



Pangolin Asia Fund February 2016 NAV

As at the 29th of February 2016 the NAV of the Class A shares of the Pangolin Asia Fund was US\$360.43 net of all fees and expenses, up 2.30% from US\$352.31 in January.

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

As of today, the fund is about 90% invested with the split being approximately as follows:

Singapore	17%
Malaysia	30%
Indonesia	31%
Thailand	22%

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
Feb 16	0.3%	-0.4%	3.4%	-0.8%	1.4%	2.4%	-1.0%	2.3%
YTD 16	-5.2%	-5.5%	3.9%	-2.2%	-7.5%	3.4%	-8.6%	0.6%
12 mths	-8.9%	-8.2%	-12.5%	-9.1%	-21.6%	-16.0%	-22.3%	-7.9%

Return (in USD)								
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Feb 16	0.3%	-0.4%	6.5%	-2.0%	2.6%	2.7%	-1.0%	2.3%
YTD 16	-5.2%	-5.5%	7.1%	-0.2%	-6.7%	4.5%	-8.6%	0.6%
12 mths	-8.9%	-8.2%	-15.4%	-22.1%	-24.2%	-23.8%	-22.3%	-7.9%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Feb 16	-1.3%	1.3%	3.0%	1.0%
YTD 16	2.2%	0.8%	3.1%	1.1%
12 mths	-14.2%	-3.1%	-3.3%	-9.2%

With the exception of some companies in Indonesia, we are just about through the 2015 results season. Happily most of the fund's holdings have reported better or at least in-line-with-expectations numbers. The better performance of the indices is generally a reflection of price movement in the blue-chips; the buying interest hasn't filtered down to our level yet, so we have been able to continue adding some of our favourite names in the portfolio.

Outlook

Indonesian President Jokowi is stimulating revolutionary reform of the country's business environment. Since replacing the cabinet-members-he-didn't-want with technocrats last year, he has announced 10 stimulus measures. And there are more to come.



The government has finally recognised the need to boost business confidence and improve the investment climate by adopting a less protectionist stance. It is not all one way traffic, but where James used to describe reform in Indonesia as 6 steps backward for every 7 forward, I'd say it's probably only 3 backwards now. Not bad considering the entrenched oligopolies and other vested interests.

For a start, in early February, the government has revised the negative investment list and increased the foreign ownership limit in a number of sectors. 35 sub-industries were entirely removed from the negative list, including raw material production for drugs, cold storage, toll roads, tourism and restaurants

Figure 1

2016's Negative Investment List revision

2014 Regulation	2016 revision	
Max Foreign Ownership	Max foreign ownership	Business sectors
0%	49%	High-voltage electrical installation, land transportation, etc
	67%	health support services, etc
	100%	movie business, etc
33%	67%	distributors; warehouses
	100%	cold storages
49%	67%	14 sectors, including: job training services, travel agent, golf course operator, & air transport services.
	100%	8 sectors, including: Sport centre/fitness centre, production house for movies, & crumb rubber.
51%	67%	10 sectors, including: private museum, food production services, convention & exhibition services
	100%	Restaurant
55%	67%	19 sectors within construction consultancy business/services with contract value minimum of Rp10bn
65%	67%	all 3 sectors in telecommunication network business
85%	100%	Raw material production for drugs
95%	100%	5 sectors, including: toll road operator, telecommunication device testing.

Source: CLSA, Note: ASEAN investors have a max cap of 70%

To cut red tape, Indonesia's Investment Coordinating Board (BKPM) has launched a one-stop integrated service for investment approvals to streamline the government's permit process; this includes combining multiple ministry licenses. Previously, to build a power plant, investors were required to obtain 52 licenses from different offices, a process that could take 930 days. This has now been reduced to 256 days. For sizable investors, the basic investment license can now be issued within 3 hours.

The country's ranking in the World Bank's Ease of Doing Business Index currently stands at a paltry 109, on par with Kenya. President Jokowi's vision is to bring Indonesia up to at least 40th within two years. One achievement is the simplifying of 148 regulations in 2015 alone. The soon to be announced 11th stimulus package will focus on the following:

- 1) Expedition of the licensing process in big cities
- 2) Simplify land licensing
- 3) Logistic system improvement
- 4) Shortening the bureaucracy chain
- 5) Cutting dwelling time (ports)
- 6) Provide facilities for SMEs, including e-commerce



There are still many low hanging fruits. Indonesia's logistics cost is still one of the highest in the world, amounting to 24% of GDP. Last year, dwelling time at the country's main sea port, Tanjung Priok (huge bottleneck!), was halved from six to three days. Previously it was not unusual for perishables to go bad, costing millions of dollars to importers (and explaining why the wine is always corked). By comparison, the average ship turnaround time in Singapore's ports is 1½ days.

Of course, some of the efforts by the government will need time to bear fruit. It is often cheaper to import goods from China than from within Indonesia. For example, the cost of a sack of cement in Indonesia's easternmost province Papua is more than a million rupiah (USD 75) per sack, compared to IDR 65,000 (USD 5) per sack in Jakarta. The government is aware of the problems and has made infrastructure development a priority.

Ultimately, execution is key. Former presidents were adept at issuing decrees without the necessary will to finish the job. According to McKinsey, Indonesia's economy has the potential to be the world's 7th largest by 2030, up from 16th today. With the right policies, annual GDP growth of 7% is not out of reach. We think that with Jokowi, Indonesia has a higher chance to succeed and there are reasons to be optimistic.

Irvan Mondro

7th March 2016



Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	NAV	352.31	360.43											0.57%
	% chg	-1.69%	2.30%											
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 65.93%
Annualised return 12.07%

By Sector

