



Pangolin Asia Fund May 2018 NAV

As at the 31st of May 2018 the NAV of the Class A shares of the Pangolin Asia Fund was US\$497.19 net of all fees and expenses, up 0.80% from US\$493.22 in April.

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

As of today, the fund is about 93% invested, with the split being approximately as follows:

Singapore	12%
Malaysia	39%
Indonesia	32%
Thailand	17%

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 2018	1.05%	2.16%	-0.18%	-6.94%	-5.14%	-2.99%	-1.63%	-5.89%	0.80%
YTD 2018	-1.23%	1.18%	-5.85%	-3.13%	0.74%	-1.52%	-0.61%	-4.33%	2.35%

Return (in USD)									
Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
May 2018	1.05%	2.16%	-0.06%	-8.25%	-5.97%	-4.55%	-1.63%	-5.89%	0.80%
YTD 2018	-1.23%	1.18%	-8.16%	-1.50%	0.62%	0.04%	-0.61%	-4.33%	2.35%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
May 2018	-1.41%	-0.87%	0.12%	-1.61%
YTD 2018	1.68%	-0.12%	-2.45%	1.58%

In a post-election month that saw Malaysia fall 8% in US\$ terms, not being invested politically-linked stocks rather saved our beef-bacon.

I had a bit of luck last month. Just before lunchtime on Friday May the 4th (when I should have been working) I was wandering around Megamall in KL, Malaysia. It all was pretty quiet until I entered the Padini Concept Store which was buzzing. We've owned Padini for a long time, so I was a happy bunny to note that it was the busiest store in the place.

Padini's shares had fallen from RM5.50 to 4.50 so, on seeing the queues for the tills, I bought a few more. Post-election, following the announcement that GST would be abolished, it soared. I should have bet the farm, but there you go.



Why we don't invest in politically-linked stocks

We try to invest in fundamentally sound businesses when their prices are still attractive. We first bought Padini in 2007 and sold it in 2013 when H&M, Zara, GAP & Uniqlo all arrived in Malaysia and ate into Padini's pie. We bought back a bit cheaper in November 2014 at a price of about RM1.80. Worryingly, it then fell to as low as RM1.30 or so before recovering; our faith in the management has since been vindicated.

Padini is a high street fashion retailer. It outsources its manufacturing and rents its stores. It is highly efficient and well-managed by the Yong family. The above-mentioned global giants presented a threat, to which the company has responded.

It has cash on the balance sheet and pays a dividend 4x a year. We need the management to stay on top of fashion trends and to design and sell clothes people want, something at which they've proved to be more than adept. But we have to keep an eye on the business.

Fundamentals and performance charts since Malaysia's 14th election in May are below.

Padini Holdings

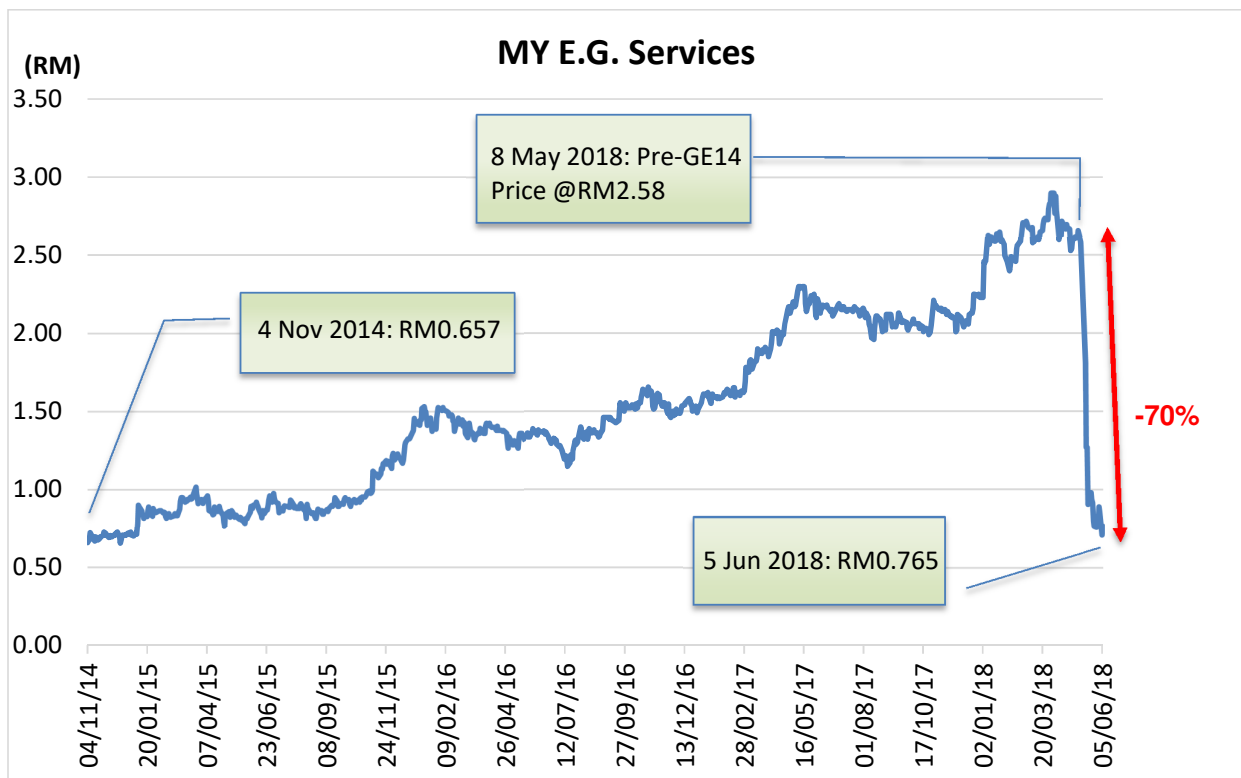
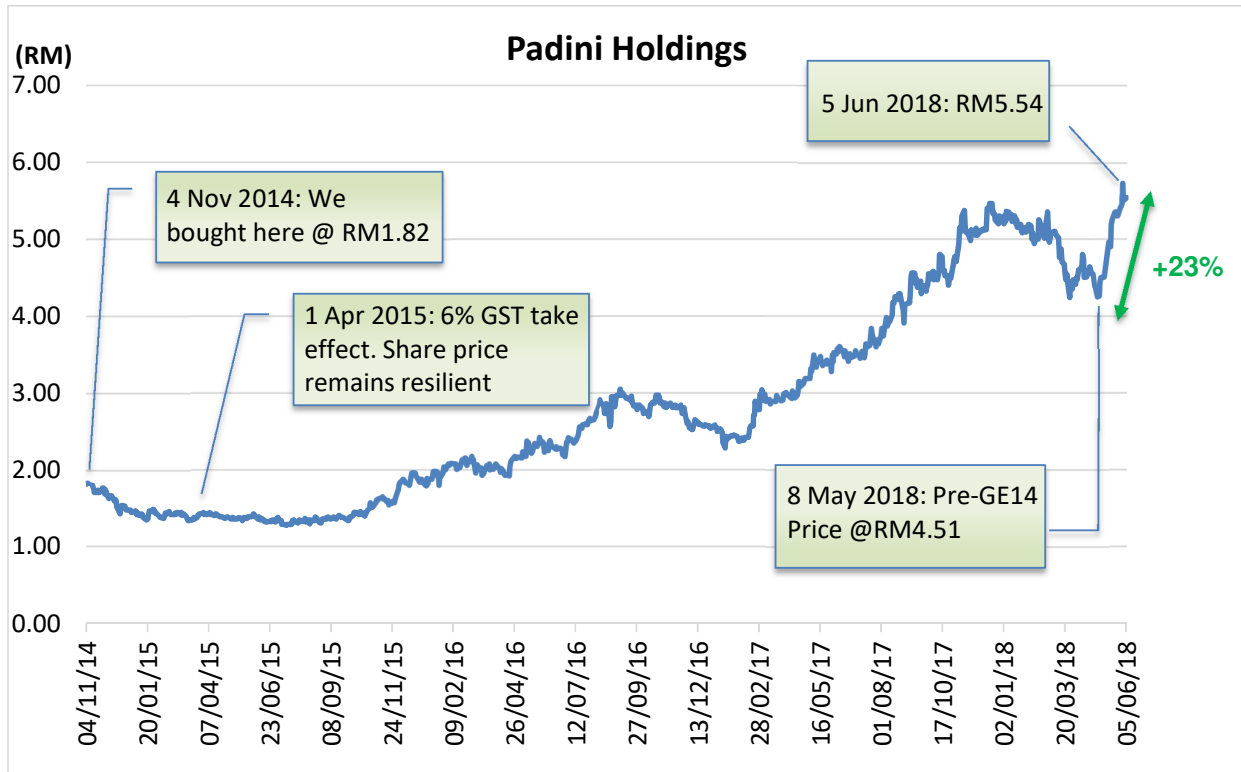
	5-Jun-18	Pre-GE14	% change
Market cap (USDm)	913.5	743.7	23%
FY18F PE(x)	20.5	16.7	
ROE (%)	32.2	32.2	
ROIC (%)	106.2	106.2	
Div Yield (%)	2.1	2.5	
Net cash/equity (x)	0.69	0.69	

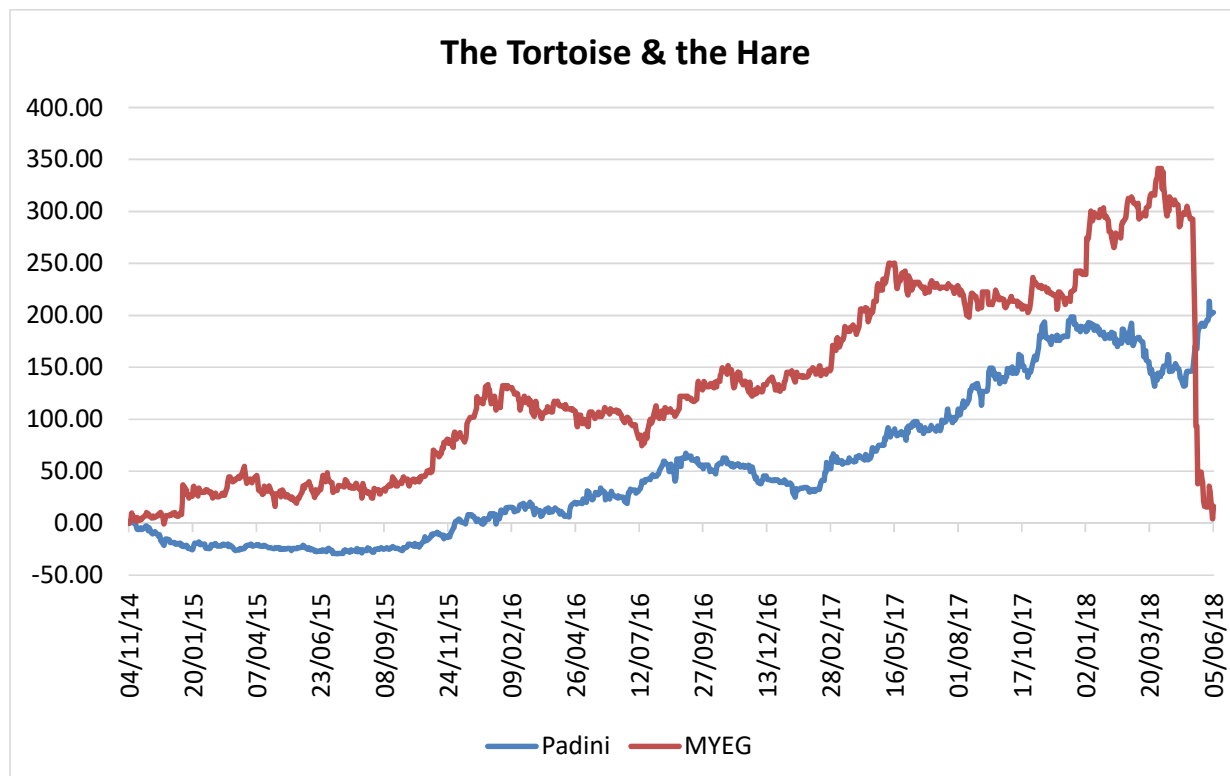
Contrast that with **MYEG Services**, a politically-linked stock which was awarded endless contracts by the old Barisan National government to process motor offences, parking tickets, document foreign workers etc. This is a company that was awarded contracts based on who-you-know rather than what-you-know.

Its major shareholder was related to the women's wing of the major government party, UMNO. It was a stellar performer. We visited management a few years ago and were impressed by the numbers. But the political risk, however small it seemed at the time, was too high. And it failed one of our key investment tests. That being, if someone were to move the company from Malaysia to another country, how would it get on. Without the political connections, the answer is obvious. I reckon the Yong family behind Padini would, after an initial struggle, make a go of it.

And since Malaysia now has a new government in power, MYEG is seeing contract after contract being cancelled. Going forward, Malaysians are hopeful that the new government fulfils its promises of open tenders and transparency.

Contrast the two share price charts.





I would like to thank Curtis Lee of Lantern Investment Advisory LLC who pointed out the relative performances of Padini and MYEG to me. Otherwise the newsletter would have been all about US bond yields and economics and stuff.

Thanks Curtis.

James Hay.
6th June 2018

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
2018	NAV	501.11	510.62	506.32	493.22	497.19								2.35%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%								
2017	NAV	400.08	412.81	435.93	436.54	446.18	451.43	455.76	457.12	472.10	485.61	483.86	485.79	24.18%
	% chg	2.27%	3.18%	5.60%	0.14%	2.21%	1.18%	0.96%	0.30%	3.28%	2.86%	-0.36%	0.40%	
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 67.28%
Annualised return 12.61%

By Sector

