



Pangolin Investment Management

Pangolin Asia Fund August 2010 NAV

As at the 31st of August 2010 the NAV of the Class A shares of the Pangolin Asia Fund was US\$238.78 net of all fees and expenses, up 1.77% from US\$234.62 in July. The fund is up 21.91% YTD. Please see the table at the end of this letter for further detail.

At the end of August the fund was about 75% invested, with the split being approximately as follows:

Indonesia	44%
Malaysia	33%
Singapore	13%
Thailand	10%

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

Overview

We have made our first investment in **Thailand** for a while, buying a consumer company with net cash, a PE of about 7x 2010 earnings and a market-leading brand. We often struggle to find the same value in Thailand as elsewhere, largely because the companies there tend to rather like debt more than they do in other bits of South East Asia. Generally most of the ideas we come across there we dismiss for that reason.

I have been asked by a couple of investors if this means I am bullish on Thailand. Well, at Pangolin, we don't take that kind of macro decision. Actually Thailand worries me, especially as its prime minister has the blood of his own people on his hands. We'll have to see how it all pans out but, as long as whatever happens doesn't stop the Thais from stuffing their faces with unhealthy snacks, our investment should be OK.

Elsewhere, we have done very little (well, it was August and it's bad luck to work in August) although we added to our holding of Tanjong which is the subject of a takeover offer from its major shareholder.

Outlook

When markets go up everyone ignores bad news including, it would seem, the **Indonesian** government. Inflation there is now above 6% but rather like the Chinese they are using measures other than monetary policy (such as raising banks' statutory reserve requirements). They have indicated that rates will rise at some point, probably before the end of the year. The inability of politicians to turn off the taps is what leads to bubbles and crises and I suspect that, if and when investors start taking bad news rather more seriously, Indonesia's inflation rate might well attract a bit more attention.

Malaysia's KLCI Index rose about 4.5% last month as investors (a) discovered a laggard market and (b) looked to play the rising Ringgit. We may now of course have a situation in which (a) is driving (b) but some kind of investor attention in Malaysia is long overdue.

The half-year results for the fund's holdings have, with a couple of exceptions, been good. August's NAV would have been higher if we weren't holding so much cash but I am happy to sit and wait for bad days to come along. There are a few warning signs around; such as receiving more research from brokers advising investors to switch into second and third liners.

The fund has made its money by buying good companies very cheaply. At the moment emerging markets are so in vogue that developing nation risk seems to be a thing of the past. As usual we know what we would like to own (and are constantly researching new ideas) but, as always, it is a matter of price.



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Lastly I would like to wish all my Muslim friends a Selamat Hari Raya Idul Fitri and thank God that in Asia we can say it as it is and not have to do with any of that "Happy Holidays" nonsense.

James Hay
7th September 2010

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.

Further information can be found at www.pangolinfund.com

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	Nav	201.91	205.09	213.68	227.44	213.93	227.45	234.62	238.78					21.91%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%					
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 69.57%