



Pangolin Asia Fund August 2015 NAV

As at the 31st of August 2015 the NAV of the Class A shares of the Pangolin Asia Fund was US\$ 333.73 net of all fees and expenses, down 10.91% from US\$374.61 in July.

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

As of today, the fund is about 84% invested with the split being approximately as follows:

Singapore	22%
Malaysia	27%
Indonesia	31%
Thailand	20%

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

Overview

Our cash is mainly in US\$. As a percentage of the fund the cash has remained largely unchanged, despite our continued buying of stocks. That kind of sums up what happened to the \$ and the equity markets in August.

To put the month 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	PAF
Aug 15	-6.6%	-6.3%	-6.1%	-6.4%	-8.8%	-4.0%	-10.0%	-10.9%
YTD 15	-7.3%	-4.2%	-13.7%	-8.4%	-13.2%	-7.7%	-12.5%	-11.3%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Aug 15	-6.6%	-6.3%	-9.6%	-14.8%	-11.5%	-5.6%	-10.0%	-10.9%
YTD 15	-7.3%	-4.2%	-23.9%	-23.8%	-18.4%	-15.3%	-12.5%	-11.3%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Aug 15	-8.9%	-2.6%	-4.3%	-1.9%

The weak currencies, particularly the Ringgit and Rupiah, continue to impact the fund's valuation. Actually without currency moves, the fund would only be down 1.7% YTD and would have been up for most of the year. See the table below for more detail.



2015 Year-to-date Performance

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Period	Reported NAV	% return	FX impact	% return (ex-FX)	NAV ex FX
Dec-14	376.28	-4.8%	-7.2%	2.4%	387.34
Jan-15	382.31	1.6%	-1.8%	3.4%	389.04
Feb-15	391.18	4.0%	-2.0%	6.0%	398.76
Mar-15	389.48	3.5%	-3.1%	6.6%	401.26
Apr-15	396.82	5.5%	-1.6%	7.1%	402.97
May-15	389.67	3.6%	-3.5%	7.0%	402.76
Jun-15	380.77	1.2%	-4.7%	5.9%	398.34
Jul-15	374.61	-0.4%	-6.1%	5.7%	397.62
Aug-15	333.73	-11.3%	-9.6%	-1.7%	369.88

Period	USD/MYR	USD/SGD	USD/IDR	USD/THB
31-Dec-14	3.50	1.33	12,388	32.9
30-Jan-15	3.63	1.35	12,672	32.8
27-Feb-15	3.60	1.36	12,932	32.4
31-Mar-15	3.70	1.37	13,074	32.5
30-Apr-15	3.56	1.32	12,963	33.0
29-May-15	3.67	1.35	13,224	33.7
30-Jun-15	3.77	1.35	13,339	33.8
31-Jul-15	3.83	1.37	13,539	35.0
31-Aug-15	4.19	1.41	14,067	35.8

Month-on-month Analysis

Period	Reported NAV	% return	FX impact	Return ex-FX
Jan-15	382.31	1.6%	-1.8%	3.4%
Feb-15	391.18	2.3%	-0.2%	2.5%
Mar-15	389.48	-0.4%	-1.1%	0.6%
Apr-15	396.82	1.9%	1.5%	0.4%
May-15	389.67	-1.8%	-1.7%	-0.1%
Jun-15	380.77	-2.3%	-1.2%	-1.1%
Jul-15	374.61	-1.6%	-1.4%	-0.2%
Aug-15	333.73	-10.9%	-3.9%	-7.0%

The obvious question to ask is “why don’t we hedge the currencies?” Clearly our stock picking is being hit by the FX impact. My view is that currency hedging and stock analysis are two very different skills. My colleagues and I hope we can identify when a company is priced well below any sensible valuation, but to tell which way a currency is going to move is almost certainly beyond us. If we tried, it would dominate our time and thinking, at the expense of our company analysis.

Our intention is to be long term shareholders of the businesses in which we invest. We try to identify companies with managements that have proven their ability to manage currency fluctuations and whatever else life throws at them. The hope is that long-in-the-tooth managers are able to adapt to FX moves, in effect, and over time, running the hedge for us. When the change is this sharp, there is, of course, a lag.

Malaysia

The 1MDB debacle continues. Despite continued denials of impropriety from 1MDB and the Prime Minister, the business community and urban population have lost faith. In my KL suburb **For Sale** signs abound as rich Malaysians prefer to invest overseas rather than at home.

Although the mood is bleak in Malaysia (even the football team lost 10-0), if one removes the sentiment, actually there is little reason for the currency to be SO weak – i.e. weaker than everything else. Malaysia runs a trade surplus, its recent export numbers were better than expected and government spending is within control.

As an open, trading nation, the weak currency will benefit the business community. Malaysia remains an attractive place to do business and the political situation isn’t, so far, changing that. Speaking to my manufacturing friends is encouraging; although they are keeping one eye on the political situation, Malaysia’s cost competitiveness has been enhanced. However, for the Ringgit to recover significantly, sentiment will have to do a U-turn for these manufacturers to bring their profits home. Currently, it is hard to see this happening without leadership change.



Extinct

In the past month it has been announced that the Sumatran Rhino is almost certainly extinct in the wild in Malaysia. Poaching is part of it, as is loss of habitat. Congratulations to the timber and palm oil industries for their role in the elimination of this pest. Now hurry up and help wipe out the last of those troublesome orang utangs too.

Outlook

It's all gloom and doom. Malaysian retail sales fell 12% in Q2. Indonesian motorcycle sales are down 21% YOY. There was that bomb in Bangkok. The haze from the burning of Indonesian forests is back. It really couldn't be worse.

In my opinion current valuations are extrapolating this pessimism. We continue to invest – even in Malaysia. Can anyone remember the last time you heard a commentator recommending a BUY on Emerging Markets? I can't. That's surely a good sign.

James Hay
9th September 2015

I 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 happy when markets falling. Remember, markets can go up as well as down.



PANGOLIN INVESTMENT MANAGEMENT

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	NAV	382.31	391.18	389.48	396.82	389.67	380.77	374.61	333.73					-11.31%
	% chg	1.60%	2.32%	-0.43%	1.88%	-1.80%	-2.28%	-1.62%	-10.91%					
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 65.89%
Annualised return 11.86%

By Sector

