



## Pangolin Asia Fund February 2017 NAV

As at the 28<sup>th</sup> of February 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$412.81 net of all fees and expenses, up 3.18% from US\$400.08 in January.

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

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

Singapore	14%
Malaysia	34%
Indonesia	31%
Thailand	21%

We don't disclose our names but some details are always available to 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	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Feb 2017	4.8%	3.7%	1.7%	1.3%	1.6%	-1.1%	3.3%	1.5%	3.2%
YTD 2017	5.3%	5.6%	1.7%	3.2%	7.5%	1.1%	9.7%	5.9%	5.5%

Return (in USD)

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Feb 2017	4.8%	3.7%	1.9%	1.3%	1.0%	0.6%	3.3%	1.5%	3.2%
YTD 2017	5.3%	5.6%	2.6%	4.5%	9.6%	5.0%	9.7%	5.9%	5.5%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Feb 2017	-0.3%	0.5%	0.2%	0.5%
YTD 2017	1.0%	3.1%	1.0%	2.6%

Most of our companies have reported FY16 earnings and, with the odd exception, generally they have been in line or better than we expected. As you all know, markets everywhere have been strong, and our companies' share prices have reflected that.

### Outlook

In **Malaysia**, I attended Nestlé's results briefing, the first half of which was all about e-commerce. This was interesting in that one doesn't generally associate online shopping with Nestlé's products. If this company can spend an hour on the subject, then all retailers need to take the threat very seriously.

Nestlé Malaysia's online sales currently account for less than 1% of revenue, with coffee machines and infant formula comprising the bulk. The company wants to be ahead of the game in Malaysia, having been a slow starter in China. The company expects online sales to triple this year.

The fund is exposed to traditional retail via fashion, electrical goods and supermarkets. The threat is out there and we need to keep a close eye on developments and how our companies respond to the challenge.



The real excitement in Malaysia surrounds the murder of Kim Jong-Un's brother at the airport a couple of weeks ago. The Malaysians blame this on the work of North Korea, which the North Koreans are strenuously denying. For some reason, Malaysia and the Democratic People's Republic have enjoyed good relations, with Malaysia being the only country in the world that allowed visa-free travel for North Koreans. That privilege was cancelled on Monday.

The suspected masterminds behind the murder are still apparently holed up in the North Korean Embassy and both countries have expelled each other's ambassadors. NK has banned the remaining 11 Malaysians from leaving and there are apparently 170 NK workers in Sarawak's coal mines; the whole story gets curiously and curiously by the day.

## **Annual General Meetings**

As mentioned above, company results for 2016 have been announced and we now head into the AGM season. At Pangolin we try to attend all our companies' Annual General Meetings (and EGMs). It is very rare that we ever encounter anyone else from another fund management company. In fact, most of the attendance comprises pensioners who go for the food, both to eat there and to take home in the bags and boxes they have brought with them.

Attending AGMs is, for me, part and parcel of owning a company. Management have to answer the questions thrown at them. It is a good time to question the majority owner if one normally only meets the Investor Relations people. And it is crucial to remind the independent non-executive directors that they have a responsibility to the minorities, which is very often something they would rather not be reminded of.

Mostly we are invested in family-controlled businesses, often dominated by the patriarch founder with his sons and daughters occupying management and board decisions. As head of an Asian family, what he says, either at home or in the office, normally goes. For a long time we've been trying to persuade these business owners that having directors (and managers) that question them is not a bad thing. Progress, glacial at times, is being made.

My colleagues and I tend to dominate the microphone at these events, but occasionally others join in. I recall one chairman refusing to shake my hand after a meeting, but we're friendly enough now. In Asia, the potential loss of Face means that belittling management in front of a crowded room isn't always the best way to achieve things (but it's still the most fun).

Auditors hate me – I always suggest a change of audit company after 5 years, not just partner rotation. We routinely vote against share buybacks, the right to issue new shares, share options, bonuses & splits and the reappointment of geriatric and excessively-long-serving directors.

I might sound like a board chairman's worst nightmare, but actually, over time, the better companies tend to acknowledge the need to engage and listen to their minorities and to realise that following best Corporate Governance guidelines adds rather than detracts value.

Finding companies that are well run financially, operationally and honestly is our major challenge (and that is before we consider the valuation). But at least we get to stock up on noodles and fried chicken even if we can't always find a new investment.



Shareholders at Public Bank's AGM in Malaysia. With over 5,000 attendees, the scrum for the food and the free gift can be terrifying.



Troublemaker

James Hay  
9<sup>th</sup> March 2017.

*We don't like to discuss stocks publicly but we are 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.*



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	NAV	400.08	412.81											5.53%
	% chg	2.27%	3.18%											
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** -20.42%  
**Maximum drawdown** -47.53%  
**% of positive months** 65.99%  
**Annualised return** 12.27%

### By Sector

