



Pangolin Asia Fund January 2021 NAV

As at the 31st of January 2021 the NAV of the Class A shares of the Pangolin Asia Fund was US\$454.64 net of all fees and expenses, down 0.15% from US\$455.32 in December.

As of today, the fund is about 92% invested, with the split being approximately as follows:

Singapore	12 %
Malaysia	23 %
Indonesia	64 %
Thailand	1 %

We don't disclose our names but some details are always available to investors (and those wishing to become 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
Jan-21	-2.04%	-1.11%	1.42%	-1.95%	-3.74%	2.06%	1.22%	3.98%	-1.85%	-0.15%
FY 2020	7.25%	16.26%	43.64%	-5.09%	2.42%	-11.76%	-8.26%	22.47%	-9.34%	-7.80%

Return (in USD)										
Period	DOW	S&P 500	NASDAQ	JSE	KLSE	STI	SET	MSCI ex JP	MSCI-ASEAN	PAF
Jan-21	-2.04%	-1.11%	1.42%	-1.81%	-4.21%	1.53%	1.37%	3.98%	-1.85%	-0.15%
FY 2020	7.25%	16.26%	43.64%	-6.33%	4.22%	-10.17%	-9.04%	22.47%	-9.34%	-7.80%

% Change in Currency Vs USD				
Month	MYR	SGD	IDR	THB
Jan-21	-0.49%	-0.52%	0.14%	0.15%
FY 2020	1.76%	1.80%	-1.31%	-0.85%

In terms of stock market activity, we've had a relatively active month. Recently we've added a few new names to the portfolio, virtually exited Thailand and sold a little BFI Finance, the latter into rumoured takeover-induced euphoria. We've begun to add a new name in Malaysia and have added two more in Indonesia. These are all relatively small positions and if we had more cash, we'd increase them. At one point in January the fund was up over 5%, but the last few days saw to that. Indonesia, in particular, has been hit hard as Covid infections continue to rise there.

Also, the much talked about US\$ decline also fizzled out. Maybe 2021 won't be the year the US\$ reverses after all.

Malaysia – Muhyiddin's Masterstroke?

Malaysians can be forgiven for a WTF! moment this morning when reading in the paper that Malaysia has achieved its highest ever rating in **The Democracy Index 2020**, as ranked by the Economist Intelligence Unit. Why the choking on the cornflakes? For those not up with the news, Malaysia's parliament is currently suspended and the country is under a state of emergency. This is in order to combat Covid, says the Government, but to stay in power, alleges the opposition.



The current government coalition, led by PM Muhyiddin Yassin, has a majority of 1 or 2, depending on whom you listen to. Included in this majority is the former PM, Najib Razak, who fired Muhyiddin from his post as deputy PM over 1MDB back in 2015. Muhyiddin joined the opposition, came to power under Dr Mahathir and manoeuvred himself into the PM's post via a new coalition in February 2020. Convenience and expediency ensured that Najib was part of the new coalition, but not a cabinet member.

Muhyiddin's former government partners cried foul, accusing him of betraying the electorate who had voted him and Dr M into power on a reform and anti-corruption ticket. How could he now join Najib and others in this power grab? Muhyiddin has consistently answered that anyone with a court case won't be included in his cabinet.

Last July, Najib was found guilty in a corruption trial and sentenced to 12 years in jail. However, as he has appealed, he is free to carry on as a parliamentarian (thus helping keep the coalition together). Another coalition MP, Tengku Adnan, was also found guilty of corruption in December. Both Najib's and Adnan's appeals are set for April.

Few have given Muhyiddin the benefit of the doubt, although he has stated that he is anti-corruption and will not prevent justice running its course. Parliament is suspended, at least until August, and he has promised elections once the state of emergency has been lifted. But, perhaps the most significant thing of all, is that Najib's appeal can go ahead without the political pressure that might be there should his vote be needed to shore up the government. If he is jailed, with parliament suspended, it makes no difference. If found innocent, it wasn't due to a need to maintain a slim majority.

I may be being too conspiratorial and actually it is all about the Covid battle. But, even if that's the case, it puts an interesting spin on April's forthcoming court cases.

Malaysia remains an undervalued market. For example, good property companies are available at 20% of Net Asset Value. A surge of foreign investors is unlikely but meanwhile, major shareholders can take them private at 30%. This has been happening.

Indonesia

64% of the fund is invested in Indonesia. We pangolins don't make country allocations but buy what we think is best value within the countries we think we know best. There is a reasonable chance that this allocation will increase further.

Indonesia is a country that has changed significantly over the past decade. Although it's still not easy doing business there, it's a lot easier than before. And, significantly, a sizeable portion of its 270 million people have moved from being farmers, borrowing for next year's seeds, to becoming urbanites with disposable incomes. This means that regional manufacturers can set up production knowing that there is a domestic market for their goods, even if the primary goal is to export. Indonesia is continuing to gain the sort of FDI that was previously earmarked for Thailand or Malaysia.

And when we turn on the Pangolin screener to find companies with: net cash, high ROICs, growth and sensible management, we're finding more of these in Indonesia than elsewhere right now.

A lot can go wrong. This is a notoriously corrupt developing nation, comprising different peoples lumped together from the remains of the Dutch Empire. There is the ongoing struggle between religious conservatives and liberals, as well as sizeable non-Muslim minorities. Parts of it (West Papua in particular) would rather not be Indonesian and many others resent what they see as a Javanese domination. Plus, most of the country is basically a chain of threatening-to-erupt volcanoes.

The above is not exhaustive. And despite it, we're happy to own more.



Enjoy it while it Lasts

The retail frenzy driving GameStop, Bitcoin and suchlike reminds me of my early days as a broker in Malaysia, when the market only ever went up and the hottest stocks had the worst fundamentals. The drivers were retail investors and syndicates. Whizz forward from 1993 and we can replace the word “syndicate” with “chat room”. Otherwise, not a lot is different.

In those pre-internet days, I worked for Arab-Malaysian Securities and the institutional department shared the floor with the public gallery. The gallery would be standing-room-only by the time the market opened. Investment decisions were made in the lift up, on the back of the reply to the question: “Can it still go, ah?” During school holidays the lobby and corridors were occupied by kids (there was one on a tricycle once) as their parents bought and sold stocks throughout the day.



A public gallery in quieter times.

As a rather grey, fundamental driven salesman, it took some adjusting to. Definitely, the younger the fund manager the more likely he or she was to jump in and outperform older, sager colleagues. The meeting room backed on to the public gallery and, while I'd be patiently reassuring a grim-faced Scottish fund manager that he was right to have sold a politically linked contractor, you could hear the cheering through the walls as the stock hit limit up (+30%) for the second time (+69%) that day.

A year later, Hamish McSporran of Scottish Savers and I would be proven correct as the market unwound. Sadly, Hamish was no longer employed.

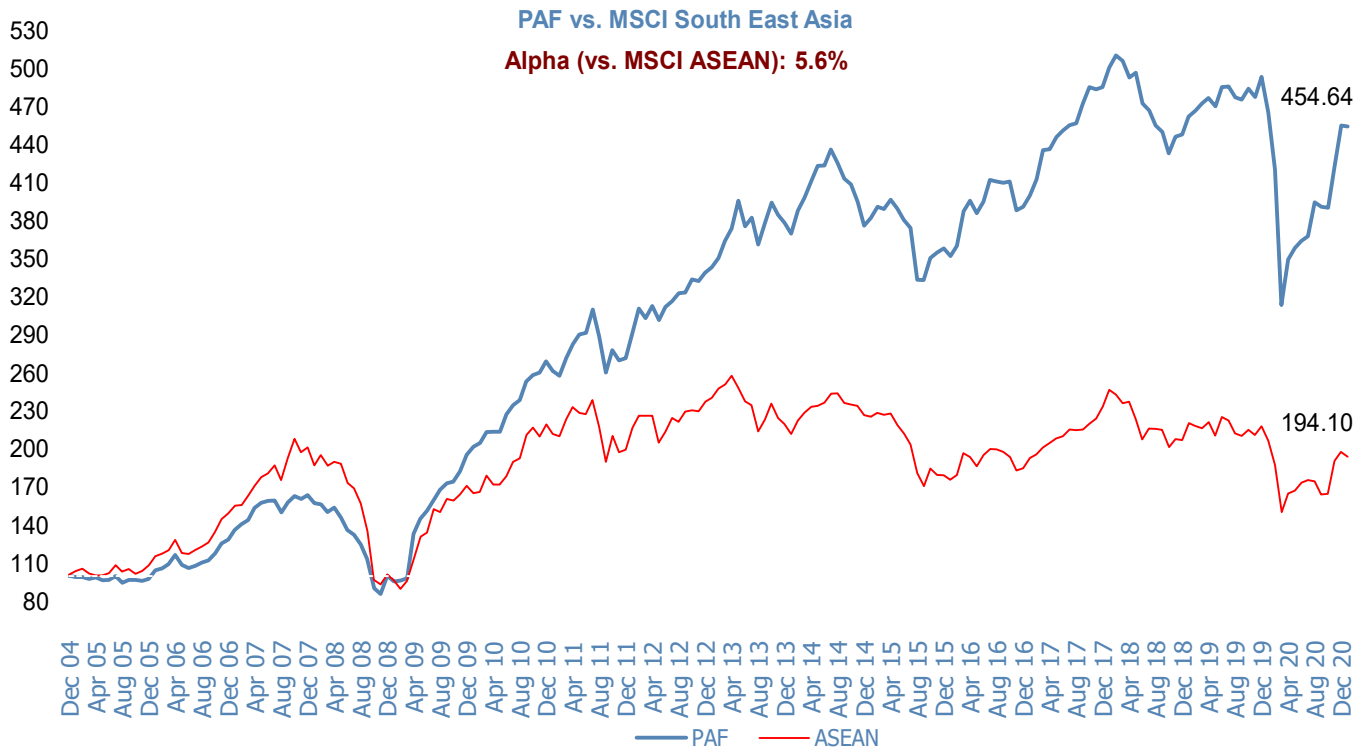
There are lots of parallels.

Kung Hei Fatt Choi,

James Hay
4th February 2021



Sixteen years track record and annualised return of 9.82%





Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	NAV	454.64												-0.15%
	% chg	-0.15%												
2020	NAV	465.73	420.43	313.82	349.63	358.55	364.26	367.99	394.82	391.21	390.47	422.87	455.32	-7.80%
	% chg	-5.69%	-9.73%	-25.36%	11.41%	2.55%	1.59%	1.02%	7.29%	-0.91%	-0.19%	8.30%	7.67%	
2019	NAV	462.51	467.10	472.67	477.00	470.36	485.78	486.12	477.67	475.87	484.37	477.85	493.85	10.21%
	% chg	3.21%	0.99%	1.19%	0.92%	-1.39%	3.28%	0.07%	-1.74%	-0.38%	1.79%	-1.35%	3.35%	
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 -25.36%
Maximum drawdown -47.53%
% of positive months 64.95%
Annualised return 9.82%



By Sector

