



Pangolin Asia Fund December 2016 NAV

As at the 31st of December 2016 the NAV of the Class A shares of the Pangolin Asia Fund was US\$391.19 net of all fees and expenses, up 0.70% from US\$388.48 in November.

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

As of today, the fund is about 95% invested with the split being approximately as follows:

Singapore	13%
Malaysia	34%
Indonesia	33%
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
Dec 2016	3.3%	1.8%	2.9%	1.4%	-0.8%	2.2%	-2.3%	0.9%	0.7%
YTD 2016	13.4%	9.5%	15.3%	-3.0%	-0.1%	19.8%	2.9%	3.0%	9.2%

Return (in USD)

Period	DOW	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Dec 2016	3.3%	1.8%	3.5%	0.9%	-1.7%	1.8%	-2.3%	0.9%	0.7%
YTD 2016	13.4%	9.5%	18.0%	-7.1%	-2.0%	20.4%	2.9%	3.0%	9.2%

% Change in Currency Vs USD

Month	MYR	SGD	IDR	THB
Dec 2016	-0.4%	-0.9%	-0.6%	-0.4%
YTD 2016	-4.3%	-2.0%	2.3%	0.5%

We managed to return 9% in US\$ last year. Returns for Brexiteers were even more spectacular.

Pangolin Asia Fund 2016 Return in Various Currencies

	USD	CHF	€ EUR	£ GBP	MYR	SGD	IDR	THB
% chg	9.20%	11.30%	12.80%	30.40%	14.00%	11.30%	6.70%	8.60%

Foreign Exchange Rate

	USD	CHF	€ EUR	£ GBP	MYR	SGD	IDR	THB
15-Dec	1	1	1.09	1.47	4.29	1.42	13788	36.03
16-Dec	1	1.02	1.05	1.23	4.49	1.45	13473	35.84
% chg	n/a	-2.00%	-3.20%	-16.30%	-4.30%	-2.00%	2.30%	0.50%



Macro

The mood is downbeat here in KL, as we wait for the US bubble to burst. As you know, at Pangolin we are seldom gloomy; we can always find something to excite us.

We're not into *macro* but there are a couple of themes perhaps worth looking at.

1) US Protectionism

US trade policy will become more protectionist; we don't have the details but in the short-term it is unlikely to be good for Asia's exporters. And the current USD strength won't be helping their cause (politically).

Of course, over the longer-term, any disadvantageous treatment will just make Asian exporters even more efficient and hamstringing US production still further. Anyhow, there may be a nearer-term shock in the offing.

2) SE Asia becomes Greater China

In an otherwise slow world Chinese investment is more than welcome in SE Asia as regional governments roll out the red carpet. China is becoming increasingly influential as it is prepared to both build and finance infrastructure in Malaysia, Thailand, Indonesia and elsewhere. Some argue that along with \$\$ comes undue influence, especially when soft loans will need repaying, but for now that is something to worry about tomorrow, not today.

PRC money dwarfs anything else out there currently. The only constraint seems to be in terms of what is available for the Chinese to invest in. In Malaysia, a proposed 20 year port development is reportedly attracting interested investors from all over, with the Chinese apparently willing to finance the whole thing.

One hopes that governments will find a balance between sovereignty and \$\$\$, otherwise there may be political problems ahead. But then again, without investment slower economies lead to their own political problems so, on balance, PRC investment in infrastructure and production has to be good for the region.

The good news for dictators, juntas and other corrupt leaders is that Chinese money just doesn't care too much about the politics. In fact, if you look at where Chinese are putting their money, it is seldom into countries with functioning Western democratic systems.

A fascinating insight into the way the Chinese invest and exert influence is to be found in *Where China Meets India: Burma and the New Crossroads of Asia* by Thant Myint-U. This book explores China's investment relationship with Myanmar, where they are pretty much the only game in town. While the West was applying sanctions the Chinese were building ports, roads, railways and factories. And who do you think has the most impact on the politics?

It's also a pretty good introduction to Myanmar and well worth a read for that alone. Pangolin Cricket Club visited Yangon in November and I recommend you go there quickly before mass tourism really kicks off.

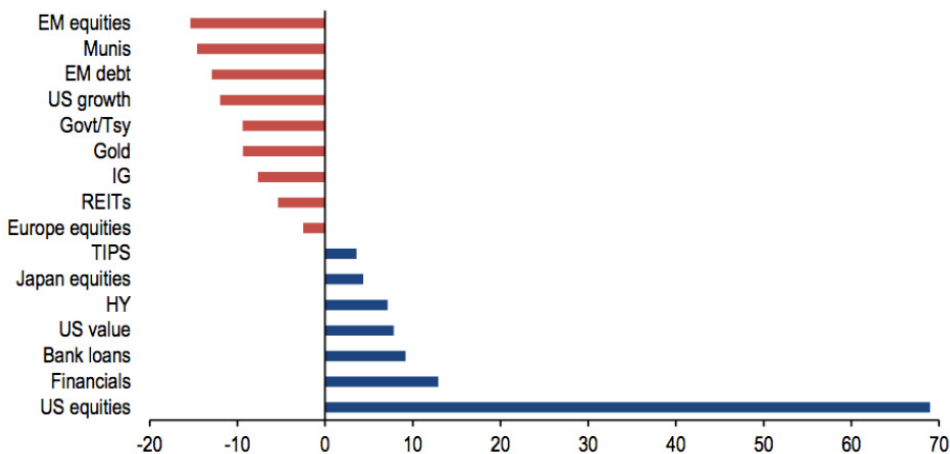


Outlook

At this time of year there is often talk of a Chinese New Year Rally. This year there isn't much of that. Economically Asia is ticking along OK and unsurprisingly (given the FX moves) Malaysia's November exports surpassed expectations.

Since the US election the flight of money from emerging markets to the US has made much of what we own and want to own significantly cheaper. That has to be good news, right?

Chart 1: Cross-asset fund flows since US election (\$bn)



Note: week ending on Nov 9 2016 to present

Source: BofAML Global Investment Strategy, EPFR Global

2016 in Review

Bowie, Prince, Cohen, Michael, Parfitt, Ali, Rickman, Zsa Zsa and many others didn't make it but Mick, Keef, Ronnie and Charlie are still going strong.

Gong xi fa cai,

James Hay
9th January 2017

I 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
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 65.52%
Annualised return 11.95%

By Sector

