



Pangolin Investment Management

Pangolin Asia Fund October 2011 NAV

As at the 31st of October 2011 the NAV of the Class A shares of the Pangolin Asia Fund was US\$278.31 net of all fees and expenses, up 6.85% from US\$260.46 in September. YTD we're up 3.28%. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 90% invested, with the split being approximately as follows:

Indonesia	34%
Malaysia	38%
Singapore	21%
Thailand	7%

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

Overview

Over the past couple of months sellers have given us the opportunity to acquire more of our holdings at very attractive prices. That, coupled with a general recovery in markets, is why we were up. We would have bought more but although the prices were right, they were not selling in huge volumes and at Pangolin we are quite strict about what we pay for things.

Outlook

Q: Why are Greece and the rest of the EU.S.S.R. permanently in the news?

A: TV stations and newspapers like to make a profit. Therefore when they can find a story that costs almost nothing to cover and can go on and on about it for 24 hours a day for months on end, they naturally will do so. Sending a team to Bongo to cover the latest coup is expensive and dangerous. Getting fund managers on to talk macro rubbish is costless. That is why Europe is deemed to be relevant and important.

Q: If Italy or wherever collapses, does it matter to Asia?

A: Not as much as you'd think. If, rather than watching CNBC, one gets one's economics by talking to companies that export, very few of them sell much to Europe anyway as far as I can make out. Basically, that market shut down in 2009. Trying to find an exporter for whom Europe is an important market is quite hard to do (although there are some). The West's importance as a customer has declined substantially - although some will tell you that they are now receiving more calls from the US as that economy recovers.

Q: Am I being blasé?

A: Possibly, but the magnitude of an impending crisis, like the weather forecast, tends to be overstated. Otherwise there is no story (weather news also costs virtually nothing to transmit). Furthermore, the impact of crises on markets, like bombs in Jakarta, lessens in proportion to their frequency.

Actually, if European news flow mattered then the markets would have fallen last month – the Dow was up over 9%.

We in the financial community probably spend too much time worrying about this kind of stuff. If one talks to a biscuit manufacturer, his job is to sell more biscuits than the factory down the road. He might hear some economics on the news when he gets home but his day should be spent worrying about rival Ace Biscuits' decision to add more chocolate chips to their cookies, not some impending "calamity" manufactured by the media. In my view the biscuit baker who concentrates on his business will do better than the one who is otherwise distracted; and I hope that goes for stock pickers too.



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The fund has one stock in **Thailand**. Thankfully their facilities have remained dry and their main ones are likely to remain so. There is of course a human tragedy here but the place will recover. We have added a bit more to our holding as the share price has fallen.

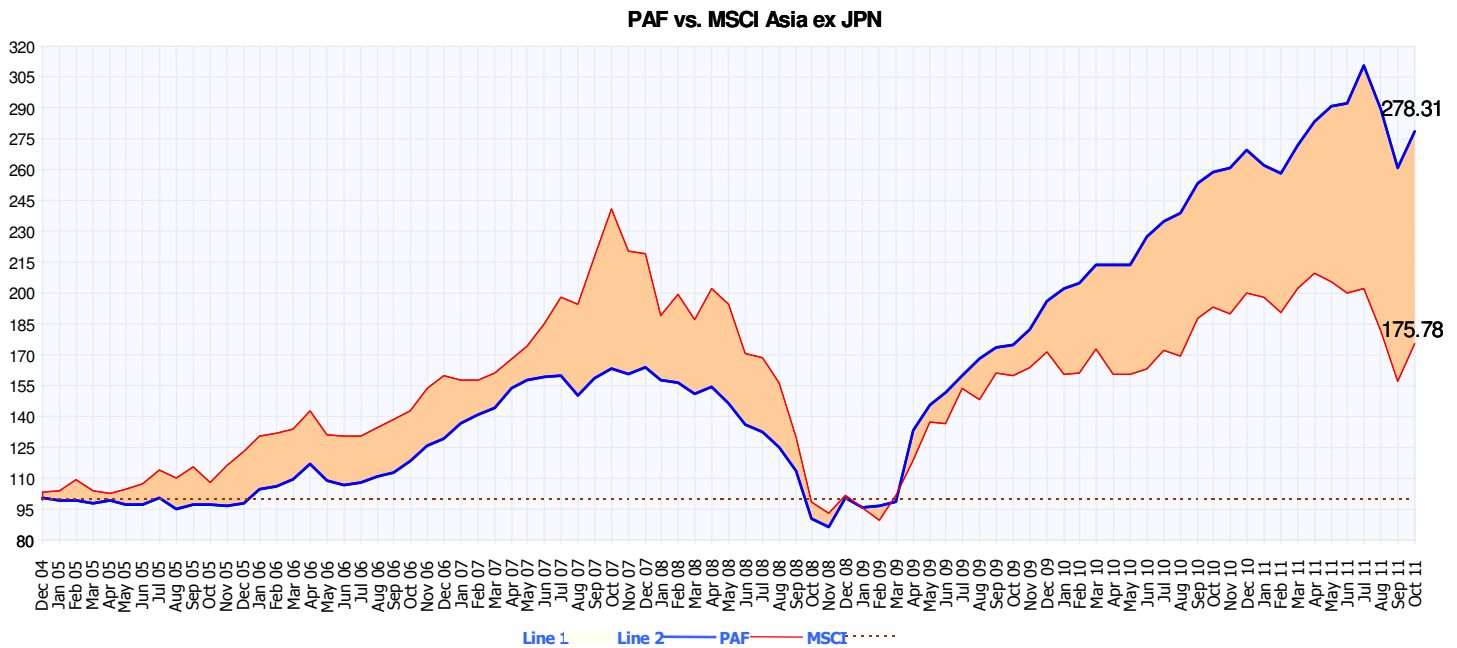
Indonesia's president has appointed a new cabinet. The new chap in charge of mines has said he is going to review existing agreements with foreign miners and adjust them if they are "unfair". Will Indonesia ever learn that altering what has been agreed will deter investment? The current GDP numbers are good (+6.5% YOY) but the politics are becoming increasingly nationalistic and protectionist.

Some of you will be aware of the recent unrest at the Freeport mine in West Papua. Some background information is provided by my colleague Irvan Mondro on West Papua and the disorder there. As far as I can make out, many of that province's indigenous population would rather not be Indonesians.

Malaysians are expecting a general election to be called soon. In the past the market used to go up ahead of the vote but, with the expectation by some that the opposition might do rather well, there may well be some nervousness around. With virtually the same coalition in power since independence it could be quite a shock if there was a change. The opposition seems quite confident that it will take power. In calling an early election (if they do) presumably the government is also certain of victory.

Investments in Malaysia now account for the largest part of the portfolio. I remain excited by the discount companies here trade at to what I think they are worth. Don't be surprised if Malaysia's share of the portfolio continues to increase.

We're not really into relative performance but someone asked us for this chart the other day. For a while the fund underperformed the MSCI ex Japan (particularly when the markets were most hot in 2007) but since the events of 2008 the fund has done a bit better.



James Hay
9th November 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.



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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	291.75	310.23	289.05	260.46	278.31			3.28%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%	0.43%	6.33%	-6.83%	-9.89%	6.85%			
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	
	% chg												0.37%	

Best monthly return
Worst monthly return
Maximum drawdown

35.77%
-20.42%
-47.53%

% of positive months
Annualised return
5-year CAGR

69.88%
15.95%
18.73%