## Pangolin Asia Fund announces month end NAV – January 2008

As of the 31st of January 2008, the NAV of the Class A shares of the **Pangolin Asia Fund** was US$157.49 net of all fees and expenses, down 3.89% from US$163.86 in December.

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

| | |
|---|---|
| Indonesia | 38% |
| Malaysia | 40% |
| Singapore | 22% |

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

### Review

It is probably fair to say we got off lightly in January. Some of you will be aware that the fund was quite a bit lower in the middle of the month but (unfortunately for those subscribing in January) the asset value recovered, boosted by good results at Public Bank, bargain hunting in oversold markets and stronger regional currencies. In fact, of our 18 positions, 4 closed higher last month, 12 were lower and 2 were unchanged.

We have spoken with the managements of all our investments in recent weeks and I am happy to report that all our businesses are in reasonably good shape. Our one struggler is a furniture exporter which has, unsurprisingly, seen a slowdown in orders form the US, but it is in a net cash position, has a ROE of nearly 30% and trades on a PE of less than 7x 2008. Even if they have a tougher year than we expect the valuations still aren't going to look too shabby and we have enough faith in the management to believe they will be running a substantially more valuable business in a few years from now.

### Outlook

We have had reasonable results from the companies in the portfolio that have reported their 2007 numbers. Unfortunately Indonesian companies have three months to publish their figures but we are hopeful there won't be too many disappointments. If we get a sustained bear market then it will be accompanied by analysts revising down their profit projections as businesses slow, so we are being as conservative as we can with our projections.

Our strategy is to try and catch those falling knives that have jewels in their handles. There is no point in buying an index which is weighted, almost by definition, by overvalued big cap stocks, but by being selective one can pick up the gems when they are offered cheaply. As for index investing, have a look at the components of almost any index at a previous market peak and see how many of them are still worth anything like the same amount today, or even still trading. It took Malaysia's KLCI over 13 years to surpass its 1994 peak and many of the large caps from back then are no longer even in business. It pays to be selective.

Those in a good position to benefit from market weakness are the employees of investment banks who have been receiving huge bonuses despite their employers reporting billions in sub-prime losses. These bankers may have the opportunity to invest their bull-market-sized bonuses at bear-market valuations and set themselves up for life. Even if equity markets don't fall off a cliff they can already buy more for less.

So our approach remains unchanged although it is perhaps more important than ever to take a step back from all the noise and focus on valuations. We are already seeing outstanding value in some beaten down stocks and we will continue to add to our portfolio as the opportunity arises. Experience tells us that buying well managed, conservatively financed stocks with high ROEs on single digit PE ratios is profitable in the long run.

Our one major worry is inflation, especially in Indonesia. We hope the governments take appropriate action to keep a lid on rising prices (massively under-stated in Malaysia where much of the CPI consists of items at controlled prices) but are aware that where politicians are also businessmen and have control over monetary policy (nearly everywhere in Asia) there is a built-in disincentive to raise interest rates if needed. The problem in Indonesia is that there is a huge pool of unemployed and underemployed workers. If food prices continue to escalate then 40m hungry people could be a problem.

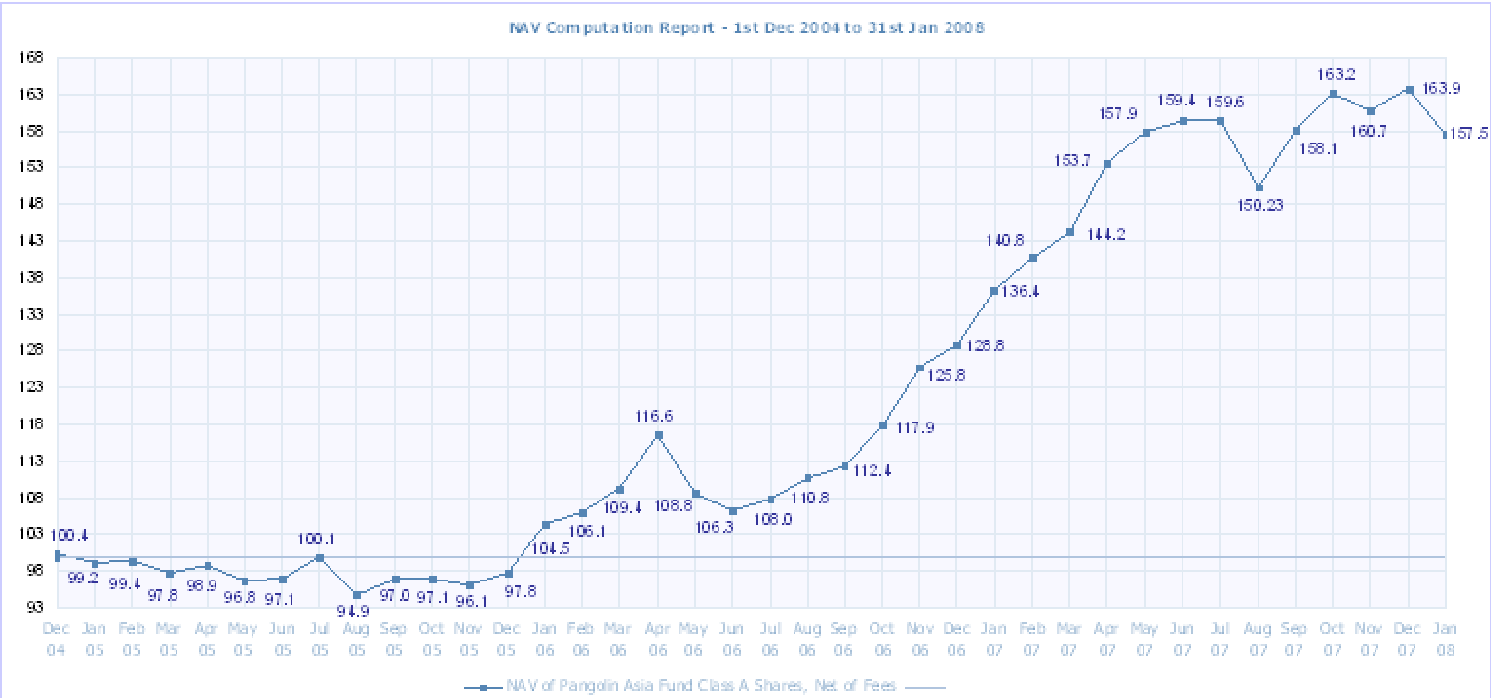
Happy New Year of the Rat,

James Hay.

12th February 2008.

*More details concerning the fund's investments are always available on request.*

*Further information can be found at [www.pangolinfund.com](http://www.pangolinfund.com)*



| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***2008*** | ***Nav*** | 157.49 | | | | | | | | | | | | -3.89% |
| | ***% chg*** | -3.89% | | | | | | | | | | | | |
| ***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 | |
| | ***% chg*** | | | | | | | | | | | | 0.37% | |

| | | | |
|---|---|---|---|
| **2005 return** | -2.57% | **Return since inception** | 57.49% |
| **2006 return** | 31.74% | **Maximum drawdown** | -8.81% |
| **2007 return** | 27.19% | **% of positive months** | 73.68% |
| **2008 return** | -3.89% | **Standard deviation** | 3.41% |
| **Average monthly return** | 1.26% | **Standard deviation (annualized)** | 11.81% |
| **Average return (annualized)** | 15.11% | **Semi deviation** | 2.50% |
| **Best monthly return** | 6.89% | **Semi deviation (annualized)** | 8.68% |
| **Worst monthly return** | -6.69% | **Sharpe ratio** | 0.94 |