PANGOLIN ASIA FUND May 2009 NAV

As of the 29th of May 2009, the NAV of the Class A shares of the **Pangolin Asia Fund** was U\$145.25 net of all fees and expenses, up 9.03% from US\$133.22 in April.

At the end of May the fund was just about fully invested, with the split being approximately as follows:

Indonesia 54%

Malaysia 31%

Singapore 15%

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

Overview

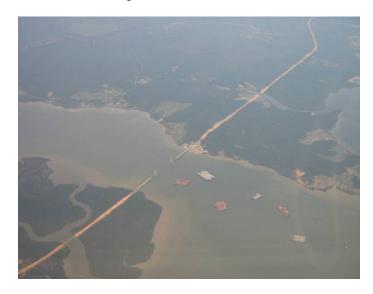
Confidence that all is hunky dory again continued to drive regional share prices and currencies in May. After such a strong April I suspected that some of the fund's holdings would be subject to a bit of profit taking, but none such seems to have occurred. The flood of money back into emerging markets seems a bit odd after the events of last year. In some cases, in Indonesia in particular, we are seeing panic buying as investors wish to increase their weightings. For me this is a sign to exercise a bit of caution, especially as optimism has overtaken events.

Vinchel and I saw quite a few companies last month. Perhaps we saw the wrong ones but, for the most part, managements are still waiting to see this optimism translate into substantial orders. The exporters look at the stock markets and assume the phone will ring any minute, but that isn't the case. The shopping malls may be full in South East Asia but the wallets are remaining firmly in the pockets. I would say that in many cases current valuations are already pricing in a recovery that is, as yet, wishful thinking.

The surfeit of liquidity is also leading to a strange reading of economic numbers. If a number suggests that the economy got worse but the decline wasn't as bad as the previous month's, this is read as good news. When my doctor tells me I am sicker today than I was yesterday, even if the rate of decline is a bit slower, I find it hard to get cheerful even if you fill my pockets with cash. Be careful.

In **Malaysia** the Government tells us that RM8.3bn worth of projects from the two stimulus packages have been mobilised. Just as well given that exports declined 26.3% in April, marking the seventh consecutive monthly decline. The good news is that in Malaysia and elsewhere in the region, infrastructure projects can not only be rolled out fairly quickly, but also they have a significant and lasting effect on the local economies.

As an example, please see my rather shaky photos below of the Johore-Desaru Highway which will link (and open up) the underdeveloped eastern corner of Johore State with developed and crowded Johore Baru. In a few years one can expect most of what is green to be factories and housing.





Pangolin Investment Management

In Southern **Thailand** the insurgency continues as ever with 12 people being slaughtered while at prayers in a mosque yesterday evening. For the past five years the death toll has averaged about two people a day. Whether this latest outrage is deliberately timed to coincide with the Thai PM's visit to Malaysia or not is incidental. Investors in both Thailand and Malaysia should keep an eye on this serious conflict lest it should escalate and spread.

Meanwhile in Indonesia the head of the country's Corruption Eradication Commission has been detained as a suspect in a murder investigation. You couldn't make it up.

Outlook

Although retaining a cautious view on the world's economy and near term market movements, we remain close to being fully invested. This is because we believe the rewards for the patient investor outweigh any near term risk.

We continue to find attractive valuations, particularly (but not exclusively) in the consumer sector, where rising affluence is backed by compelling demographics.

James Hay.

9th June 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								44.86%
	% chg	-4.59%	0.74%	1.81%	35.77%	9.03%								
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	157.90	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	94.90	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%

 2006 return
 31.74%

 2007 return
 27.19%

 2008 return
 -38.81%

 2009 return
 44.86%

Best monthly return 35.77%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 62.96%