



Pangolin Asia Fund April 2024 NAV

As at the 30th of April 2024, the NAV of the Class A shares of the Pangolin Asia Fund was US\$560.25 net of all fees and expenses, down 6.62% from US\$599.94 in March.

As of today, the fund is about 95% invested, with the split being approximately as follows:

Singapore	7%
Malaysia	35%
Indonesia	57%
Philippines	1%

We don't like to disclose our names, but some details are always available to investors (and those wishing to become investors) on request.

Overview

To put things into some perspective, please see the tables below.

Return (in local currencies, except MSCI)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia x JP	MSCI-ASEAN	PAF
Apr-24	-5.00%	-4.16%	-4.41%	-0.75%	2.96%	2.13%	1.46%	-1.07%	-6.62%
YTD 2024	0.34%	5.57%	4.31%	-0.53%	8.34%	1.62%	3.21%	-2.56%	-4.51%

Return (in USD)									
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	MSCI Asia x JP	MSCI-ASEAN	PAF
Apr-24	-5.00%	-4.16%	-4.41%	-3.20%	2.14%	0.99%	1.46%	-1.07%	-6.62%
YTD 2024	0.34%	5.57%	4.31%	-5.79%	4.29%	-1.75%	3.21%	-2.56%	-4.51%

% Change in Currency Vs USD			
Period	MYR	SGD	IDR
Apr-24	-0.80%	-1.11%	-2.47%
YTD 2024	-3.74%	-3.31%	-5.29%

Overview

Barito Renewables Energy (BREN) contributed 2% to the Indonesian index last month. With a substantial index weighting of 10.22%, BREN's share price rose 71%. It trades on a P/E ratio of 417x. Controlled by Indonesia's richest man, Prajogo Pangestu, BREN is part of a portfolio that also includes Chandra Asri Petrochemical (TPIA) and Barito Pacific (BRPT). TPIA, Indonesia's largest petrochemical company, has been losing money for 2 years in a row. Despite this, TPIA's share price rose 30%.

The Indonesian index, however, fell 0.75% (equivalent to -3.20% in USD terms) last month. If both BREN and TPIA were excluded, the decline would have been even greater, at -3.70% (-6.15% in USD).

A combination of a strong USD and further emerging market capitulation by US funds resulted in consumer stocks being hit hard. Our investment focus is on the ASEAN consumer and inflation is biting into spending power, particularly at the lower end. Consequently, our company's Q1 results have, in some cases, been underwhelming and their share prices have suffered. The official inflation rate in Malaysia is 1.8% and Indonesia 3.0%, but as we all know, official rates and reality are very different. And even more so for the poor.



We've made our first ever investment into the Philippines. We've not finished buying and will provide no details until we have, other than it's a consumer company.

The eagle-eyed among you will notice our cash levels have gone up a little. We've had inflows recently (although it's not all one way). We'll be close to fully invested again soon. The fund's AUM is currently US\$190m.

Outlook

Do we need to worry about the squeeze on the consumer? I don't think so. ASEAN's stock markets have been moving in the opposite direction from the constituent nations' economic growth for many years now (the ASEAN Index has fallen 28% in the past decade). Inflation rates wax and wane, but the growth in consumption, driven by an ever-expanding middle class, would appear to be unstoppable. The table below shows the growth in the share of the middle class over a twenty-year period in which there've been varied economic and political conditions. The odd slow quarter or even year doesn't matter that much, particularly if share prices overreact.

See the table below:

Country	Population (million) (2023)	Share of Middle Class (2000)	Share of Middle Class (2020)	2023 GDP (in USD billion)	Compounded GDP growth (1970-2022)
Indonesia	279	4%	→ 29%	1,371	5.3%
Malaysia	34	23%	→ 33%	416	6.0%
Philippines	116	12%	→ 27%	437	4.1%
Singapore	6	50%	→ 88%	501	6.5%
Thailand	70	24%	→ 63%	515	5.0%
Vietnam*	105	1%	→ 16%	434	6.4%
ASEAN 6	611			3,623	5.5%

Source: World Bank, Asian Development Bank

*Vietnam data is available from 1984

Inflation squeezes both purchasing power and the ability to repay loans. We've seen a small rise in non-performing loans in Indonesian banks and finance companies (we own two Indonesian finance companies).

We've owned BFI Finance in Indonesia for 17 years. In April, its share price fell 22% from Rp1,340 to Rp1,050 on the back of rising interest rates, margin compression and an uninspiring set of results. During the years we've owned the company, we've seen all this before. And the converse too. Including dividends, our holding has compounded at an annualised 26%. It's Indonesia's last remaining sizeable independent finance company. One day a bank will try to buy it. There's a controlling block of 48% and the shares are easily worth Rp2,000 to an incoming bidder.

ASEAN's 680 million people present an important consumer market for multinationals. The region is experiencing strong FDI flows, both for export (semi-conductors, nickel etc) and those aimed at the ASEAN consumer. Microsoft is investing \$1.7bn into data centres in Indonesia and another \$2bn in Malaysia. BYD and other Chinese EV manufacturers will open manufacturing operations in Indonesia. And you'll be aware of the boom in semi-conductor manufacturing in Singapore, Malaysia and elsewhere, driven both by new technology and the need to be not-in-China. Stock prices in no way reflect the underlying economic reality.

Why not? Well, when markets fall for as long as they have, most punters understandably lose interest. Furthermore, it's now as easy to trade NASDAQ, ETFs, commodities and currencies via apps as it is to trade one's domestic markets. See <https://www.moomoo.com/my/>, an app being advertised on the TV here in Malaysia.



A few years ago, trading the US was out of reach for most Malaysians. Now, not only is it easy, but it's often more appealing.

Coutts Bank in the UK has announced it is moving £2bn of its £10bn AUM out of the UK stock market, leaving a mere £200m invested there. The EU is talking about merging stock exchanges to counter the US. And US exchanges, recognising their international appeal, are talking about 24-hour trading. The world has changed, the action is in the US and to survive, at some stage international stock markets will require joint trading arrangement with Nasdaq and the multitude of trading apps. Stocks without a listing in the US are being passed over. Talk to value managers anywhere and they'll tell you the same story.

Of course, Coutts' timing might be appalling. It might coincide with peak dollar and peak Nvidia.

Having said that, Malaysia's stock market has returned to life this year and is up 8% in local currencies or 4% in USD. Retail interest has returned as well as some institutional buying. But it's not a huge amount and it's largely passive/index.

My colleagues Irvan Mondro and Bill Betts will be marketing the fund in the US from May 13th – 24th. Their itinerary is pretty full but if you'd like to see them, drop Bill a line at bill@pangolinfund.com.

When I say it's full, it's full of meetings, but we're not packing out hotel conference rooms. Some money managers we've seen before declined a meeting this time. ASEAN remains close to the bottom of the in-tray for many. However, we're still seeing family office and endowment interest in the US. i.e. from those that can make a decision based on value and a decent time horizon.

This current disinterest gives us the opportunity to accumulate shares in businesses for well below what they're truly worth. I estimate our fund could double and still be reasonably valued. One day, it will.

The opportunity to acquire shares cheaply is far greater when they are low than when they're high. We all know that when the fund and our markets have risen 50%, we'll have to hire larger meeting rooms. US and other interest will be high. But when's the best time to make money?

Our forecast yield across the fund is 5.7%. This net cash portfolio is on a PE of 9.6x with a Return on Invested Capital of 26%. Investors should be queuing down the street to see us...

Pangolin Asia Fund weighted valuations (30 Apr 2024)

	2024F
P/E (x)	9.6
Profit Growth (%)	11
ROE (%)	19
ROIC (%)	26
Div Yield (%)	5.7

GDP Forecasts	2024F
Malaysia	4.6%
Singapore	2.8%
Indonesia	4.9%
Philippines	5.8%
Thailand	4.0%

Source: CGS Securities



Outsourcing

It's not only manufacturing that is outsourced to Asia. For a long time now, a lot of back-office audit and legal work has been done by cheaper Asian colleagues, possibly without you even knowing. Education may well be the next area.

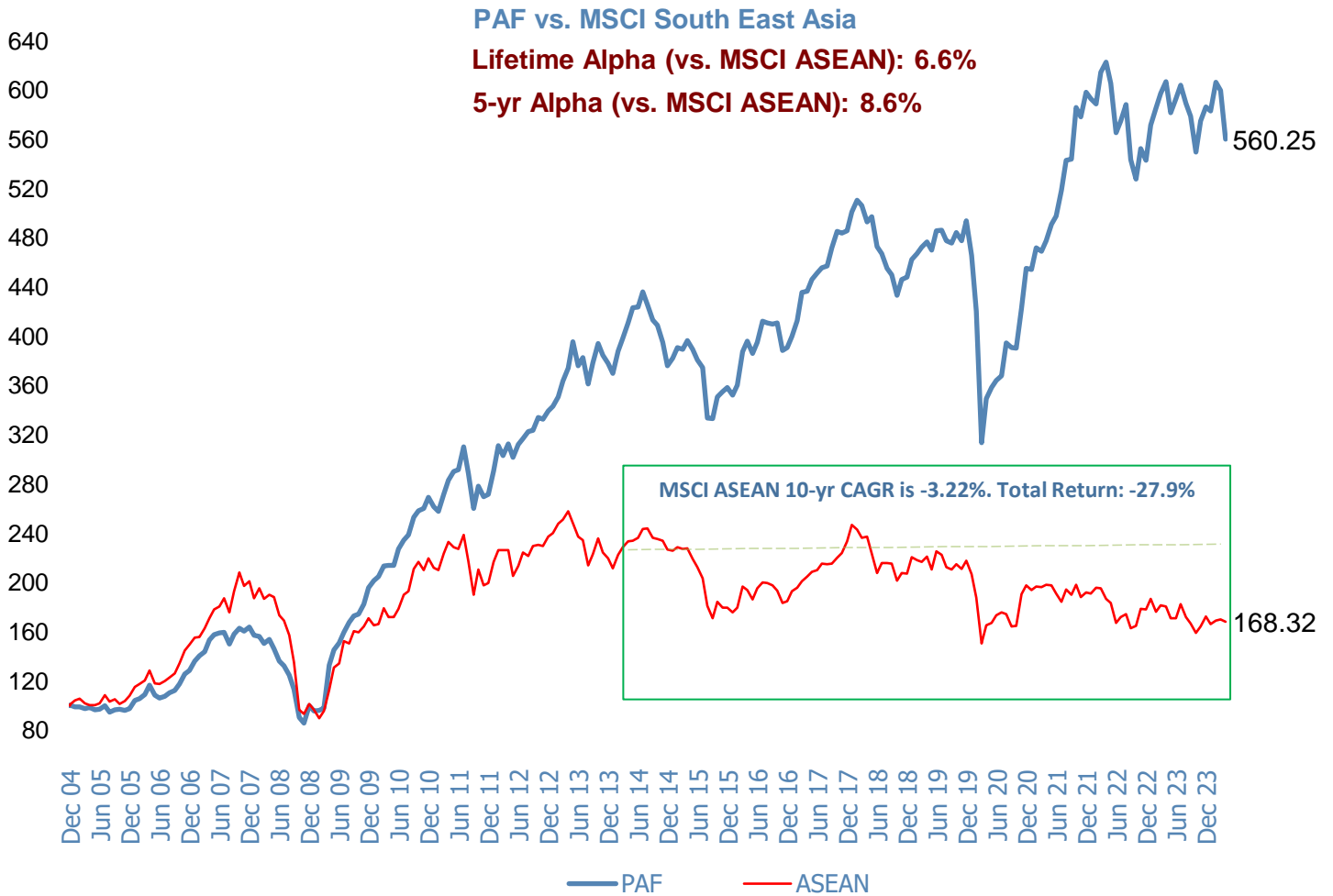
For those of you in the UK sending your kids to boarding school, your fees are already astronomical. A year's boarding fees at Epsom College in the UK are £46,000. The Labour Party, which will almost certainly be in power by the year end, has pledged to levy VAT of 20% on private school fees, so the bill will rise to £55,000 – and that's before violin lessons.

Epsom College in Malaysia is offering UK residents a flat rate of £26,000 for full boarding, fixed for the duration of the child's time at the school. Or £28,000 including three return flights to the UK for the holidays. Same school. Same education. Better weather. Asia is so competitive on many, many levels.

James
7th May 2024



Nineteen years track record and annualised return of 9.28%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024	NAV	583.20	599.94	599.94	560.25									-4.51%
	% chg	-0.59%	2.87%	0.00%	-6.62%									
2023	NAV	571.92	585.67	597.55	606.77	581.95	593.00	604.19	589.30	578.62	549.65	574.87	586.68	8.00%
	% chg	5.28%	2.40%	2.03%	1.54%	-4.09%	1.90%	1.89%	-2.46%	-1.81%	-5.01%	4.59%	2.05%	
2022	NAV	593.29	588.82	614.73	622.83	605.35	565.54	574.94	588.17	543.35	527.78	552.46	543.22	-9.23%
	% chg	-0.86%	-0.75%	4.40%	1.32%	-2.81%	-6.58%	1.66%	2.30%	-7.62%	-2.87%	4.68%	-1.67%	
2021	NAV	454.64	471.89	469.26	477.70	491.07	497.99	518.78	542.88	544.24	585.87	578.32	598.45	31.44%
	% chg	-0.15%	3.79%	-0.56%	1.80%	2.80%	1.41%	4.17%	4.65%	0.25%	7.65%	-1.29%	3.48%	
2020	NAV	465.73	420.43	313.82	349.63	358.55	364.26	367.99	394.82	391.21	390.47	422.87	455.32	-7.80%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%	7.29%	-0.91%	-0.19%	8.30%	7.67%	
2019	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87	484.37	477.85	493.85	10.21%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%	1.79%	-1.35%	3.35%	
2018	NAV	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.40	446.46	448.11	-7.76%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%	-4.90%	-1.17%	-2.56%	-1.10%	-3.75%	3.01%	0.37%	
2017	NAV	400.08	412.81	435.93	436.54	446.18	451.43	455.76	457.12	472.10	485.61	483.86	485.79	24.18%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%	2.86%	-0.36%	0.40%	
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%	

Best monthly return **35.77%**
Worst monthly return **-25.36%**
Maximum drawdown **-47.53%**
% of positive months **63.95%**
Annualised return **9.28%**



By Sector

