Pangolin Investment Management

PANGOLIN ASIA FUND
February 2009 NAV and 1st Quarter Report

As of the 28th of February 2009, the NAV of the Class A shares of the **Pangolin Asia Fund** was U$96.38 net of all fees and expenses, up 0.74% from US$95.67 in January.

At the end of February the fund was about 93% invested, with the split being approximately as follows:

Indonesia	47%
Malaysia	37%
Singapore	16%

We've been buying a bit more but also had some subscriptions, thus keeping the cash proportion approximately unchanged.

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

Overview

February saw a continued weakness in the regional currencies against our U$ base currency. Our stock selection paid off with no significant price declines. One of our Indonesian finance companies rose over 60% in February following the announcement of excellent results which just about offset our FX losses.

In fact, so far the fund's companies' results have been pretty much in line with our expectations, which is how it should be of course. Three company results last Friday were all pretty encouraging. One is a company involved in storing shipping containers who, unsurprisingly, have seen a surge in demand – if a container isn't on a boat it has to be stored somewhere – although there has been an increase in bad debts as well.

In this market good results don't get rewarded but bad results get severely punished. The only thing that counts are dividends and, once they have been paid, that protection quickly disappears. This is not bad news as it gives us the opportunity to buy high yielding stocks cheaply.

We are still waiting for some of our Indonesian companies to announce their full year results. They normally wait until the end of March which is the last day allowed. It is rather frustrating to have to wait so long when everyone else is so much quicker, but "rather frustrating" rather sums up Indonesia.

I am reluctant to discuss individual stocks in detail in this newsletter but if you want more information, let me know.

Outlook

It all looks rather like 1998 in Asia. That was a depressing year although the markets recovered reasonably well by the end of it. The good news is that buying in 1998 looked reasonably clever by 1999 and, if one has a focus on valuations rather than headlines, this is another exciting time to be an investor.

Debt has killed off a significant proportion of manufacturing capacity in recent months. This is good news for those companies with sensible balance sheets. The market has been ruthless in its sell down of exporters and the fund has just started to pick up shares in a couple of companies in that sector.

I won't disclose the names as the fund has had new subscriptions and we are still buying. Both companies are in strong cash positions, are sensibly managed and we think have better prospects than their share prices suggest (one trades at 1/8th of its previous high, the other at a ¼).

We are investing with a three year view. We expect that the news headlines will continue to be depressing for a few months and the sector will remain overlooked. These companies' prospects are of course enhanced somewhat by the Dollar's strength, thus giving us a long term hedge.

It would seem a certainty that at some point the out-performance of the US$ and Treasuries will end in tears, although the trend may well continue for a while yet. The good news is that Asian central banks seem to have learnt that it is pointless to fight these trends and are conserving their reserves. The undervalued currency model has served Asia well as an engine of growth. You'll be hard pushed to find many politicians or businessmen in Asia complaining about currency movements just now.

James Hay.

6th March 2009.

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

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February 2009 NAV

Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	***Nav***	**95.67**	**96.38**											**-3.88%**
	% chg	**-4.59%**	**0.74%**											
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	-3.88%

Best monthly return	16.62%
Worst monthly return	-20.42%
Maximum drawdown	-47.53%
% of positive months	60.78%