Pangolin Asia November 2014 NAV

As at the 30th of November 2014 the NAV of the Class A shares of the Pangolin Asia Fund was US$395.23 net of all fees and expenses, down 3.36% from US$408.97 in October. Just to cheer you up, as of today the fund is down another 3% since the end of November, largely in line with the fall in the Malaysian Ringgit.

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

As of today, the fund is about 81% invested with the split being approximately as follows:

Indonesia	28%
Malaysia	28%
Singapore	26%
Thailand	18%

No names I'm afraid but some details of the individual holdings 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
Nov 14	2.5%	2.5%	1.2%	-1.8%	2.3%	0.6%	0.3%	-3.4%
YTD (2014)	**7.6%**	**11.9%**	**20.5%**	**-2.5%**	**5.8%**	**22.7%**	**4.6%**	**4.5%**

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Nov 14	2.5%	2.5%	0.2%	-4.6%	0.9%	-0.2%	0.3%	-3.4%
YTD (2014)	**7.6%**	**11.9%**	**20.2%**	**-5.6%**	**2.5%**	**22.8%**	**4.6%**	**4.5%**

November Performance of ASEAN currencies vs USD

USD / MYR	USD / SGD	USD / IDR	USD / THB
-2.52%	-1.35%	-0.97%	-0.98%

OK we all know that the US$ is strong, but the big fall in regional currencies has also taken us by surprise. In particular the Malaysian Ringgit is being hammered as a significant proportion of Malaysian government revenue comes from the state oil firm, Petronas. (By the way, Petronas does not publish its accounts but reports directly to the Prime Minister; absurdly opaque.)

Petronas has also reported that it will be cutting its exploration budget in 2015. Sensible really, but still a big shock for all the crony companies that rely on its patronage.

As mentioned above, the Ringgit has continued its drop this month. We live in an era of "the trade" and many funds jump into whichever trade is currently in favour. While one can see reasons for be selling the Ringgit, bear in mind that Malaysia's government has made significant (and unpopular) strides to widen its tax base and reduce subsidies. GST will be implemented from next April and petrol subsidies were abolished on December 1st.

Our major trade in recent weeks has been to buy back into a previously owned Malaysian retailer. With hindsight I wish I'd waited but let's hope that, if we can roll that hindsight forward a few years, it won't look so dumb.

Outlook

As of today the fund is off nearly 14% from its July peak. This is the biggest drop since end 2011 when we lost 17% in two months. 2008 was of course another story. Prior to starting the fund I ran a personal portfolio which I started at the depth of the Asian financial crisis. This did very well over 6 years and provided a platform for me to launch the fund. However when Nasdaq cracked in 2000 its value fell by 30% (and that is despite not owning any dotcoms).

This is what markets do to long-only investors. The good news is that when markets wobble, the investment case improves; in the short-term it's scary but over the longer-term, the wobblier the better.

Would hedging help? With hindsight YES but regardless of that, I do not believe that hedging is a Pangolin skill; and the reason the fund's long-term performance has been satisfactory is because of our focus on identifying good businesses selling for less than their true worth, and buying them when that is the case, often at the expense of short-term performance.

Economics happen. The trick is to be invested with companies that have proven they are able to deal with what the world throws at them, in the expectation that their experienced managements will carry them through future turmoil. The current challenge is the impact of falling oil prices. The best companies will cope with this, as they did when the oil price surged a decade ago.

Asia will grow faster than the rest of the world over the next decade (or I'm a Dutchman). Best guess, our portfolio trades on 11x 2014 earnings with a forecast yield of over 4%. Stripping out our two multi-billion companies lowers the fund's PE to 9x.

Excluding our financials, most of our companies have net cash on their balance sheets, something handy if there's a slowdown. The capacity to open more stores, continue to advertise or buy a distressed rival is something we look for in a business.

Happy Birthday to Us

December the 1st marked the 10 year anniversary of the Pangolin Asia Fund's launch. Our annualised return to investors is running at +14%. And I'm proud that this has been achieved while avoiding loggers, plantations or tobacco. Over the next decade we will continue to strive to improve on that.

Last month we had our first US$1 Million dividend (a shame it wasn't paid in US$). That is almost the size of the fund at launch. I would like to thank the fund's investors, particularly those who showed faith in the early days and without whom there would be no fund.

We had a good meeting of directors and staff last week to commemorate our first decade. Of course one cannot launch anything without directors and I'm grateful for my friends who were prepared to stick their hands up and assume the associated responsibilities and liabilities that come with that role.

Vinchel Budihardjo has been with the firm for almost 10 years. He joined when the fund was tiny and without his application, it still would be. My secretary Zubaidah has been with me for 8 years. How she's managed that is beyond me. Irvan Mondro first interned with us in 2009 and now is also a director. Jalene and Chiew Sia joined us in 2013. I think we have a good team to take us forward.

Merry Christmas and Happy New Year,

James Hay.
10th December 2014

I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in investing. The Pangolin Asia Fund is most suitable for investors who are happy when markets falling.

Pangolin Investment Management

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	NAV	370.08	388.25	398.79	410.89	423.38	423.84	436.37	425.85	413.36	408.97	395.23		4.49%
2014	*% chg*	-2.16%	4.91%	2.71%	3.03%	3.04%	0.11%	2.96%	-2.41%	-2.93%	-1.06%	-3.36%		
	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%
2013	*% 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%	
	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%
2012	*% 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%	
	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%
2011	*% 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%	
	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%
2010	*% 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%	
	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%
2009	*% 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%	
	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%
2008	*% 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%	
	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%
2007	*% 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%	
	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%
2006	*% 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%	
	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%
2005	*% 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%	
	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
2004	*% chg*	-	-	-	-	-	-	-	-	-	-	-	0.37%	

Best monthly return	**35.77%**
Worst monthly return	**-20.42%**
Maximum drawdown	**-47.53%**
% of positive months	**68.33%**
Annualised return	**14.73%**

By Sector