

# Prusik Asia Fund



PRUSIK

## GROWTH INVESTING IN ASIA

31 May 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)	134.0m
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	3.20	2.67
3 Month	2.19	1.45
Year to Date	5.51	1.28
Since Launch	94.52	73.08
Annualised <sup>†</sup>	14.50	11.81

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 May, the M2APJ index returned 2.7% whilst the fund rose 3.2%, outperforming by 50 basis points. May was another choppy month for markets and the volatility has so far extended to June, albeit with a generally positive direction, especially in the north Asian markets and China. The positive contributors to the fund in May, geographically, were Korea, Australia and China, whilst Vietnam and India extended the weakness from April. At the stock level, the best contributors were all from China and included recently listed private tertiary education provider, **China Xinhua Education**, traditional Chinese medicine brand, **Tong Ren Tang**, and oil giant, **PetroChina**.

We did maintain some cash over the month-end but this was the result of changes being made to the portfolio, together with some fund inflows. At the time of writing, the fund's cash position is back down to normalised levels of circa 5.0%.

Vietnam, in particular, has seen two very weak months in a row, largely caused by passive investors selling, a degree of digestion from recent IPOs and domestic margin calls. We have just returned from Vietnam and find the economy to be as vibrant as it was in March and we feel the longer-term opportunities here are amongst the best in Asia. However, the stock market had run very hard, so having trimmed our exposure here earlier in the year, and more recently reduced our exposure to the banking sector, we believe a little more patience may still be required and ideally some consolidation, before we look for bargains. The fund weighting, at the time of writing, is just 7.9%.

It is worth noting that the fund is now standing on a P/E of just 12.7x forward earnings. This has been achieved by a small shift away from a number of expensive and widely held technology and internet stocks in favour of more attractively priced energy and construction stocks.

We have also added exposure to undervalued China consumer names, which are not widely held or on high valuation multiples. In particular, we have been increasing our exposure to second and third tier cities and the theme of 'premiumisation' in China as rising incomes for consumers in lower tier cities are leading them to buy better products. One example of these recent additions is **Wuxi Little Swan**, an A-share focused on the washing machine segment in China. We see **Wuxi Little Swan** as complementary to our holding in **Haier**, which is geared into other consumer electronics segments. Both stocks offer good value versus their peers in the consumer brands space. In a relative sense, washing machines offer stronger demand visibility compared to other appliance categories. In an absolute sense, the washing machine market has seen one of the strongest premiumisation trends since 2015.

**Little Swan** has exhibited well-above industry growth since 2013, driven by its clear competitive advantages in both the domestic and export markets. In 2018, analysts believe **Little Swan's** management will increasingly focus on profitability as well as top-line growth. This will entail greater attention to its product mix across its domestic, export and ecommerce channels, as well as greater investment in its premium sub-brand, Beverly. Recently announced numbers support forecasts of 22% earnings per share growth in 2018 and likely similar growth in 2019. Our target ex-cash P/E of 21x suggests around 40% upside, supported by 24% ROE.

All data as at 31.05.18. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Haier Electronics	3.9
China Communications Construction	3.3
PetroChina	3.3
Phu Nhuan Jewelry	3.3
China Xinhua Education Group	3.1
Total Number of Holdings	44

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.7x
Predicted Return on Equity (%)	16.9
Predicted Dividend Yield (%)	2.9

## Risk Metrics

Tracking Error (% pa)	6.36
Beta	0.82
Alpha	2.79
Volatility (%)	16.70
Sharpe ratio	0.92

## Thematic Breakdown (%)

Infrastructure/Logistics/Property	23.1	<div></div>
Financialisation	17.3	<div></div>
Local Brands	12.9	<div></div>
Energy/Resources	10.1	<div></div>
Cash	7.9	<div></div>
Vietnam	7.6	<div></div>
Healthcare	7.3	<div></div>
Leisure/Tourism	6.8	<div></div>
Education	3.1	<div></div>
Artificial Intelligence/New Technologies	2.6	<div></div>
5G	1.1	<div></div>

## Geographical Breakdown (%)

Hong Kong/China	49.0	<div></div>
Australia	8.7	<div></div>
Cash	7.9	<div></div>
Vietnam	7.7	<div></div>
India	7.3	<div></div>
Singapore	6.4	<div></div>
Korea	5.1	<div></div>
Indonesia	2.2	<div></div>
Philippines	1.7	<div></div>
Pakistan	1.6	<div></div>
Thailand	1.1	<div></div>
Taiwan	1.1	<div></div>

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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	285.60
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	285.78
C GBP Hedged Distributing	B18RM25	IE00B18RM256	153.76
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	393.06

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	194.52
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Performance fee based on fund performance as a whole.

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