Pangolin Investment Management

Pangolin Asia Fund January 2010 NAV

As at the 31st of January 2010 the NAV of the Class A shares of the Pangolin Asia Fund was US$201.91 net of all fees and expenses, up 3.08% from US$195.87 in December. Please see the table at the end of this letter for further detail.

At the end of January the fund was just about 90% invested, with the split being approximately as follows:

Indonesia	51%
Malaysia	35%
Singapore	14%

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

Overview

The fund's larger positions have continued to perform well at the start of 2010. In the past few days, where we have seen some weakness, we have been taking the opportunity to add to some of our positions. As markets don't go up forever, I expect there will be further opportunities to do this in the coming months.

We didn't buy or sell any shares at all in January, which is not atypical.

Malaysian headlines are currently dominated by the ongoing trial of the opposition leader, Anwar Ibrahim, for sodomy (a crime in Malaysia). He says he didn't do it and it is all a political stitch-up (again) but there is a very real chance that he will be found guilty and gaoled (again) which would probably spell the end of the opposition coalition. This story is worth keeping an eye on although the risk of political disturbance from all this is low.

Outlook

One of the fund's investors took me to task the other day for seldom writing about stocks or investing in my newsletters. So this month I will say something about how we invest without being too specific about the individual company.

At Pangolin, we don't care about indices or markets much. Our concentration is on individual companies that happen to be listed and our time is spent researching and visiting our ideas. If we like something enough and the price is right, we buy it. We're not too bothered by markets going up and down; that is what they do. In fact we prefer falling markets as it means we can buy more shares for the same amount.

Asia's economies are quite obviously better positioned for the next few years than those of the West. Within these countries there remain many cheap growth companies that should do well more or less whatever happens elsewhere. There will always be crises but good managements should be able to get through them and, ideally, emerge stronger than before.

We like to look at how businesses have performed in previous difficult times, which is why we mostly own companies that have been around for a while.

This week we have been adding to a position in a consumer related stock. The company has net cash, an ROE of about 25%, a net dividend yield of 5% and, according to our estimates trades on about 5x future earnings. The company has been growing in line with changing consumer trends in its home market and within the region. We believe the management has the ability to continue this growth and that the shares are a bargain. The company is still quite small and its stock market turnover is rather low, which is why it is so cheap.

If we were market timers we might be scared to buy it, given the state of the World and the recent run-up in markets everywhere. Personally I like to look at where a company will be in 3-5 years and am more scared of missing the longer-term opportunity than perhaps being wrong for a few months.

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I won't give you the name or even the country. As we have a bit of cash coming in, it is not in the fund's interest to highlight our best ideas.

If that all sounds rather simple, that's because it is. The risk is that we get it wrong and have a position in a small company that we cannot sell. It has happened before and, although we try to learn from our mistakes, it will happen (not too frequently, I hope) again.

New Analyst

Unless he has a sudden change of heart, I am happy to announce that Irvan Mondro will be joining our Singapore office on Monday. Irvan is Indonesian with Singapore PR and has impressed me with an understanding of value investing rare in one so young. Once he is up and running, we should be able to substantially increase the number of companies we visit which, at Pangolin, is what we believe it is all about.

Kung Hei Fatt Choi,

James Hay
5th February 2010.

Ps. I was on Bloomberg TV last month. The link is on the website if you think you can bear it.

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												3.08%
	% chg	3.08%												
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%	

2010 return	3.08%	**Best monthly return**	35.77%
2009 return	95.34%	**Worst monthly return**	-20.42%
2008 return	-38.81%	**Maximum drawdown**	-47.53%
2007 return	27.19%	**% of positive months**	67.74%
2006 return	31.74%		
2005 return	-2.57%		