Prusik Asia Fund

Growth Investing in Asia

PRUSIK

30 March 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)	123.5m
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	-2.14	-3.95
3 Month	1.03	-4.10
Year to Date	1.03	-4.10
Since Launch	86.27	63.88
Annualised†	14.00	10.97

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 March the global indices remained weak and Asia was no exception. The M2APJ index fell by 3.9% in sterling terms, while the fund fell 2.1%, thereby outperforming this month by 1.8%.

The major reasons for ongoing stock market weakness were twofold.

Firstly, Trump's trade tariff ruling caused weakness in China and the affected sectors fell sharply, albeit that the real damage that has been done so far relates more to sentiment than any tangible impact on exports. China's retaliation at the month-end is likely to keep this issue very live in coming weeks, although we believe that the US is more likely to be looking for a 'better deal' for US manufacturers rather than an all-out trade war. Moreover, further escalation would likely cause more cost to the US than to Asia. This was neatly illustrated by our recent conversation with the management of Chinese glass giant, **Xinyi Glass**, which, together with one other Chinese maker of auto glass, has a 45% share of the replacement auto glass market in the US. Tariffs or bans in this market would immediately cost US consumers a minimum of 10% more for replacement glass, whilst the availability of certain models would decline significantly.

We have less than 5% of the fund in two stocks which directly export or supply any goods to the US or US companies, namely, glass maker **Xinyi Glass** and maker of high tech rubber and plastics products for EV and consumer electronics, **Memtech**. We have met with the management of both companies in the past month and each management team had a similar message: as they see it, it is the non-US markets which they see as their future growth drivers and, crucially, in their specific product areas they see no other scalable or comparable US competitor.

The second factor behind general market weakness has been the sharp decline in the technology sector, led mostly by the internet companies following the Facebook scandal. This almost certainly marks a near term top for US internet companies as new regulations loom. In Asia, the relative weakness of US-listed Chinese internet stocks has been more muted as the operating environment in China is markedly different to that in the US. Here we have so far retained our exposure - just over 7% of the fund - as we believe that later this year the Chinese aim to bring trading of the US-listed giants, such as **Alibaba** and **JD.com,** to China under the structure of 'CDRs'. On top of the ongoing growth prospects of these companies in Asia, this could considerably boost buying potential as, so far, these companies' shares are not yet available to domestic Chinese investors.

Elsewhere, the fund benefitted this month from good returns in both Vietnam and South Korea. In Vietnam, jewellery brand **Phu Nhuan Jewelry** was a top performer, driven by strong same store sales growth and a very clear and positive message to investors on future expansion. Vietnam remains one of the places in Asia where the middle-class is set to grow rapidly over coming years and **Phu Nhuan Jewelry** is one of very few branded retailers with good management. In Korea, game developer **Com2uS** and new position, **Fila Korea**, about which we wrote last month, both performed well. The fund continues to benefit from its off index exposure to mid-caps and smaller markets and we see growth expectations remaining strong in our themes and, indeed, in North Asia and China where our main exposures lie.

All data as at 30.03.18. Source: Prusik Investment Management LLP, unless otherwise stated.

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Prusik Asia Fund

Top 5 Holdings (%)

Phu Nhuan Jewelry	4.4
Haier Electronics	4.1
Vingroup	4.1
Vietnam Dairy Products	3.3
Taiwan Semiconductor	3.1
Total Number of Holdings	45

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	16.6x
Predicted Return on Equity (%)	19.0
Predicted Dividend Yield (%)	2.4

Risk Metrics

Tracking Error (% pa)	6.42
Beta	0.82
Alpha	3.00
Volatility (%)	16.79
Sharpe ratio	0.97

Thematic Breakdown (%)

Financialisation	23.8
Vietnam	14.8
Local Brands	10.8
Internet	10.0
Artificial Intelligence/ New Technologies	8.2
Energy/Energy Services	8.2
Infrastructure/Logistics/ Property	8.0
Healthcare	7.3
Leisure/ Tourism	4.9
Education	2.5
5G	1.2
Cash	0.2

Geographical Breakdown (%)

Hong Kong/China	51.6
Vietnam	14.8
Singapore	7.7
India	5.8
Korea	5.5
Indonesia	4.5
Australia	3.4
Taiwan	3.1
Pakistan	2.2
Thailand	1.3
Cash	0.2

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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

Share Class Details

Share Class				Sedol	ISIN	Month-end NAV
A	USD	Unhedged	Non distributing	B0MDR72	IE00B0M9LK15	288.29
B	USD	Unhedged	Distributing	B0M9LL2	IE00B0M9LL22	288.47
C	GBP	Hedged	Distributing	B18RM25	IE00B18RM256	155.70
D	SGD	Hedged	Distributing	B3LYLK8	IE00B3LYLK86	397.40

Performance fee based on individual investor's holding.

U	GBP	Unhedged	Distributing	BBQ37S6	IE00BBQ37S60	186.27

Performance fee based on fund performance as a whole.

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

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