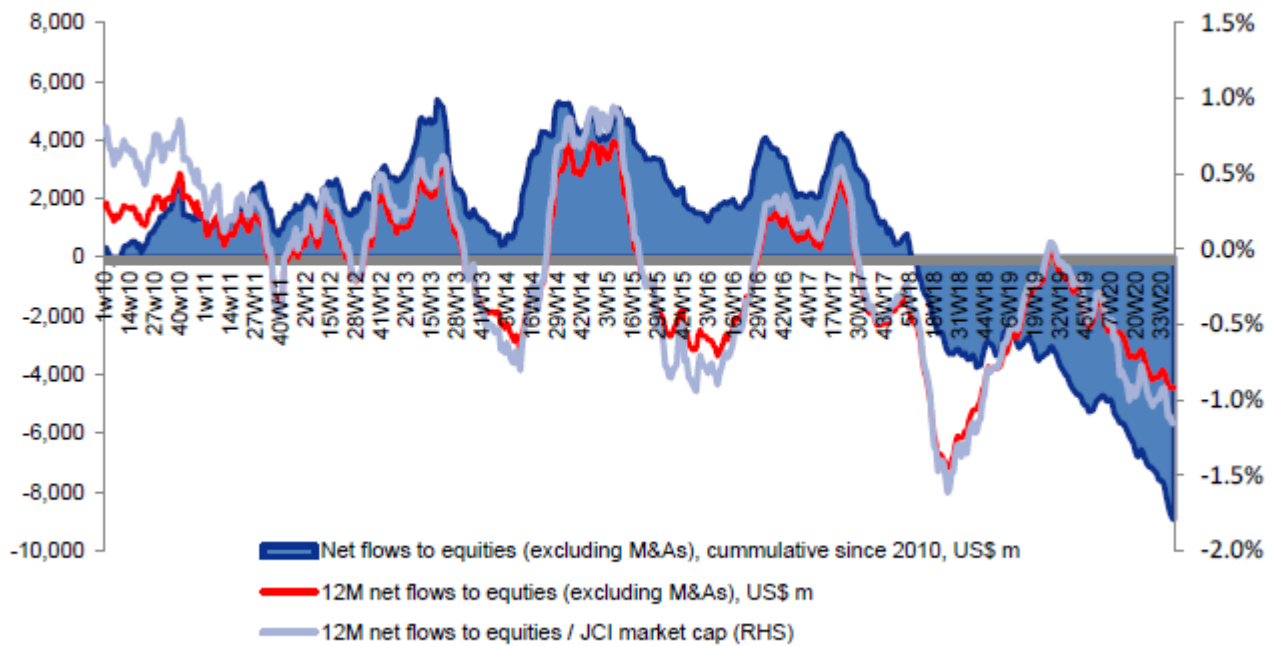
Indonesia

Indonesia continues to be shunned by foreign investors. Before 2018, the country's equity market was in a net inflow position of between US\$ 1-4bn but has since reversed to a net outflow position (see *Figure 1*). The inclusion of China in MSCI indexes during 2018 and 2019 has side-lined other emerging markets and caused outflows. It is interesting to note that as of September 20, China's weighting in MSCI Asia ex-Japan Index has risen from 30% in 2017 to 47%, while Indonesia's current weighting in MSCI Asia ex-Japan has fallen from a peak of 4% to a 10-year low of 1.2% (*Figure 2*).

Indonesia cumulative net outflow since 2010 amounted to US\$ 9bn. This year alone, net selling was US\$ 4.3bn. Foreign ownership in equities has fallen from its high of 57% in 2013 to 41% this year, partly due to rebalancing and partly owing to greater demand in equities from domestic mutual funds and individuals. This shows that Indonesia remains an afterthought in most investors' portfolios and is often overlooked by foreign investors. Meanwhile, the Indonesia Index (JSE) is still down by 28% YTD in USD terms and has not recovered to pre-covid level.

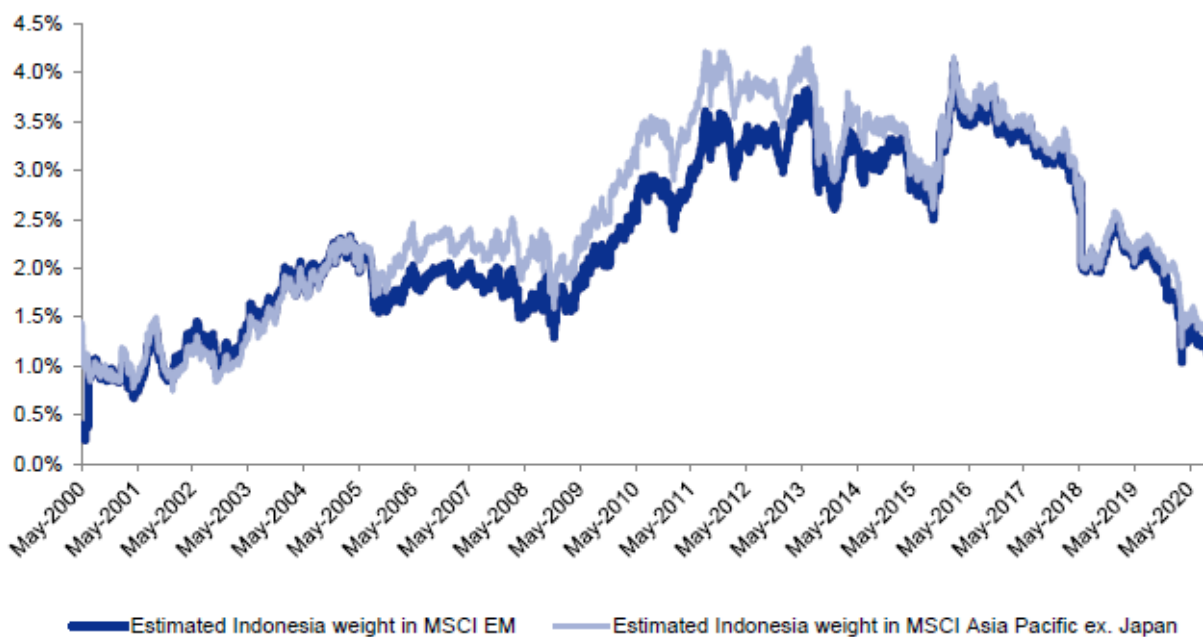


Figure 1: Cumulative net inflow (outflow) since 2010 – deeply in the red



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 2: Estimated Indonesia weight in MSCI EM and MSCI Asia Pacific ex. Japan



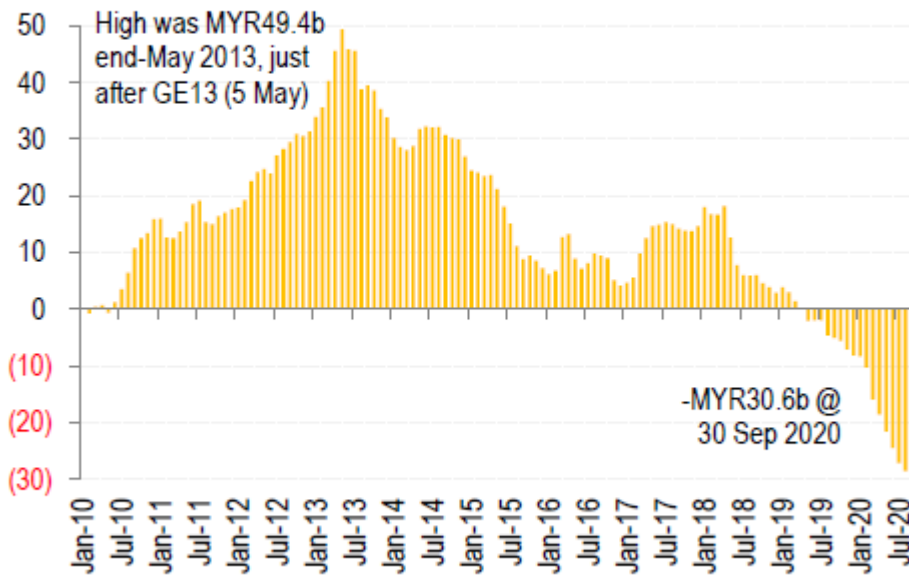
SOURCES: CGS-CIMB RESEARCH, BLOOMBERG



Malaysia

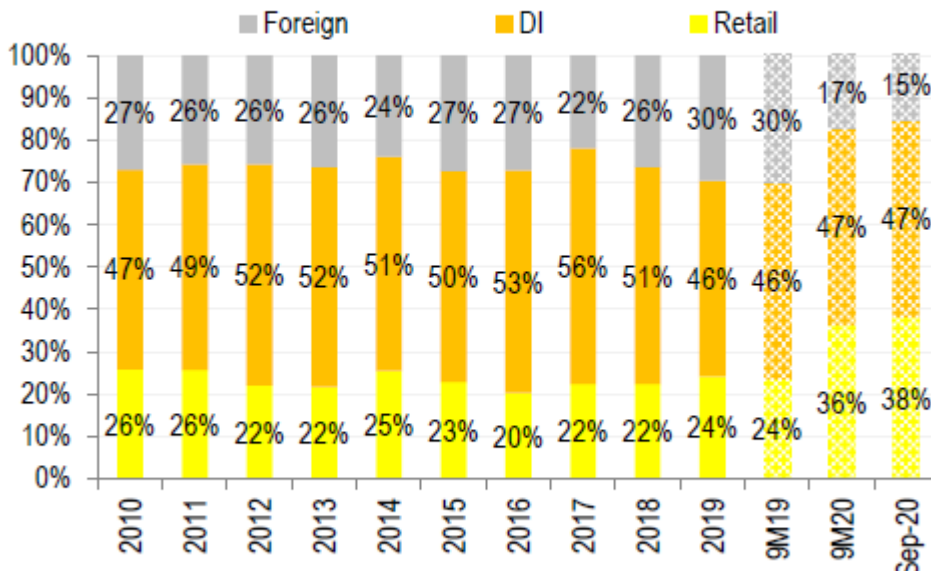
The situation is not that much different in neighbouring Malaysia. Since 2010, cumulative net outflow by foreign investors amounted to RM 30.6 bn (US\$ 7.4bn) and net outflow was US\$ 5.4bn for this year alone. Foreign participation has declined from 27% in 2010 to 15% as of September. There is not much interest from foreign investors as of now.

Fig 3: Cumulative foreign net buy/(sell) since early-2010 (MYR b)



Source: Bursa Malaysia, Maybank KE (chart)

Fig 4: Foreign vs. domestic institution vs. domestic retail participation in equity trades since early-2010 (%)



Source: Bursa Malaysia, Maybank KE (chart)



The rise of retail investors

Another potential source of demand to mitigate the declining foreign investor interest in equities is individual investors. Low interest rates in Indonesia and Malaysia coupled with prolonged lockdown have enticed retail investors to invest in stocks. In Malaysia, retail investor participation hit a record high of 40% in August, aided by pandemic-induced measures from the government which gave Malaysians access to extra cash. Those measures include allowing people to delay payments on loans and loosening the criteria for withdrawing money from the EPF (federal pension fund). Mom and Pops may have used this pool of cash to bet on stock favourites in the glove and healthcare sectors. It remains to be seen whether this new demand is sustainable in the long run.

In Indonesia, retail investors' share ownership almost doubled from 9% in 2010 to 17% last month. The total retail investors' trade in Indonesia rose by 86% in June 2020 alone, with the fastest growth coming from investors aged between 18 and 25 years old. Only 1.2m out of 270m people (0.4% of the population) has a stock identification number and without a doubt they will be a force to be reckoned with in the future. We view these developments positively as higher domestic investor participation in the system is a boon to financial stability and will help to reduce reliance on foreign flows in the future.

Outlook

Arguably a few catalysts are needed for the market to move. China-made vaccine *Sinovac* is being tested via final-stage large-scale trials in Indonesia. It is proceeding smoothly without any major side effects. The government targets to start vaccination by December 2020 at the earliest after reviewing interim results and obtaining emergency use authorisation by the Indonesian FDA. For Indonesia, another catalyst would be the long-awaited omnibus law (passed yesterday), which covers multiple investment areas such as land procurement, labour relationship, tax incentives and removal of foreign ownership restrictions. Omnibus law is a law that allows the central government to supersede previously enacted regional regulations, removing barriers and reducing red tape for businesses. Of note is the severance payment cap in the case of layoffs which is reduced from 32 months to 19 months.

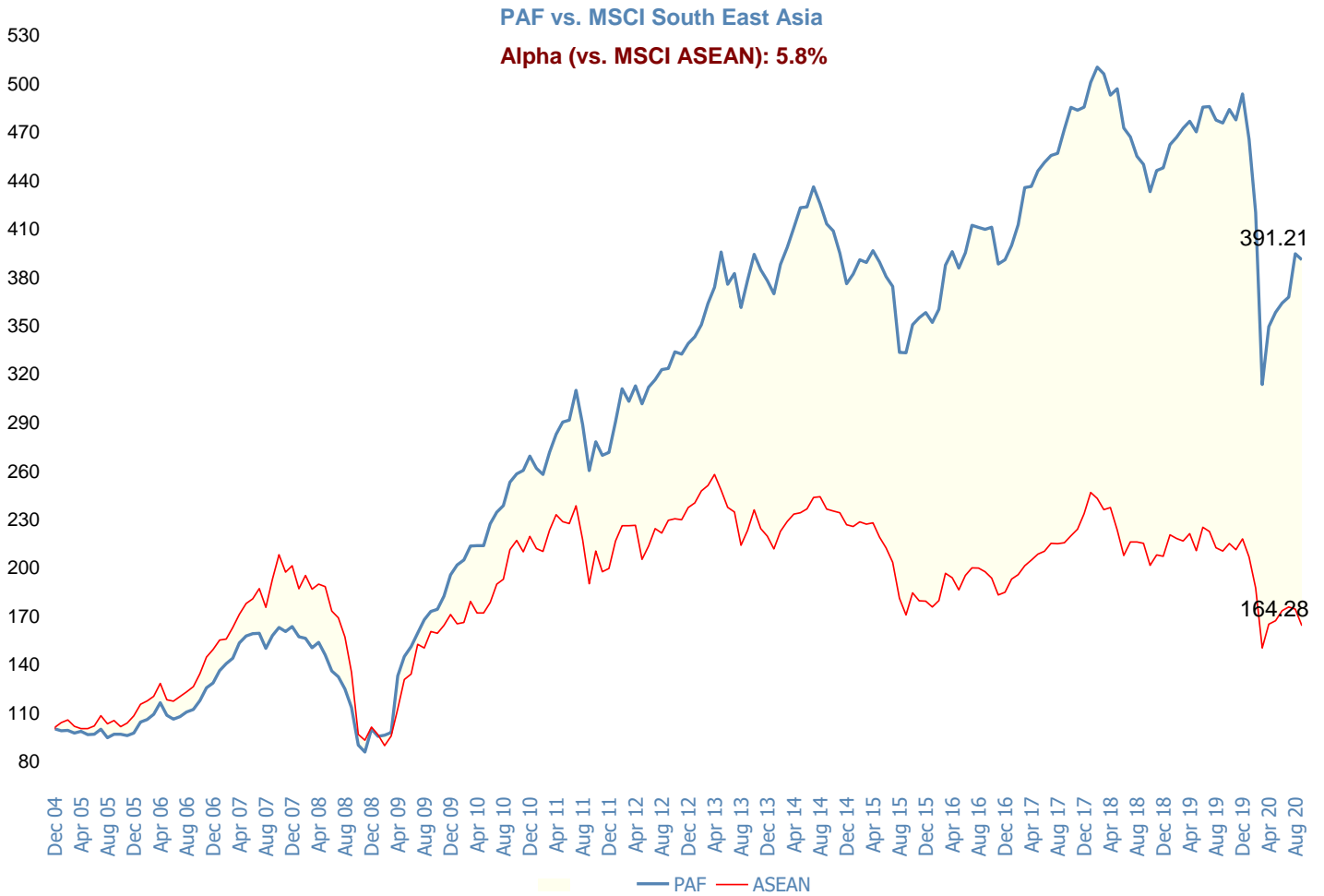
Against this backdrop, the fund continues to find compelling opportunities in both countries. These markets are neglected by the wider investment community and the recent net foreign outflows aggravate the undervaluation. The lack of investor interest provides fertile ground for stock picking. We have identified several companies that are still able to grow revenue and profit despite difficult circumstances and we believe they will emerge stronger even after the pandemic is over.

Irvan Mondro
5th October 2020

We don't like to discuss our 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.



Fifteen years track record and annualised return of 9%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	NAV	465.73	420.43	313.82	349.63	358.55	364.26	367.99	394.82	391.21				-20.78%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%	7.29%	-0.91%				
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%	
2004	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

Best monthly return 35.77%
Worst monthly return -25.36%
Maximum drawdown -47.53%
% of positive months 65.26%
Annualised return 9.00%



By Sector

