



Pangolin Asia Fund December 2013 NAV

As at the 31st of December 2013 the NAV of the Class A shares of the Pangolin Asia Fund was US\$378.24 net of all fees and expenses, down 1.72% from US\$384.87 in November. For the year the NAV rose 11.48%. 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:

| | |
|-----------|-----|
| Indonesia | 23% |
| Malaysia | 33% |
| Singapore | 30% |
| Thailand | 14% |

No names I'm afraid but some details of the individual holdings are always available to investors on request.

Overview

We've been quite busy selling a couple of things in order to take advantage of cheaper opportunities elsewhere. Time will tell of course as to whether we are right or not, but I do believe that the current turmoil in Thailand and the bearish sentiment in Indonesia are providing us with the chance to buy a few companies we have liked for a long time at the kind of valuations that were previously not available to us.

Eagle-eyed readers will also notice that our allocation in Singapore has increased. We have bought more of a pan-Asia retailer that is listed there. As labour costs rise everywhere due to minimum wage legislation, stores are seeing their margins squeezed. Our guess is that, in this case, this has already been more than reflected in the price.

2013's increase in the fund's NAV of 11.48% is below the long-term annualised performance of 15%, but the tables below show that it wasn't the easiest of years.

| Return (in local currencies, except MSCI Asia Ex-Japan) | | | | | | |
|---|-------|-------|------|-------|------------|-------|
| Period | JSE | KLSE | STI | SET | MSCI ex JP | PAF |
| YTD (2013) | -1.0% | 10.5% | 0.0% | -6.7% | 0.7% | 11.5% |

| Return (in USD) | | | | | | |
|-----------------|--------|------|-------|--------|------------|-------|
| Period | JSE | KLSE | STI | SET | MSCI ex JP | PAF |
| YTD (2013) | -21.6% | 3.2% | -3.2% | -13.1% | 0.7% | 11.5% |

Outlook

Does anyone remember the days when people actually liked emerging markets? All I seem to receive now are downgrades and bearish reports. It's not that surprising when one looks at the stupidity of government policy in the region (Singapore's excepted – and I'm not just saying that because we're regulated there).

In **Indonesia**, there is supposed to be a ban on unprocessed ore exports from the 14th of this month. Great. Especially when the trade numbers are of such huge concern. As usual, there may well be a last minute change of heart, but some mines are already closing down.

Thailand's middle classes refuse to accept that they are in the minority. And the misnamed Democrats are refusing to stand in the elections (because they know they'll lose).

I'm not sure if **Malaysia's** politics are any more stupid than ever. The seizure of bibles and the banning of the use of the word Allah for non-Muslims in peninsular Malaysia, but not for those in Borneo Malaysia makes absolutely no sense to an outsider.



One thing to watch out for in 2014 and beyond is the increase of intra-Muslim religious intolerance. Basically this part of the world is Sunni and anyone brave enough to profess to be of the Shia persuasion is likely to be in for a bit of a hard time. One has to hope that the governments are aware of the risks in letting religious small-mindedness get out of hand, but so far their actions tend to be pandering to the extreme vocal minority.

If the US continues to recover it should drag the rest of us along with it. This region exports to the West. If the West buys more, then it is hard to envisage how the region's economies will not benefit, especially as their currencies have all depreciated. Maybank-Kim Eng's GDP forecasts for our markets are as follows:

| Country | 2014 | 2015 |
|-----------|------|------|
| Indonesia | 5.6% | 5.5% |
| Thailand | 4.0% | 4.9% |
| Malaysia | 5.0% | 5.1% |
| Singapore | 4.0% | 3.8% |

The story is still a good one. As I get a headache when markets are high, bouts of bearishness make my life easier again.

Investment in the fund

Although the fund is open to investors, that is only the case if I know the decision maker and I am satisfied that their investment policy is in line with ours. We quite often receive subscription orders from custodian banks without any notification from the investor. These we cannot accept so please inform us first before attempting to subscribe. We currently have an outstanding share transfer request from one bank to another which will not be processed until I know who is behind it. If this sounds familiar, then I suggest you drop me a line.

Although I would like to be running a larger business, it is not in the interest of the fund's investors (and I am one too) to take short-term money for a long-term strategy. That is the reason behind the above. At some point we will be introducing a less liquid share class for new investors so that, if we grow, there will be no need to change how we invest.

Dealer Anyone?

I have a good friend in his forties who has been working as a jobber, execution dealer, sales trader and market-maker for close to 30 years. I know him to be most able but at his age he is looking for a move to the sell side. If you know of any fund looking for someone to handle the execution of trades, please ask them to get in touch. He is a Brit, a good bloke and is currently based in SE Asia; but he would happily work anywhere if the right offer was made.

And I wouldn't be writing this if I didn't think he was any good.

We've Moved

We have moved to the Singapore Land Tower in Raffles Place. We have also upgraded the website. For exact directions to the former, please have a look at the latter.

Kung Hei Fa Cai,

James Hay.
9th January 2014

I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in the fund. If you have any questions, concerns, ideas, or just fancy an argument, please get in touch. Otherwise, just send money.



| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|---------|
| 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 69.72%
Annualised return 15.77%

By Sector

