



# Pangolin Investment Management

## Pangolin Asia Fund announces month end NAV – June 2006

As of 30<sup>th</sup> June 2006, the NAV of the Class A shares of Pangolin Asia Fund was US\$106.34 net of all fees and expenses, down from US\$108.82 in May.

At the end of June the fund was approximately 96% invested.

Markets remained wobbly in May and the fund's NAV eased accordingly. During the recent weakness Vinchel and I have been actively visiting companies in the region, especially in Singapore, Malaysia and Indonesia; potential investments normally look better when prices have fallen and this time is no exception.

In Indonesia, the general expectation is that lower inflation numbers (as last year's fuel price hikes unwind) will lead to a collapse in interest rates and thus the re-emergence of the consumer. Given that rates elsewhere still look more likely to rise than fall, this appears over-optimistic, or at least premature. However we continue to like the Indonesian story and the consumer sector in particular; much of the fund will continue to reflect this.

The good news about spending a decent length of time visiting companies in Indonesia is that it makes weekending in Bali both convenient and justifiable. For those who enjoy flying on ancient aeroplanes, I particularly recommend Indonesia's budget airlines. Sadly for the locals, Bali's tourist industry has not recovered from last year's bombs, although this is advantageous for those brave enough to get there. Bali is unique and its culture and people are really special. However the modern world is encroaching and the way of life is changing. The growth of car and motorcycle ownership (partly funded by some of the fund's investments) is having its inevitable consequences, and more and more cheap, ugly and functional concrete structures are appearing. It will still be great place for a holiday in twenty years, but it is better now, and the locals need the money. My favourite place is one of the last non-developed white sand beaches on the island and I am prepared to divulge its location to investors in the fund – otherwise it's a secret.

PT Timah, the world's largest tin miner, has announced that it is planning to stockpile its inventory in an attempt to shore up prices. Of all the metals, tin seems about the easiest to extract. Basically all you need to do is go to an area that has the ore, dig a not very deep hole and that is about it (I do remember something from my geography O level about firing a high pressure hose at the rubble but I must confess rest of the process is a bit hazy). As far as I am aware this is the first major metal where supply now exceeds demand. Surely a precursor of what will occur in the markets for other, harder-to-process commodities.

A book for the summer: I recommend Capitalism's Achilles Heel by Raymond Baker. This book deals with the subject of money-laundering, its consequences and what should be done about it. It sounds boring but it isn't, and the chapters on the world's most corrupt regimes makes one realise that having 30% of a fund in Indonesia must be sheer lunacy. Further reading, however, leads one to appreciate that you can't trust anyone, anywhere. I believe John Lennon sent acorns to all the world leaders with the suggestion they just sit back and let them grow, man. I would suggest that all world leaders read the above book if it weren't the case that most of them would use it as a manual to steal even more.

Finally I would like to state that the recent Readers' Digest survey adjudging Kuala Lumpur to be the world's third rudest capital must be seriously flawed. How they arrived at that conclusion is beyond me and I and most of my co-residents of this wonderful city are deeply upset by it.

Get Stuffed,

James Hay.

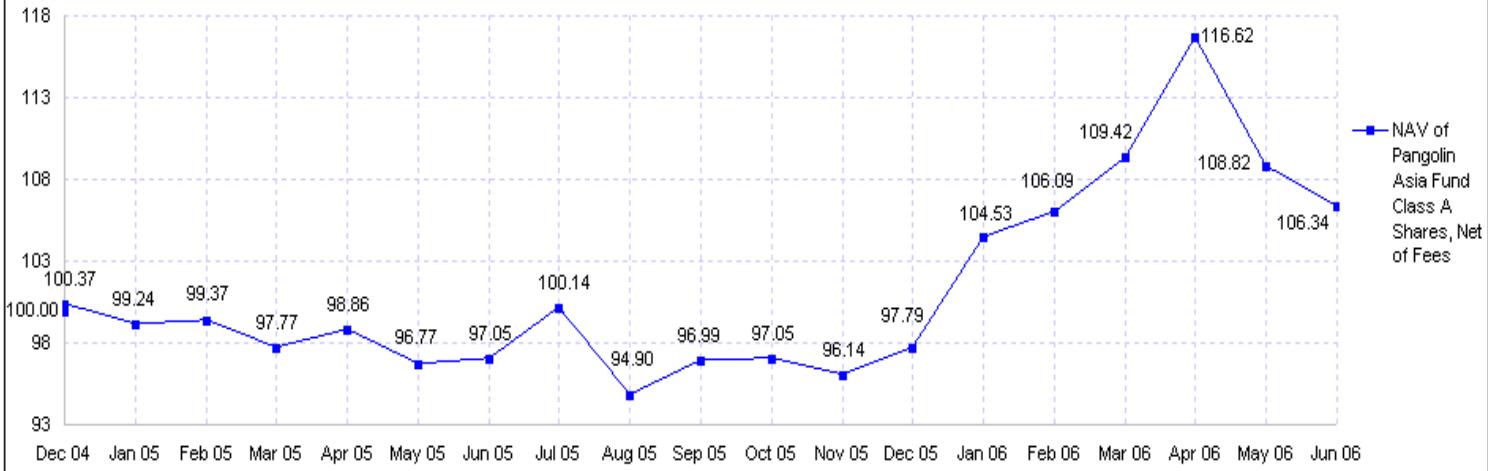
*More details concerning the fund's investments are always available to shareholders in the fund on request.*

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



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NAV Computation Report - 1st Dec 2004 to 30th Jun 2006



Month	NAV	% change
1 Dec 2004	100.00	
31 Dec 2004	100.37	0.37%
31 Jan 2005	99.24	-1.13%
28 Feb 2005	99.37	0.13%
31 Mar 2005	97.77	-1.61%
29 Apr 2005	98.86	1.11%
31 May 2005	96.77	-2.11%
30 Jun 2005	97.05	0.29%
29 Jul 2005	100.14	3.18%
31 Aug 2005	94.90	-5.23%
30 Sep 2005	96.99	2.20%
31 Oct 2005	97.05	0.06%
30 Nov 2005	96.14	-0.94%
30 Dec 2005	97.79	1.72%
27 Jan 2006	104.53	6.89%
28 Feb 2006	106.09	1.49%
31 Mar 2006	109.42	3.14%
28 Apr 2006	116.62	6.58%
31 May 2006	108.82	-6.69%
30 Jun 2006	106.34	-2.28%
<b>2005 return</b>		-2.57%
<b>2006 return</b>		8.74%