



Pangolin Investment Management

Pangolin Asia Fund May 2012 NAV

As at the 29th of June 2012 the NAV of the Class A shares of the Pangolin Asia Fund was US\$312.18 net of all fees and expenses, up 3.41% from US\$301.88 in May. Please see the table at the end of this letter for further detail.

As of today, the fund is close to fully invested with the split being approximately as follows:

Indonesia	30%
Malaysia	40%
Singapore	19%
Thailand	11%

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

Overview

The markets in which we are invested continued to attract some buying interest last month. Naturally this caused our share prices to rise (in most cases). I'm happy to say that our largest positions remain reasonably cheap.

We estimate the portfolio's 2012 PE to be around 9X with a dividend yield of 4.5% and an ROE of 25%. Furthermore, most of our companies have cash rich balance sheets. Our aim is to find investments that lower the average PE while simultaneously raising the fund's yield and ROE. Simple really.

I do get complaints from some wanting more transparency, in particular the names of our companies. Everyone else discloses them, I am told. As a long term investor I am happiest when a company's performance is good but its share price is low (so I can keep buying more). Thus it is not in the fund's best interest to have analysts scrutinising our investments and jumping into some of our better ideas. This is one of my reasons for not offering managed accounts.

Of course when I read other managers' reports I have a good look at all their names. It's always good to know what others are doing.

Politics

Keep an eye on Irian Jaya or West Papua or whatever Indonesia currently chooses to call its most troublesome province. The secession movement there is gaining momentum and it is surely only a matter of time before it leaves (and perhaps merges with PNG). Irvan wrote a background piece on the situation in November last year (it is on the website) and the link to the following article explains the current state of affairs quite well:

<http://www.thejakartaglobe.com/news/indonesias-grasp-on-papua-questioned-amid-unrest/527886>

I suspect that just having had the same Dutch colonial masters is far from what is required to keep Irian Jaya Indonesian; although as it contains Freeport-McMoran's mine (which is, incidentally, the country's largest taxpayer), you can understand why there might be some reluctance to let it go.



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Outlook

The more our markets go up, the trickier it is for us to make money. The bulk of the fund's best returns have been made by buying micro-caps very cheaply and waiting for others to notice them. Clearly if stocks get more expensive investing becomes that much harder; which means we have to visit more companies.

The region's macro prospects still seem OK and I personally find the prospect of a Euro meltdown about as scary as the Millennium Bug. Our visits still uncover good companies tuned into this growth trading very cheaply. Therefore I remain optimistic we can continue to make some money over a reasonable time frame.

Occasionally I am asked to define whether I am a growth investor or a value investor. I'm not too good on definitions. But we are fortunate to be operating in a region that is not only growing but where, for various reasons, many stocks trade at low valuations (however you slice them). That seems to represent good value to me.

James Hay
6th July 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	311.15	303.35	313.01	301.88	312.18							14.88%
	% chg	7.00%	7.01%	-2.51%	3.18%	-3.56%	3.41%							
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	0.37%
	% chg													

Best monthly return	35.77%	% of positive months	69.23%
Worst monthly return	-20.42%	Annualised return	16.20%
Maximum drawdown	-47.53%		