Pangolin Asia September 2014 NAV

As at the 30th of September 2014 the NAV of the Class A shares of the Pangolin Asia Fund was US$413.36 net of all fees and expenses, down 2.93% from US$425.85 in August. Please see the table at the end of this letter for further detail.

As of today, the fund is about 79% invested with the split being approximately as follows:

Indonesia	29%
Malaysia	24%
Singapore	26%
Thailand	21%

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

Overview

To put our performance into perspective, please refer to the tables below.

Return (in local currencies, except MSCI Asia Ex-Japan)

Period	Dow	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Sep 14	-0.3%	-1.6%	0.0%	-1.1%	-1.5%	1.5%	-6.0%	-2.9%
YTD (2014)	**2.8%**	**6.7%**	**20.2%**	**-1.1%**	**3.5%**	**22.1%**	**2.4%**	**9.3%**

Return (in USD)

Period	Dow	S&P 500	JSE	KLSE	STI	SET	MSCI ex JP	PAF
Sep 14	-0.3%	-1.6%	-4.0%	-4.9%	-3.6%	0.0%	-6.0%	-2.9%
YTD (2014)	**2.8%**	**6.7%**	**25.0%**	**-1.3%**	**2.4%**	**23.7%**	**2.4%**	**9.3%**

The fall in our fund's NAV has not been driven by large falls in share prices, but more by a decrease in the relative value of the currencies to the dollar. So we are not, as yet, seeing the bargains we might hope for.

I should also add our returns in Indonesia haven't matched those of that market. A reluctance to chase excessive valuations has proven a handicap. Plus a large weighting in vehicle finance, in a year of tightening liquidity, hasn't done us any favours. We have owned our motorcycle financiers for many years and I believe we hold the two best-managed finance companies in that country. Over the long term (and has been the case in the past) I remain confident that these investments will provide us with excess returns.

Indonesia

A rise in the US$ is good for Asian developing economies. Despite all the stuff we hear about building an economy based on domestic consumption, the moment the local currencies weaken everyone gets down to exporting feverishly again. A more balanced, sustainable economy can wait; we're too busy making money.

Indonesia's currency, as you all know, has been weaker than most. The argument against the place is that, as a commodities-dependent economy, growth is over. I have long argued that while high commodity prices benefit about half of Indonesia's population, the rest get squeezed by higher prices just like the rest of us. It has always been too simplistic to see Indonesia solely as a commodities-economy.

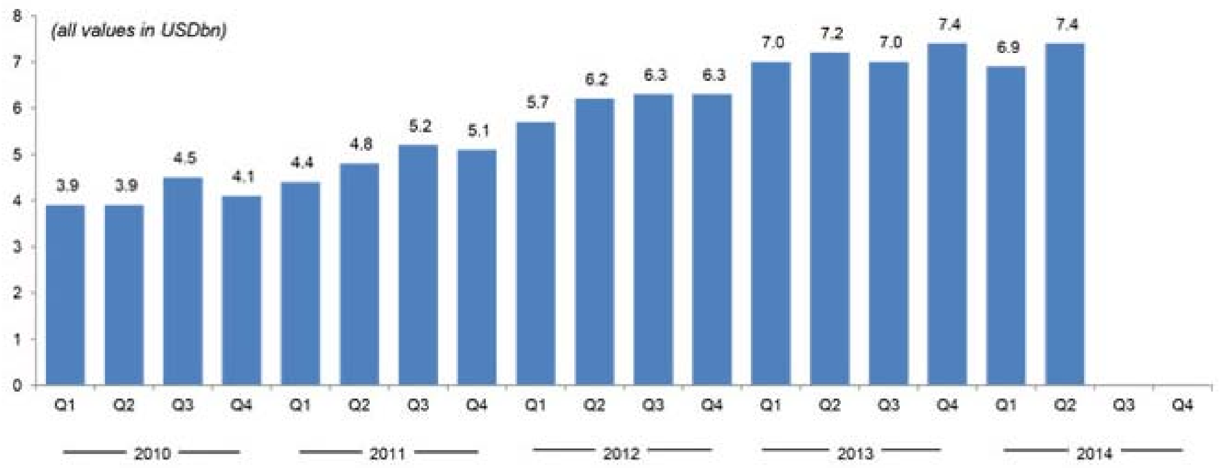
Indonesia's major weakness has been attracting decent foreign investment. Opportunities abound but the obstacles to actually building a factory or whatever, both official and not, have proven to be enough to send investors elsewhere.

The fall in the Rupiah is changing this. I'd like to think there has been a major change in the ease of doing business in Indonesia but there hasn't. It is still beset by corruption, bureaucratic nightmares, protectionist & nationalistic politicians, and unions that make the French ones look helpful.

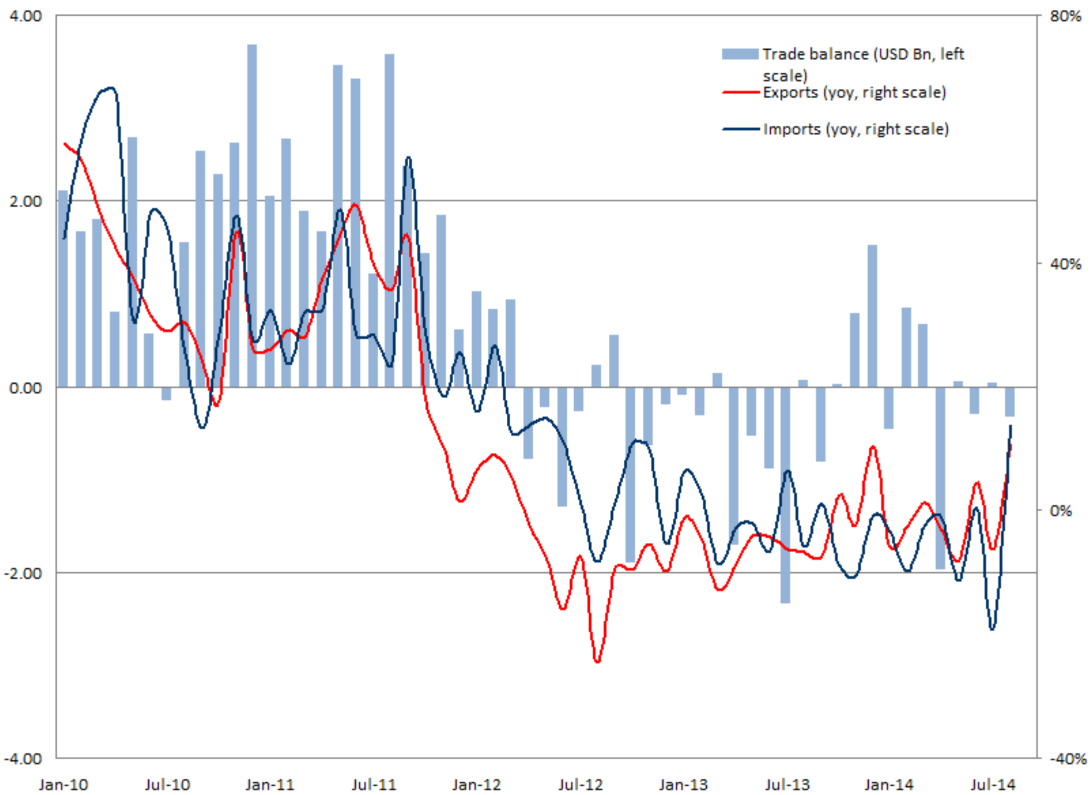
The strength in Indonesia's FDI has come as the $ cost of doing business has fallen to a level that make the difficulties faced by an investor worthwhile. And there is always the added kicker of a large domestic market.

The charts below show the strength in FDI coupled with an improving trade balance.

FDI Inflows In Indonesia Are On The Rise



Source: Indonesia Investment Coordinating Board (BKPM)



IDR to USD Exchange Rate

What the charts don't show is the shift in the type of investment, away from digging holes in the ground to making stuff. If you look around your home you can probably find something made in Malaysia, Thailand or Vietnam but almost certainly nothing from Indonesia (tourist knick-knacks excepted). Recent investments include:

In Jan 2014, Honda launched its second factory in the Indonesian province of West Java. The factory will initially produce 80,000 Mobilio cars this year before receiving a USD 256 million investment in order to build other new models and raise its total production capacity of 120,000 cars per year.

In May 2014, Nissan opened its second factory in Purwakarta which cost USD 324m. Initial production will be dedicated to assembling Datsun vehicles for sale locally. Nissan regards Indonesia as a key strategic market with sales expected to reach more than 90,000 units this year.

In Sept 2014, Mitsubishi announced that will be investing US$600 million to build a new assembly plant in Indonesia. The new plant, which will be located at an industrial park east of Jakarta, will have an annual production capacity of 160,000 vehicles, with the possibility of expanding this to 240,000 units in the future. Production is set to begin in the first half of 2017. The new facility will make Indonesia the automaker's second largest ASEAN production base after Thailand.

Other Companies that have so far announced FDI plans to invest in Indonesia include Samsung Electronics Co Ltd, Philippine fast food chain Jollibee Foods Corp and Thai green tea maker Ichitan Group PCL.

Taiwan's Foxconn Technology Group, a major supplier for Apple Inc, is also considering a $1 billion manufacturing project in Indonesia.

Outlook

Everyone has got gloomy again. We continue to visit companies, both within our core countries and elsewhere. Last week I was in Sri Lanka which looks like a place I should be spending some more time. The economy looks OK and the valuations are inexpensive. The food and beaches are pretty good too.

I've been scanning other managers' newsletters for inspiration. I find many are trying to predict the direction of the markets, something I am useless at. It remains' Pangolin's core proposition that investing in excellent companies when the price is right, in countries where the politics are less than catastrophic, should provide above average returns.

Evaluating whether the price is right is probably where we, as managers, should be adding value. If we can get this correct, and although markets can still make us look pretty stupid in the immediate term, the fund should continue to provide above average returns to its investors.

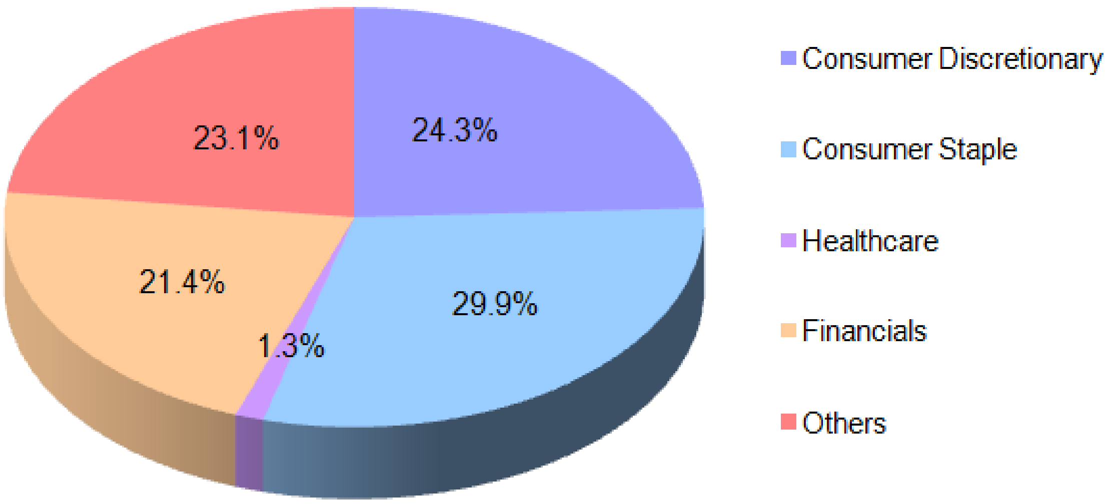
James Hay.
13th October 2014

I don't like to discuss stocks publicly but I am always happy to talk to existing investors and those interested in investing. The Pangolin Asia Fund is most suitable for investors who are happy when markets falling.

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	NAV	370.08	388.25	398.79	410.89	423.38	423.84	436.37	425.85	413.36				9.29%
2014	*% chg*	-2.16%	4.91%	2.71%	3.03%	3.04%	0.11%	2.96%	-2.41%	-2.93%				
	NAV	343.47	350.86	364.04	374.14	395.94	375.98	382.69	361.54	378.56	394.53	384.87	378.24	11.48%
2013	*% chg*	1.23%	2.15%	3.76%	2.77%	5.83%	-5.04%	1.78%	-5.53%	4.71%	4.22%	-2.45%	-1.72%	
	NAV	290.78	311.15	303.35	313.01	301.88	312.18	316.87	323.01	323.75	334.08	332.63	339.29	24.85%
2012	*% chg*	7.00%	7.01%	-2.51%	3.18%	-3.56%	3.41%	1.50%	1.94%	0.23%	3.19%	-0.43%	2.00%	
	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%
2011	*% 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%	
	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%
2010	*% 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%	
	NAV	95.67	96.38	98.12	133.22	145.25	151.32	159.71	167.99	173.21	174.49	182.60	195.87	95.34%
2009	*% 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%	
	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%
2008	*% 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%	
	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%
2007	*% 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%	
	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%
2006	*% 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%	
	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%
2005	*% 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%	
	NAV	-	-	-	-	-	-	-	-	-	-	-	100.37	
2004	*% chg*	-	-	-	-	-	-	-	-	-	-	-	0.37%	

Best monthly return	**35.77%**
Worst monthly return	**-20.42%**
Maximum drawdown	**-47.53%**
% of positive months	**69.49%**
Annualised return	**15.53%**

By Sector


23.1%
24.3%
21.4%
29.9%
1.3%
Consumer Discretionary
Consumer Staple
Healthcare
Financials
Others