



Pangolin Investment Management

Pangolin Asia Fund First Quarter 2005 Report

The NAV of the A shares was U\$99.37 at the end of the period. Please note that the fund has a November year end, thus the first quarter ended on February 28th.

As of the quarter's end the fund was approximately 55% invested. The idea is not to overpay for investments and unfortunately many of the targets have run either just as the fund has started buying, or even worse, just before. As the fund is meant as a long term vehicle, the manager will not be investing just to be fully invested, but will be seeking to accumulate positions at fair prices.

Details of the fund's holdings follow. If you wish to discuss any of the holdings in more detail, please feel free to contact me.

Indonesia

Bina Danatarma Finance

A finance company which has just been taken over by the major shareholder Bank Buana, one of Indonesia's better run banks. Formerly in the hands of creditors the management were doing a holding job rather than running the business; this should change under the new owners.

Mandom

Mandom Indonesia is a subsidiary of Mandom of Japan. It produces soaps and toiletries and is best known in Asia for Gatsby hair gel. Indonesian consumers are spending more as the economy recovers, and Mandom represents a well managed and inexpensive exposure to this.

Duta Pertiwi Nusantara

Duta sits on approximately 70m tonnes of coal in Jambi province, Sumatera. The fund only has a miniscule amount of this stock as the price leapt 70% after the initial purchase. The position is under review as the company has only done initial surveying and is not actually extracting any coal yet.

Malaysia

Silver Bird

Silver's main product is High-5 bread, the number two brand in the Malaysian market. The company is growing fast as Malaysian consumers consume more and more bread (from almost none in the past) and as the company gains market share. Unfortunately the share price has reacted badly to the announcement of a private placement and a government directive that a proportion of the shares must be placed with Bumiputera investors. Until this deal has been completed the shares may not perform, but of course this has little impact on the business or the company's fundamentals.

YTL Power Warrants 2010

YTL Power owns power generation and transmission assets in Malaysia, Indonesia and Australia as well as Wessex Water in the UK. It trades at about its discounted cash flow valuation but this assumes no future expansion, which is unlikely. The warrants trade at about parity and give a highly geared exposure to the shares.



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Singapore

Koda

Koda is a Singapore listed furniture manufacturer exporting predominantly to Europe and the US (its clients include Argos in the UK and Pottery Barn in America). Most of the production occurs in Vietnam where the company pays almost no tax. The business is outgrowing its manufacturing facilities and there is a chance that the company may finance any expansion via a rights issue, although the management will try and avoid this option if possible.

Thailand

LPN Development

LPN is a developer of low cost flats affordable to the general Bangkok office worker. As interest rates have fallen (now rising again in Thailand) mortgages are now equivalent to rents and demand is strong for LPN's product. The company is able to complete its apartments in less than 12 months. The share price is amazingly volatile but the underlying business remains strong.

Markets Comment

As is always the case the markets are affected by a number of factors which currently include the high oil price, America's twin deficits, potential Asian currency realignments and much else. Indonesia has been affected by much bullishness as investors rediscover that market whereas Malaysia is currently experiencing a sell-down as hedge funds take the view that there will not be a currency revaluation. Investors in Thailand are being spooked by interest rate rises while the Singapore market is still attracting investment as its economy continues to outperform expectations.

It is the manager's view that, over the long term, Asia will continue to grow faster than most of the rest of the world and that this growth will be reflected in share prices of many of its listed corporations. A similar portfolio acquired in western markets would trade at a 50-100% multiple, probably without the prospects (or, some might argue, the risks).

Given that the fund is not fully invested, any near term weakness should be welcomed as an opportunity rather than feared.

Shareholders in the fund are reminded that the minimum additional subscription is U\$5,000 and that periodic additions will smooth out any shorter term market movements.

Investors are encouraged to suggest ideas, comment or interrogate as they see fit.

James Hay

22nd March 2005.