



Pangolin Asia Fund September 2015 NAV

As at the 30th of September 2015 the NAV of the Class A shares of the Pangolin Asia Fund was US\$333.52 net of all fees and expenses, down 0.06% from US\$333.73 in August.

Please see the table at the end of this letter for further detail.

As of today, the fund is about 89% invested with the split being approximately as follows:

Singapore	20%
Malaysia	30%
Indonesia	30%
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
Sep 15	-1.5%	-2.6%	-6.3%	0.5%	-4.5%	-2.4%	-2.0%	-0.06%
YTD 15	-8.6%	-6.7%	-19.2%	-8.0%	-17.1%	-9.9%	-14.3%	-11.4%

Return (in USD)								
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Sep 15	-1.5%	-2.6%	-10.2%	-4.0%	-5.2%	-3.6%	-2.0%	-0.06%
YTD 15	-8.6%	-6.7%	-31.7%	-26.8%	-22.7%	-18.4%	-14.3%	-11.4%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Sep 15	-4.6%	-0.7%	-4.0%	-1.5%
YTD 15	-20.4%	-6.8%	-15.5%	-9.5%

Our stocks aren't doing too badly which is one chink of light in a tough year. In constant currency terms the fund was up 3% in September and would be up 1.6% YTD. See below:



2015 Year-to-date Performance

in constant ccy					
Period	Reported NAV	% return	FX impact	% return (ex-FX)	NAV ex FX
Dec-14	376.28	-4.8%	-7.2%	2.4%	387.34
Jan-15	382.31	1.6%	-1.8%	3.4%	389.04
Feb-15	391.18	4.0%	-2.0%	6.0%	398.76
Mar-15	389.48	3.5%	-3.1%	6.6%	401.26
Apr-15	396.82	5.5%	-1.6%	7.1%	402.97
May-15	389.67	3.6%	-3.5%	7.0%	402.76
Jun-15	380.77	1.2%	-4.7%	5.9%	398.34
Jul-15	374.61	-0.4%	-6.1%	5.7%	397.62
Aug-15	333.73	-11.3%	-9.6%	-1.7%	369.88
Sep-15	333.52	-11.4%	-13.0%	1.6%	382.25

Period	USD/MYR	USD/SGD	USD/IDR	USD/THB
31-Dec-14	3.50	1.33	12,388	32.9
30-Jan-15	3.63	1.35	12,672	32.8
27-Feb-15	3.60	1.36	12,932	32.4
31-Mar-15	3.70	1.37	13,074	32.5
30-Apr-15	3.56	1.32	12,963	33.0
29-May-15	3.67	1.35	13,224	33.7
30-Jun-15	3.77	1.35	13,339	33.8
31-Jul-15	3.83	1.37	13,539	35.0
31-Aug-15	4.19	1.41	14,067	35.8
30-Sep-15	4.40	1.42	14,653	36.4

Month-on-month Analysis

Period	Reported NAV	Reported return	FX impact	Return ex-FX
Jan-15	382.31	1.6%	-1.8%	3.4%
Feb-15	391.18	2.3%	-0.2%	2.5%
Mar-15	389.48	-0.4%	-1.1%	0.6%
Apr-15	396.82	1.9%	1.5%	0.4%
May-15	389.67	-1.8%	-1.7%	-0.1%
Jun-15	380.77	-2.3%	-1.2%	-1.1%
Jul-15	374.61	-1.6%	-1.4%	-0.2%
Aug-15	333.73	-10.9%	-3.9%	-7.0%
Sep-15	333.25	-0.1%	-3.4%	3.3%

In September we continued our buying, particularly in Malaysia. The hardest part for us is that our stocks and our targets haven't really collapsed – although August's falls have helped.

It's not all terrible. Last month's car sales in **Indonesia** weren't too bad - showing MOM growth for the first time in ages (YOY still down but not so sharply as previously). And cement sales are up too, as the government's infrastructure spending begins to have an effect.

Malaysia's non-commodity exports continue to rebound. In fact exports are up for the third month running and the country continues to run a trade surplus. Electronics exports remain strong; hardly surprising given how much the Ringgit has fallen.

Outlook

Unless you're on crack you'll know that outflows from Emerging Markets are breaking records. I copied the following from CNBC's website (or somewhere like it).

The last time emerging markets had it nearly this bad, Ronald Reagan was the U.S. President, KKR purchased RJR Nabisco, and a future popstar named Rihanna was born.

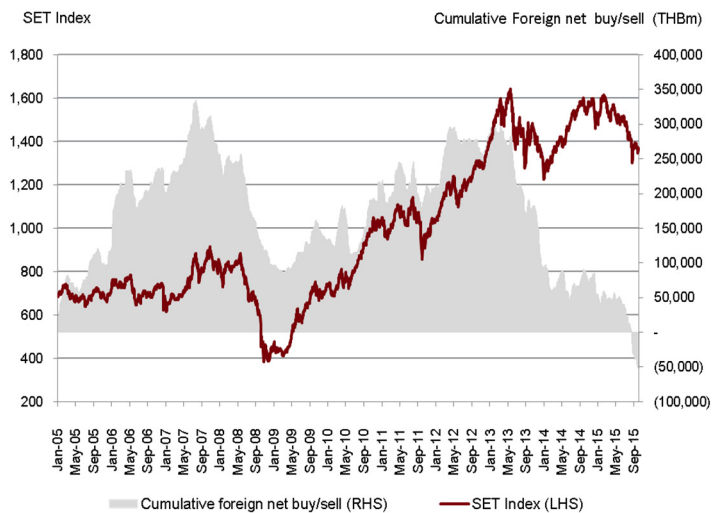
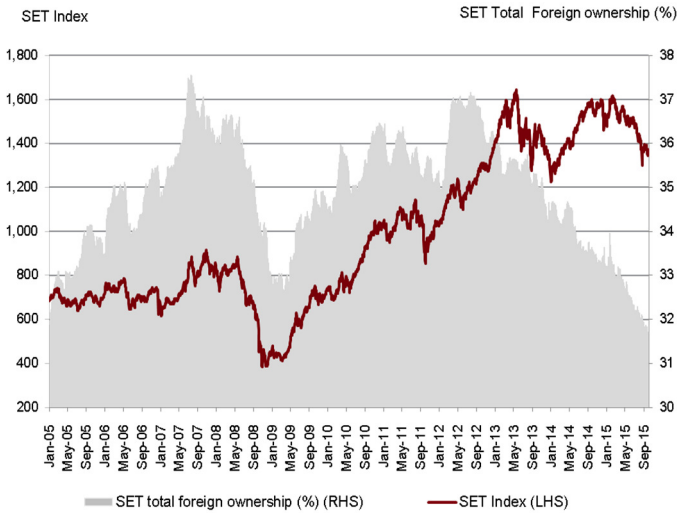
Net capital flows for global emerging markets will be negative in 2015, the first time that has happened since 1988, the Institute of International Finance (IIF) said in its latest report. Net outflows for the year are projected at \$541 billion, driven by a sustained slowdown in EM growth and uncertainty about China, it added.

In other words, investors will pull out more money out of emerging markets than they will pump in.

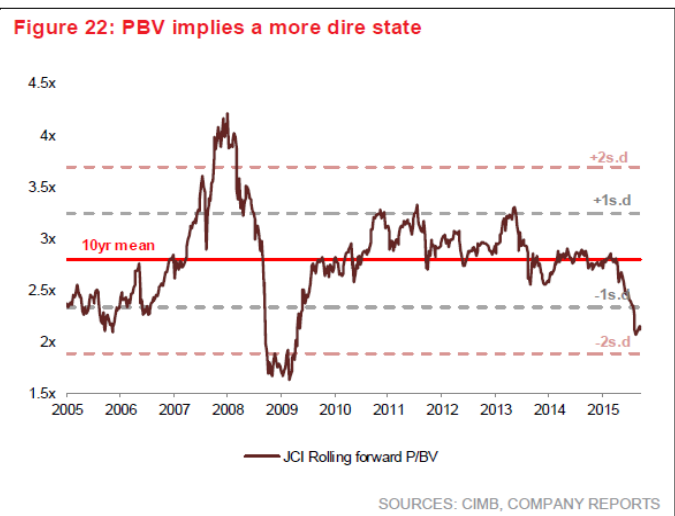
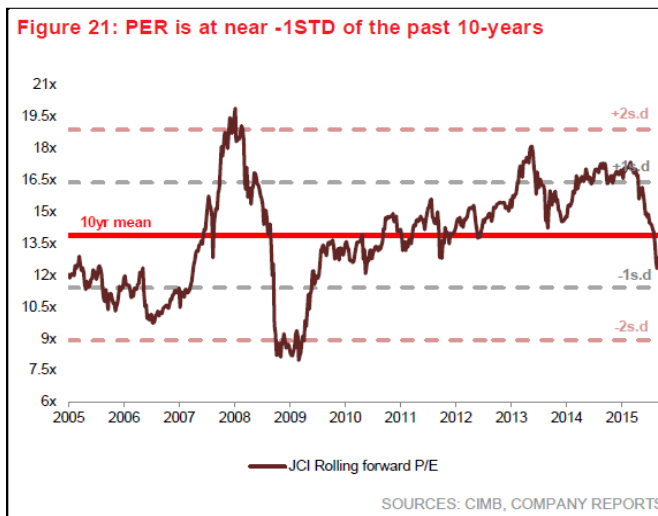
The data come on the heels of a separate IIF report this week that showed portfolio capital outflows in EMs amounted to \$40 billion during the third quarter, the worst performance since 2008.



Any number you look at tells a similar story. Foreign ownership of EM equities is at 12% Vs 20% in 2010. Foreign ownership of Thai stocks is at a 10 year low of 32% - see charts below.



The charts below demonstrate what has happened to the value of Indonesian equities. On a PE basis, not particularly cheap, which is what you'd expect given the collapse in commodity earnings. On a PB basis – cheap.



You can choose to take all this doom and gloom as either a sell or a buy signal. It probably depends on how long you want to be invested. Although at Pangolin we take the view that anything less than three years is not an investment.

One thing I will add is that the number of eyeballs looking at our markets is closely correlated to equity flows. The less crowded it is, the easier it is for stockpickers.

In terms of the fund's valuations, based on our estimates 2016 looks like this

PE	EPS Growth	ROE*	ROIC	Dividend Yield
9.6x	15%	18%	27%	4.6%

*Excluding financials, most of the companies we own have net cash on their balance sheets (we don't like debt). Excluding this cash raises the fund's ROIC to 27%.



Finally

Our colleague and COO Jalene married Ryan last month. Let's hope we have to convert the meeting room into a crèche soon.

James Hay

8th October 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. Remember, markets can go up as well as down.



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	374.61	333.73	333.52				-11.36%
	% chg	1.60%	2.32%	-0.43%	1.88%	-1.80%	-2.28%	-1.62%	-10.91%	-0.06%				
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 65.89%
Annualised return 11.76%

By Sector

