



Pangolin Investment Management

Pangolin Asia Fund September 2010 NAV

As at the 30th of September 2010 the NAV of the Class A shares of the Pangolin Asia Fund was US\$253.28 net of all fees and expenses, up 6.07% from US\$238.78 in August. The fund is up 29.31% YTD. Please see the table at the end of this letter for further detail.

As of today the fund is about 85% invested, with the split being approximately as follows:

Indonesia	45%
Malaysia	31%
Singapore	15%
Thailand	9%

We are still waiting to receive our cash from the privatisation of Tanjong. If we include that we are at about 25% cash. I'm pretty happy with lots of cash at the moment.

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

Overview

Two years ago we bought a load of ultra-cheap stocks and they are still going up, as are the local currencies. Nevertheless our performance is probably lagging the indices as a result of our cash position and our unwillingness to join in to what, on certain days at least, resembles a feeding frenzy.

Last month our second largest holding became our largest as its price soared on the back of one influential broker sending out an email message to her clients. While this makes us look good, this kind of market action is not sustainable. We like the company and have visited the management many times, something I am fairly certain that some last month's buyers will not have done. It's down 12% today.

Outlook

The current market run-up is a bit frustrating. I always prefer a falling market; it means I can buy cheaply and easily and don't have to scout around for new names all the time. By the end of this afternoon I will have seen sixteen companies in Malaysia this week and I'm not sure I like any of them more than the ones currently in the fund.

Anyhow we're still nibbling away at the companies we like. We added two new names last month, one in Singapore and one in Indonesia. As usual these are companies whose shares barely trade, which is why most investors are not so keen on them. We like to think that anything we own can approximately double in three years and expect markets to go up and down and sideways and to do all sorts of other things along the way.

Investors in Asia should remember that the strength in Asian currencies is not that great for export-driven economies. Nor is the rise in commodity prices good news for all Indonesians, especially if a substantial portion of their income is spent on food. Some food companies are telling us that their margins are being squeezed by rising commodities prices. Most investors seem unconcerned by any potential bad news for now. Just remember that in falling markets bad news is just about all that investors focus on.

James Hay
8th October 2010

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



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Year	Details	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2010	Nav	201.91	205.09	213.68	227.44	213.93	227.45	234.62	238.78	253.28				29.31%
	% chg	3.08%	1.57%	4.19%	6.44%	-5.94%	6.32%	3.15%	1.77%	6.07%				
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 70.00%