



Pangolin Asia Fund May 2017 NAV

As at the 31st of May 2017 the NAV of the Class A shares of the Pangolin Asia Fund was US\$446.18 net of all fees and expenses, up 2.21% from US\$436.54 in April.

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

As of today, the fund is about 78% invested with the split being approximately as follows:

Singapore	13%
Malaysia	35%
Indonesia	32%
Thailand	20%

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
May 2017	0.3%	1.2%	0.9%	-0.1%	1.1%	-0.3%	4.1%	1.8%	2.2%
YTD 2017	6.3%	7.7%	8.3%	7.6%	11.5%	1.2%	20.2%	12.8%	14.1%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
May 2017	0.3%	1.2%	1.0%	1.3%	2.1%	1.3%	4.1%	1.8%	2.2%
YTD 2017	6.3%	7.7%	9.6%	12.7%	16.5%	6.6%	20.2%	12.8%	14.1%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
May 2017	1.4%	1.0%	0.05%	1.6%
YTD 2017	4.8%	4.6%	1.1%	5.3%

Wing Tai Malaysia

We have owned Wing Tai Malaysia (WTM) for a number of years. For a while this stock has been trading far below any realistic valuation. At the end of last month, it closed at RM1.15 against our valuation of about RM4.00.

WTM has landbanks in Penang state, prime residential developments in KL and a retail arm which includes the franchise for the fast-growing Uniqlo. In a way, it is a classic Pangolin stock: Illiquid, not covered by brokers and trading at a massive discount to its true value. WTM's NTA is RM2.73 per share and at RM1.15 the company was trading at 16x its fast-growing retail earnings alone.

We were prepared to sit on this investment for a while yet, waiting for the market to see what we see; and buying more on weak days. Unfortunately, Wing Tai Singapore (WTS), who own about 66%, have made an offer for the remaining shares at **RM1.80** which, as they well know, is far below the company's true worth.



Why would anyone sell? We hope no-one does but unfortunately there is a ridiculous clause in the Malaysian Stock Exchange's rules that insists on a 25% free float. This can be used as a weapon by potential acquirers of companies against minorities, as it is being used in this case. Basically, what WTS is saying is that once they get to 75%, the company will be in breach of the listing rules, that they will do nothing to rectify this breach and that they do not intend to maintain the listed status.

In Singapore, the minimum free float is 10%, which makes sense as it is in line with the compulsory acquisition threshold. I first complained about this crazy Malaysian ruling back in 2003 when Bumi Armada was privatised. Similar wording was used then. In the past couple of weeks, I have twice emailed Malaysia's stock exchange chairman on this matter. No reply.

In a country where the majority of businesses are family-controlled, minorities need all the protection they can get. The current listing requirements make it easy for controlling shareholders to buy up their companies on the cheap. The authorities are failing investors.

Free float requirement for listed companies

Malaysia	25%
Indonesia	7.5%
Singapore	10%
Thailand	15%

Wing Tai Singapore is doing nothing wrong. Like us, they want to buy assets at a bargain and they would have been advised that they can probably buy WTM for far below what it is worth. Which brings us on to the subject of independent directors and advisers.

I have been quite vociferous at WTM's AGMs in criticising the longevity and age of the independent directors. In general, at any company's AGM, Pangolin votes against the reappointment of directors who have held their posts for over 9 years or are past retirement age. Ironically, these same independents also control the nomination committee, which generally recommends their reappointment.

The following statement was released with the notice of the intended offer: *The Board will hold a Board meeting to deliberate the Offer and make an announcement in due course.*

Next announcement: *The Board of Directors of WTM ("Board") has deliberated on the Offer and decided not to seek an alternative person to make a take-over offer for the Offer Shares.*

In accordance with Paragraph 3.06 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions, the Board has resolved to appoint Mercury Securities Sdn. Bhd. as the Independent Adviser to provide comments, opinions, information and recommendation on the Offer to the non-interested directors and holders of the Offer Shares on the Offer.

Mr. Cheng Wai Keung, Mr. Edmund Cheng Wai Wing and Y. Bhg. Tan Sri Dato' Paduka Dr. Mazlan bin Ahmad who are interested in the Offer have abstained from the above deliberations and decisions of the Board and will continue to abstain from all deliberations and decisions of the Board in relation to the Offer.

The independent directors have appointed little-known Mercury Securities to give us independent advice. Cynics would contend that no board has ever appointed an Independent Adviser who will give guidance they don't want. Well I am prepared to give plucky little Mercury the benefit of the doubt in this case. What with the NTA of RM2.73 being 50% above the offer price and this profitable company holding valuable assets & retail franchises, the advice they should be giving is so glaringly obvious as there is absolutely no rationale for anything other than to REJECT THE OFFER.

I assume Mercury employs top notch analysts, so they will doubtless concur with our valuation of about RM4.00. It's not a complicated calculation. Add the real value of the assets and assign the retail a PE of 10x, which is low. We'd be happy to share our valuation methodology with them if they are struggling with the sums.



Outlook

Be careful.

Some markets are at all-time highs and speculative (and as far as I can see worthless) assets like Bitcoin are flying. It won't go on forever, so remain prepared for downcycles.

Having said that, economic activity in ASEAN is picking up. The numbers look encouraging and business optimism is returning. Remember, like Wing Tai Singapore, just don't overpay; and welcome the chance, when it comes, to buy cheaply with open ~~arms~~ wallets.

Wishing all my fasting Muslim friends Selamat Hari Raya Aidil Fitri,

James Hay
June 7th 2017

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
2017	NAV	400.08	412.81	435.93	436.54	446.18								14.06%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%								
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%	
2004	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
	% chg	-	-	-	-	-	-	-	-	-	-	-	0.37%	

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 66.67%
Annualised return 12.71%

By Sector

