



Pangolin Investment Management

Pangolin Asia Fund October 2010 NAV

As at the 31st of October 2010 the NAV of the Class A shares of the Pangolin Asia Fund was US\$258.37 net of all fees and expenses, up 2.01% from US\$253.28 in September. The fund is up 31.91% YTD. Please see the table at the end of this letter for further detail.

As of today the fund is about 75% invested, with the split being approximately as follows:

Indonesia	52%
Malaysia	22%
Singapore	16%
Thailand	10%

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

Overview

The fund has now received its cash from the privatisation of Tanjong in Malaysia. We are continuing to nibble away at stocks on weak days but unfortunately these are few and far between. In October we have added one new name in Malaysia, but so far we have not been able to get very much of it.

We remain relaxed about being cash rich although it is clearly affecting our short-term performance in what is a bull market. While cognisant that the long-term is made up of lots of bits of the short-term, I am not in a hurry to invest just because the market is running. The opportunities to make money in Asian stocks remain excellent. And the returns will be even better as long as we remain fussy both about what investments are made and the price paid.

Small companies' shares tend to be illiquid when they are cheap. In a bear market they are easy to collect but for now we just have to be patient.

Outlook

ASEAN governments are expressing some concern about short term fund inflows and bubbles. Malaysia has just introduced a cap on third mortgages (seriously, who has 3 mortgages?). Unlike in the Nineties when bubbles were welcomed and their bursting was blamed (by some) on a Jewish conspiracy, this time around the governments see them as a problem. That has to be good news.

I am often asked about my strategy for selling a company once its share price has risen. Our decisions are based on company operating performance rather than share price movement. If a company is doing well but looks a bit expensive we are likely to continue to want to own it. We won't add to the position until we can get it cheaply again but if it is a good company, doing well in Asia, it would be silly to sell it.

What we do sell are companies that are not performing well. Business can be tough and well run companies can be expected to have the odd bad quarter or two. We acknowledge the cycles. But if it looks as if the long term operating performance of a company has been significantly impaired, then it will go.

I hope that is reasonably clear.

James Hay
9th November 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



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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	213.68	227.44	213.93	227.45	234.62	238.78	253.28	258.37			31.91%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%	2.01%			
2009	Nav	95.67	96.38	98.12	133.22	145.25	151.32	159.71	167.99	173.21	174.49	182.6	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 70.42%