

Prusik Asia Fund



PRUSIK

GROWTH INVESTING IN ASIA

29 June 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)	131.4m
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	-5.30	-2.93
3 Month	-1.11	2.51
Year to Date	-0.09	-1.69
Since Launch	84.21	68.00
Annualised [†]	13.01	10.94

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 June the M2APJ fell 2.93% while the Prusik Asia Fund fell 5.3%, underperforming the index by 2.37. This underperformance was attributable to a number of very specific factors.

Firstly, our exposure in Pakistan, whilst a very low weighting in the fund, was negatively affected by the currency depreciating by 4.9% over the month. Our stocks in Pakistan also fell in tandem with general emerging market weakness, adding to a poor return here. Secondly, we had two stock-specific events, both of which were government related and thus somewhat unpredictable but which together contributed a 1.2% decline to the portfolio in June. **ZTE**, the beleaguered 5G equipment maker that found itself in the centre of the unfolding trade row between US and China, had been suspended but was re-listed in June. We had a very small weighting here but the decline post the re-listing was severe. We have since exited this position. **Beijing Capital International Airport** is a much bigger position which we continue to hold but, in June, the company was told by the Ministry of Finance that it will no longer receive its share of the Airport Construction Fee, despite a recent announcement that this fee would be paid to 2020. While this has an impact on cash flows in the near term, this fee was not factored into either our or the sell side's terminal value calculation for the stock. Given that, we feel the overall impact to the valuation is an estimated reduction of 10-15%. The resulting fall in the share price of over 25%, we believe, is overdone and a buying opportunity.

Finally, our long-held Vietnamese jewellery chain, **Phu Nhuan Jewelry**, which is growing profits at a 38% cagr and which we know well and have already visited this year, has fallen nearly 40% since mid-May for no reason other than local sentiment turning bearish. In fact, the Vietnam stock market has been very weak this quarter despite the economy growing at 7.1% in 1H18 (an 8-year high) and exports increasing by 16% over the same period, creating the highest trade surplus for 7 years.

We think this is a good allegory for much of the recent weakness we are seeing in other markets too. We are nearing capitulation and many excellent companies are selling at just two thirds of the price that they were only a matter of weeks ago. If you missed the rally in Asia last year and felt cautious about buying this year so far, then now is absolutely the time to take a second look. Nothing has worsened that dramatically for any of the companies we invest in, the fund is now trading at a P/E of just 13.0x earnings with no significant downgrades in sight. Indeed, our weighted average earnings forecast for the portfolio is 30.4%. Moreover, with the exception of 3.3% of the fund which is held in companies where the US is over 20% of revenue, all our companies are selling to Asian domestic consumers and are yet to have been caught up in a market rout related to a 'trade war', which may well turn out not to have the teeth the market has discounted. We will be reinvesting our cash into any further weakness.

All data as at 29.06.18. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Haier Electronics	3.8
PetroChina	3.1
Fila Korea	3.1
China Communications Construction	3.0
Wuxi Little Swan	2.9
Total Number of Holdings	41

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.0x
Predicted Return on Equity (%)	15.6
Predicted Dividend Yield (%)	2.7

Risk Metrics

Tracking Error (% pa)	6.33
Beta	0.83
Alpha	2.18
Volatility (%)	16.76
Sharpe ratio	0.80

Thematic Breakdown (%)

Infrastructure/Logistics/Property	17.3	
Financialisation	14.4	
Energy/Resources	13.8	
Local Brands	13.2	
Healthcare	10.0	
Cash	7.7	
Artificial Intelligence/Internet	7.2	
Vietnam	7.2	
Leisure/Tourism	6.3	
Education	2.8	

Geographical Breakdown (%)

Hong Kong/China	49.5	
India	9.3	
Australia	9.2	
Cash	7.7	
Vietnam	7.2	
Singapore	6.2	
Korea	5.9	
Indonesia	2.1	
Philippines	1.7	
Taiwan	1.1	

All data as at 29.06.18. Source: Prusik Investment Management LLP, unless otherwise stated.

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	267.82
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	267.99
C GBP Hedged Distributing	B18RM25	IE00B18RM256	143.66
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	367.84

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	184.21
-----------------------------	---------	--------------	--------

Performance fee based on fund performance as a whole.

This document is issued by Prusik Investment Management LLP and is for private circulation and information purposes only. Prusik Investment Management LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom and in the United States of America by the Securities and Exchange Commission as an Exempt Reporting Adviser. The information contained in this document is strictly confidential and does not constitute investment advice, nor an offer or solicitation to buy or sell any securities and or derivatives or to make any investment decision and may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of Prusik Investment Management LLP.

The value of investments and any income generated may go down as well as up and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guide to, or indicative of, future results. Changes in exchange rates may have an adverse effect on the value, price, or income of investments.

The information and opinions contained in this document are for background purposes only, and do not purport to be full or complete. Please refer to the fund prospectus for more detail. The information given is not exhaustive and does not constitute legal or tax advice. Prospective investors and investors alike should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of shares under the laws of the jurisdictions in which they may be subject to tax. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by any of Prusik Investment Management LLP, its partners or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.