



Pangolin Investment Management

Pangolin Asia Fund December 2012 NAV

As at the 31st of December 2012 the NAV of the Class A shares of the Pangolin Asia Fund was US\$339.29 net of all fees and expenses, up 2.0% from US\$332.63 in November. For the year we were up 24.9%. 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:

Indonesia	23%
Malaysia	41%
Singapore	23%
Thailand	13%

No names I'm afraid but some details of the individual holdings are always available to investors on request.

Overview

The fund's NAV benefited from the overall rise in the stock market and because investors are looking for ideas. Occasionally they come across one of our stocks, decide it is a good idea and push the price up. At this point I always wish I had more of it.

Our one Thai company has also benefited from this, as now a broker has written a research report on it. I know it's large already in the portfolio but I still wish I'd bought more last year. In fact, I'm kicking myself for selling a bit of it last summer.

The Indonesian Rupiah continued to be weak last month (and this trend is continuing into January). Sooner or later this might be reflected in the inflation numbers in which case people will sell more Rupiah; and so on.

Be careful

There is a lot of money sloshing around emerging markets. Many are not thinking twice about paying over 20x earnings for companies which a few years ago were on 5x. Brokers are sending out research pointing out the laggards. These laggard companies' prices quickly shoot up. However it seems to me to be a dangerous game to be investing in a company or a market just because it has underperformed everything else.

In very hot times the fund may well underperform. We are not buyers of **potential** but like to invest in what are already good businesses; ones that are for some reason mispriced by the market. I often hear that it is worth paying a lot for companies in Indonesia or wherever, because of its potential. Well the place has always had pots of potential, but mismanagement has kept most of the population pretty poor for quite a while; and I am far from convinced that the Government has suddenly changed its spots.

Yes, of course the place should do well and last year's GDP growth will be in excess of 6%. Nevertheless, always remember that the best protection against Government stupidity is not to forget Government stupidity, and to value your investments accordingly.



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Outlook

Despite what I have said above, we are continuing to invest our cash into what I consider to be very cheap companies. Our current targets are both on about 5x 2013 earnings. Over the long run we should make decent money from them. And over the long run there will be times when markets go up and times when they go down, but if the fund's underlying investments have been bought cheaply enough (and hoping that the countries in which we are invested are not wracked by civil strife), our long-term performance should be fine.

James Hay
10th January 2013.

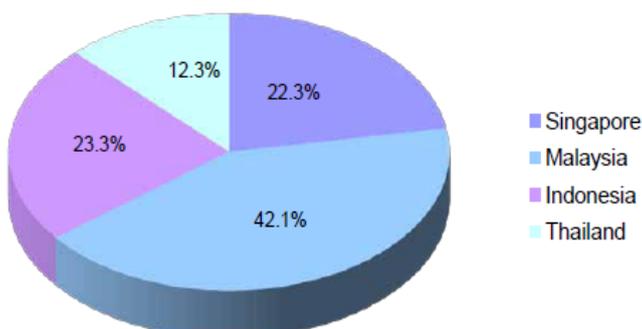
I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in the fund. If you have any questions, concerns, ideas, or just fancy an argument, please get in touch.

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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	196.87	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	157.9	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	94.9	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 70.10%
Annualised return 16.32%

By Geography



By Sector

