



Pangolin Investment Management

Pangolin Asia Fund 2009 Year End Report & November NAV

As at the 30th of November 2009 (the fund's year end), the NAV of the Class A shares of the Pangolin Asia Fund was US\$182.60 net of all fees and expenses, up 4.65% from US\$174.49 in October. YOY the fund is up 112% and YTD 82%. Please see the table at the end of this letter for further detail.

At the end of November the fund was just about 86% invested, with the split being approximately as follows:

Indonesia	48%
Malaysia	38%
Singapore	14%

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

Overview

The fund performed well in 2009 for various reasons, the main one being the outstanding buying opportunity presented to us by the markets at the end of last year and at the beginning of this. As value investors we would have been straying from our ethos had we not been buying in the black times, although our resolve was severely tested on many occasions. As usual our short term timing was appalling; it seemed that every time we bought, Wall Street would fall dramatically the next night and our new bargain investment would be trading 10% cheaper the next day.

While it would have been nice to get things even more cheaply, as we generally take a long term view (3 years +) when investing, if something looks attractive enough we are happy to buy. Experience has taught that waiting for markets to fall before investing in an exceptionally cheap company (and thereby missing the opportunity) is more expensive than not. We don't mind getting the short-term wrong if we are right, most of the time, over a longer period.

In order for this strategy to work the fund requires patient investors. The past year's performance would not have been possible if the fund's shareholders had been panicking when markets were low and I am most grateful for their support. I realise that quarterly liquidity is off-putting for many investors but the reason for those terms are to ensure that we are receiving the long-term and perhaps more stable allocations of clients' portfolios, even if the result is a smaller fund.

We traded our portfolio a bit more actively than usual last year. When relative valuations demanded it, we were happy to sell some of our more expensive holdings to go overweight in the more bombed-out and ultra-cheap. Nevertheless our overall turnover remains paltry by the standards of most funds so I must thank our brokers for their continued goodwill.

Outlook

It all feels a bit year-endish just now. Many investors are chasing year-end returns yet some kind of a pull-back must be inevitable. Meanwhile we are continuing to nibble away at cheap stocks and have added a new position in Malaysia in November. Many emerging market valuations have probably run ahead of themselves and anyone buying **Indonesia** on the story that corruption is on the wane needs to have a good look at the recent headlines down there.

In **Malaysia** the Prime Minister is again facing unsubstantiated allegations (not repeated in the mainstream press) that, if they were to be true, would surely lead to his downfall. Generally I remain encouraged by the policies of Najib's regime and if he follows through he will leave a lasting mark.



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The leader of the opposition faces similar serious allegations (these are reported by the press) which he has to defend in court. Investors should be aware that the stakes in developing nations' politics are extremely high and the smooth transfer of power is rarer than it is elsewhere.

In my view the long-term Asian growth story remains intact and there are still many bargains to be had. This is despite my caution over the politics and the fact that the economic recovery is more dependent on debt now than it was when the crisis started.

For Pangolin it is a matter of picking individual investments in order to play this growth, something that is always easier in falling markets than rising ones. The markets' obsession with liquidity will no doubt continue to ensure that the less liquid names remain of little interest to most investors, which suits us just fine.

Lastly I would like to thank the directors of the fund and the management company, our service providers and my colleagues Vinchel Budihardjo and Zubaidah for all their hard work over the past 12 months.

Merry Christmas a Happy New Year to those who celebrate them,

James Hay.

8th December 2009.

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
2009	Nav	95.67	96.38	98.12	133.22	145.25	151.32	159.71	167.99	173.21	174.49	182.60		82.11%
	% chg	-4.59%	0.74%	1.81%	35.77%	9.03%	4.18%	5.54%	5.18%	3.11%	0.74%	4.65%		
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	-
	% 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%	38.81%
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%	

2005 return	-2.57%	Best monthly return	35.77%
2006 return	31.74%	Worst monthly return	-20.42%
2007 return	27.19%	Maximum drawdown	-47.53%
2008 return	-38.81%	% of positive months	66.67%
2009 return	82.11%		