

Prusik Asia Fund



PRUSIK

GROWTH INVESTING IN ASIA

31 January 2018

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)	121.1m
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	3.14	1.52
3 Month	8.76	3.41
Year to Date	3.14	1.52
Since Launch	90.15	73.49
Annualised [†]	15.04	12.77

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 M2APJ index rose 1.5% in sterling terms, whilst the Prusik Asia Fund gained 3.1% in sterling terms, outperforming by 1.6%.

Geographically, major positive contributions to the fund this month came from China, Hong Kong and India. This is interesting because although Hong Kong and Hong Kong listed China shares have been amongst the stronger indices so far this year, India has been a relatively lacklustre market. Nonetheless, our Indian property developer, **Godrej Properties**, has been a strong performer and all three of our Indian holdings have outperformed the region this month. In Hong Kong, **AK Medical**, of which we wrote about last month, was a star performer, as was China consumer electronics brand, **Haier**, and insurance company, **Ping An**. We are taking profits in the latter, as well as our other life insurers, having seen very strong returns from this theme in 2017. New business growth here is slowing as customers switch to other wealth management products.

On the negative side, we have seen relative weakness in tech hardware and have been reducing our exposure to this sector. Despite being very positive on the longer-term outlook for 3D sensors going into handsets, we note that the handset sector is slowing sharply, even in China and, accordingly, have sold **Win Semiconductor**. This, and the more competitive outlook for DRAM (memory) and OLED (display) has also changed our view on **Samsung Electronics** to neutral.

We have been using the funds raised from our sales to further diversify into oil and gas, including buying oil services company, **Sembcorp Marine**, which is enjoying a very early recovery in orders as the oil services sector rises from the ashes after a long period of decline. Additionally, **Sembcorp** may have the opportunity to re-develop a waterside yard, which could add as much as \$1 in value to a depressed \$2.60 share price (at the time of writing).

We have also bought **Fila Korea**. **Fila** is a longstanding sportswear brand, last viewed as being trendy in the 1990s, although Fila fashion in China has been performing fantastically in recent years under the stewardship of sportswear brand, **Anta**. **Fila** has recently rebooted its global offering, and has reverted to its heritage styles, which are now becoming very popular as an alternative to Nike and Adidas. **Fila** also owns a very stable golf brand, **Acushnet**, which makes up almost all of its market capitalisation. This means that any potential success in its Fila fashion business at home or abroad is hardly valued at all in today's share price. The company is currently trading on a 2018 P/E of 10.4x which looks attractive for a solid brand undergoing a turnaround.

Overall, we are very optimistic for the region this year but do expect to see a pullback before long. We have more cash than normal at month-end due to taking profits as well as fund inflows. This is gradually being invested, as described above, with some held in reserve for buying into any weakness.

All data as at 31.01.18. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Ping An Insurance Group	4.1
PetroChina	3.5
Vietnam Dairy Products	3.4
Phu Nhuan Jewelry	3.3
Vingroup	3.2
Total Number of Holdings	44

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	17.0x
Predicted Return on Equity (%)	19.9

Risk Metrics

Tracking Error (% pa)	6.45
Beta	0.82
Alpha	2.60
Volatility (%)	16.62
Sharpe ratio	1.09
% of the portfolio which could be sold in 2 business days	95.11

Thematic Breakdown (%)

Financialisation	25.9	
Vietnam	11.8	
Cash	10.1	
Infrastructure/ Logistics/ Property	9.5	
Artificial Intelligence/ Virtual Reality	8.9	
Internet	7.6	
Local Brands	7.1	
Energy	6.3	
Healthcare	5.3	
Leisure/Tourism	4.1	
Energy and Energy Services	2.0	
5G	1.4	

Geographical Breakdown (%)

Hong Kong/China	48.0	
Vietnam	11.8	
Cash	10.1	
India	6.6	
Korea	4.7	
Indonesia	3.8	
Australia	3.7	
Malaysia	3.5	
Taiwan	2.3	
Pakistan	2.1	
Singapore	2.0	
Thailand	1.3	

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	294.08
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	294.26
C GBP Hedged Distributing	B18RM25	IE00B18RM256	159.35
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	405.85

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	190.15
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Performance fee based on fund performance as a whole.

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