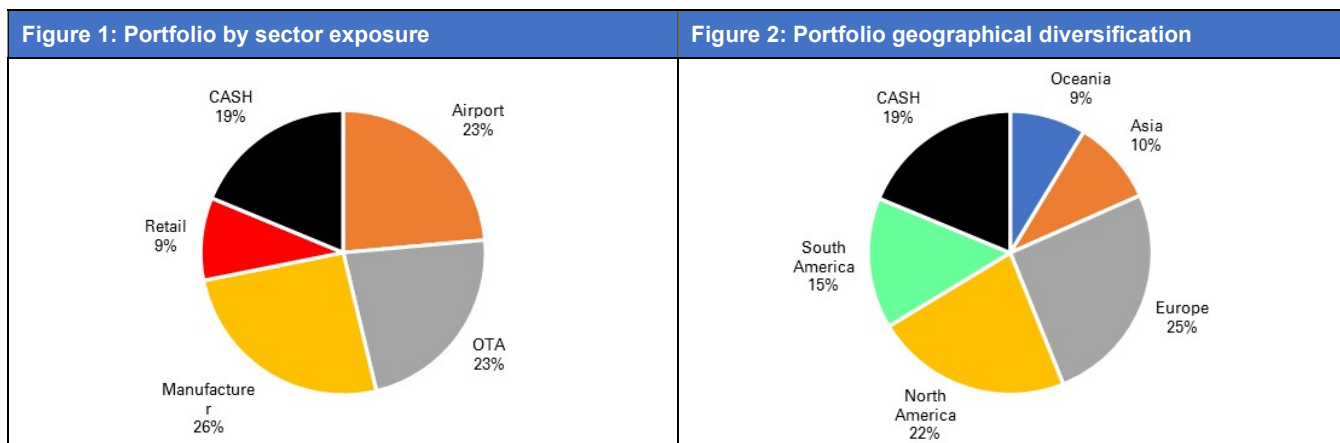




Pangolin Aviation Recovery Fund April 2021 NAV

	4-Jan-2021	29-Jan-2021	26-Feb-2021	31-Mar-2021	30-Apr-2021	YTD
NAV (in USD)	100.0	93.38	112.20	116.87	116.30	116.30
Month on month change		(6.62%)	20.55%	4.16%	(0.49%)	16.30%

As of 30th April 2021, the NAV of Class A shares of the Pangolin Aviation Recovery Fund was USD116.30 net of all fees and expenses. This represents a 0.49% decrease over March 2021 and a 16.30% increase since its launch on 4th January 2021. The fund is 81% invested, spread across five industry sectors and five continents (please refer to Figures 1 and 2).



“I” for ironic

April 2021 was nasty for many reasons. First, it is the first-quarter results season, which I categorically refer to as the judgement quarter.

To understand why I refer to it as such, we must first look back into the fourth quarter. This is when the management gives its first sneak peek into the New Year. They appreciably sound upbeat, a little bit like an Amway speaker. This is understandable as it is human tendency to believe things will be better next year. To get an accurate gauge for the upcoming year, the fourth quarter is usually not the best yardstick.

The first-quarter result is a different story. That is when the management’s infantile bliss hits puberty. The auditors have had a look into their accounts, issued annual reports, and provided the dreaded full-year outlook. You will notice management’s language in the outlook statement has changed; it is akin to a legal document. Any positive statement/s will be accompanied by lengthy disclaimers and any negative statement/s will be accompanied by detailed reasons and causes. To get a reflective gauge for the year, the first quarter is when you should pay full attention.

As of yesterday, we have tuned in to 28 company results and analyst calls. The general takeaways are: (1) still loss-making but showing tangible improvement; (2) traffic/volume is growing every quarter, but the quantum varies tremendously across the region; and (3) management’s optimism on the ongoing vaccination campaign will eventually unlock the door to business recovery. The impression you get is that the nightmare will be over at some point this year and we will awake to a new beginning.

Australasian companies and some Asian companies are more upbeat and have guided for return to profitability as early as 2Q-2021. Australia and New Zealand have commenced their travel bubble on 19 April – the first

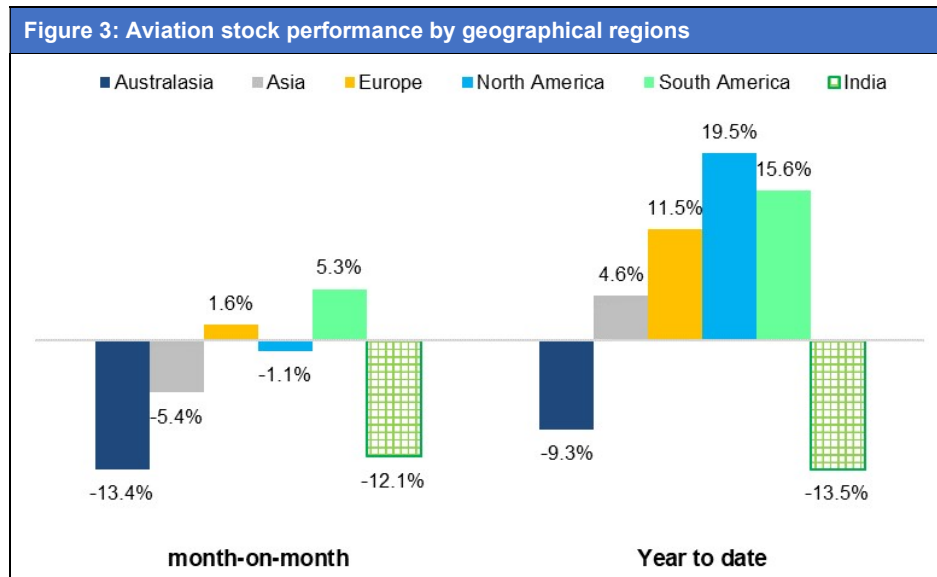


and the only one in the world, with much success and is watched keenly by travel enthusiasts around the world.

Companies based in India and South America are suffering from the surge of new Covid-19 cases which are both more virulent and lethal. Their recovery story will take a longer time. I anticipate that many of them will have to raise funds from the capital market again to shore up their finances.

In terms of share price performance, we experienced situational irony as depicted in Figure 3 below. Aviation stocks based in Australasia performed the worst in April despite having the best industry fundamentals. Conversely, it was South America that enjoyed the best share price gains last month despite having the most fragile and precarious industry fundamentals. It is upside down.

Our investments in China and Australia suffered and were the main contributor to the NAV decline this month. The stock market is littered with anomalies from time to time, and this is another episode of strange and perplexing times. We are confident with our investments in China and Australia; we just have to wait a little longer for this awkward phase to pass until strong fundamentals become the beacon for stock valuation again.



Portfolio constituents



The portfolio consists of ten companies spread across eight countries as of 30 April 2021.



We have reduced our exposure to terminal retail as we sold our entire stake in Autogrill. The stock has reached our implied fair value and we executed our strategy accordingly. Apart from this, we bought shares on existing names in the portfolio to rebalance the portfolio exposure.

1 billion doses done, the second billion will come much faster

More than 1.21 billion doses have been administered across 174 countries, according to data collected by Bloomberg (updated as of 6th May 2021).

Things are ramping up fast. It took 61 days to vaccinate the first 100 million people. Now, it can be done in 5 days. By the end of next month, it is estimated to reduce further to 4 days.

The table below provides a simple simulation of when will these countries be able to fully vaccinate 70% of their population based on the current run rate. 70% is a significant number because it means all the adult population would have been vaccinated, leaving teenagers, children, and babies. Disclaimer, this analysis is not entirely accurate as we expect the daily run-rate to gradually fall in tandem with fewer available unvaccinated people.

Country name	% population received 1 st dose	% population received 2 nd dose	Current run-rate (doses per day)	70% of population fully vaccinated
Israel	59.8	56.0	8,478	19 Jan 2022 (258 days)
U.S.A	44.7	32.3	2,132,487	9 Aug 2021 (95 days)
European Union	25.8	9.5	2,966,911	10 Sep 2021 (129 days)
United Kingdom	52.1	23.8	448,798	9 Aug 2021 (95 days)
Germany	29.5	8.3	690,536	6 Sep 2021 (123 days)
France	25.9	11.0	424,951	10 Oct 2021 (158 days)
Spain	26.9	11.6	262,672	12 Sep 2021 (130 days)
Switzerland	21.7	11.2	48,035	12 Nov 2021 (191 days)
Singapore	23.9	14.9	45,531	9 Sep 2021 (127 days)
Brazil	15.8	8.1	734,198	2 Apr 2022 (331 days)
India	9.6	2.3	1,793,387	14 Jan 2024 (983 days)

Sources: Bloomberg Covid-19 tracker, updated 6th May 2021

When we look at the vaccination data objectively, we can be more optimistic about the upcoming second-quarter results and third-quarter results. Looking at the pandemic data on a day-by-day basis will lead to bad investment decisions. North America and Europe will likely showcase the best incremental quarterly improvement based on this simple vaccination analysis above.

For now, we have to contend with the volatility and anomaly of share price behaviour. April was nasty and early May is looking even worse. But I know opportunities lurk somewhere if we search hard enough.

Belt up folks, we are going thru some turbulence.

Mohshin Aziz
7th May 2021