



# Pangolin Investment Management

## Pangolin Asia Fund September 2012 NAV

As at the 30th of September 2012 the NAV of the Class A shares of the Pangolin Asia Fund was US\$323.75 net of all fees and expenses, up 0.23% from US\$323.01 in August. Please see the table at the end of this letter for further detail.

As of today, the fund is about 82% invested with the split being approximately as follows:

Indonesia	29%
Malaysia	41%
Singapore	19%
Thailand	11%

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

### Overview

When a fund moves 0.23%, there honestly isn't much to say. However we have been busy seeing companies and in the past couple of months we have added 3 names to our portfolio. Unfortunately, in the case of the first the price moved sharply upwards so we have stopped well short of a full position. The other two we have just started to buy this week. They are all quite small but also (we think) significantly undervalued and we hope to own them for quite a long time.

Two of them are consumer stocks and the other does something else. They fit within our valuation parameters and that's all I'm prepared to say about them.

### Gunung Tambora

As I am sure you are all aware, the largest ever recorded explosion occurred on the Indonesian Island of Sumbawa in 1815 when Gunung Tambora erupted. The blast was rated as a 7 on the Volcanic Explosivity Index. This meant that the region had experienced the most powerful eruption in recorded history. To get an idea of how strong the eruption was, the Tambora eruption was 16,000 times more powerful than the Hiroshima bomb. The mountain lost 1,500M in height (from 4,300M to 2,800M) and the heat and ash killed thousands almost instantly.

Twenty-six of an estimated 10,000 people living in the Tambora area survived, with a total of about 130,000 people killed on Sumbawa, Lombok and Bali. Subsequently, the year 1816 became known in Europe and America as the year without a summer: Up to 40,000 cubic metres of dust and ash entered the upper atmosphere, causing global cooling, summer snowstorms and crop failures.

Last month we took a week out of the office to climb Gunung Tambora and have a look at Sumbawa. This is a less visited island than many and has a population of only 1.3m. The roads are terrible but the present process of sealing them will cut many journey times by 2/3. We spent 6 hours in a car bumping our way to a coffee plantation on the slopes of the mountain where we were met by Rik, a Dutchman who has lived in Indonesia for over 20 years. He was a lucky find and organised our trip most efficiently.

See his website <http://visittambora.wordpress.com> for more information.

Sumbawa is quite poor but tourist income does find its way directly into the locals' pockets. We hired four porters who carried our stuff including tents, cooking utensils and two chickens (the latter's journey was one-way only). You will hear more about Tambora over the next couple of years as the bicentenary of its eruption approaches. We were three days walking up and down and the view into the world's deepest crater was amazing and well worth the toil; although I hadn't quite realised how far we'd climbed until we started descending.

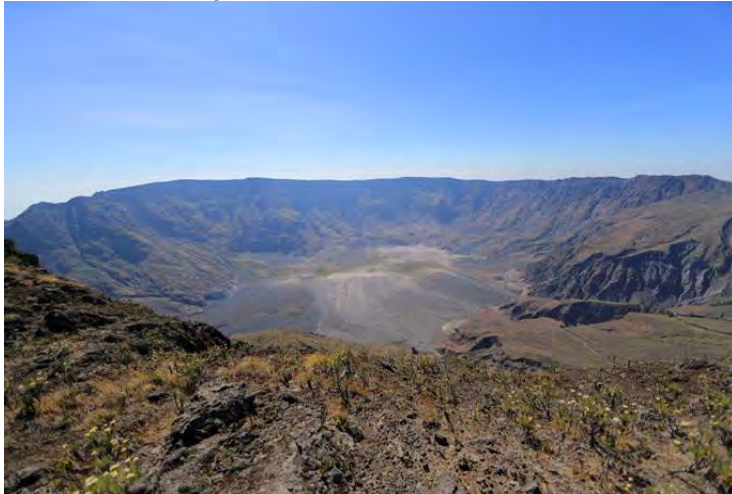


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On our last day we visited the island of Satonda to have a swim in its crater lake (this erupted about 4,000 years ago). Currently there are few backpackers making a stop there, normally on chartered boat from Bali on the way to Komodo and Flores. There are plans for a resort to be built soon. This part of the world may well be unrecognisable in 10 years. Get there quickly is my advice.

Some pics below – for more see [www.pangolinfund.com](http://www.pangolinfund.com) and click on the Photos tab.

**The World's Deepest Crater**



**Crater Lake, Pulau Satonda**



**Typical Tambora House**



**Preparing the road for asphalt**



**It was 5 star luxury all the way**



**She's thinking of making a bid for Tesco**





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## Outlook

The markets and the fund have done quite well this year. A pullback would be welcome and would make investing our cash that bit easier. Although we've been adding some new names we are also still able to reinvest in some of our existing companies at very low valuations.

Therefore I remain confident that the fund's current holdings are inexpensive relative to their prospects.

James Hay  
5<sup>th</sup> October 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	316.87	323.01	323.75				19.14%
	% chg	7.00%	7.01%	-2.51%	3.18%	-3.56%	3.41%	1.50%	1.94%	0.23%				
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	70.21%
Worst monthly return	-20.42%	Annualised return	16.18%
Maximum drawdown	-47.53%		