



## Pangolin Asia Fund February 2022 NAV

As at the 28<sup>th</sup> of February 2022 the NAV of the Class A shares of the Pangolin Asia Fund was US\$588.82 net of all fees and expenses, down 0.75% from US\$593.29 in January.

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

Singapore	9 %
Malaysia	19%
Indonesia	71%
Thailand	1 %

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
<b>Feb-22</b>	-3.53%	-3.14%	-3.43%	3.88%	6.35%	-0.23%	2.21%	-2.40%	2.56%	-0.75%
<b>YTD 2022</b>	-6.73%	-8.23%	-12.10%	4.66%	2.60%	3.80%	1.66%	-5.45%	2.05%	-1.61%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
<b>Feb-22</b>	-3.53%	-3.14%	-3.43%	3.77%	6.00%	-0.49%	3.92%	-2.40%	2.56%	-0.75%
<b>YTD 2022</b>	-6.73%	-8.23%	-12.10%	3.79%	1.80%	3.34%	3.28%	-5.45%	2.05%	-1.61%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
<b>Feb-22</b>	-0.33%	-0.27%	-0.10%	1.67%
<b>YTD 2022</b>	-0.78%	-0.44%	-0.83%	1.59%

USA and China have underperformed this year compared to South-East Asia Indexes. Loss-making Sea Ltd, once the hottest stock in the world, has lost more than US\$ 130 billion in market value from its peak last year. Finally, some sanity has returned to the market and we welcome them.

### Outlook

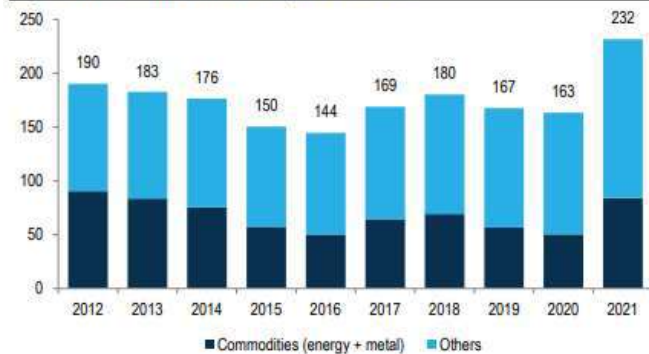
It is once again the results season. Revenue and net profit reported by some of our companies have been splendid; most of them beating our own internal forecasts. After being cooped up for so long, Malaysian shoppers are out in droves, unleashing 'revenge spending' sprees. Our high-street fashion retailer Padini exceeded all expectations by recording its best-ever quarter. In Indonesia, consumer spending was strong in the 4<sup>th</sup> quarter of 2021 owing to pent-up demand in the aftermath of the Delta variant. We spoke to a few of our companies recently and were relieved to know that economic activities were still normal and there was not much impact from Omicron. Although Omicron is very virulent, its fatality rate is markedly low. With the herd immunity from Omicron and improving vaccination rate, I believe we are approaching the tail-end of the pandemic.



## Indonesia

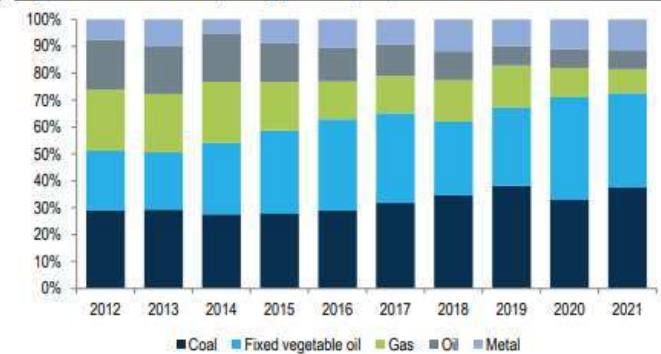
Massive money printing, pandemic-induced shortage and decades of underinvestment have affected commodity prices around the world. The war in Ukraine has exacerbated the problem. A casual trip to the supermarket is getting more expensive as we speak. Coal price has risen 130% year-to-date, followed by Crude Palm Oil/ CPO<sup>1</sup> (+40%) and Nickel (+30%). These three commodities and other metals account for 37% of Indonesia's annual export in FY21 (see Fig 1 below).

Fig. 1: Indonesia's annual export US\$ bn



Source: CEIC, Indo Premier

Fig. 2: Commodities (energy+metal) export breakdown



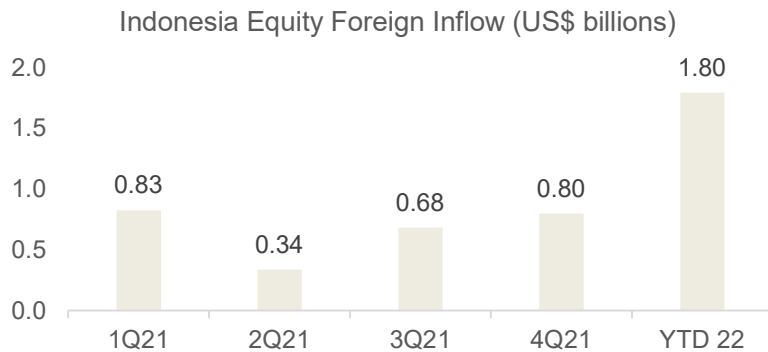
Source: CEIC, Indo Premier

Indonesia recorded US\$ 3.3 billion current account surplus in FY21, equivalent to 0.3% of GDP, aided by a boom in commodity prices and strong demand from its trading partners. It was the first current account surplus since 2011. During the last commodity boom in 2013, resource-rich islands (Kalimantan & Sumatera) got richer while the main Java Island experienced higher inflation. This time round, the government has a few tricks up its sleeves in order to keep inflation under control, mainly through price controls on gas, coal and CPO. Note that Indonesia generates power mainly from coal and natural gas. 15% of power generation is from renewables.

- 1) The country is a net exporter of natural gas and since mid-2020 the price was pegged at \$6/mmbtu for state-owned electricity company PLN and a few strategic industries. The price is 30-40% cheaper than regional peers.
- 2) To ensure a stable power price, coal producers are also required to sell 20% of their coal production to PLN at \$70 per metric ton (vs. current market price of >\$300 per ton). Consumers in Indonesia will be glad to know that the electricity tariff has not been adjusted since 2017, despite the unprecedented increase in global gas prices. In Singapore, my electricity bill has risen by 33% in just a year! In the UK, the energy bills are set to rise by over 50% this coming April.
- 3) There is an export levy for CPO. The pool of money collected from the export levy is used to subsidise cooking oil prices. Producers are required to sell 20% of their production domestically.

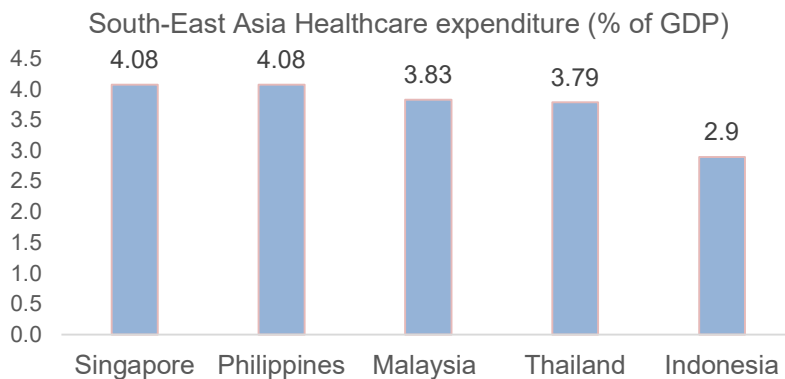
There will be some price pressure from imported stuff such as soybean (used to make popular Indonesian food such as tofu and tempeh) but overall inflation is still relatively low. Indonesia is looking at only 3% inflation this year. The high current account surplus (will be even higher this year) and low inflation are positive for the local currency. These positive developments have led to a greater interest in Indonesia. Foreigners have been actively buying during the past few quarters, as shown below.

<sup>1</sup> Palm oil is a substitute for other edible oils. Russia and Ukraine account for 60% of world sunflower oil and 76% of exports



Source: Indonesia Stock Exchange

Indonesia's GDP per capita is expected to reach US\$ 4,500 this year. As Indonesians become richer, they will shift their consumption pattern more towards services (such as the internet, branded retail and quality healthcare) from predominantly sustenance (basic good and consumer staple) enjoyed by the majority. Indonesia's middle class is growing at 10% annually and accounts for almost half of national consumption. 83 million people or nearly a third of its population still lack access to formal financial services and Indonesia's healthcare expenditure as a percentage of GDP is lower than the Philippines. Exciting times indeed!



Source: World Bank

## Our portfolio

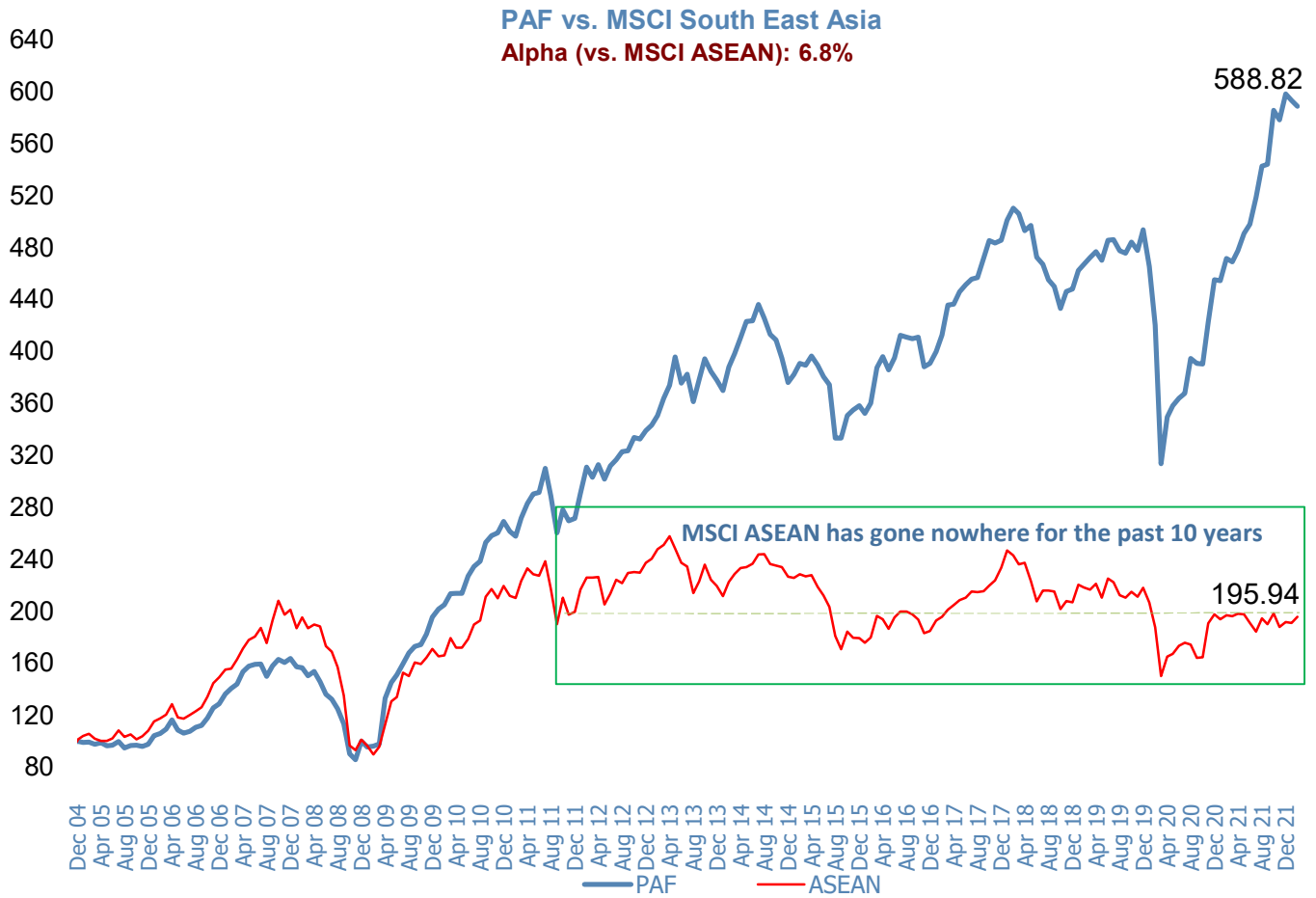
Now the million-dollar question is how all these will impact our portfolio. While we do not invest in commodities directly, the wealth created from the commodity boom will eventually trickle down to other parts of the economy. That said, inflation is a real cost to many. Businesses will be judged by their ability to pass on higher input costs to end consumers. The companies we own are market leaders in their respective industries with a proven track record in managing challenges over the years.

Our portfolio is exposed to the burgeoning consumer, finance, technology and healthcare sectors. Valuation is still sensible in this part of the world. Many of our companies are busy undergoing digital transformation by automating certain business functions to reduce costs, creating apps and expanding their presence online. Other than raising prices, the potential margin expansion and cost savings from digitisation will help offset the negative impact of inflation. As reiterated by my colleague Mohshin, we hope for a swift end to this war. During these uncertain times, South-East Asia is not a bad place to be.

Irvan Mondro,  
7<sup>th</sup> March 2022



Seventeen years track record and annualised return of 10.82%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2022</b>	NAV % chg	593.29 -0.86%	588.82 -0.75%											-1.61%
<b>2021</b>	NAV % chg	454.64 -0.15%	471.89 3.79%	469.26 -0.56%	477.70 1.80%	491.07 2.80%	497.99 1.41%	518.78 4.17%	542.88 4.65%	544.24 0.25%	585.87 7.65%	578.32 -1.29%	598.45 3.48%	31.44%
<b>2020</b>	NAV % chg	465.73 -5.69%	420.43 -9.73%	313.82 -25.36%	349.63 11.41%	358.55 2.55%	364.26 1.59%	367.99 1.02%	394.82 7.29%	391.21 -0.91%	390.47 -0.19%	422.87 8.30%	455.32 7.67%	-7.80%
<b>2019</b>	NAV % chg	462.51 3.21%	467.10 0.99%	472.67 1.19%	477.00 0.92%	470.36 -1.39%	485.78 3.28%	486.12 0.07%	477.67 -1.74%	475.87 -0.38%	484.37 1.79%	477.85 -1.35%	493.85 3.35%	10.21%
<b>2018</b>	NAV % chg	501.11 3.15%	510.62 1.90%	506.32 -0.84%	493.22 -2.59%	497.19 0.80%	472.82 -4.90%	467.29 -1.17%	455.31 -2.56%	450.29 -1.10%	433.40 -3.75%	446.46 3.01%	448.11 0.37%	-7.76%
<b>2017</b>	NAV % chg	400.08 2.27%	412.81 3.18%	435.93 5.60%	436.54 0.14%	446.18 2.21%	451.43 1.18%	455.76 0.96%	457.12 0.30%	472.10 3.28%	485.61 2.86%	483.86 -0.36%	485.79 0.40%	24.18%
<b>2016</b>	NAV % chg	352.31 -1.69%	360.43 2.30%	387.79 7.59%	396.17 2.16%	386.04 -2.56%	395.41 2.43%	412.53 4.33%	411.2 -0.32%	410.02 -0.29%	411.25 0.30%	388.48 -5.54%	391.19 0.70%	9.16%
<b>2015</b>	NAV % chg	382.31 1.60%	391.18 2.32%	389.48 -0.43%	396.82 1.88%	389.67 -1.80%	380.77 -2.28%	374.61 -1.62%	333.73 -10.91%	333.52 -0.06%	350.84 5.19%	355.19 1.24%	358.38 0.90%	-4.76%
<b>2014</b>	NAV % chg	370.08 -2.16%	388.25 4.91%	398.79 2.71%	410.89 3.03%	423.38 3.04%	423.84 0.11%	436.37 2.96%	425.85 -2.41%	413.36 -2.93%	408.97 -1.06%	395.23 -3.36%	376.28 -4.79%	-0.52%
<b>2013</b>	NAV % chg	343.47 1.23%	350.86 2.15%	364.04 3.76%	374.14 2.77%	395.94 5.83%	375.98 -5.04%	382.69 1.78%	361.54 -5.53%	378.56 4.71%	394.53 4.22%	384.87 -2.45%	378.24 -1.72%	11.48%
<b>2012</b>	NAV % chg	290.78 7.00%	311.15 7.01%	303.35 -2.51%	313.01 3.18%	301.88 -3.56%	312.18 3.41%	316.87 1.50%	323.01 1.94%	323.75 0.23%	334.08 3.19%	332.63 -0.43%	339.29 2.00%	24.85%
<b>2011</b>	NAV % chg	261.86 -2.82%	258.03 -1.46%	271.83 5.35%	283.00 4.11%	290.51 2.65%	291.75 0.43%	310.23 6.33%	289.05 -6.83%	260.46 -9.89%	278.31 6.85%	269.95 -3.00%	271.75 0.67%	0.85%
<b>2010</b>	NAV % chg	201.91 3.08%	205.09 1.57%	213.68 4.19%	227.44 6.44%	213.93 -5.94%	227.45 6.32%	234.62 3.15%	238.78 1.77%	253.28 6.07%	258.37 2.01%	260.53 0.84%	269.47 3.43%	37.58%
<b>2009</b>	NAV % chg	95.67 -4.59%	96.38 0.74%	98.12 1.81%	133.22 35.77%	145.25 9.03%	151.32 4.18%	159.71 5.54%	167.99 5.18%	173.21 3.11%	174.49 0.74%	182.60 4.65%	195.87 7.27%	95.34%
<b>2008</b>	NAV % chg	157.49 -3.89%	156.55 -0.60%	150.63 -3.78%	154.03 2.26%	146.18 -5.10%	136.23 -6.81%	132.58 -2.68%	125.09 -5.65%	113.55 -9.23%	90.36 -20.42%	85.98 -4.85%	100.27 16.62%	-38.81%
<b>2007</b>	NAV % chg	136.43 5.90%	140.75 3.17%	144.17 2.43%	153.68 6.60%	157.90 2.75%	159.36 0.92%	159.56 0.13%	150.23 -5.85%	158.13 5.26%	163.17 3.19%	160.72 -1.50%	163.86 1.95%	27.19%
<b>2006</b>	NAV % chg	104.53 6.89%	106.09 1.49%	109.42 3.14%	116.62 6.58%	108.82 -6.69%	106.34 -2.28%	107.96 1.52%	110.76 2.59%	112.41 1.49%	117.94 4.92%	125.81 6.67%	128.83 2.40%	31.74%
<b>2005</b>	NAV % chg	99.24 -1.13%	99.37 0.13%	97.77 -1.61%	98.86 1.11%	96.77 -2.11%	97.05 0.29%	100.14 3.18%	94.90 -5.23%	96.99 2.20%	97.05 0.06%	96.14 -0.94%	97.79 1.72%	-2.57%
<b>2004</b>	NAV % chg	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	100.37 0.37%	

**Best monthly return**      **35.77%**  
**Worst monthly return**    **-25.36%**  
**Maximum drawdown**       **-47.53%**  
**% of positive months**     **65.22%**  
**Annualised return**         **10.82%**



## By Sector

