



Pangolin Investment Management

Pangolin Asia Fund November 2012 NAV

As at the 30th of November 2012 the NAV of the Class A shares of the Pangolin Asia Fund was US\$332.63 net of all fees and expenses, down 0.43% from US\$334.08 in October. Please see the table at the end of this letter for further detail.

As of today, the fund is about 86% invested with the split being approximately as follows:

| | |
|-----------|-----|
| Indonesia | 25% |
| Malaysia | 40% |
| Singapore | 23% |
| Thailand | 12% |

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

Overview

The fund underperformed the markets last month. This year's performance would have been better if we owned more in Thailand; that market is up 32% this year in US\$ terms.

Investing in emerging markets can be risky and things can go wrong very quickly. For that reason we prefer, wherever possible, to own companies that not only have net cash on their balance sheets, but also generate an ROE of at least 20%. That is our starting point. Unfortunately Thai companies tend to have quite a lot of debt. As we like to invest in companies rather than markets, this results in our owning a stake in just one business there.

If you can suggest some Thai (or other) company that fits our parameters that we've missed, please tell me. We're always happy to look at new ideas.

Of course if it is a timber or palm oil company we don't want to know. Those that destroy the habitat of the pangolin are of no interest to us.

Malaysia

Malaysia's next general election must be called before the end of March. The ruling Barisan Nasional (BN) coalition (led by Prime Minister Najib Razak) has been in power since the country attained independence in 1957, but the opposition think they can win this time.

The opposition alleges that the government has become corrupted and self-serving. In turn the government seriously questions how the Anwar Ibrahim led opposition can possibly rule given that two of its members are political foes – one is a Chinese dominated socialist party and the other is a Malay led Islamic party. However, pragmatism normally comes to the fore when power is at stake. And Malaysians of all hues are used to compromise. (Multi-racial Malaysia is itself a great example of give and take).

Well, we'll have to wait and see what happens. One of the opposition's alleged worries is that should BN lose, they will find an excuse not to hand over power. This is, I suppose, a possibility; developing nations' politics can always surprise but I would expect a clear result to be respected.

Investors fear political instability and its effect on the economy and the markets. I suspect that whatever happens, the vast majority will accept it and get on with life. Some may not like it, but as most probably have jobs and debts, they cannot afford to take part in mass protests. A combination of affluence and indebtedness is a good political moderator.



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Outlook

Economically, Asia should continue to perform better than much of the world. If we don't overpay for good businesses, the outlook should be OK.

This month marks the fund's eighth birthday. We have returned an annualised 16% since we began. When we started markets looked a bit cheaper than they do now – although we still managed to lose money in 2005! There are still many undervalued companies; it just takes a bit more time and effort to find them.

ASEAN is not now considered to be so offbeat. And I still believe Malaysia to be the region's great arbitrage.

November is the fund's year end and I would like to thank my colleagues and service providers for all their efforts over the past 12 months.

Mick & Keef

Finally, for those of you who still want to be a Rolling Stone when you grow up (and if you live in New York) you will have the opportunity to see the band over the next few days. I saw them in London last week. If you can get a ticket, go. It may be the last time, I don't know....



Have a good Christmas and best wishes for 2013.

James Hay
7th December 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.



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| Year | Details | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--------|--------|---------|
| 2012 | Nav | 290.78 | 311.15 | 303.35 | 313.01 | 301.88 | 312.18 | 316.87 | 323.01 | 323.75 | 334.08 | 332.63 | | 22.40% |
| | % chg | 7.00% | 7.01% | -2.51% | 3.18% | -3.56% | 3.41% | 1.50% | 1.94% | 0.23% | 3.19% | -0.43% | | |
| 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%
 Worst monthly return -20.42%
 Maximum drawdown -47.53%

% of positive months 69.79%
 Annualised return 16.21%

