



Pangolin Investment Management

Pangolin Asia Fund December 2008 NAV

As of the 31st of December 2008, the NAV of the Class A shares of the **Pangolin Asia Fund** was US\$100.27 net of all fees and expenses, up a mind-boggling 16.62% from US\$85.98 in November.

At the end of December the fund was almost fully invested, with the split being approximately as follows:

Indonesia	46%
Malaysia	40%
Singapore	14%

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

Overview

We saw a strong recovery from the panic-induced lower levels (for both stocks and regional currencies) of October and November. We made a couple of small changes to the portfolio to take advantage of attractive prices which, so far, have worked out quite well.

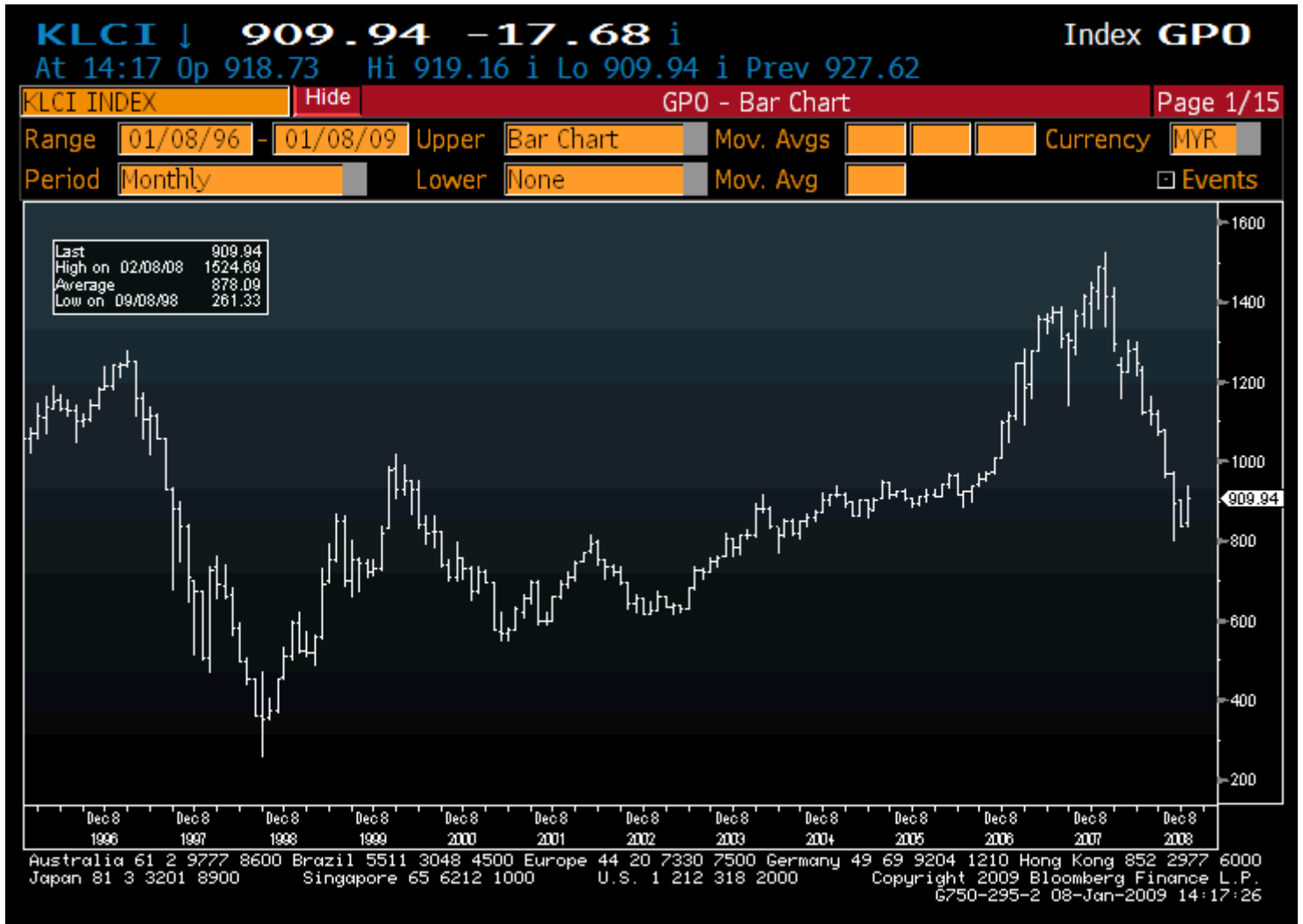
The recent recovery in markets has led to an outbreak of optimism from many commentators, not one I necessarily share. Western economies closely resemble Malaysia's in 1997/98. A Christmas trip to the UK reinforced the parallels; retailers offering 80% off in their sales is almost identical to what we saw in Asia a decade ago.

Malaysia's market collapsed in 1997 - see the chart below - bounced a bit and then plunged again in the early part of 1998, before recovering substantially again to close the year almost flat. 1998's fall was largely as a result of Malaysian Government policy (currency pegging and unfair rules for foreign investors wishing to sell). There remain plenty of macroeconomic risks; the obvious ones include an unwillingness to finance massive budget deficits, a collapse in paper currencies and disenchantment with the new Messiah (Obama to his mates).

And although it may seem as if there has been a collapse in all asset classes, we have not seen a capitulation in the prices of the larger and more obvious safe-havens such as Nestle and Unilever, either in the West or in South East Asia, something that did occur last time around. Let's hope I'm being overly pessimistic.



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However, for the careful, current circumstances present a fantastic opportunity to make money. There are well run companies with good balance sheets and excellent long-term prospects selling stupidly cheaply in Asia (and elsewhere I'm sure but we stick to Asia). Despite the recent up tick in prices there remain many good deals to be had. For as long as such bargains abound, expect the fund to remain close to being fully invested. I believe the rewards will outweigh any likely volatility.

James Hay.

9th January 2009.

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



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Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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	157.90	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	94.90	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													

2005 return -2.57%
2006 return 31.74%
2007 return 27.19%
2008 return -38.81%

Best monthly return 16.62%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 61.22%