



Pangolin Asia Fund January 2017 NAV

As at the 31st of January 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$400.08 net of all fees and expenses, up 2.27% from US\$391.19 in December.

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	13%
Malaysia	33%
Indonesia	32%
Thailand	22%

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
Jan 2017	0.5%	1.8%	0.0%	1.8%	5.8%	2.2%	6.2%	4.4%	2.3%
12 Months	20.6%	17.5%	14.7%	0.2%	15.9%	21.2%	18.3%	9.8%	13.6%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Jan 2017	0.5%	1.8%	0.7%	3.1%	8.5%	4.4%	6.2%	4.4%	2.3%
12 Months	20.6%	17.5%	18.2%	-6.1%	17.1%	23.3%	18.3%	9.8%	13.6%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Jan 2017	1.3%	2.6%	0.8%	2.1%
12 Months	-6.3%	1.0%	3.1%	1.7%



Indonesia

Indonesia is often referred to as the world's largest archipelago, which aptly describes a nation with more than 17,000 islands and spans more than 5,000 km, from Sabang in the West to Papua in the East. With a population of 260 million, it is the world's fourth most populous country, comprising more than 1,000 ethnic and subethnic groups. Included in this group are the indigenous peoples, whose population is estimated to be between 50-70 million.

Prior to independence, these groups followed their own cultures and traditions within their respective kingdoms. In Kalimantan, Borneo, for example, the *Dayaks* are the native people of the island with their own unique culture, territories and traditions. In Papua, there are some 300 local languages spoken by different ethnic and sub-ethnic groups, such as the *Dani* tribe people.



After World War II ended, Sukarno declared independence for Indonesia and was appointed President. During this time, most of the wealth from natural resources flowed to Java, usually at the expense of local communities. Although the National Constitution and the 1960 Law on Basic Agrarian regulation fully recognises the rights of indigenous people, nothing much was done for them.

In 1966, General Suharto assumed power from President Sukarno. During his era, millions of hectares of customary land were given to crony companies for logging, palm oil plantations, mining operations and other environmentally destructive projects.

Suharto stepped down during the Indonesian Revolution 1998 and was replaced by Jusuf Habibie. The democratisation process has seen the emergence of civil society groups such as Indigenous Peoples' Alliance of the Archipelago (AMAN) who are able to advocate for indigenous rights, although progress in securing traditional land ownership has been limited.

The Forestry Law was issued in 1999, which stated that customary forest belonged to the state. The law was deemed particularly advantageous to the private sector, as the state forest can be licensed indefinitely to the private sector for commercial use.

In 2004, the first direct presidential election took place and General Susilo Bambang Yudhoyono (SBY) was elected President. However, a period of political and economic instability, social unrest, corruption, and terrorism led to heightened conflicts between indigenous peoples and the private sector, as well as the government, taking many lives of the indigenous people. The National Forestry Council recorded ongoing forest management conflicts in 19,420 villages in 33 provinces throughout Indonesia, covering more than 1.2 million hectares.



Eventually, in 2013, the court ruled in favour of the indigenous people, concluding the government has no legal basis to claim customary land; and that the land must be returned to them. The legislative change was estimated to apply to some 32,000 villages and millions of indigenous people across the Indonesian archipelago.

In 2014, after Jokowi was chosen as the seventh president of Indonesia, he kept his pre-election promise by returning some 13,000 hectares of customary land to nine indigenous communities in northern Sumatra. This is also consistent with the Constitutional Court ruling in 2013. One of the nine customary forests consists of more than 5,000 hectares of land that until recently was part of pulp giant PT Toba Pulp Lestari's concession in North Sumatra province since 2009.

The concession area of Toba Pulp consists of a 4,100-hectare frankincense forest land, locally known as *tombak hamijon*, located in three areas around the famed Lake Toba. According to research conducted by AMAN, the villagers have relied on the forest for their livelihood for nearly 300 years and 13 generations. Frankincense, an aromatic tree resin used in perfumes and incense, is the primary source of income for local people in the area.

The impact of the forest conversion had a massive impact on the villagers' livelihood. The forest temperature used to be chilly with fresh water flowing down the river. After Toba Pulp came in, the land became hot and arid, with logged timber everywhere. At present, a large part of the forest has been replaced by eucalyptus trees.

Malaysia

Meanwhile in Malaysia, the indigenous people (also called *Orang Asli* in Peninsula Malaysia and *Orang Ulu* in Sarawak) face a similar situation to their neighbour Indonesia. There is an increasing amount of encroachment on customary lands by the state governments in the name of development, for highways, hydroelectric dams, palm oil plantations, and commercial logging etc. This has resulted in indigenous people losing their land rights and are often forcibly relocated under resettlement schemes.

For example, the development of the Bakun Hydroelectric Project in Sarawak in 1996 resulted in more than 11,000 people being relocated from their original villages of Ulu Balui to Sungai Asap, Bintulu. The Kelau Dam Project also caused a relocation of 330 tribe people in Pahang. While some thought these resettlement schemes might be sufficient compensation to the indigenous peoples, the reality is that the actual compensation is often far less than promised.

Just last September, about 200 *Orang Asli* put up blockades in protest against logging activities within the Balah forest reserve, which covers a total of 643 hectares near Gua Musang, Kelantan. The affected *Orang Asli* claim the said forest reserve area as their customary land and that they were neither officially informed nor compensated for the use of this forest for commercial logging activities.



A group of *Orang Asli* block a road in Kampung Sungai Peralong, Gua Musang to protest against timber logging activities in the area on Oct 29, 2016. — Bernama



The Kelantan Forestry Department issued a stop-work order in October to reduce tensions between the loggers and *Orang Asli*. Shortly after that, the state government issued notice for *Orang Asli* to remove all blockades, or action would be taken upon them. About 41 *Orang Asli* activists were arrested as they refused to bow to the authority. The situation became worse as local officials proceed to destroy several blockades and arrested five more activists in late January. This is against the magistrate court ruling earlier which had declared that *Orang Asli* have rights over their customary native land against the logging company concerned.



In Peninsula Malaysia, native title and rights have been widely recognised since 1997 under the Federal Constitution. The Malaysian courts have also ruled that the Federal and state governments owe a fiduciary duty to protect the land rights of the people. While state governments possess constitutional powers over land matters, such powers are not absolute.

There are roughly 4.3m indigenous people in Malaysia accounting for 13.9% of Malaysia's 31m population. About 95% of them reside in East Malaysia (Sabah and Sarawak) and 5% in the Peninsula. The indigenous people enjoy customary rights over lands that they have inhabited for generations, without formal or legislative recognition.

It is unfortunate that only 20% (or 30,883 hectares) of indigenous land in Peninsula Malaysia has either been gazetted or issued with private documentary titles. The remaining 80% (or 120,257 hectares) has yet to receive any form of recognition. The state governments remain slow to act or are ignoring their duty to gazette the indigenous people's customary land. As regards the area which remains ungazetted, the indigenous rights over the land remain under serious threat, thus enabling state governments to alienate their land for commercial projects.

For a long time, the indigenous people of Indonesia and Malaysia have been marginalised, impoverished and criminalised due to lack of recognition of indigenous rights that has led to lasting conflicts. We hope governments in both countries will deliver on their commitment and do more to redeem the rights of the indigenous people.

This article underlines why Pangolin avoids investing in the timber and plantation sectors on ethical and moral grounds.

Irvan and Chiew Sia
6th February 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 % chg	400.08 2.27%												2.27%
2016	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%
2015	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%
2014	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%
2013	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%
2012	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%
2011	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%
2010	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%
2009	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%
2008	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%
2007	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%
2006	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%
2005	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%
2004	NAV % chg	- -	- -	- -	- -	100.37 0.37%								

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 65.75%
Annualised return 12.07%

By Sector

