



Pangolin Asia Fund January 2019 NAV

As at the 31st of January 2019 the NAV of the Class A shares of the Pangolin Asia Fund was US\$462.51 net of all fees and expenses, up 3.21% from US\$448.11 in December.

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

As of today, the fund is about 86% invested, with the split being approximately as follows:

Singapore	12%
Malaysia	37%
Indonesia	35%
Thailand	16%

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
Jan 2019	7.17%	7.87%	5.46%	-0.42%	3.96%	4.98%	7.28%	6.44%	3.21%
12 months	-4.40%	-4.24%	-1.10%	-9.90%	-9.73%	-10.13%	-16.58%	-10.65%	-7.70%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Jan 2019	7.17%	7.87%	8.61%	0.51%	5.29%	8.67%	7.28%	6.44%	3.21%
12 months	-4.40%	-4.24%	-5.25%	-14.23%	-11.98%	-9.83%	-16.58%	-10.65%	-7.70%

% Change in Currency Vs USD				
Month	IDR	MYR	SGD	THB
Jan 2019	0.93%	1.29%	2.98%	3.52%
12 months	-4.81%	-2.49%	-4.20%	0.34%

In the October NAV newsletter I mentioned that Selangor Properties was being taken private by the majority shareholder, but at a price we felt was a bit too low. The good news is by acting with another much larger shareholder, we have managed to get another 10% out of them. It's still low but we will accept it and move on. Assuming the shareholders vote to accept the offer on Wednesday then we can treat the holding as cash; it is about 5% of the fund. This will be redeployed when we get it.

We were attracted to Selangor Properties (SPB) when they started to monetise some of their valuable assets at very good prices in 2012 and 2013 e.g. a compulsory land acquisition by MRT Corp and sale of its 51%-owned higher education business, HELP International. These brought in a total one-off gain of RM495m or RM1.44 per share. We received almost a third of it in special dividends.



SPB was trading at 40% of revalued NAV (RM11/share). Additionally, a quarter of its market cap was net cash. No one cared about the stock as the company was relatively inactive for many years. But we reckoned this would change and were proved right when activity picked up and the former chairwoman passed down the baton to her son. Our CAGR return (including dividends) over 4 years 1 month is 13.9% in USD. In that same holding period, the USD return for the KLCI was -15%.

We owned Selangor Properties for its assets rather than for its growth potential. In our part of the world it is often possible to buy companies trading at significant discounts to their net asset value. However, we then have to have a careful look at the major shareholders because they can basically do what they want with these assets. This can be a good thing, but it can also be very bad. And directors in this part of the world very often do not consider it to be a part of their job to stand up to the major shareholder (who appointed them).

In Asia one does not question the boss. This is changing but it is only gradual. Now this is great when there's a great boss and a committee reaching consensus would only hamstring him. But in many cases, and often when they are most necessary, the checks and balances common in the West do not function in Asia.

At a recent meeting with the management of one of our companies I asked if the non-execs ever questioned the boss in board meetings. There was no satisfactory answer given. And this is at a company with long-serving (well over the recommended nine years) directors. Blame it on Confucianism or just good old-fashioned filial piety but minority shareholders are not always well-represented in Asia.

This explains why mediocre white boys like me can do quite well in the East. I remember at my first job in Malaysia the boss used to chair the morning meeting. There's be about 20 of us in there, everyone with a First in something difficult - and me. The boss would pontificate and they'd all agree. By Day 2 I was disagreeing, much to the joy of my colleagues who didn't want me there and reckoned I'd be out fairly quickly.

And what isn't fair is that had it been one of my Asian colleagues saying "no, Mr Wong, that is nonsense" they might well have been in trouble. But contradiction coming from a Westerner was quite acceptable.

Things are changing but deference is still the norm. At company meetings I assume everyone else can see through the shenanigans managements are proposing, but it is not in the culture to rock the boat. But when I or my colleagues get up and point out the obvious, then the other shareholders often come out of their shells and join in.

A balance between constructive and destructive criticism is required. Asians will rule the world for sure, but imagine how much more powerful they will be when those at the top are more willing to listen to those at the bottom.

Gong Xi Fa Cai,

James Hay.
11th February 2019

We 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 happiest when markets are falling.

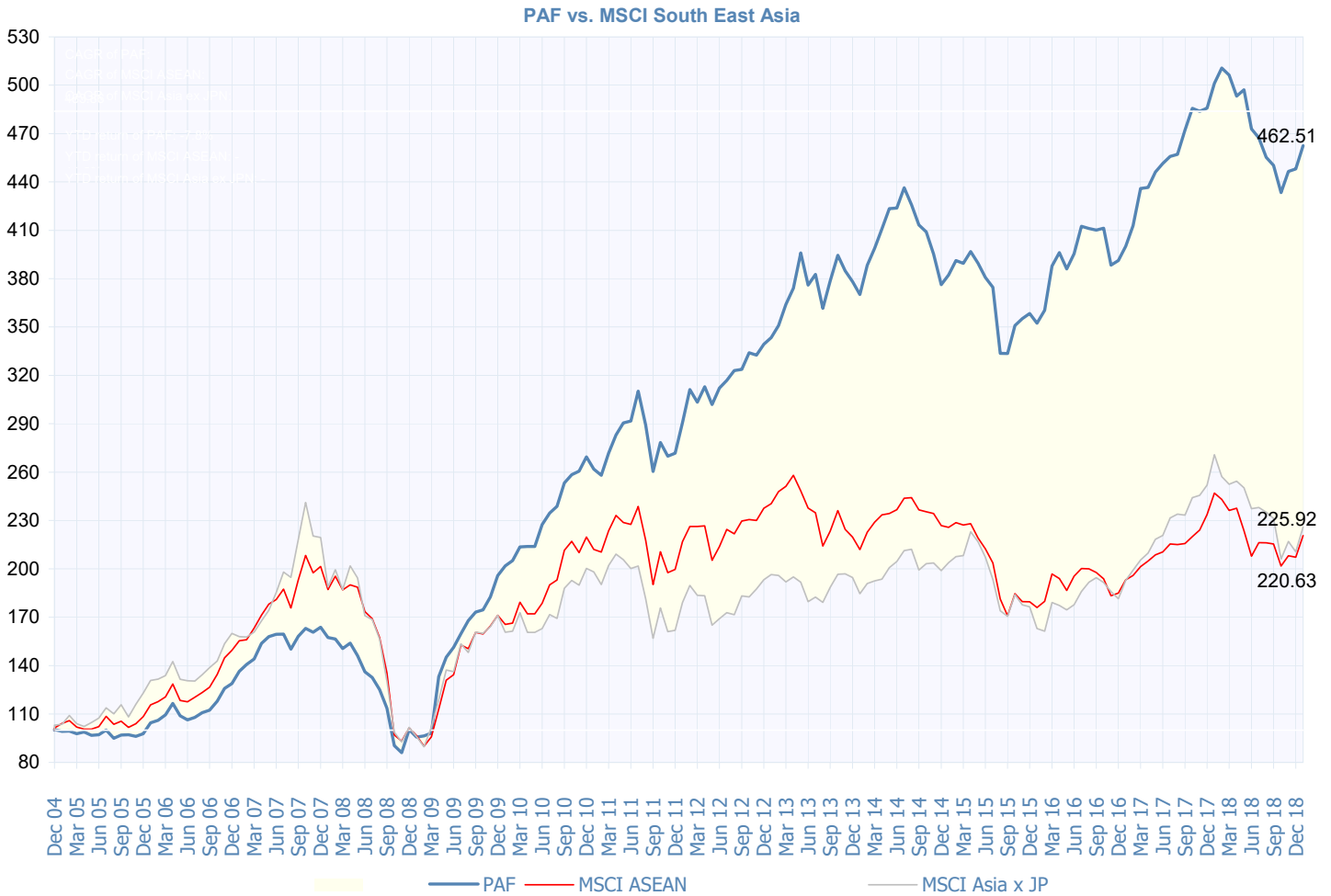


Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	NAV % chg	462.51 3.21%												3.21%
2018	NAV % chg	501.11 3.15%	510.62 1.90%	506.32 -0.84%	493.22 -2.59%	497.19 0.80%	472.82 -4.90%	467.29 -1.17%	455.31 -2.56%	450.29 -1.10%	433.40 -3.75%	446.46 3.01%	448.11 0.37%	-7.76%
2017	NAV % chg	400.08 2.27%	412.81 3.18%	435.93 5.60%	436.54 0.14%	446.18 2.21%	451.43 1.18%	455.76 0.96%	457.12 0.30%	472.10 3.28%	485.61 2.86%	483.86 -0.36%	485.79 0.40%	24.18%
2016	NAV % chg	352.31 -1.69%	360.43 2.30%	387.79 7.59%	396.17 2.16%	386.04 -2.56%	395.41 2.43%	412.53 4.33%	411.2 -0.32%	410.02 -0.29%	411.25 0.30%	388.48 -5.54%	391.19 0.70%	9.16%
2015	NAV % chg	382.31 1.60%	391.18 2.32%	389.48 -0.43%	396.82 1.88%	389.67 -1.80%	380.77 -2.28%	374.61 -1.62%	333.73 -10.91%	333.52 -0.06%	350.84 5.19%	355.19 1.24%	358.38 0.90%	-4.76%
2014	NAV % chg	370.08 -2.16%	388.25 4.91%	398.79 2.71%	410.89 3.03%	423.38 3.04%	423.84 0.11%	436.37 2.96%	425.85 -2.41%	413.36 -2.93%	408.97 -1.06%	395.23 -3.36%	376.28 -4.79%	-0.52%
2013	NAV % chg	343.47 1.23%	350.86 2.15%	364.04 3.76%	374.14 2.77%	395.94 5.83%	375.98 -5.04%	382.69 1.78%	361.54 -5.53%	378.56 4.71%	394.53 4.22%	384.87 -2.45%	378.24 -1.72%	11.48%
2012	NAV % chg	290.78 7.00%	311.15 7.01%	303.35 -2.51%	313.01 3.18%	301.88 -3.56%	312.18 3.41%	316.87 1.50%	323.01 1.94%	323.75 0.23%	334.08 3.19%	332.63 -0.43%	339.29 2.00%	24.85%
2011	NAV % chg	261.86 -2.82%	258.03 -1.46%	271.83 5.35%	283.00 4.11%	290.51 2.65%	291.75 0.43%	310.23 6.33%	289.05 -6.83%	260.46 -9.89%	278.31 6.85%	269.95 -3.00%	271.75 0.67%	0.85%
2010	NAV % chg	201.91 3.08%	205.09 1.57%	213.68 4.19%	227.44 6.44%	213.93 -5.94%	227.45 6.32%	234.62 3.15%	238.78 1.77%	253.28 6.07%	258.37 2.01%	260.53 0.84%	269.47 3.43%	37.58%
2009	NAV % chg	95.67 -4.59%	96.38 0.74%	98.12 1.81%	133.22 35.77%	145.25 9.03%	151.32 4.18%	159.71 5.54%	167.99 5.18%	173.21 3.11%	174.49 0.74%	182.60 4.65%	195.87 7.27%	95.34%
2008	NAV % chg	157.49 -3.89%	156.55 -0.60%	150.63 -3.78%	154.03 2.26%	146.18 -5.10%	136.23 -6.81%	132.58 -2.68%	125.09 -5.65%	113.55 -9.23%	90.36 -20.42%	85.98 -4.85%	100.27 16.62%	-38.81%
2007	NAV % chg	136.43 5.90%	140.75 3.17%	144.17 2.43%	153.68 6.60%	157.90 2.75%	159.36 0.92%	159.56 0.13%	150.23 -5.85%	158.13 5.26%	163.17 3.19%	160.72 -1.50%	163.86 1.95%	27.19%
2006	NAV % chg	104.53 6.89%	106.09 1.49%	109.42 3.14%	116.62 6.58%	108.82 -6.69%	106.34 -2.28%	107.96 1.52%	110.76 2.59%	112.41 1.49%	117.94 4.92%	125.81 6.67%	128.83 2.40%	31.74%
2005	NAV % chg	99.24 -1.13%	99.37 0.13%	97.77 -1.61%	98.86 1.11%	96.77 -2.11%	97.05 0.29%	100.14 3.18%	94.90 -5.23%	96.99 2.20%	97.05 0.06%	96.14 -0.94%	97.79 1.72%	-2.57%
2004	NAV % chg	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	- -	100.37 0.37%	

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 65.88%
Annualised return 11.42%



Pangolin Asia Fund's Performance in 14 Years vs. MSCI Indices





By Sector

