



Pangolin Asia Fund June 2013 NAV

As at the 30th of June 2013 the NAV of the Class A shares of the Pangolin Asia Fund was US\$375.98 net of all fees and expenses, down 5.04% from US\$395.94 in May. Please see the table at the end of this letter for further detail.

As of today, the fund is about 83% invested with the split being approximately as follows:

Indonesia	20%
Malaysia	39%
Singapore	23%
Thailand	18%

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

Overview

Last month, while jet-lagged, I watched a bit of CNBC in the middle of the night (Malaysian time) and learnt that the emerging market story was over. This would explain why regional stocks and currencies fell relative to the US in our part of the world. At one point last month our largest position was down over 20% (I bought a bit more).

Outlook

Regular readers of this newsletter will have realised that I don't like to write about economics (an inclination I developed while briefly studying the subject at university). I'll now break that taboo.

The economics for South East Asia have improved in the past month, yet the "market" has acted as if they have worsened. These are export economies. A strong US\$ is good news. A stronger US economy is good news.

In the short term markets are driven by all sorts, not least by those who trade them as a proxy for their own economic theories. However, over any reasonable length of time, the share prices of individual companies are driven by the performance of the underlying business. And when factors change to enhance the prospects of these businesses, we should be getting excited.

We have a bit of cash. We've just started buying a small business in Indonesia on 3x earnings and are hopeful that the "risk on, risk off" punters will spend the summer giving us the opportunity to buy more of our favourites at stupidly low valuations – if not we'll have to wait a bit longer.

East versus the UK

While I have no doubt extremely clever people can make money in Britain, I suspect Asia will remain the best place for the rest of us for a while yet. I am writing this on the plane back following a long weekend watching the Stones in London, much of which was spent at Immigration and Security at Heathrow.

It is beyond belief how dreadful that airport is. And how bad can the leadership of a country be to allow it to be so ineptly run? By contrast, following complaints from international businessmen, Malaysia's prime minister visited KL's airport, and suggested that immigration should implement a maximum ten minutes waiting policy. That was it. A quick pep talk and it changed overnight.

And as the number of travellers grows exponentially in Asia, new capacity gets added. Singapore's airport continues to astound. In Malaysia a new budget terminal is being built to cater for the explosive growth of that market – OK it will be completed a year late and well over-budget, but at least it is happening.



Pangolin Investment Management

Compare that to the UK where the debate about a new runway at Heathrow has been raging for at least 20 years without anything actually happening.

Next year work should commence on a high speed train that will link Singapore and Kuala Lumpur in less than 1½ hours. Meanwhile the building of Britain's new High Speed Rail looks like it'll be shelved.

In the current period of slow economic growth, ASEAN business owners will tell you how they are perhaps scaling back their expansion a bit – but they are still expanding. Malaysia's GDP will grow by 5% again this year, Indonesia's by about 6%. The region's young populations are looking forward to more comfortable living standards than their parents.

And they'll pay tax in the region of 20-30%, often less.

The West's cultural lead won't last either. The UK might be able to lay on the Stones in Hyde Park but Psy has shown us that once the Koreans perform in English, they can emulate Samsung's success. He isn't a one-off. Just wait till the Korean girl bands start singing in English.

Asia is in an era of hope and hard work accompanied by a can-do attitude and leaders who lead. The difference is obvious. Granted, nothing goes up in a straight line but Asia is enjoying a long-term growth trend. While a well run business in Britain is going to have to fight bureaucracy at every turn, it is hard to envisage how the same calibre of management could not succeed in ASEAN.

Our fund has returned an annualised 16% or so. That is something of which my colleagues and I are quite proud, whilst recognising that being in the right place at the right time has had a lot to do with it. For those happy to make money slowly, I believe we remain in the right place, and the time is still fine.

As of next week I'll be in Europe for a while which will make phone calls to those of you in western time zones a bit easier. If you'd like a chat with me about the fund let me know and I'll try to fix a time.

James Hay.
10th July 2013.

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.



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							10.81%
	% chg	1.23%	2.15%	3.76%	2.77%	5.83%	-5.04%							
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%	2.02%	0.23%	3.19%	-0.43%	2.00%	
2011	Nav	261.86	258.03	271.83	283	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%	4.11%	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	182.6	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	157.9	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	94.9	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 70.87%
 Annualised return 16.68%

By Sector

