



Pangolin Asia Fund July 2022 NAV

As at the 29th of July 2022 the NAV of the Class A shares of the Pangolin Asia Fund was US\$574.94 net of all fees and expenses, up 1.66% from US\$565.54 in June.

As of today, the fund is about 99% invested, with the split being approximately as follows:

| | |
|-----------|-----|
| Singapore | 8% |
| Malaysia | 22% |
| Indonesia | 70% |

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) | | | | | | | | | |
|---|--------|---------|---------|-------|--------|-------|-----------------|------------|--------|
| Period | DOW | S&P 500 | NASDAQ | JSE | KLSE | STI | MSCI Asia ex JP | MSCI-ASEAN | PAF |
| Jul-22 | 6.73% | 9.11% | 12.35% | 0.57% | 3.32% | 3.52% | -1.66% | 2.81% | 1.66% |
| YTD 2022 | -9.61% | -13.34% | -20.80% | 5.62% | -4.80% | 2.81% | -18.63% | -10.33% | -3.93% |

| Return (in USD) | | | | | | | | | |
|-----------------|--------|---------|---------|-------|---------|-------|-----------------|------------|--------|
| Period | DOW | S&P 500 | NASDAQ | JSE | KLSE | STI | MSCI Asia ex JP | MSCI-ASEAN | PAF |
| Jul-22 | 6.73% | 9.11% | 12.35% | 1.04% | 2.34% | 4.27% | -1.66% | 2.81% | 1.66% |
| YTD 2022 | -9.61% | -13.34% | -20.80% | 1.55% | -10.88% | 0.47% | -18.63% | -10.33% | -3.93% |

| % Change in Currency Vs USD | | | |
|-----------------------------|--------|--------|--------|
| Month | MYR | SGD | IDR |
| Jul-22 | -0.96% | 0.72% | 0.47% |
| YTD 2022 | -6.39% | -2.28% | -3.85% |

Another Fine Mess in Malaysia

The heirs to the last ruler of Sulu (a colony of islands near the Philippines) have seized Malaysian state-owned energy assets in a complicated lawsuit that dates back to colonial Britain

The decades-long controversy came to light again earlier this year when a French arbitration court awarded the purported Sulu heirs US\$14.9 billion for the alleged breach of a lease in oil-rich Sabah signed with the British in 1878.

Back in 1878, Sultan Jamal Al Alam (the then Sultan of Sulu) entered a deal to lease his territory out to the then Maharaja of Sabah Baron de Overbeck and Alfred Dent of the British North Borneo Company. As part of the deal, Overbeck and Dent would have individual control over large parts of what is now the state of Sabah. Also part of the agreement was the [annual stipend](#) of 5,000 Mexican dollars in perpetuity to the heirs of the sultan as well as their respective heirs.



In 1936, the last formally recognised Sultan of Sulu, Jamalul Kiram II, died without heirs, and payments temporarily ceased until North Borneo High Court Chief Justice Charles F Macaskie named nine court-appointed heirs in 1939.

Although Malaysia continued to honour the payments when it became the successor of the agreement following Sabah's independence and the formation of Malaysia in 1963, these payments – equivalent to RM5,300 or USD 1,200 a year – ceased in 2013 after an incursion by armed men into *Lahad Datu*, along the eastern coast of Sabah. These men were followers of Jamalul Kiram III, the self-proclaimed Sultan of Sulu.

An arbitration was subsequently initiated by the purported heirs and “successors” of Sultan Jamalul Kiram II in 2017, owing to the Malaysian government’s termination of cession payments in 2013 after the *Lahad Datu* incident. The heirs, backed by a London law firm, have been bankrolled by a UK investment fund, Therium, in a litigation process that has now cost more than USD 10 million. It is interesting to note that the Sulu descendants themselves are not wealthy and are mainly retirees.

In February 2022, a French arbitration court ruling ordered the Malaysian government to pay US\$14.9 billion to the Sulu heirs, as part of a [settlement for a colonial-era land deal](#). However, on July 12, the Paris Court of Appeal stayed the ruling as enforcing the award could violate Malaysia's sovereignty as a nation. But according to lawyers representing the Sulu heirs, the February ruling remains valid in 169 other countries, even if it isn't enforceable in France itself where the ruling was made.

While Malaysia had vehemently refused to acknowledge the ruling, it was reported that two Petronas Luxembourg-registered subsidiaries, reportedly valued at about USD 2 billion, were seized pursuant to the arbitration. For now, the two assets are under the control of bailiffs in Luxembourg until Petronas makes an official appeal against the seizure. The greater risk is that there will more asset seizures elsewhere unless an amicable resolution is reached.



As a comparison, Malaysia's GDP in 2021 was USD 373 billion so the Sulu claims may amount to approximately 4% of GDP. While Malaysia will likely be able to suppress the arbitral award eventually, this case is a stark reminder that boundaries drawn in colonial times may continue to haunt countries even to this day.

Outlook

There are plenty of reasons to be worried about markets right now. For some reason most get more worried when they fall than when they rise. You have to ask yourself whether this is the right way round. And if your answer is NO, then you are thinking like a Pangolin.

The momentum of lifestyle change in a country like Indonesia is remarkable. In 1998 US\$1 bought Rupiah 2,500. The rate is currently RP14,900 or worth a mere sixth of its value 25 years ago. Yet, despite this, Indonesians are undoubtedly wealthier than they were in the nineties. Owning the right companies, those without debt and with superior managements, will see you over most bumps in the road over any sensible timeframe.

I'm sure you've all read enough to understand the benefits of cost averaging i.e., buying a bit more every month. The beauty of this approach is that when prices are lower, you get more for less. I couldn't find any restriction on additional subscriptions in Caymans law when I started the fund, so in our case one can add as little as \$5,000 a month. The idea was to encourage and facilitate dollar averaging. We even have a simplified form for repeat subscriptions.

I don't normally like to write too much in August as a holiday is a holiday. But I'm up early (in Italy) and last night's excesses don't seem to be taking their usual toll this morning. So, the second question I'd like to pose is:

Do you feel richer when share prices fall?

The answer lies in what you own of course. If it's Bitcoin, gold or other non-productive assets then the correct price is only what some other buyer might wish to pay for it. Pure guesswork. The answer is NO.

But if you own an ungeared, growing company, paying a decent dividend (with which you buy more shares) and you can actually estimate, to some degree, what it is worth. Then the answer is YES.

I know that's a leap too far for many of you, but give it some thought. It's why I'm annoyingly cheerful when markets are weak.

James & Irvan
4th August 2022

P.S.

| <u>GDP GROWTH FORECASTS</u> | <u>2022</u> | <u>2023</u> |
|-----------------------------|-------------|-------------|
| INDONESIA | 5.3% | 5.1% |
| MALAYSIA | 6.2% | 5.0% |

Source: CIMB.

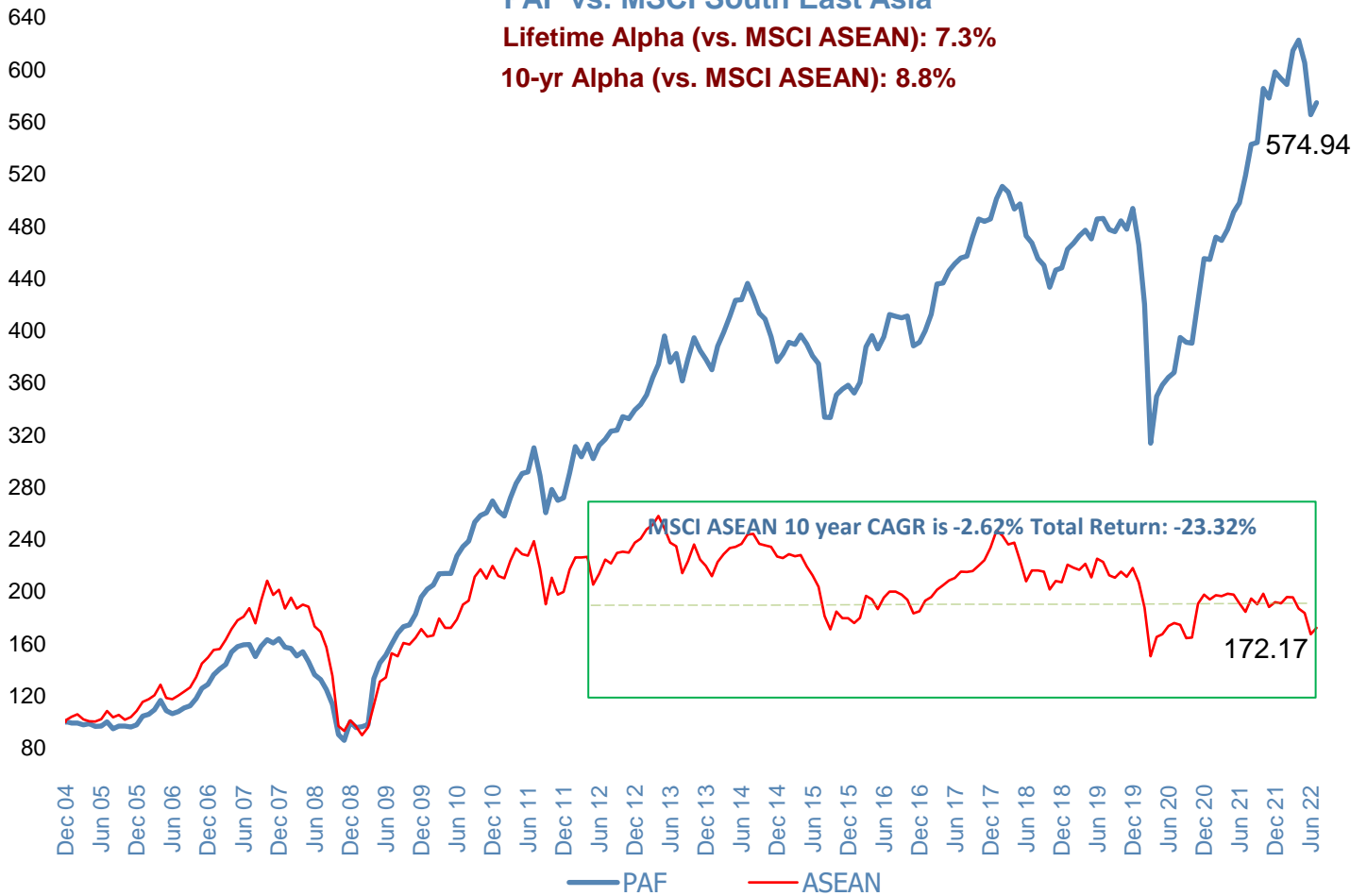


Seventeen years track record and annualised return of 10.41%

PAF vs. MSCI South East Asia

Lifetime Alpha (vs. MSCI ASEAN): 7.3%

10-yr Alpha (vs. MSCI ASEAN): 8.8%





| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|-------------|---------|--------|--------|---------|--------|--------|--------|--------|---------|--------|---------|--------|--------|---------|
| 2022 | NAV | 593.29 | 588.82 | 614.73 | 622.83 | 605.35 | 565.54 | 574.94 | | | | | | -3.93% |
| | % chg | -0.86% | -0.75% | 4.40% | 1.32% | -2.81% | -6.58% | 1.66% | | | | | | |
| 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% | |
| 2004 | NAV | - | - | - | - | - | - | - | - | - | - | - | 100.37 | |
| | % chg | - | - | - | - | - | - | - | - | - | - | - | 0.37% | |

Best monthly return 35.77%
Worst monthly return -25.36%
Maximum drawdown -47.53%
% of positive months 65.09%
Annualised return 10.41%



By Sector

