



# Pangolin Investment Management

## Pangolin Asia Fund May 2011 NAV

As at the 31<sup>st</sup> of May 2011 the NAV of the Class A shares of the Pangolin Asia Fund was US\$290.51 net of all fees and expenses, up 2.65% from US\$283.00 in April. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 77% invested, with the split being approximately as follows:

Indonesia	43%
Malaysia	33%
Singapore	17%
Thailand	7%

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

### Overview

Indonesia made us most of our gain last month as our two finance companies down there both continued to garner interest from other investors. In one case an outside investor bought 45% of the company but is not forced under Indonesia's lax rules to make a general offer. On the whole the first quarter reporting season has treated us rather well and luckily the two companies which did disappoint are both relatively small holdings within the fund.

### Outlook

Everyone seems very bearish at the moment. If they are right, having some cash to spend will suit us nicely. Being valuation driven we have been slightly constrained by companies moving from ultra-cheap, to cheap and then to a bit more than we'd like to pay. We have a long list of stocks we'd like to buy at the right prices, so perhaps we'll get our chance quite soon.

As a naturally lazy animal, weak markets are a pangolin's friend; if stocks fall we don't have much to do other than buy them. In strong markets, as we have been seeing, we have to scurry around all over the place, turning over every leaf in the search for sustenance.

With a few exceptions, most the fund's companies have net cash positions. I like to call this our off-balance sheet cash. This is a deliberate policy as (a) it protects the downside in bad time and (b) gives managements the flexibility to expand or make acquisitions as and when the timing is propitious. A case in point is a furniture manufacturer we own. It makes its way by selling furniture to the US (disastrous just now) and Europe (even more disastrous just now). Luckily it has a net cash balance sheet or else it would have gone bust. It is just in the final stages of completing the purchase of another manufacturer, in Indonesia, who make elaborate Versailles-style copies for the ultra-rich Chinese. With luck this profitable company will set them on the right track again.

### Travels

I have, in recent years, spent a bit of time in the remoter parts of **Indonesia** and seen the rapid changes brought about by increased wealth there. I had rather assumed that the Javanese were being rather squeezed by the increase in commodity prices so I decided to visit Solo and Jogjakarta in name of research, just to see how things are doing. Now my last visit was in 1999 during the *Krisis Ekonomi* which



# Pangolin Investment Management

is not a great reference point but nevertheless I was impressed by what is obviously a booming economy. The fund has a pretty big bet riding on the Indonesian consumer, and for the moment, things look still pretty OK. The retail industry is generally pretty basic in these cities but malls are being built and they are at the beginning of the unstoppable trend towards indoor, air-conditioned shopping.

There are also some pretty impressive temples in that part of the world. I decided not to bother with Borobudur again but to visit Prambanan which is on the Solo road from Jogja. No crowds, easy to get to and astonishing. Well worth the effort.

Java, unlike Malaysia, has been populated for a long time. As a result it is covered in Hindu, Buddhist and other relics which predate Islam's arrival. There are still pockets of Hindus on the higher ground too, left behind as the Hindu aristocracy fled to Bali. Like so many of these relics, much of Borobudur and Prambanan were not more than a pile of stones covered in jungle before Dutch archaeologists arrived. Of course a lot has been stolen (nearly all the easily portable Buddha's heads for example) which is why one shouldn't buy such artefacts – they are either stolen or fakes.

Some pictures below.

Prambanan



Headless Buddha - Prambanan



KFC – Solo



Harrods it isn't – but at least it was busy





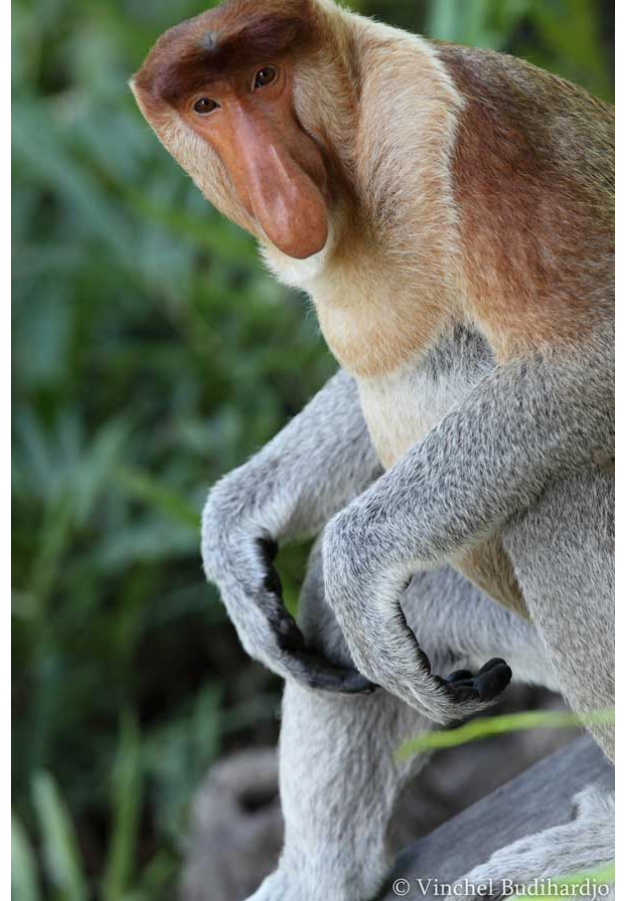
# Pangolin Investment Management

My colleague, Vinchel, who can hold a camera properly, went to the lower Kinabatangan River in Sabah. This area represents the largest remaining forested floodplain in Malaysia. A bit more about this trip and more pictures can be found via the Photos tab on [www.pangolinfund.com](http://www.pangolinfund.com). They are well worth a look. A taster below:

Bornean Pigmy Elephant



Proboscis Monkey



Actually no-one ever uses the term proboscis monkey in this part of the world. Due to an uncanny likeness to our clog-wearing friends they are known as Orang Belanda which literally translates as Dutch Man.

James Hay  
7<sup>th</sup> June 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.*



# Pangolin Investment Management

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								7.81%
	% chg	-2.82%	-1.46%	5.35%	4.11%	2.65%								
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      35.77%  
 Worst monthly return    -20.42%  
 Maximum drawdown      -47.53%  
 % of positive months    70.51%