## Prusik Asia Fund

### **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	n	90.15	73.49
Annualised <sup>+</sup>		15.04	12.77

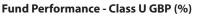
Source: Morningstar.

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.





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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.

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## Prusik Asia Fund

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

16.62

1.09

95.11

#### **Thematic Breakdown (%)**

Financialisation
Vietnam
Cash
Infrastructure/ Logistics/ Property
Artificial Intelligence/ Virtual Reality
Internet
Local Brands
Energy
Healthcare
Leisure/Tourism
Energy and Energy Services
5G

# 25.9 11.8 10.1

#### **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

9.5 8.9 7.6 7.1 6.3 5.3 4.1 20 1.4

#### **Management Fees**

Volatility (%)

Sharpe ratio

#### **Annual Management Fee**

% of the portfolio which could be

sold in 2 business days

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 Freque	ency	Daily
Min. Initial Sub	scription	USD 10,000
Subscription N	otice	1 business day
Redemption N	otice	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	

Performance fee based on fund performance as a whole.

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