

Prusik Asia Fund



PRUSIK

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)	139.8m
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	3.43	1.19
3 Month	3.55	2.41
Year to Date	6.86	5.11
Since Launch	78.05	64.68
Annualised [†]	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.

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

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

Thematic Breakdown (%)

Infrastructure/Logistics/Property	23.3	
Financialisation	17.5	
Energy/Energy Services/Resources	15.9	
Local Brands	12.4	
Leisure/Tourism	9.2	
Artificial Intelligence/Internet	7.8	
Vietnam	7.5	
Cash	4.6	
Education	2.1	

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 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	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
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Performance fee based on fund performance as a whole.

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