



# Pangolin Investment Management

## Pangolin Asia Fund February 2010 NAV

As at the 28th of February 2010 the NAV of the Class A shares of the Pangolin Asia Fund was US\$205.09 net of all fees and expenses, up 1.57% from US\$201.91 in January. YOY the gain is 112%. Please see the table at the end of this letter for further detail.

At the end of February the fund was just about 83% invested, with the split being approximately as follows:

Indonesia	50%
Malaysia	37%
Singapore	13%

Details of the individual holdings are always available to investors on request.

### Overview

February's performance was driven largely by one stock, our second largest holding, which we bought quite a lot more of at the end of last year when it was really, really cheap. It's still not expensive; single digit PE, net cash, ROE above 20% and it is a company that has pretty low capex requirements. The reason it is so undervalued is because its market liquidity is rather low. As a result I think only one broker covers it, although what tends to happen is that as companies like this get more expensive and their stock market turnover rises, research analysts tend to like them a bit more.

Ideally we will never sell it. At Pangolin we try to identify companies with good long term potential and buy the ones that meet our criteria when the price is right. Then, for as long as the management is doing a good job and the business remains appropriately financed (we like to sleep at night), we hold on. Our focus is long term and we believe that by reinvesting dividends in strong business our compounded returns should be OK.

In a world that is obsessed with liquidity I expect that most of the bargains will remain in the illiquid category. Indeed while one often hears talk of a "liquidity premium," it is the "illiquidity discount" we focus on.

In addition to a reasonable dividend flow, we've had a few subscriptions, which is largely why the fund's cash levels have increased.

James Hay  
5<sup>th</sup> March 2010.

Ps. I'm likely to be in Switzerland in the next couple of weeks. If you would like a meeting please let me know.

*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.*

Further information can be found at [www.pangolinfund.com](http://www.pangolinfund.com)



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Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	Nav	201.91	205.09											4.71%
	% chg	3.08%	1.57%											
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	157.9	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**        68.25%