



Pangolin Asia Fund June 2016 NAV

As at the 30th of June 2016 the NAV of the Class A shares of the Pangolin Asia Fund was US\$395.41 net of all fees and expenses, up 2.43% from US\$386.04 in May.

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

Our cash levels have risen as a result of inflows and dividends. As of today, the fund is about 88% invested with the split being approximately as follows:

Singapore	14%
Malaysia	32%
Indonesia	33%
Thailand	21%

We don't disclose our names but some details 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
Jun 2016	0.8%	0.1%	4.6%	1.7%	1.8%	1.5%	1.9%	2.4%
YTD 2016	2.9%	2.7%	9.2%	-2.3%	-1.5%	12.2%	0.7%	10.3%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Jun 2016	0.8%	0.1%	8.0%	4.2%	4.1%	3.3%	1.9%	2.4%
YTD 2016	2.9%	2.7%	14.0%	4.2%	3.8%	15.1%	0.7%	10.3%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Jun 2016	2.5%	2.3%	3.3%	1.9%
YTD 2016	6.6%	5.3%	4.4%	2.6%

I would write about Brexit like many other managers will be doing; that is if someone could explain to me how it has any bearing on the fund's investments.

We have received inflows into the fund at a time when the markets continue to ignore value. Wobbly days in June resulted in our having been able to invest this cash more easily than is sometimes the case. Our other source of inflows is of course from dividends. The dividend yield across the fund is above 4% (best guess for 2016).

For those who like their stats, the fund's weighted 2016 PE is 11.5x and the expected ROE is 19%. And pretty much all the companies we own (financials excluded) have net cash balance sheets.

Outlook

I am often baffled by the amount of time people wish to spend discussing the economy with me, especially given the rumours that I was thrown off my university's economics course.

However, I am assured by those in the know that ASEAN countries' GDP growth rates are only surpassed by China's.



Based on the relevant Central Banks' pages, the economies of our investee countries are expected to grow as follows:

GDP growth forecasts

	2016	2017
Singapore	+2.0%	+2.5%
Malaysia	+4.5%	+4.5%
Indonesia	+5.2%	+5.3%
Thailand	+3.1%	+3.3%

In a slow world, these are impressive numbers. Yet there isn't a flood of money into these markets. Why not? It is because emerging market investors have lost money in the past few years; and most people prefer to buy into markets in which they are making, rather than losing, money. At Pangolin we believe this is the wrong way round.

We Pangolins love inefficient markets. Thus our research continues to uncover new investment ideas. A pangolin snuffles along the jungle floor overturning leaves in its hunt for termites. Metaphorically we do likewise. And the beauty is that there remains less, not more, competition for our investment fodder.

We continue to focus on companies with the following characteristics:

- Net cash balance sheets
- High & sustainable (i.e. non-cyclical) ROCEs
- Honest managements that make sensible & fair decisions with the cash their companies generate
- Non-environmentally destructive (e.g. plantations & timber)
- Priced at below their fair value based on their current business (i.e. not investing in the next big thing).

We are often asked if we'll ever invest outside of Singapore, Malaysia, Indonesia & Thailand. And for eleven years I have been saying that at some point we will. That point will be reached when we really cannot find anything to buy in our traditional markets. And as yet, that point has not been reached.

Books

At this time of the year, as my thoughts drift towards a lazy summer, I traditionally ask for book recommendations. Nothing too heavy please – in the ratio of *trash:serious* of about **80:20** is fine.

My first recommendation is **Indonesia Etc.** by Elizabeth Pisani. This book goes a long way to explain how Indonesia really works and how the people think. For those who invest there but don't get the chance to visit much further than Jakarta (or Bali), I would say it is a must-read.

I've just finished **Five Star Billionaire** by the Malaysian author Tash Aw. It describes the lives of 5 Shanghai-based Malaysians striving to make it in China.

Developing nations have aspirational populations. Although referring to Malaysia, the following paragraph (lifted from the book) could be about almost any Asian country (sorry Singapore – we dealt with you last month), or indeed any emerging economy.



He lived with his mother in a rural town called Temangan. If a place as small as Temangan could be said to have outskirts, the newspaper would be probably write that he lived in them, where the low rows of shop-houses and cheaply-built houses bled into the countryside, fading into the sparse jungle that stretched for miles until the next town. There was something ridiculous about country folk like them and their neighbours trying to become modern city dwellers, saving up their money for a scooter, then a car, and dreaming of a job in the capital down south.

The Asian equivalent of the American Dream is very much alive.

I'd like to wish all my Muslim friends a Selamat Hari Raya Eidul Fitri. 30 days of dawn-dusk fasting is no laughing matter. Enjoy the feasting on Wednesday.

And finally a word of appreciation to my PA Zubaidah who has now kept me organised for over a decade. How she's put up with me for that long I don't know. Thanks Zu.

James Hay
1st July 2016



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	NAV	352.31	360.43	387.79	396.17	386.04	395.41							10.33%
	% chg	-1.69%	2.30%	7.59%	2.16%	-2.56%	2.43%							
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 66.19%
Annualised return 12.60%

By Sector

