

# Prusik Asia Fund



PRUSIK

## GROWTH INVESTING IN ASIA

29 March 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)	138.7m
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	2.17	3.66
3 Month	9.18	8.96
Year to Date	9.18	8.96
Since Launch	81.92	70.72
Annualised <sup>†</sup>	10.97	9.75

Source: Morningstar.

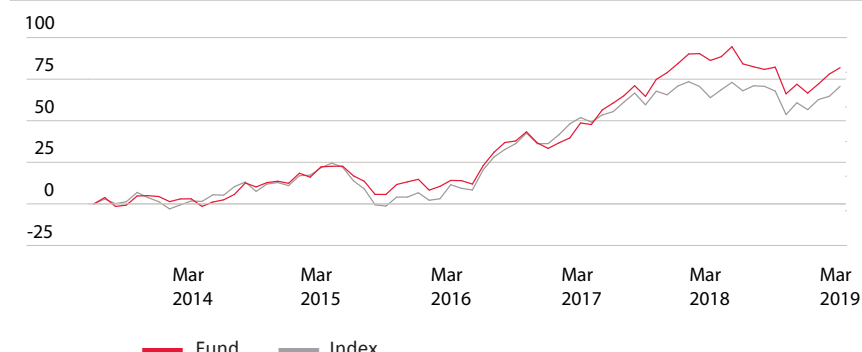
Launch Date: U: 01.07.13

<sup>†</sup>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 March, the M2APJ index rose 3.7% whilst the fund rose 2.2%, underperforming by 1.5%. This brings the fund's 1Q19 return up to 9.2% in GBP versus the Index which was up 8.9%.

There are two main reasons for the fund's underperformance this month. The first is that our Vietnamese internet social media hosting company, **Yeah1**, announced that its relationship with YouTube had been terminated owing to issues over content. Although this only affects around 13% of the company profits, the shares fell sharply during March. We believe that management have been disappointingly naïve around the brewing issues globally surrounding content responsibility and we have since completely exited the position. However, the decline did contribute a significant portion of the underperformance this month.

The second contributing factor to underperformance was that although China was the key driver behind the index rise this month, our Chinese construction companies took a back seat during the rise, thereby creating a drag. The recent 4Q18 results from these companies took in one-off losses and impairments, which investors took negatively. However, more positively, this also suggests that a more solid base is now formed. Excluding the one-off losses, core earnings grew by 17-22% year on year. Furthermore, the current backlog of orders shows that they should easily meet revenue targets this year and that 2019 earnings growth could reach the 15-20% range, currently three times higher than is forecast for the average MSCI Asia company. Given these companies are now trading more than one standard deviation below their historic valuations, we believe the potential upside from here remains very good.

The portfolio otherwise saw some very strong gains. Our Chinese sportswear brand, **Li Ning**, and Korean global sportswear brand, **Fila**, both performed very well, supported by strong results (operating profit up 74% and 83%, respectively, in 2018) demonstrating the ever-increasing demand for sports fashion and trainers. In fact, we would go as far as to say that trainers are now the new handbags when it comes to status, and this is a potentially far bigger trend as this applies across all genders and can be seen at all price points. In Australia, we also saw strong performance from resources companies **RIO** and **BHP**, due to Chinese demand remaining robust. This was also underlined by some unexpectedly strong leading indicator data from China this week.

Therefore, supported by the recent economic data and still attractive underlying valuations, we continue to have a very positive outlook for the region and for the fund's ability to do well, underpinned by a below market average P/E and clear potential to also grow earnings well above current averages. The current dip in relative performance is a good buying opportunity.

All data as at 29.03.19. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Li Ning Co	4.0
Melco International	3.9
Ping An Insurance Company	3.6
Swire Pacific Ltd	3.4
Fila Korea Ltd	3.4

Total Number of Holdings	37
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## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.1x
Predicted Return on Equity (%)	15.2
Predicted Dividend Yield (%)	2.8

## Risk Metrics

Tracking Error (% pa)	6.29
Beta	0.85
Alpha	1.20
Volatility (%)	17.30
Sharpe Ratio	0.62

## Thematic Breakdown (%)

Infrastructure/Logistics/Property	19.1	
Financialisation	17.9	
Energy/Energy Services/Resources	15.9	
Local Brands	15.3	
Leisure/Tourism	9.0	
Artificial Intelligence/Internet	8.3	
Vietnam	7.9	
Misc	3.1	
Education	1.9	
Cash	1.7	

## Geographical Breakdown (%)

Hong Kong/China	51.6	
Australia	9.9	
Vietnam	7.9	
Indonesia	6.6	
Korea	6.5	
Philippines	5.3	
Singapore	5.0	
India	3.2	
Thailand	2.3	
Cash	1.7	

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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	262.36
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	262.53
C GBP Hedged Distributing	B18RM25	IE00B18RM256	138.40
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	357.44

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	181.92
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Performance fee based on fund performance as a whole.

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