



Pangolin Investment Management

Pangolin Asia Fund announces month end NAV – December 2007

As of the 31st of December 2007, the NAV of the Class A shares of the **Pangolin Asia Fund** was US\$163.86 net of all fees and expenses, up 1.95% from US\$160.72 in November. That gives a 27.2% return for 2007.

At the end of December the fund was almost fully invested, with the split being approximately as follows:

Indonesia	39%
Malaysia	39%
Singapore	22%

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

Review

I always seem to be writing the monthly report the day after Wall Street has fallen 2% and when all those CNBC sages are rather gloomy. In Asia, by contrast, all the talk is of Chinese New Year and election rallies, especially in Malaysia where many of the politically linked stocks have bounced in recent days. Not that we hold any of these counters, our bias being based largely on the false tenet that politicians don't make good businessmen. When one sees how rich the local leaders are it is obvious that they are excellent entrepreneurs; it's a shame they don't make such good politicians.

In **Malaysia** the expectation is that an election will be called just after Chinese New Year. The government is in a hurry as Anwar Ibrahim will be able to stand after April (currently legally disbarred) but they are being hit by an avalanche of not-so-good news. The current commodities boom and fixed subsidised prices have led to shortages of both cooking oil and flour which is unfortunate in a country where half the diet consists of fried flour in one form or another. Singaporeans have been barred from buying cooking oil and locals are being restricted to how much they can purchase. The ministers have denied a shortage but empty supermarket shelves tell a different story.

Much of the country has been flooded with the death toll having hit 28 before they stopped reporting it. It is the rural areas, where the government support is strongest, that have been under the most water. The cause is predominantly a combination of over-development and logging leading to clogging of the rivers but one ingenious local politician reckoned the floods were caused by Singapore's land reclamation affecting the flow of water in the Johore River. Singapore gets blamed for an awful lot in Malaysia.

Just when the news couldn't get much worse the Health Minister was forced to resign after it was reported he was filmed secretly having sex with a woman other than his wife. It was reported in today's New Straits Times that sales of the gadgets that detect hidden cameras have surged since this story broke, especially to politicians.

The opposition claims there is little chance of a fair poll and wants foreign observers. No chance. **Indonesian** politicians seem to be a lot more relaxed about things, with the candidates standing for the Banyumas Regency election stating they have absolutely no objection to the poll being administered by election commission members who have only recently been released from prison for fraud offences.

The good news is that realised investment in Indonesia grew by 169% last year. It could be so much more if the government could get its act together (one step might be to disallow convicted fraudsters from administering elections). Indonesia has so much potential and we are long-term believers but just when you think things are going OK in Indonesia, something always seems to go wrong. Investors have to be prepared for all sorts of nasty surprises.



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Outlook

Everyone seems to be bearish on the US and what is not known is the impact a US slowdown will have in Asia. From a bottom-up perspective our company visits continue to unearth plenty of potential new investments in well managed and undervalued companies. Americans might get poorer but Middle-Easterners are snapping up assets in the region (and elsewhere) as the oil price booms.

The commodities story is also at worst a mixed blessing for Malaysia and Indonesia whose oil, palm oil and other natural resources sectors are soaring. If it wasn't for the costly government subsidies of oil, flour, cooking oil etc. then it really would be boom time.

What can go wrong? Forget about the US economy for a moment. Events in Kenya and Pakistan are a stark reminder of how quickly things can go awry in developing nations (and elsewhere). Low taxation, business friendly politicians, a strong urge to improve one's lot, cheap labour and virtually no welfare state are some of many factors that should ensure that Asia continues to grow at a much faster rate than most of the world, but the real risk is racial and religious tension; it is always there but how governments and societies manage it is the key.

With luck and without confusing the impossible with the improbable, Asia will remain relatively stable. It remains our contention that the markets of Singapore, Malaysia, Indonesia and elsewhere in the region will continue to provide outstanding opportunities to long term investors. And if events elsewhere result in these opportunities becoming even cheaper, that has to be even better news.

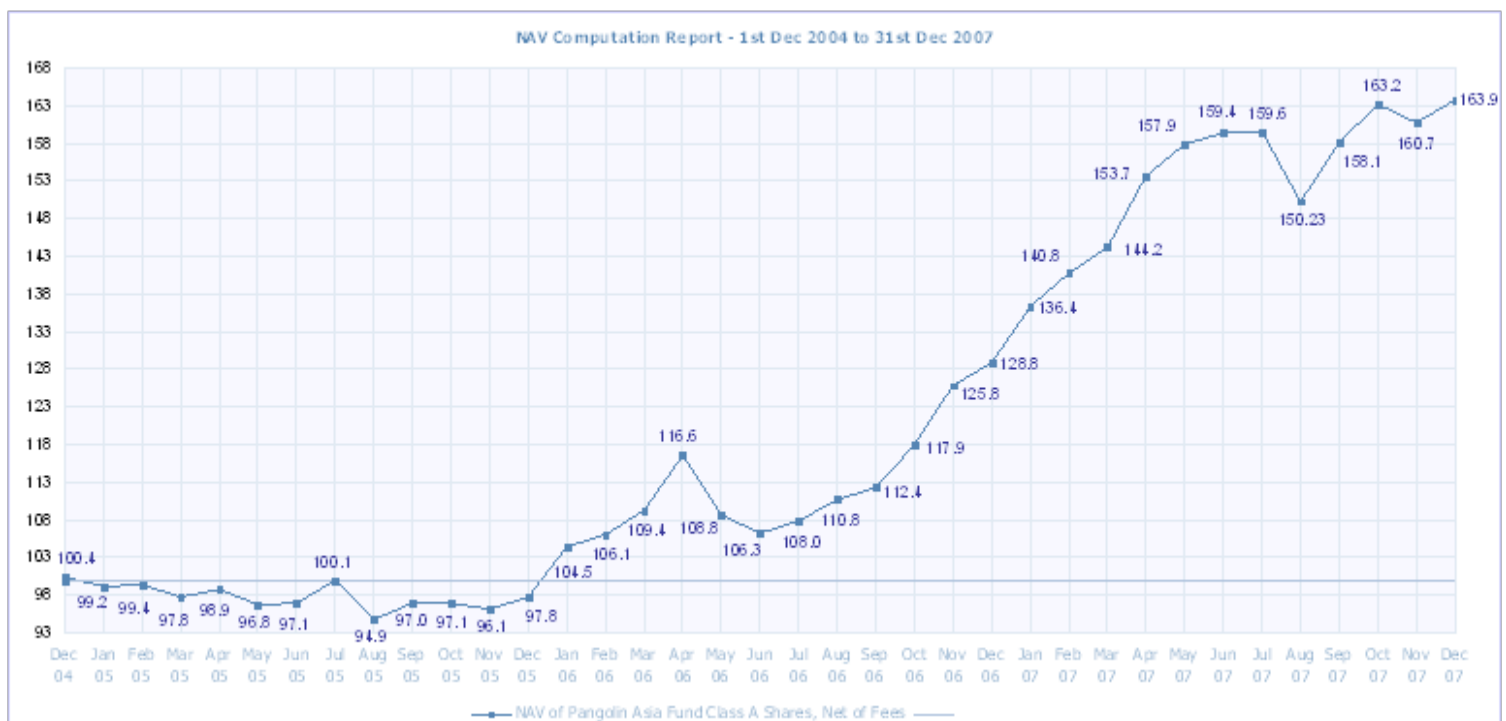
Happy New Year,

James Hay

11th January 2008.

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





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Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
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%	Return since inception	63.86%
2006 return	31.74%	Maximum drawdown	-8.81%
2007 return	27.19%	% of positive months	75.68%
Average monthly return	1.40%	Standard deviation	3.35%
Average return (annualized)	16.78%	Standard deviation (annualized)	11.59%
Best monthly return	6.89%	Semi deviation	2.46%
Worst monthly return	-6.69%	Semi deviation (annualized)	8.53%
		Sharpe ratio	1.10