



Pangolin Asia Fund March 2017 NAV

As at the 31st of March 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$435.93 net of all fees and expenses, up 5.6% from US\$412.81 in February.

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	32%
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
Mar 2017	-0.7%	-0.04%	3.4%	2.7%	2.5%	1.0%	3.1%	2.8%	5.6%
YTD 2017	4.6%	5.5%	5.1%	6.0%	10.2%	2.1%	13.2%	8.9%	11.4%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Mar 2017	-0.7%	-0.04%	3.5%	3.1%	3.0%	2.7%	3.1%	2.8%	5.6%
YTD 2017	4.6%	5.5%	6.3%	7.4%	14.1%	6.5%	13.2%	8.9%	11.4%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Feb 2017	0.3%	0.4%	0.1%	1.7%
12 Months	1.4%	3.6%	1.1%	4.3%

Outlook

Over the past month various commentators have been turning bullish on unloved **Malaysia**. It would be nice if they're right. In my view, of the markets we cover, Malaysia has many of the cheapest and least researched companies. Whether there is really going to be serious attention paid to the place by foreign investors is another question. For those who just want to buy a "market", they can invest in the big, index names. But for large institutions (i.e. not Pangolin), if they care about what they own, the big companies offer very little opportunity.

The top 10 by Market Cap are:

Maybank	Govt entity posing as a company
Tenaga	Govt entity posing as a company
Public Bank	Best run bank in Malaysia
Sime Darby	Govt entity posing as a company
Petronas Chemicals	Govt entity posing as a company
IHH Healthcare	Good business but on 46x earnings!
CIMB	Govt entity posing as a company
Maxis	Mobile phone network
Axiata	Govt owned mobile phone network but well run
Digi	Mobile phone network



Government crowding-out is a problem across all business sectors in Malaysia and this is reflected in the stock market. There are a lot of hard-working dedicated people working in these Government linked companies (GLCs) and no doubt there has been some improvement in their operations and efficiency over the years. Nevertheless, there is often a social agenda attached, as well as government support in terms of business being driven their way etc.

It doesn't mean that these shares don't have their day in the sun. Sime Darby, which was advised about a decade ago to consolidate its business subsidiaries is now being advised to split them up in order to realise the value. Its shares have performed well this year on the back of this.

But if you shy away from GLCs (because in the long run they tend to underperform), don't like telcos and have huge AUM, what can you actually own on that list? The next 10 are a bit better but not a lot, especially if you eschew palm oil, as you should.

Often at the late stage of a bull run brokers start recommending laggards. I'm wondering whether Malaysia is now being recommended because it hasn't performed, not because there is really a bullish case.

Personally, I can't decide if I want Malaysia to be rediscovered or not. While it would be nice to see the valuation of the fund's stocks rise close to that of their overseas peers, but for as long as they remain cheap investing remains relatively simple.

CUMULATIVE INDEX PERFORMANCE - GROSS RETURNS (USD) (MAR 2002 - MAR 2017)



Source: MSCI

A working mother and the education of her two children: Zubaidah

For the past 10 years, I have been combining motherhood with working as James's PA. In order to cope, I work from home in the morning and in the office in the afternoon. Thank God for Skype and the internet for making this possible.

The Malaysian education system is under-funded resulting in many schools having a morning shift for half the kids and an afternoon session for the rest. A few years ago, my daughter had morning school while my son's was in the afternoon. He was at primary and she at secondary, so the logistics alone were a nightmare. Many of the national schools in Malaysia conduct only morning sessions these days but in very crowded area such as Kuala Lumpur, a two-session system is used, with one session in the morning (7.30am to 12.30pm/1.00pm) and another in the afternoon (1.15pm to 6.30pm).



Every day was like going to war, starting from 5.30am till 10.30pm. In the morning, I sent my daughter to secondary school first, then my son to a 3-hour religious school. When time is up, I would pick him up, return home and

prepare him for afternoon school. After sending my son to school, it is time to pick up my daughter. I would then go to the office and she would come too (some of you will have seen her if you had afternoon meetings back then). At 6.30pm, I would pick up my son from school. In between pick-up times I worked on job assignments given by James. My routine didn't end just here. After dinner, I sent my children for tuition classes from 8.00pm to 10.00pm, two days a week, for core subjects of Malay language, English, Mathematics and Science. On top of these, I sign up extra curriculum activities for my children such as computer class, football and guitar on weekends.

Most Malaysian families rely heavily on the grandparents for support, who often see this responsibility as a natural progression for the retired. Unfortunately, my kids' grandparents are not in KL so it is down to me to get them here and there. Additionally, Malaysian men don't see housework as a shared task which means that I am responsible for the house too!

Malaysian education is still very much exam-oriented, although the government is changing it to more school-assessment oriented. Children are consistently under pressure to maintain their scores to keep themselves in the top two classes, as the form teachers of these classes are usually among the best too. As a mum, I feel responsible to guide my children and provide them with the best education solution to meet the competitive school environment.

I know the schedule may be packed and tiring for my children, but I don't have a choice. In fact, it is quite common among my children's classmates too. Facilities at public schools are adequate and have most of the basics needed for education. The student-to-teacher ratio can be quite high, with 30 to 35 students in a class. To ensure better grades, extra tuition hours are necessary. I have no regrets because my daughter has consistently done well in her academics and extra curriculum, earning herself the enrolment to one of the top boarding secondary schools in the country.

In April 2016, my daughter was admitted to MARA Junior Science College in Besut, Terengganu. It was a great relief for me after all the grooming effort at primary school, and not least because now I only need to chauffeur one child in Kuala Lumpur. One can probably imagine the transit time on a busy road around Kuala Lumpur and the waiting time for children's classes to end before hitting the busy road again to go home. It's tiring for both parents and children. Boarding school is the perfect choice for working parent like me. The campus offers everything from lodging to activities and extra-curricular. Boarding schools are known for their best of class academics, sports, and enrichment vs the public and private schools, as teachers focus on grooming all pupils to be the top students in the country. Although I miss her, I would say this is a win-win outcome.

Education is my choice: Chiew Sia

I have a slightly different experience to Zubaidah's children. I am an ethnic-Chinese Malaysian who grew up in a town called Mentakab in the state of Pahang. It is located two hours north-east of Kuala Lumpur with a population of about 50,000.

I was the only one of 7 siblings not to go to Chinese School. Malaysia is probably one of the few countries left offering vernacular education based on the main resident communities; namely Malay, Chinese and Tamil. Chinese schools are notoriously hard on the kids with a strong focus on academic achievement. There is a huge amount of homework but they tend to get the best results, to the extent that now some Malay families are also enrolling their kids in Chinese schools.

My parents registered me to a national primary school, half by choice and half by design. I recall hearing my parents' discussion about which school should they send me to. Then one day, my father asked me, "Do you want to go to ABS or Chinese school like your other siblings?" Subconsciously, I answered ABS as my choice. Why ABS?

It is a national primary school with Malay as the teaching medium. ABS stands for Abu Bakar School. It used to be the "prestigious" English-medium school in Mentakab. Sadly, English-medium education was abolished in 1970. However, non-Malay teachers in the school were mostly from English-educated backgrounds and they spoke in English among themselves and to students. Many doctors, lawyers, businessmen and English-educated parents sent their children there too.



My parents did not send me to ABS for its prestige status. I was poorly as a child and used to frequent hospital in Kuala Lumpur for regular health-checks. The doctors spoke mostly in English, mixed with a little Cantonese to my

parents who can't speak or understand English well enough. By sending me to ABS, they hoped I could understand and make simple conversation with my doctors someday.

Since primary school years, my parents seldom checked my homework or asked about my school. They expected self-discipline from me. This was quite common for a Chinese family and partly explained by them being busy with their business. I hardly had any homework compared to my elder siblings at Chinese school and I studied fewer subjects too. I played hard and once I totally forgot about my first term exam day when I was at Standard Two (or Primary Two). Luckily, my primary school academic results turned out to be okay and, to my parents' surprise, I scored straight As in my final year exam.

My parents have been very supportive with my choice as long as it is for my own good and within their budget. I was the one to request for tuition classes after school. I could choose whether I wanted to pursue Arts or Science Stream at Form Four (first year of upper secondary) vs some friends' parents who chose for them. I also had a choice of whether to further my tertiary education at a private college or public university. Having a right to choose, I would say I turned out to be okay today.

At school level choosing Arts is OK. But once one goes on to university, which will be paid for either by loans or directly by the parents without subsidy, very few Asian dads will want to finance a degree in Philosophy or Sociology. For Asians, university is a place to prepare for a higher earning career, not an easy three years paid for by the state.

Corporal punishment

Although physical or corporal punishment has been abolished in most developed countries, caning is still common in Malaysia. Even top schools like MARA are no exception, where Zu's daughter was beaten on the palm with a wooden ruler for not scoring an A for Mathematics. Sometimes, her son also gets beaten for not finishing homework.

I had some of those palm punishments too when I forgot to bring my exercise book or textbook, or forgot to trim my nails etc. This is considered mild compared to some incidents that happen at Chinese-medium schools where the teachers would beat students with cane on their hands and legs, leaving a red mark and pain thereafter.

According to a number of medical and psychological societies, along with human-rights groups, physical punishment is ineffective in the long term. (James says he was often beaten at school and it made no difference to his bad behaviour). But in Malaysia and I suspect much of Asia, it remains the norm.

Conclusion

Malaysia's public education is free for Malaysians. One consequence of the constitution guaranteeing rights for the respective races is the continuation of vernacular education. That the different races attend separate schools is not great for national cohesion. This separation has worsened since the abolishment of English as the medium of instruction.

My experience at national primary school gave me the racial diversity exposure and the opportunity to speak more fluent Malay and English than my Chinese school peers.

Parents also play an important role to groom and guide their children. Zubaidah is a good example – the tireless super-mum.

Zubaidah and Chiew Sia
7th April 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	400.08	412.81	435.93										11.44%
	% chg	2.27%	3.18%	5.60%										
2016	NAV	352.31	360.43	387.79	396.17	386.04	395.41	412.53	411.2	410.02	411.25	388.48	391.19	9.16%
	% chg	-1.69%	2.30%	7.59%	2.16%	-2.56%	2.43%	4.33%	-0.32%	-0.29%	0.30%	-5.54%	0.70%	
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 66.22%
Annualised return 12.68%

By Sector

