

Prusik Asia Fund



GROWTH INVESTING IN ASIA

PRUSIK

31 January 2019

Monthly Fund Fact Sheet

Investment Objective

To preserve capital and generate absolute returns over a full economic cycle by investing in listed equities in Asia Pacific ex-Japan, whilst maintaining portfolio volatility significantly below the peer group.

Fund Facts

Fund Size (USD)	131.9m
Launch Date	7 October 2005
Fund Manager	Heather Manners
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD
Index	MSCI Asia Pacific ex Japan Index

Performance (%)

	U (GBP)	Index (GBP)
1 Month	3.31	3.87
3 Month	3.59	5.88
Year to Date	3.31	3.87
Since Launch	72.14	62.75
Annualised [†]	10.21	9.11

Source: Morningstar.

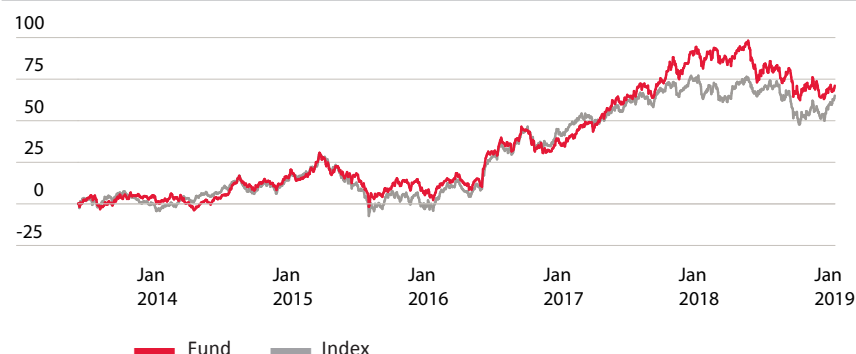
Launch Date: U: 01.07.13

[†]Since Launch Performance

Investment Process

With anomalies as a start point, the investment process seeks to identify and invest in key 'themes' in the Pacific region. Our themes are driven by factors outside of the normal economic cycle and are not yet discounted by the market. Companies are identified and chosen via rigorous bottom-up analysis with emphasis on traditional value and high ROCE. Cash and Index Futures are used when opportunities are few and to reduce portfolio volatility.

Fund Performance - Class U GBP (%)



Source: Morningstar. Total return net of fees.

Performance since launch of Class U GBP share class - 01.07.13

Fund Manager Commentary

In January, the Asian markets rallied sharply, buoyed by a slightly less hawkish FED and subsiding US Dollar strength, although the rise was not sufficient to recover all the losses from the final quarter of 2018. The M2APJ Asia ex Japan index rose 3.87% whilst the fund rose by 3.31%. The main reason for underperformance came from our remaining technology holdings (both of which we sold during the month) namely, **Taiwan Semiconductor** and Korean gaming company **Com2us**. We also saw a correction in sports-fashion brand, **Fila Korea**, after a stellar year in 2018. We had already taken some significant profit here ahead of January's correction but believe the company could still do well after some consolidation.

On the positive side, we saw strong moves from a number of stocks, especially in China (white goods brand, **Haier Electronics**) and Hong Kong (**Swire Pacific**). The energy stocks, led by **Woodside Petroleum**, also bounced. Gold miner, **Newcrest Mining** was a notable outperformer also.

Whilst China overall saw quite a recovery, our infrastructure stocks were generally quiet, with one positive exception. After a good year last year this theme has created a bit too much 'ballast' this month but we do feel sure that the combination of extremely low valuations and 'baked in' profits growth of around 20% this year will still prove, relatively, very attractive especially if China ramps up its infrastructure policies in the March budget, as we expect they might.

Investors still have time to make the most of the unusually low valuations we are seeing in Asia ex Japan - and buy - but it is important not to delay. If the Fed begins to ease and China's current easing is supplemented by further policy action, both of which are likely in our view, and we see some kind of resolution to the trade issues between China and the US, it is very possible that we will see Asia ex-Japan begin to outperform other world markets markedly in 2019.

The challenge might be that earnings forecasts for the region have most likely further to fall and we expect average earnings potentially to be as low as 5% in 2019, absent any significant policy changes. That being said, any sign that equities are rising in spite of the lowering of earnings expectations means we should be taking this relative turnaround very seriously. We have seen some evidence of this in January.

In the longer term, we believe that Emerging Markets in general are beginning what will turn out to be at least a 5-year period of outperformance versus US equities, and that Asia will be at the forefront of this. Cheaper valuations and radically lower corporate debt levels in Asia and a peak in the US\$, providing better liquidity in the region, are all very good initial catalysts for what will come, in time, to be seen as a significant global change in leadership.

All data as at 31.01.19. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Melco International	4.0
Hyundai Heavy Industries	3.9
China Railway Construction	3.7
Newcrest Mining Ltd	3.4
Vietnam Dairy Products	3.3
Total Number of Holdings	37

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.8x
Predicted Return on Equity (%)	14.3
Predicted Dividend Yield (%)	2.9

Risk Metrics

Tracking Error (% pa)	6.25
Beta	0.85
Alpha	1.00
Volatility (%)	17.32
Sharpe Ratio	0.57

Thematic Breakdown (%)

Infrastructure/Logistics/Property	23.8	
Energy/Energy Services/Resources	20.7	
Financialisation	14.0	
Local Brands	11.6	
Leisure/Tourism	8.9	
Artificial Intelligence/Internet	8.1	
Vietnam Country	7.6	
Cash	3.5	
Education	1.7	

Geographical Breakdown (%)

Hong Kong/China	47.3	
Australia	12.8	
Vietnam	7.6	
Singapore	6.5	
Korea	6.1	
Philippines	5.4	
Indonesia	5.0	
Cash	3.5	
India	3.3	
Thailand	2.5	

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Management Fees

Annual Management Fee

Class U: 1% p.a. Paid monthly in arrears

All Share Classes except Class U: 1.5% p.a. Paid monthly in arrears

Performance Fee

Class U: 10% of the net out-performance of the MSCI Asia Pacific ex-Japan Index, with a high-water mark paid quarterly

All Share Classes except Class U: 10% NAV appreciation with a 6% hurdle annually

Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Daily
Min. Initial Subscription	USD 10,000
Subscription Notice	1 business day
Redemption Notice	1 business day

Share Class Details

Share Class	Sedol	ISIN	Month-end NAV
A USD Unhedged Non distributing	B0MDR72	IE00B0M9LK15	249.28
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	249.44
C GBP Hedged Distributing	B18RM25	IE00B18RM256	131.94
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	340.01

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	172.14
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Performance fee based on fund performance as a whole.

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