



## Pangolin Asia Fund October 2023 NAV

As at the 31<sup>st</sup> of October 2023, the NAV of the Class A shares of the Pangolin Asia Fund was US\$549.65 net of all fees and expenses, down 5.01% from US\$578.62 in September. YTD we're up 1.18%.

As of today, the fund is about 97% invested, with the split being approximately as follows:

Singapore	6%
Malaysia	36%
Indonesia	58%

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
Oct-23	-1.73%	-2.83%	-3.25%	-2.70%	1.26%	-4.65%	-2.93%	-4.37%	-5.01%
YTD 2023	-0.66%	8.53%	22.19%	-1.44%	-3.57%	-5.65%	-5.23%	-10.53%	1.18%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia ex JP	MSCI-ASEAN	PAF
Oct-23	-1.73%	-2.83%	-3.25%	-5.31%	-0.21%	-4.58%	-2.93%	-4.37%	-5.01%
YTD 2023	-0.66%	8.53%	22.19%	-3.37%	-10.85%	-7.42%	-5.23%	-10.53%	1.18%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Oct-23	-1.45%	0.07%	-2.68%
YTD 2023	-7.55%	-1.88%	-1.96%

In Jakarta, Barito Renewables Energy (BREN) rose from its 9<sup>th</sup> of October IPO price of IDR 780 to its current price of IDR 4210. The current market cap is USD 36b. BREN is now the fourth largest company in the index with a P/E of 364x. Without BREN, the JCI would have been down 5% in Rupiah & 7% in USD.

We are continuing to see selling from Emerging Markets funds as they face further outflows. Presumably BREN is being bought by ESG funds.

ESG is, as far as I can make out, 99% E. Looking at the agenda for a forthcoming ESG conference, it's only about the E. Why is that? Why is (supposedly) clean energy more valuable than labour rights? Is it only about asset-raising, rather than conscience?

Green investing is reminiscent of the dotcom days. At a recent company presentation for Yinson in Malaysia, 90% of the questions were about its loss-making green tech and renewables businesses. Even if they're ever profitable, they will be dwarfed by what Yinson really does for a living - *floating production storage and offloading vessels* for oil drilling!

We're not against being green. You'll all be aware that Pangolin won't touch forestry or palm oil. But we know a bandwagon when we see one and razing forests for biofuels is not green in our view.



BREN is quite interesting in that it taps geothermal energy to produce steam for its turbines. And there's no shortage of underground heat in volcanically active Indonesia. But it's not a PE of 364x interesting.

Experience teaches us that the companies which take Corporate Governance seriously tend to also care about the S & the E. And our experience is that investors who emphasise the Governance and the Social (as much as the E) are doing so because they care, not as a business proposition.

## Factfulness, by Hans Rosling

1. In all low-income countries across the world today, how many girls finish primary school?
  - A. 20 percent
  - B. 40 percent
  - C. 60 percent
2. Where does the majority of the world population live?
  - A. Low-income countries
  - B. Middle-income countries
  - C. High-income countries
3. In the last 20 years, the proportion of the world population living in extreme poverty has ....
  - A. Almost doubled
  - B. Remained more or less the same
  - C. Almost halved

In this highly readable book, Hans Rosling has managed to encapsulate the message that I inarticulately fail to get across to investors. The above three questions are of a series of thirteen posed at the beginning of the book, not so much to catch us out as to make us aware of our ignorance of today's world. An ignorance shared by experts (Davos, UN bodies, etc) and how this shapes incorrect decision-making.

I recommend reading it if you haven't. The conclusion is that the money and the misperception are in the West, while the growth and the future are in the East (and South). Does this explain why our markets continue to get cheaper? To a certain extent. Yes.

## Outlook

Market sentiment doesn't reflect the reality of the millions of subsistence farmers and their families who have become consumers over recent past. In 1999, I travelled slowly from East Timor to Jakarta. In those days Indonesia issued 3 month-visas, so there was no rush or need to stress about the inconsistent timetable of the Pelni ships between the islands. At the time, Indonesia was in the grips of the Asian Financial Crisis.

The Rupiah/dollar rate had crashed from 2,500 to 15,000 which meant that anything imported now cost 6x more. A white coffee cost 3x more than black coffee. French fries were an unaffordable luxury. I remember catching a ferry that had ice cream – I hadn't had one for months – so I ate two, one after the other. Looking up, I realised that the whole boat was watching me – I'm lucky they didn't tip me overboard.

Back then, the nation was skinny. I remember not seeing a bulging waistline until meeting a policeman in Padangbai, Bali. Fat on bribes probably. I was back in Padangbai last week, and these days skinny Balinese



are a rarity. Indonesians, in this time, have gone from being hungry to looking like us. They eat the junk that we do, they buy conditioner as well as shampoo and snack in front of flat-screen TVs in their air-conditioned houses.

This enrichment and convergence of lifestyles is an ongoing process. Yet foreign investor interest almost ignores this. We have GDP growth of +/-5% most years, corporate profit growth and falling regional stock markets. The result is that many shares have become cheaper.

Sentiment remains terrible. The ASEAN index (see the chart below) has now fallen 32% over the past decade. This, of course, puts most off but enables those of us with a longer-term outlook to put together a portfolio of excellent businesses for far less than their worth. One day, when sentiment reflects reality, when the lessons from *Factfulness* have been absorbed, our cash rich-companies will trade far above their current 10x earnings.

### Pangolin Asia Fund weighted valuations (31/10/2023)

	2023F	2024F
P/E (x)	10.6	9.5
Profit Growth (%)	11	11
ROE (%)	20	19
ROIC (%)	27	31
Div Yield (%)	5.5	6.0

This pain is presenting a golden opportunity. If Ben Graham were a young man now, he'd be an eager intern at Pangolin.

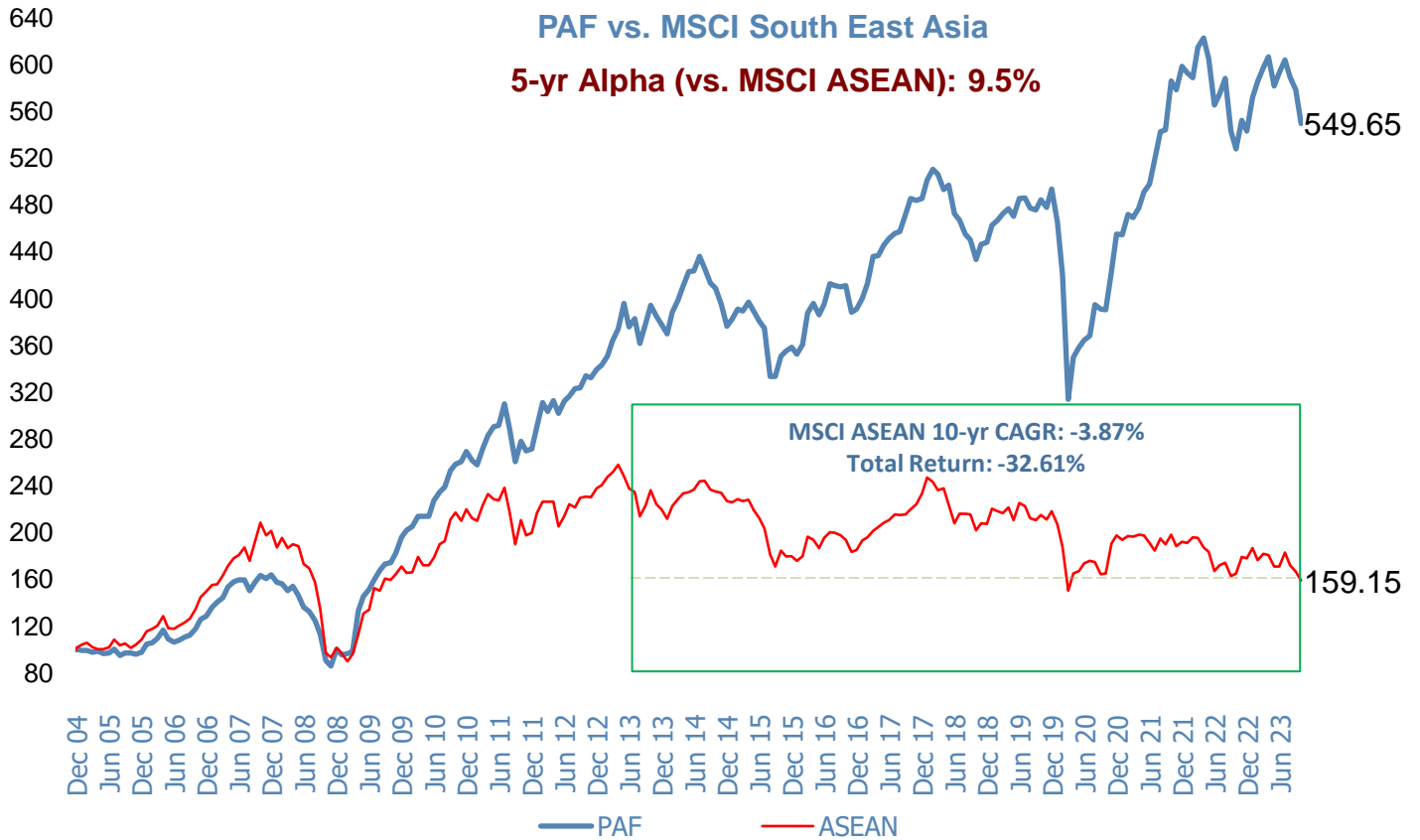
James  
8<sup>th</sup> November 2023

Answers to the questions above

1. C. 60 percent
2. B. Middle-income countries
3. C. Almost halved



## Eighteen years track record and annualised return of 9.43%





# PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	NAV	571.92	585.67	597.55	606.77	581.95	593.00	604.19	589.30	578.62	549.65			1.18%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%	-5.01%			
2022	NAV	593.29	588.82	614.73	622.83	605.35	565.54	574.94	588.17	543.35	527.78	552.46	543.22	-9.23%
	% chg	-0.86%	-0.75%	4.40%	1.32%	-2.81%	-6.58%	1.66%	2.30%	-7.62%	-2.87%	4.68%	-1.67%	
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** 64.32%  
**Annualised return** 9.43%



## By Sector

