



Pangolin Asia Fund Aug 2019 NAV

As at the 31st of August 2019 the NAV of the Class A shares of the Pangolin Asia Fund was US\$477.67 net of all fees and expenses, down 1.74% from US\$486.12 in July.

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

As of today, the fund is about 91% invested, with the split being approximately as follows:

Singapore	21%
Malaysia	31%
Indonesia	34%
Thailand	14%

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	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Aug 2019	-1.72%	-1.81%	-2.60%	-0.97%	-1.39%	-5.88%	-3.33%	-4.62%	-4.53%	-1.74%
YTD 2019	13.19%	16.74%	20.01%	2.16%	-4.64%	1.23%	5.82%	2.08%	2.55%	6.60%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Aug 2019	-1.72%	-1.81%	-2.60%	-2.20%	-3.24%	-6.76%	-2.48%	-4.62%	-4.53%	-1.74%
YTD 2019	13.19%	16.74%	20.01%	3.54%	-6.27%	-0.54%	11.65%	2.08%	2.55%	6.60%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Aug 2019	-1.88%	-0.93%	-1.24%	0.88%
YTD 2019	-1.71%	-1.75%	1.35%	5.51%

Eagle-eyed readers will note that our cash has fallen to 9%. Rather inevitable really as weak markets compel us to buy more.

Indonesia's Papua Problem

Back in 1962 the Dutch decided they no longer wanted their half of Papua and handed it to Indonesia on the condition there would be a referendum to allow the Papuans to decide their fate. In August 1969 1,025 village heads (to represent all Indonesian Papuans) were polled – after allegedly having been coerced to vote remain. The 50th anniversary of this sham referendum was August 2nd and has led to even more protests than usual.

Indonesia has responded with a military crackdown, including a raid on a dormitory at a university in Surabaya, during which the Papuan students were called monkeys by the police. This of course has only inflamed the situation.



There are horrific videos of violence doing the rounds on the internet. This isn't a problem that is going to go away; the people of the Papua and West Papua provinces don't want to be part of Indonesia. They maintain that their only common link is having been colonised by the Dutch.

Indonesia might be more sympathetic if its largest taxpayer wasn't the giant Grasberg copper mine owned by the local unit of Freeport McMoran and the Government of Indonesia. This happens to be in Papua.

Will the Papuans win? Currently not only are journalists and local human rights groups barred from the Papuan provinces, but so is Michelle Bachelet, the UN high commissioner for human rights. Clearly Indonesia feels it has plenty to hide. And this is under a "reformist" President.

The risk, for a country whose borders were drawn by colonial powers, is that if Papua were allowed to secede, other provinces would follow. This is unlikely; the last to go was East Timor, or Timor Timor as the Indonesians called it. (Its new name is Timor Leste and all three mean East East). The East Timorese had little in common with the Indonesians, having been invaded when the Portuguese left.

In 1999 while volunteering on an organic vegetarian Buddhist commune in Australia I listened to radio documentary about East Timor's push for independence. The general conclusion was that ET was far better off remaining part of Indonesia, given its arid landscape and population of 600,000. I can't recall if it was mentioned that Australia had negotiated oil and gas exploration deals in Timorese waters with the Indonesian government, but it all sounded rather sensible. Anyhow, I decided it seemed like an interesting place (and a change from where I was) so I bought a ticket to West Timor and caught a bus on to Dili.

Within half an hour of venturing out of the Hotel Turismo for a stroll and a coffee I was convinced of the argument for independence. The locals hated the Indonesians, particularly the army, and I heard tale after tale of abuse. One afternoon, while walking out of Dili a jeep pulled up, the window rolled down and an Australian asked me where I was going. He informed me that a white man walking around on his own was likely to be disappeared by the army on the assumption that he was a human rights activist or something similarly meddlesome.

This Aussie was married to a local whose father was one of the traditional rulers; then powerless but with influence. With the independence referendum a few months away, that night I joined a dinner with the Aussie's in-laws and three US embassy officials who were after the lowdown on how a future independent East Timor might look. The outcome was not in doubt but the biggest fear was how much damage and violence would be instigated by the Indonesian occupiers before they left.

In the west of East Timor, but before West Timor (confused yet?) there were *transmigrasi* villages – i.e. populated by Indonesians from elsewhere in the archipelago - ostensibly to open up farmland but seen by locals as further proof of occupation. These kampungs saw a lot of violence, if not directed by the army not stopped by them either. It was also noticeable that every army truck heading west was packed full of stuff, but empty coming back. They knew which way the wind was blowing.

It would appear that history is repeating itself in Papua and, at some point, depending on how it wants to be seen by the world, Indonesia will have to cave on this. Indonesia is a member of G20 and clearly enjoys the prestige that comes with this membership. There is also a strong civil society and a free press which exert pressure domestically. This is countered by nationalist fervour, largely led by the military and other strongman figures.

While most of us watch events unfold in Hong Kong, Indonesia's Papua problem is largely invisible. The UK Guardian is the place to go for further reading: <https://www.theguardian.com/world/west-papua>



Outlook

Ignore all the headlines; life goes on as normal for business owners. The good news is that if, in Asia, your business is successful, you get to keep a lot more of the gains. Which you can reinvest and compound. See below the marginal tax rates on earnings over USD100,000 equivalent.

Marginal salary tax rates over USD 100,000 equivalent

Country	2018	2013	Ppt change +/-
Malaysia	25.00	26.00	-1.00
Singapore	15.00	15.00	0.00
Indonesia	30.00	30.00	0.00
Thailand	30.00	30.00	0.00
United States	24.00	28.00	-4.00
UK	40.00	40.00	0.00
Germany	42.00	42.00	0.00
France	41.00	41.00	0.00
Italy	43.00	43.00	0.00
Netherlands	51.95	52.00	-0.05
Greece	45.00	42.00	3.00
Belgium	50.00	50.00	0.00
Portugal	48.00	48.00	0.00

The countries in which Pangolin invests are highlighted in yellow. Note that “other taxes” are generally far lower in Asia. For example, there are no inheritance tax or capital gains taxes (other than on property) in this part of the world. This lack of disincentive to earn is entrepreneur friendly.

James Hay.
10th September 2019

We don't like to discuss our 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.



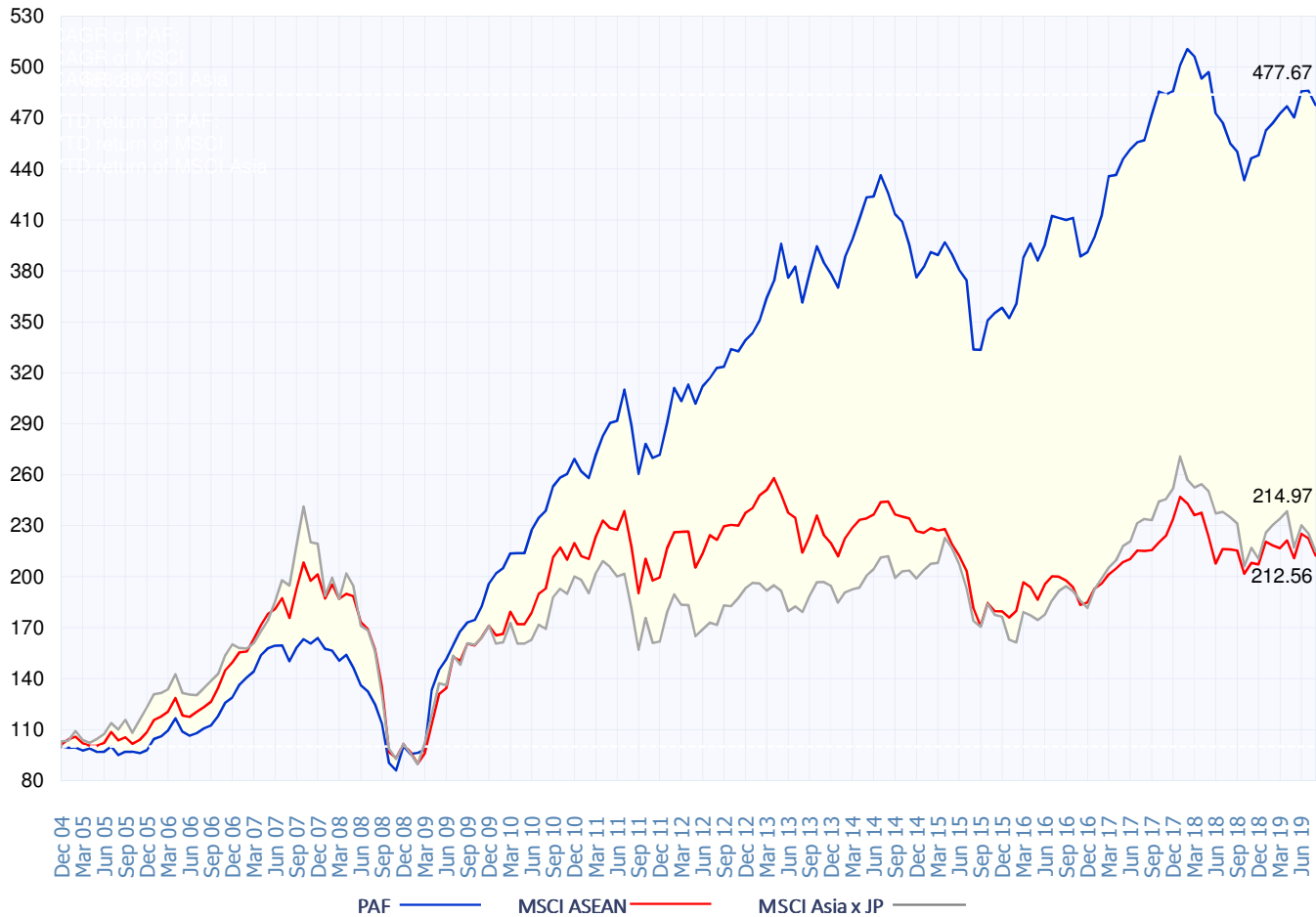
Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67					6.60%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%					
2018	NAV	501.11	510.62	506.32	493.22	497.19	472.82	467.29	455.31	450.29	433.40	446.46	448.11	-7.76%
	% chg	3.15%	1.90%	-0.84%	-2.59%	0.80%	-4.90%	-1.17%	-2.56%	-1.10%	-3.75%	3.01%	0.37%	
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 66.10%
Annualised return 11.18%



Fourteen years track record and annualised return of 11.18%

PAF vs. MSCI South East Asia



By Sector

