



Pangolin Investment Management

Pangolin Asia Fund announces month end NAV – May 2007

At 30th May 2007, the NAV of the Class A shares of Pangolin Asia Fund was US\$157.90, net of all fees and expenses, up 2.75% from US\$153.68 in April.

At the end of April the fund was virtually fully invested, split approximately as follows:

| | |
|-----------|-----|
| Indonesia | 43% |
| Malaysia | 30% |
| Singapore | 27% |

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

May is our half-year so I'll be sending out a fuller report in a week or so. In the meantime you may wish to read the transcript of my recent interview with the hedge fund news service Opalesque – see below.

James Hay

12th June 2007

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.

Opalesque Exclusive: Fund manager says still a lot of cheap stocks in Asia but be prepared to stay invested for some time, `Niche of a niche` approach pays out.

From Benedicte Gravrand, Geneva: Opalesque spoke to James Hay, co-owner and manager of Singapore-based Pangolin Investment Management, about the Pangolin Asia fund, an absolute-return, Asia focused fund. Mr. Hay has 20 years of experience in Asian markets, where he made his own investments in 1998 with extraordinary returns. The Pangolin Asian Fund has returned 53.68% (to April 07) since inception.

Wanted: investors who are not obsessed with liquidity

"We believe that in Asia, the market is inefficient and if you are prepared to invest in the long term, you will find a lot of bargains. If one is prepared to invest in small companies and find like-minded investors who are not obsessed with liquidity, then there are still a lot of cheap stocks. The pangolin is a jungle animal which looks under leaves for things to eat, and we like to think that we look under leaves for stocks to buy."

Fundamental and research driven, a niche of a niche

"All markets are understood by fundamental analysis. But we don't invest in the market, we really invest in individual companies. We have a bottom-up approach. Because we are a small fund, and we are not great believers in diversification, we are only invested in Singapore, Malaysia and Indonesia. There is plenty of value around in this part of the world. We sometimes take the macro-economic situation into account. For example we are not currently invested in Thailand (as we used to), as the political risk is high and we don't need to be there. The Fund is different in that we are a niche of a niche."

Unpopular markets and sectors

"We can invest in unpopular markets and sectors. At the moment everything is popular. For example in 2005 we were investing in finance companies and consumer companies in Indonesia. Because we were investing for the long term, we thought we were buying the companies rather cheaply. But in 2005, because of Japan... had we invested there, we would have been making more money in the short term. We are bias for the long term and we focus on what we know best, that is, Indonesia. We bought those businesses at the right price but the economy was not doing so well. The companies are doing very well now. "



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Finding undervalued companies is key

"The smallest investment in our fund has a market capitalisation of US\$20 million and a very limited free float. We also have some companies which have a few billion dollars' market capitalisation as well. So it is not exclusively small cap. Most brokers will not cover smaller or less liquid companies because they cannot write any commission on them and most fund management companies, including hedge funds, set up with an idea that they can actually run a very large fund. We have not really done that. We are much more focused on finding cheap companies."

No distressed debt, no leverage

"We don't invest in distressed debt. I don't think there is any distressed debt around here. But we might eventually invest in distressed companies."

"We have not used leverage or hedging so far. Leveraging may never happen. Hedging is more likely; I am sure that there will be times in Asia when the markets will be just as inefficient on the shorting side as they are on the long side."

Mainly European investor base

"Our investor base is mainly European. We are really looking for investors who are prepared to invest for the long term like we are. Our redemption fees used to be high but we have relaxed that to 2% in the first year. We buy companies that trade below their intrinsic value; if you are not constrained by time you will find that eventually you make money – the chances are really high in the long term, not in the short term. The disadvantages with running a fund like this are that one can get obsessed by daily prices and monthly performance."

No redemptions since we started

"We manage risk by doing our homework very thoroughly. We don't use stop losses. We also keep an eye on the markets. We have not had any redemption since we started. The overall risk is quite low. Our strategy is not too volatile (annualized standard deviation of 11.7%)."

"The company is just the 2 partners (Vinchel Budihardjo and I) doing company analysis and a secretary. As the fund grows – currently we stand at \$10m - we will add more fund analysts. "

Everything that the fund bought ought to double within 3 years

"The fund returned -2.57% in 2005, 31.74% in 2006, and 19.29% so far (till April) in 2007. Annualised average return is 18.57%, and return since inception 53.68%. We take the view that everything that the fund bought ought to double within 3 years, which leads to an approximate 25% return. Our target is 15 to 20%. The fund went up a lot in 2006 and 2007 thanks to the bull market. As for the capacity; if we have a financial crisis, we could probably invest billions. If we do not have a financial crisis, we could invest around US\$100 million."

James Hay's prior track record

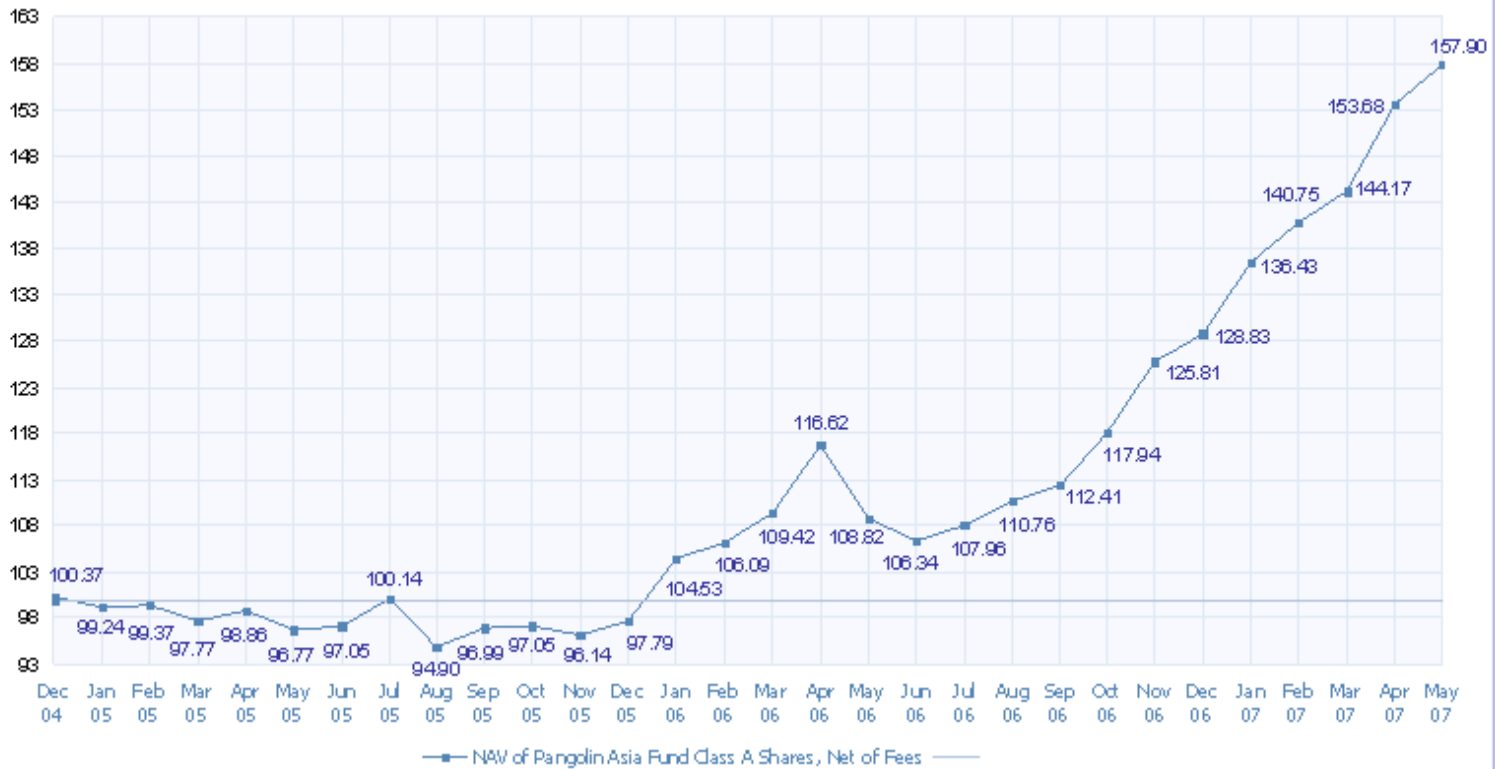
"I was a broker in Malaysia for Caspian Securities. In 1998, I went back-packing, but before that, I bought the stock market. Everybody thought I was mad, but it was an opportunity to buy stock really cheaply then. I doubled my money after a year. It went up 10 times after 6 years. The strategy was almost the same, with a drawdown of 30% (in 2001). I have been in Asia since 1993 and looking at the Asian markets since 1986, from London."

"So we are not bothered about a bad year as long as we think the investments in the fund are there at the right price. What investors should look at is performance in the long term."



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NAV Computation Report - 1st Dec 2004 to 30th May 2007



| YEAR | DETAILS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 2007 | Nav | 136.43 | 140.75 | 144.17 | 153.68 | 157.90 | | | | | | | |
| | % chg | 5.90% | 3.17% | 2.43% | 6.60% | 2.75% | | | | | | | |
| 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 |
| | % 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 | 94.90 | 96.99 | 97.05 | 96.14 | 97.79 |
| | % 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% | Return since inception | 57.90% |
| 2006 return | 31.74% | Maximum drawdown | -8.81% |
| 2007 return | 22.56% | % of positive months | 76.67% |
| Average monthly return | 1.59% | Standard deviation | 3.33% |
| Average return (annualized) | 19.05% | Standard deviation (annualized) | 11.52% |
| Best monthly return | 6.89% | Semi deviation | 2.42% |
| Worst monthly return | -6.69% | Semi deviation (annualized) | 8.38% |
| | | Sharpe ratio | 1.31 |