



Pangolin Investment Management

Pangolin Asia Fund March 2011 NAV

As at the 31st of March 2011 the NAV of the Class A shares of the Pangolin Asia Fund was US\$271.83 net of all fees and expenses, up 5.35% from US\$258.03 in February. Please see the table at the end of this letter for further detail.

As of today, the fund is just about 75% invested, with the split being approximately as follows:

Indonesia	45%
Malaysia	22%
Singapore	24%
Thailand	9%

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

Overview

We have sold two positions in Indonesia in the past month, bought quite a lot of a small company in Malaysia and started to add another holding there too. In Indonesia we sold one company we have held since we started the fund as it is no longer generating the returns we think we can find elsewhere; and the other one was sold as we believe we were getting stiffed by the management. We will now sit back and watch them double...

Taking into account what is happening in the world as well as valuations one might have expected share prices to be lower in March. Our largest holdings continued to attract attention from other buyers and our favourite stock in Singapore seems to be getting noticed too. No names I'm afraid; that's the way we operate.

Outlook

The most depressing thing for me is that the Japanese earthquake is leading to increased demand for tropical timber. There is no place in this fund for those who wantonly destroy rainforest.

IOI Corporation of Malaysia has been accused by NGOs of wrongdoing in Sarawak. To quote: *The nature of the grievance covers two locations and three specific matters: land dispute over native customary land leased by IOI for palm oil production in Sarawak; drained peat land on endangered wildlife habitat and clearing of forest area; and illegal deforestation.*" The Roundtable on Sustainable Palm Oil said, in a statement on its website, that it would consider further sanctions, including the suspension of licences for new certified sustainable transactions should IOI not satisfactorily respond to these allegations. It would be nice to think that fund managers might reconsider their investments in IOI and the sector should these accusations be found to be true. However I suspect abuse of land rights and illegal deforestation will be considered OK if the profit is good enough. More on this on www.rspo.org.

The **Malaysian** State of Sarawak has a poor record in protecting its forests. Currently campaigning is ongoing for the state elections, the results of which are an important indicator of what may happen at national level. The opposition cites all sorts of things which they allege to be unfair. For example Anwar Ibrahim's talks are disrupted by the police and at least one mainland opposition politician was not allowed to enter the state. The opposition don't seem particularly well organised and in some seats there are two candidates fighting the government. Crazy.

Sarawak's chief minister, Taib Mahmud, has ruled the state for 30 years. By some he is credited with bringing stability and development to the wilds of Borneo. Others think less of him, one of whom is Clare Brown, sister-in-law of the UK's last prime minister. For those who want to learn what she thinks the www.sarawakreport.org is the place to go for lots of juicy allegations.



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Despite the events in Japan, Malaysia and that chain-of-volcanoes-sitting-atop-shifting-tectonic-plates AKA **Indonesia** both seem keen on pressing ahead with their plans for nuclear power. Now the events in Japan will almost certainly lead to safer power plants in the future but both of these countries have a pretty poor record when it comes to building things well. Indonesia is hoping that Pulau Bangka is seismologically stable enough for its plant while Malaysia hasn't chosen its site yet. Let's hope that if they do happen that they are not built to the usual standards.

Red Shirt supporters in **Thailand** must be wondering why there were no Nato jets to protect them when their government opened fire on their demonstrations last year. Thailand's leaders seem to have got away with this murder, both politically and economically. Its politicians are not blacklisted and tourists and investors alike seem happy to visit and do business. We only hold one stock there due to difficulty in finding things we like at the right price and in obtaining access to the companies that look as if they are attractively priced. We're not very top down, but the political situation in Thailand could be better.

Some of the valuations we encounter seem crazy. In Indonesia we really think that one should be looking for a discount given the nonsense that goes on at all levels, yet consumer stocks in particular are running and running. We haven't bought anything meaningful there for a while although we continue to keep scouring. An example of the challenges this country presents can be found in the latest news surrounding Newmont's Sumbawa mine – details can be found at www.thejakartaglobe.com/home/tussle-in-indonesia-over-lucrative-mine/432260. It is worth a read.

Nevertheless there is still good value in the region. We are having to work hard to find it and to buy it (a consequence of markets being so high). We are excited about the additions to the fund – time will tell of course if they are any good - and have a decent list of companies to visit.

James Hay
7th April 2011

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
2011	Nav	261.86	258.03	271.83										0.88%
	% chg	-2.82%	-1.46%	5.35%										
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	182.6	195.87	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%
Worst monthly return -20.42%
Maximum drawdown -47.53%
% of positive months 69.74%