Pangolin Asia Fund March 2010 NAV

As at the 31st of March 2010 the NAV of the Class A shares of the Pangolin Asia Fund was US$213.68 net of all fees and expenses, up 4.19% from US$205.09 in February. Please see the table at the end of this letter for further detail.

At the end of March the fund was just about 80% invested, with the split being approximately as follows:

Indonesia	48%
Malaysia	35%
Singapore	17%

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

Overview

A stronger Malaysian Ringgit and a bullish broker's report on one of our larger holdings were largely responsible for the increase in the fund's NAV last month. The fund has now risen for 14 months in a row and there is clearly quite a lot of money sloshing around Asian and other markets. So much in fact that nothing is seen as bad news; the Malaysian market has strengthened following a miniscule increase in interest rates as investors buy stocks as a proxy for the currency while in Indonesia the market is flying because rates are unlikely to be raised this month. Clearly it is a time to be cautious (when isn't it?).

Outlook

A recent investors' conference in Kuala Lumpur was used by the government to emphasise its commitment to reforming **Malaysia**'s economy. Having lived in that country for over 17 years I have obviously heard it all before but this time I think it is different. There is not only a clear understanding of the problems but this time there is a plan, the implementation of which is already in progress and running up against some opposition.

The proposed reforms are Thatcherite in magnitude although the opposition is less than Maggie faced. In fact there is a broad understanding amongst Malaysians that things have to change. As usual there was only a sprinkling of foreign investors at the conference but if the government is successful one can expect far more Mat Salleh faces in the future.

The Malaysian market is clearly under-owned by foreigners, which at Pangolin is how we like it as it gives us more opportunity to find cheap companies. With over a 1,000 listed companies Malaysia is likely to continue to offer us good opportunity for a while yet.

The bulls still love **Indonesia** although if I had to buy big liquid names I would be struggling to spend the money. Luckily among the smaller companies we can still find ultra-low PEs with growth (one of our stocks is on 3x our 2010 estimates). Buying cheaply gives some protection to market gyrations and if companies remain undervalued for too long someone normally comes along and snaps them up.

The Indonesian Rupiah is still weaker against the U$ than it was when the fund was started five years ago. In the past whenever the exchange rate has approached 9,000 my Indonesian friends have been selling the currency. Its recent strength has largely been driven by short term money and it is pretty easy to envisage a less benign situation later in the year when a combination of emerging market profit taking and higher inflation could drive the Rupiah down rather quickly.

Our approach is to try and imagine what a company will look like in three years time and then work out if its share price is at a big discount to that. In any three year period it is normal for emerging markets to be both in and out of fashion; it is just part of the cycle. We prefer it when our markets are les fashionable and look forward to those days returning.

Having said that, the fund will buy whenever it sees (at least three year) opportunities and we have been nibbling away here and there at some of our existing holdings as well as adding one new name in the past month.

Finally, as someone who has completed two years of an Economics degree I feel overly qualified to comment on the West's financial crisis. Well I would if there'd been one. My definition of a crisis is something which causes people to change their behaviour, as Asians did after the *crisis* they had in the '90s. Ask an Asian what a crisis is and he'll say it is when the value of your Ringgit more than halves and your stock market falls from 1,322 to 261; or when your Rupiah falls from 2,500 to the US$ to over 16,000 and, as for the market, forget it. So far the ripple that has hit the US and Europe has not caused behavioural change, thus one can assume (using Professor Hay's definition) that financial crisis has either been avoided or is still to come. Hope for sun and dress for rain.

James Hay
8th April 2010.

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

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	*Nav*	201.91	205.09	213.68										9.09%
	% chg	3.08%	1.57%	4.19%										
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	68.75%