



Pangolin Asia Fund September 2018 NAV

As at the 30th of September 2018 the NAV of the Class A shares of the Pangolin Asia Fund was US\$450.29 net of all fees and expenses, down 1.10% from US\$455.31 in August.

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 | 12% |
| Malaysia | 41% |
| Indonesia | 29% |
| Thailand | 18% |

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 |
| Sep 2018 | 1.90% | 0.43% | -0.70% | -1.46% | 1.36% | 2.02% | -1.61% | -0.36% | -1.10% |
| YTD 2018 | 7.04% | 8.99% | -5.96% | -0.20% | -4.29% | 0.15% | -8.14% | -7.83% | -7.31% |

| Return (in USD) | | | | | | | | | |
|-----------------|-------|---------|---------|--------|--------|-------|------------|------------|--------|
| Period | DOW | S&P 500 | JSE | KLSE | STI | SET | MSCI ex JP | MSCI-ASEAN | PAF |
| Sep 2018 | 1.90% | 0.43% | -1.98% | -2.15% | 1.73% | 3.43% | -1.61% | -0.36% | -1.10% |
| YTD 2018 | 7.04% | 8.99% | -14.47% | -2.42% | -6.46% | 0.93% | -8.14% | -7.83% | -7.31% |

| % Change in Currency Vs USD | | | | |
|-----------------------------|--------|--------|--------|-------|
| Month | IDR | MYR | SGD | THB |
| Sep 2018 | -1.30% | -0.71% | 0.37% | 1.38% |
| YTD 2018 | -9.05% | -2.22% | -2.27% | 0.78% |

Indonesia

The slide in the Rupiah isn't helping us. Nor is the current aversion to EMs. The more the Rupiah slides the harder it is to balance the trade account and the more the fears of cost-push imported inflation. At some point the downward spiral will end – the value is there – but things normally overshoot.

Back in 1998 Indonesia had a serious problem and the Rupiah collapsed. In 2008 the currency fell 30% for no really good reason, before recovering. This time around, Indonesia has twin deficits but they are not severe. Unfortunately, since what happened in 1998, it appears to be almost compulsory for any financial journalist writing about deficits anywhere to mention Indonesia somewhere in the article.

Fiscally things could be better, but this is certainly not Argentina or Turkey.



As one would expect, the government's response has not been helpful. Measures to address the trade balance include a tax on imports. To be fair, they have raised interest rates but their response is being hampered by the upcoming must-win presidential election in April next year; and don't expect this to be a pushover for the incumbent Jokowi - who would really like to be handing out goodies to the electorate in the coming months.

As I have yet to finish my university economics course please take the following with a pinch of salt, but the root of all problems would appear to stem from budget deficits which lead to ill-disciplined over-spending. In turn, this results in a desire to keep interest rates low in order to keep debt servicing affordable, thus encouraging the population to borrow and overspend, some of which goes on imports; and hogwash about capital imports "being different".

Imagine a world in which countries were forced to run a 2% budget surplus which would include debt repayment, not just debt servicing. CNBC would go out of business as the economists would have nothing to talk about.

Outlook

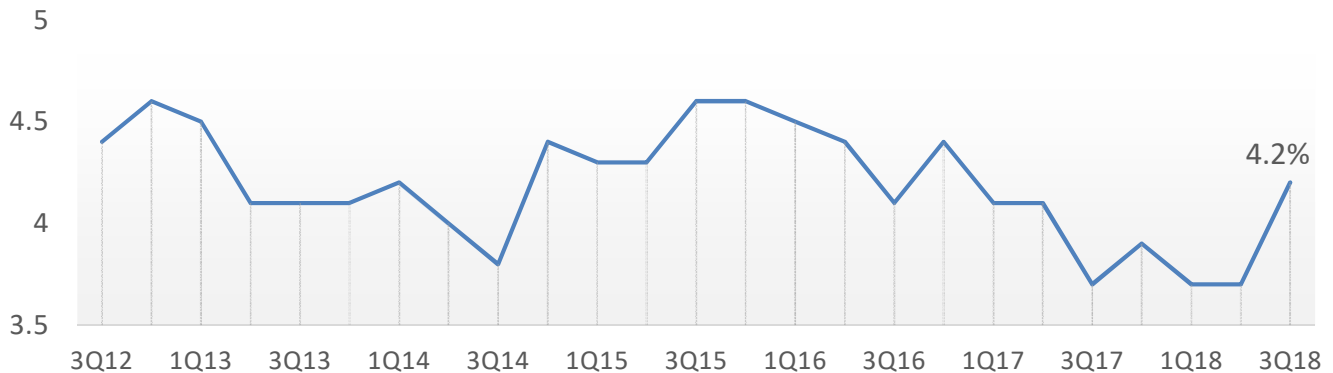
The underperformance of our markets is leading to a re-emergence of value and our company visits and research continue to unearth buy ideas. In an environment in which EM fund managers are looking for any excuse to sell, a bad quarter can hammer share prices.

The businesses we own are doing better than the fund's performance might suggest. It is an attritional market with a combination of selling and currency weakness making progress difficult.

In February 2016 the fund's yield touched 4.8% but we have a very different bag of stocks now including more property which I have written about before. If we exclude our property stocks – and we are in them for the valuation gap – then the fund's yield is now 4.7%. With them, the yield is 4.2%.

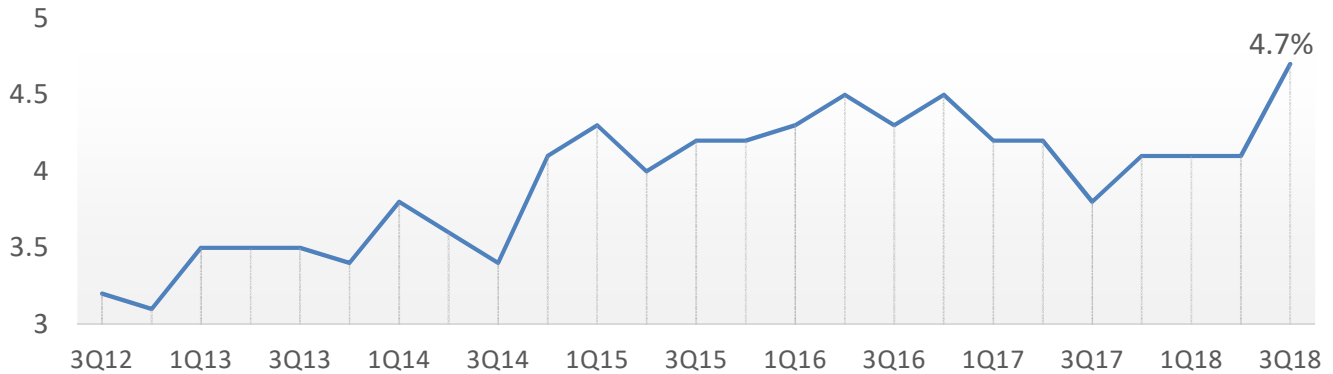
See the charts below – sorry we only started monitoring this 5 years ago.

PAF Dividend Yield (%)





PAF Dividend Yield Ex-Properties (%)



Congratulations

Our COO Jalene Ngiam became a mother to a bonnie boy by the name of Jayden last month. Congratulations to her and Ryan.

James Hay.
8th October 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 | 472.82 | 467.29 | 455.31 | 450.29 | | | | -7.31% |
| | % chg | 3.15% | 1.90% | -0.84% | -2.59% | 0.80% | -4.90% | -1.17% | -2.56% | -1.10% | | | | |
| 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 65.66%
Annualised return 11.49%

By Sector

