



Pangolin Investment Management

Pangolin Asia Fund June 2011 NAV

As at the 30th of June 2011 the NAV of the Class A shares of the Pangolin Asia Fund was US\$291.75 net of all fees and expenses, up a 0.43% from US\$290.51 in May. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 82% invested, with the split being approximately as follows:

Indonesia	40%
Malaysia	34%
Singapore	20%
Thailand	6%

No names I'm afraid but details of the individual holdings are always available to investors on request.

Overview

A busy month has been spent researching new ideas. In the meanwhile the fund's NAV inched up a bit, broadly in line with the markets in which we are invested. I would be less busy if stocks would fall cheaply into my lap, but increased interest in emerging markets makes that a dream for now.

Our cash levels have fallen as (a) the stocks have continued to rise and (b) because we have been spending some. As a rule we don't manage cash and have always said that if we can invest our money at the right price we shall do so. We have continued to increase our holdings in a couple of small companies as well as initiating a position in a new one. Although we think the valuations are compelling getting liquidity at the right price is the hard part.

Politics

There was scheduled to be a large opposition rally in Kuala Lumpur this Saturday calling for free and fair elections, although the government contends there is no need for this march as the elections already meet these criteria. Things were getting pretty heated with pro-government groups threatening counter marches and there was an implicit threat of violence. This is the sort of nonsense that can derail a developing country and the sort of thing investors should always be aware of, especially when all the other news sounds rather good.

Malaysia's government has overreacted to this demonstration. It has been declared illegal by the police and some of its supporters have been arrested under the 1960 Emergency Ordinance and other strange powers. The authorities say that this is because the rally is a threat to security in a multi-racial country. I think they have probably shown themselves to be scared of popular outpourings of dissent and would have been better advised to join the march themselves, sending a message that they too support the same thing.

The Agong (King) has intervened and as a concession the government will now allow the event to take place in a stadium. To keep abreast of events in Malaysia I recommend www.malaysiakini.com.

Thaksin's sister has won convincingly in **Thailand** and this has been taken positively by the market; the view is that the business elite will not overthrow such a strong majority. Well, they've done so before, twice in Thaksin's case. Actually it is better if they overthrow a weak government than a strong one. They haven't stopped hating him but let's hope they can learn to live with him.

We own one Thai stock. We see plenty of companies there but in the end conclude that there is better value to the south of the place.

Outlook

The fund has recently attracted some attention from investors wanting exposure to Asia which is, of course, flattering. I think it is time I reiterate how we operate. There seems to be a perception that because the fund's NAV has risen we are up to something rather clever, when actually all we have done is to have been long in a bull market. Investors looking at Pangolin should be aware that the fund will also be long in a bear market – probably even longer.



Pangolin Investment Management

Our investment decisions are made by evaluating a company and then trying to work out if it is significantly undervalued on something like a three year view. If it is and if we have some cash, we try to buy it. Wherever possible we aim to build an overweight position in our new purchases, working on the basis that if we don't like it enough to have a lot of it, why on earth would we want it at all? The fund is run much more like a personal portfolio than a traditional mutual fund.

Much of the fund's performance has come from buying very small companies with a long term view. The events of 2008/9 gave us an opportunity to do that at cheap levels although that would not have been possible with a short term outlook; for during that time, the more we bought the more we went down.

I consider 2005 to be the fund's worst year because I bought a rubbish stock that cost us dearly. Many managers would consider 2008 to be worse but actually what we held and what we bought I was pretty comfortable with. In fact, at a time like that it was hard for us to make mistakes – everything was so cheap.

Therefore an investor in the Pangolin Asia Fund must be able to stomach the volatility of emerging markets in the hope of long term gains. If we changed our style and liquidity terms we'd attract a lot more money but I think I'd make a worse job of running it. Please be aware of this before looking to invest with us. *Don't be lured in by short term performance.*

Finally, on this point, we occasionally get subscription requests from private banks that refuse to tell us on whose behalf they are investing. Unless I have had a conversation with the decision-maker then such requests will be rejected as I have to be sure that we are not taking short term money for a longer strategy.

Career Opportunities

If we can find the right people we would like to expand the firm. If we can't we won't. We would like to hire another Singapore based analyst for Asia and if anyone thinks they can help us in replicating Pangolin's search for value in any other part of the world, please drop me a line.

James Hay
7th July 2011

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.

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2011	Nav	261.86	258.03	271.83	283.00	290.51	291.750							8.27%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%	0.43%							
2010	Nav	201.91	205.09	213.68	227.44	213.93	227.45	234.62	238.78	253.28	258.37	260.53	269.47	37.58%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%	2.01%	0.84%	3.43%	
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	0.37%
	% chg													

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 70.89%