



# Pangolin Investment Management

## Pangolin Asia Fund November 2011 NAV

As at the 30<sup>th</sup> of November 2011 the NAV of the Class A shares of the Pangolin Asia Fund was US\$269.95 net of all fees and expenses, down 3.0% from US\$278.31 in October. YTD we're up 0.2%. It's been a hard year. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 92% invested (we've been buying), with the split being approximately as follows:

Indonesia	34%
Malaysia	38%
Singapore	20%
Thailand	8%

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

### Overview

As usual, whenever we buy the market goes down further. Our short term decision making is pretty hopeless but over the past 5 years the fund has returned an annualised 17% or so.

### Outlook

If you are a Japanese bloke with a destroyed factory where will you rebuild it? Wet Thailand? Indonesia with its lack of infrastructure, corruption and above-inflation minimum wage increases? China, with its strikes?

It is no coincidence that **Malaysia's** FDI for the first 9 months of 2011 is up 42% YOY. And it is no coincidence that the fund's Malaysian stocks now account for the largest weighting in the portfolio.

I'm finding life a bit frustrating at the moment. Not because stocks have been falling (I like that) but because it is increasingly hard to discuss much other than Europe with many potential investors.

I've just been to Kelimutu, a beautiful volcano with three different coloured lakes on the island of Flores, **Indonesia**. The first time I went to Flores was during the Asian financial crisis in 1999. Indonesia was hit very hard and one thing I noticed was just how skinny people were. Indonesians were seriously destitute.

Some still are, but many are now having to loosen their belts a notch or two as the benefits of economic growth are filling their tummies. Those who haven't been to Bali for a while will be appalled by the traffic jams. I recall when sitting in an Ubud café was a pleasant thing to do. Now one is deafened by the constant roar of small-engined motorbikes. (To be truthful, as owners of a couple of motorcycle financing companies, it's not too unpleasant a sound.)

The Asian consumer is getting richer. Just look at the girls in Singapore (one of my hobbies) and try to calculate what they spend on their appearance. Or look at the huge watches on the men. This ongoing enrichment is despite the fact that we always seem to be in the whirlwind of some crisis or other.

Asians are undergoing revolutionary lifestyle changes. Many are moving away from muddy padi fields to slick urban yuppie lifestyles. It is my belief that even the dumb muppets running Europe (and I hope I'm not upsetting the Muppets here) cannot derail this change.



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Future Yuppie



Shopping for Cosmetics in Kupang, West Timor

As always when investing, a good story is one thing but being able to buy it at the right price is the key. The selling by speculators is providing investors with the opportunity to buy this story at stupidly low valuations. By the way, my definition of an investor is someone with *at least* a three year view.

The actions of these short term players have depreciated the S\$ against the US\$. I don't like to bet on currencies but does anyone really think the US is a good long-term bet against Singapore? The near-sighted are giving one the chance to buy Singapore assets for less; that to me sounds like a good thing.

Many stocks are cheap. They are not as cheap as they were in 2008/9 (I wish they were) but they are cheap enough to make decent long term gains. Will they get as cheap as they were three years ago? Who knows?

Our best estimate is that the fund's weighted PE and yield for 2012 are about 8x and 5% respectively.

November is the fund's year end. I would like to say a big thank you to our service providers and my colleagues Vinchel, Irvan and Zu for all their hard work. +0.2% doesn't sound that great but believe me it's taken some effort to achieve even that.

Merry Christmas and Happy New Year,

James Hay  
9<sup>th</sup> December 2011

Ps. If you own palm oil companies your New Year's resolution should be to find a nicer way to make money. The following letter was published in last week's Jakarta Post:

## Orang utans, RIP

*I appeal to my fellow Indonesian citizens to help us save orang utans from Malaysian palm oil companies.*

*Recently, just one Malaysian palm oil company in east Kalimantan exterminated several dozen orangutans, a species legally protected under our own laws, and the company knew about it. Elsewhere in Central Kalimantan, another Malaysian palm oil company is trying to destroy a pristine rainforest and it contains 2,500 orangutans.*

*If we are to save anything of our forests, indigenous people and our wildlife for future generations to see and appreciate, we need to act fast.*

*Do you want to be telling your children and grandchildren there are no orang utans left because you did nothing while Malaysian palm oil companies got richer at their expense?*



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The choice is yours.

The time to take action is now. There is very little time left.

Please, will YOU help us save our forest and orang utans from the Malaysians?

Hardi Baktiantoro  
Jakarta

I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in the fund. If you have any questions, concerns, ideas, or just fancy an argument, please get in touch.

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	Nav	261.86	258.03	271.83	283.00	290.51	291.75	310.23	289.05	260.46	278.31	269.95		0.18%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%	0.43%	6.33%	-6.83%	-9.89%	6.85%	-3.00%		
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	182.6	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	157.9	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	94.9	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%	% of positive months	69.05%
Worst monthly return	-20.42%	Annualised return	15.24%
Maximum drawdown	-47.53%	5-year CAGR	16.50%