



Pangolin Investment Management

Pangolin Asia Fund 2010 Year End Report & November NAV

As at the 30th of November 2010 (the fund's year end), the NAV of the Class A shares of the Pangolin Asia Fund was US\$260.53 net of all fees and expenses, up 0.84% from US\$258.37 in October. YOY the fund is up 42.68% and YTD 33.01%. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 73% invested, with the split being approximately as follows:

Indonesia	51%
Malaysia	23%
Singapore	17%
Thailand	9%

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

Overview

The fund has continued to benefit from decisions made when markets collapsed a couple of years ago. The fund's largest profits have been made in Indonesia and in small, illiquid names.

Early in 2009, at the depth of the crisis, I attended a conference at which speaker after speaker emphasised that they would only be investing in what was liquid from then on. This was a perhaps an understandable reaction to what had happened in the preceding few months but I was happy to hear it. Even though these investors would not be able to consider investing in an illiquid fund such as Pangolin, I was delighted because it meant that virtually no-one would be scouting about, looking under leaves (pangolin-like) for their investments. Even better, many investors were still deciding to get out of the small names which are Pangolin's focus.

Life was easy. Whenever we had some cash we just bought something we liked; there was always a seller. We were lucky in that we didn't have many redemptions, for without a solid investor base we would not have been able to take advantage of the opportunities that came our way.

I am thrilled to say that we have been awarded the highly prestigious Best Emerging Market Fund over Three Years Award by Barclay Hedge. Aren't we clever? That's enough self-congratulation; it's future performance that counts.

Outlook

The biggest story in Asian emerging markets this year concerned Wayne Rooney's contract negotiations with Man U. Otherwise it was a continuation of the realisation that Asia's prospects remain bright and can still be bought at reasonable levels. How reasonable, now that markets have already risen so much, is the question? I received a piece of research on Indonesia this morning advising me on my 2011 strategy. To summarise: *as the JCI has already gone through our index target we are raising the target and advise investors to buy more.*

The brokers are only doing their job – which is to write tickets. There is no point in coming out with sell recommendations when all their clients' funds are flush with cash. If things look a bit expensive from a traditional aspect, change the view. Forget PEs; use DCF (especially with negligible interest rates) and



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DDM and Gordon Growth. And if you want to use PEs, A on 20x is cheaper than B on 25x, so sell B and buy A.

Or what about company C? So you think the management is crooked and you promised you'd never look at them again. Well maybe the management have changed their spots and this time/next time they won't nick the cash.

That is pretty much the noise we are getting from many brokers at the moment and it makes me nervous. I think that by investing carefully we can continue to make good long-term returns, but I do worry that much of the money coming into these markets is stretching valuations.

So how can the fund continue to profit after such a good run? To reiterate a point made many times, by being diligent in our research, strict on price and with luck. We are continuing to find things to buy, but as prices run we quite often end up with a smaller position than we would like. Therefore, as long as we remain committed to buying as cheaply as we think is reasonable, the number of investments held by the fund is likely to continue to increase.

These investments will not include palm oil plantations or timber companies as I consider these to be immoral industries. There was a piece in the Malaysian newspapers recently in which the Prime Minister, Najib Razak, was calling on investors and companies to start practising Socially Responsible Investing (SRI). It was reported that "Bursa Malaysia is working towards establishing an environmental, social and governance (ESG) index to influence public-listed companies to adopt sustainability practices in their business operations".

I've been reasonably impressed by Najib since he became PM. Here we have another fine example of his forward planning; i.e. planning for the day when there are no more trees left.

As it is our year end I would like to thank the directors of the fund and the management company, our service providers and my colleagues Vinchel Budihardjo, Irvan Mondro and Zubaidah for all their hard work over the past 12 months. Vinchel is now also a director of Pangolin Investment Management and is as qualified as I am to talk about the fund to investors.

Merry Christmas and Happy New Year to those of you who celebrate them.

James Hay.

7th December 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



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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	253.28	258.37	260.53		33.01%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%	2.01%	0.84%		
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 70.83%