# Prusik Asia Fund

## GROWTH INVESTING IN ASIA



# 28 February 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)

Launch Date
7 October 2005

Fund Manager
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	3.43	1.19
3 Month	3.55	2.41
Year to Date	6.86	5.11
Since Launch	78.05	64.68
Annualised <sup>†</sup>	10.73	9.21

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 February, the M2APJ index rose 1.2% whilst the Prusik Asia Fund rose 3.4%, outperforming by 2.2%. Geographically, the biggest positive factors were China, Hong Kong and Cambodia (by which we mean Hong Kong listed but Cambodia based casino operator, **Nagacorp**). This month South East Asia took a back seat with Indonesia, India and the Philippines less robust than their northern neighbours. By company, all of our top three contributors this month were Chinese businesses, among them sportswear brand, **Li Ning**, private education provider, **China Xinhua Education**, and financial services provider, **Citic Securities**. That being said, Chinese gaming giant, **Tencent**, was amongst our larger detractors this month, alongside the Indonesian **Bank Mandiri** and Korean shipbuilder **Hyundai Heavy**.

In China, we believe that last year saw the nadir in sentiment for this cycle and although the domestic stock market has rallied some 20% from its autumn low, local sentiment seems only to have turned more positive since Christmas. If you think you may have missed the rally, consider the following:

- At the end of 2018 the average Chinese household had less than 1% of its assets in the stock market.
- At the end of February the total stock market capitalisation to GDP ratio was just 43%.

During February, President Xi made a series of very important remarks suggesting that Beijing's intentions are to revitalise capital markets, and this has been backed by more reflation via monetary policy. In the same timeframe, the main China banking regulator announced that China had achieved the desired goals for its structural deleveraging campaign, indicating a more dovish outlook. We have also just received Morgan Stanley's update on the increased A-share inclusion into the index, which should drive overseas investors towards China's stock market.

At the end of January, we added an old favourite, **Ping An Insurance**, although this time we bought the A-share which had corrected hard, falling nearly 22% through 2018. Despite being the second largest life market after the US, with US\$318 million in life premiums, in 2017 China recorded the fourth strongest growth of 21% yoy. As China's per capita GDP approaches US\$10,000, global experience suggests this will likely be a take-off point for life insurance penetration, which currently stands at just 2.7% in China versus 3.3% world average.

All data as at 28.02.19. Source: Prusik Investment Management LLP, unless otherwise stated.

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# Prusik Asia Fund



## Top 5 Holdings (%)

Melco International	4.0
Li Ning Co	3.7
China Railway Construction	3.7
Hyundai Heavy Industries	3.5
Ping An Insurance Company	3.3
Total Number of Holdings	36

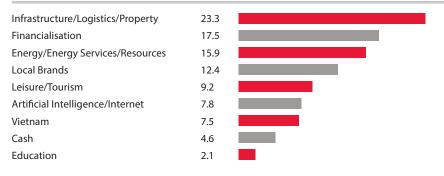
## **Portfolio Financial Ratios**

Predicted Price/Earnings Ratio	13.0x
Predicted Return on Equity (%)	14.9
Predicted Dividend Yield (%)	2.8

## **Risk Metrics**

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Tracking Erro	or (%	pa)	6.29
Beta			0.85
Alpha			1.46
Volatility (%)	)		17.28
Sharpe Ratio	)		0.63

## Thematic Breakdown (%)



#### Geographical Breakdown (%)

Hong Kong/China	52.0	
Australia	9.9	
Vietnam	7.5	
Korea	5.9	_
Philippines	5.2	
Singapore	4.9	-
Cash	4.6	
Indonesia	4.6	_
India	3.1	
Thailand	2.4	

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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 highwater 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 C	lass		Sedol	ISIN	Month-end NAV
A USD	Unhedged	Non distributing	B0MDR72	IE00B0M9LK15	260.91
B USD	Unhedged	Distributing	B0M9LL2	IE00B0M9LL22	261.08
C GBP	Hedged	Distributing	B18RM25	IE00B18RM256	137.91
D SGD	Hedged	Distributing	B3LYLK8	IE00B3LYLK86	355.67
Performance fee based on individual investor's holding.					
U GBP	Unhedged	Distributing	BBQ37S6	IE00BBQ37S60	178.05
Performance fee based on fund performance as a whole.					

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