



Pangolin Investment Management

Pangolin Asia Fund January 2012 NAV

As at the 31st of January 2012 the NAV of the Class A shares of the Pangolin Asia Fund was US\$290.78 net of all fees and expenses, up 7.0% from US\$271.75 in December. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 95% invested with the split being approximately as follows:

| | |
|-----------|-----|
| Indonesia | 31% |
| Malaysia | 39% |
| Singapore | 21% |
| Thailand | 9% |

No names I'm afraid but details of the individual holdings are always available to investors on request.

Overview

Many stocks were, and (not so) many are, very cheap. The fact that many confuse economics with investing has led to this situation. There does appear to be some panic buying now but the Asian growth story hasn't changed in the past month and I'm optimistic that considered long term investment will still reward.

We didn't buy or sell any shares last month but our time was spent researching new names. The MSCI Asia ex-Japan index was up 10.7%, so we've underperformed that a bit. In a hot market we'll probably lag as our cash-rich consumer companies lack the oomph of other names. Also many of them held up quite well last year so they are not coming off the same kind of lows as some others.

Palm Oil

A Malaysian company just announced it is undertaking agricultural activities on up to 470,000 ha of land in The Republic of Congo. As Asia is running out of jungle to fell and cover with this crop, palm oil plantation companies have to look further afield; recently another Malaysian company announced it was going to clear jungle in the Solomon Islands for the same purpose.

The announcement doesn't say what is currently on this land. Maybe there are no pangolins or other endangered species living there. Maybe the jungle has already been cleared. Maybe any indigenous population has been consulted over this.

We don't invest in this crop and would ask investors to persuade their other money managers not to either. For those interested, www.sarawakreport.org has plenty of good stuff on plantations and alleged corruption in Sarawak.

Outlook

Our relative cash level has fallen as the value of the fund's equities has risen. The first few weeks of 2012 have, as usual, been spent visiting companies. This is what we do. Even in the worst of times, if you talk to enough people, you will always find a few that are doing well.

For me, the difference between top-down and bottom-up is that the top-down guys refuse to believe that anything can be doing well when the macro picture looks dodgy. I met a Malaysian manufacturer the other day. His company has a strong balance sheet, a reasonable history of growth and a propensity to pay out most of its profits as dividends. Our conversation went as follows:

"How are things?" I asked (you'll note that company analysis requires well thought out questioning).

"Great" was the owner's reply. "As a result of the floods in Thailand, business is booming. I've been doing this for many years now, selling to local companies and only the odd MNC. However, as we have grown we have attracted more and more MNCs. And one international order will dwarf my local business. I'm seeing X from France next week and last week Y from the US were here. These big firms require a lot more DD (tell me about it) but their size means that if we just get a couple we'll grow exponentially."



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"I see from the announcements that you've been buying back your own shares. Is this a sign of your confidence?" Yet another cutting question from yours truly.

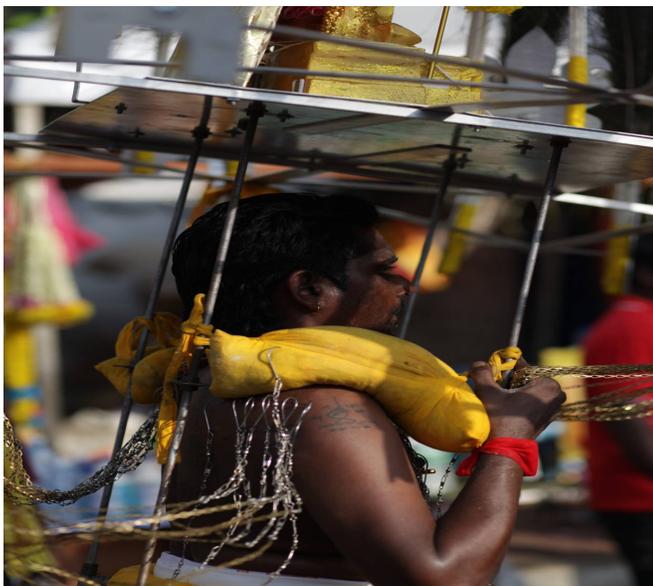
"Yes of course and you should do the same. And if you don't mind, I haven't got time to answer any more dumb questions." was the reply.

We're still doing the sums but it looks to us like a fairly good prospect. As usual we have to decide if the guy is credible and then work out if we are buying at a very low price. If it is cheap enough and we have some cash, we'll buy it despite what is happening on the global macro front.

Experience has taught that if one sits and waits for the world to be a better place before investing, the price will already have flown.

Or as we say at Pangolin – *don't wait to invest; invest and wait.*

Indians in Malaysia celebrated Thaipusam on Tuesday. If you've never seen it, come and have a look next year. It's great fun and not nearly as scary as it looks.





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James Hay
10th February 2012

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.

| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|---------|
| 2012 | Nav | 290.78 | | | | | | | | | | | | 7.00% |
| | % chg | 7.00% | | | | | | | | | | | | |
| 2011 | Nav | 261.86 | 258.03 | 271.83 | 283.00 | 290.51 | 291.75 | 310.23 | 289.05 | 260.46 | 278.31 | 269.95 | 271.75 | 0.85% |
| | % chg | -2.82% | -1.46% | 5.35% | 4.11% | 2.65% | 0.43% | 6.33% | -6.83% | -9.89% | 6.85% | -3.00% | 0.67% | |
| 2010 | Nav | 201.91 | 205.09 | 213.68 | 227.44 | 213.93 | 227.45 | 234.62 | 238.78 | 253.28 | 258.37 | 260.53 | 269.47 | 37.58% |
| | % chg | 3.08% | 1.57% | 4.19% | 6.44% | -5.94% | 6.32% | 3.15% | 1.77% | 6.07% | 2.01% | 0.84% | 3.43% | |
| 2009 | Nav | 95.67 | 96.38 | 98.12 | 133.22 | 145.25 | 151.32 | 159.71 | 167.99 | 173.21 | 174.49 | 182.60 | 196.87 | 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% | % of positive months | 69.77% |
| Worst monthly return | -20.42% | Annualised return | 16.06% |
| Maximum drawdown | -47.53% | 5-year CAGR | 16.34% |