

# Prusik Asia Fund

GROWTH INVESTING IN ASIA



PRUSIK

31 August 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)	124.7m
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	-0.86	-0.18
3 Month	-7.01	-1.37
Year to Date	-1.89	-0.11
Since Launch	80.88	70.70
Annualised <sup>†</sup>	12.16	10.91

Source: Morningstar.

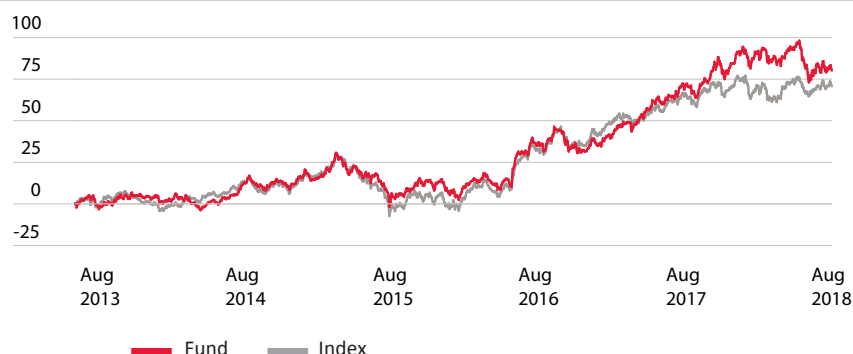
Launch Date: U: 01.07.13

<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

During August the fund fell by 0.86%, whilst the M2APJ index saw a more modest decline of just -0.18%, resulting in underperformance for the fund of 0.68% in sterling terms. The fund's China / Hong Kong exposure in the month was weak, led by education leader, **China Xinhua**. This fell sharply upon sector news that the government would not allow the private education companies to buy not-for-profit schools and make them into for-profit entities. The fall for **China Xinhua** is entirely sentiment based as this change has no significant bearing on the company's specific business model, despite affecting some peers. In fact, we observe that the currently very bearish and non-fundamental driven reflex amongst investors in mainland China is so negative that we would expect a reversal before long, much as we saw in 2016 after the correction in 2015.

On the positive side, the fund saw strong double-digit returns in the month in South Korea and the Philippines. Our South Korea exposure was buoyed by a 33.5% return from **Fila Korea** post very strong results, whilst in the Philippines, our investment in **Metro Pacific** returned 16.5% following positive rulings with regards to the company's toll road business.

Following on from our comments on Tencent in our July report, we wish to highlight that the stock performed poorly in August as well. The possible cause for this was that 2Q18 results, while slightly ahead of expectations, marked the slowest growth rates for both sales and profits that the company has witnessed in three years - Tencent's earnings in 2Q18 increased by 21.4% year-on-year, significantly below the 40-50% earnings growth to which Tencent investors have become accustomed. Interestingly, our Chinese construction stocks, which we invested in following our sale of Tencent, registered average earnings growth of 30.1% in 2Q18, meaningfully higher than Tencent. Moreover, our Chinese construction stocks are on just 6.3x 2018 P/E on average, whilst Tencent is on a lofty 34.4x 2018 P/E. At present, we continue to believe in the relative attractiveness of our Chinese construction stocks compared to Tencent; however, we are also monitoring Tencent particularly closely in light of the stock's continued share price weakness.

During the month, we sold **ICICI Prudential Life Insurance Co** and **Interglobe Aviation** in India, both of which have faced poorer earnings momentum of late. We initiated a position in Hong Kong listed jewellery brand, **Chow Sang Sang**, which is enjoying strong sales growth as well as rising momentum in its online business. In 1H18 the company grew revenue and net profit by 19% and 54% respectively, beating analyst estimates by approximately 11% and 20%. Analysts are also lifting forecasts on the back of strong same store sales and resilient margins. **Chow Sang Sang** is trading at a very attractive valuation of just 7.5x 2019 P/E and 5.5% dividend yield.

All data as at 31.08.18. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Fila Korea	4.0
Infosys Ltd	3.4
China Railway Construction	3.4
China Communications Construction	3.3
Swire Pacific Ltd	3.3
Total Number of Holdings	41

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.4x
Predicted Return on Equity (%)	15.1
Predicted Dividend Yield (%)	2.7

## Risk Metrics

Tracking Error (% pa)	6.34
Beta	0.83
Alpha	1.43
Volatility (%)	16.93
Sharpe Ratio	0.70

## Thematic Breakdown (%)

Infrastructure/Logistics/Property	19.5	
Energy/Energy Services/Resources	13.8	
Local Brands	13.2	
Financialisation	11.4	
Healthcare	11.0	
Artificial Intelligence/Internet	8.7	
Leisure/Tourism	8.0	
Vietnam	7.0	
Cash	4.9	
Education	2.3	

## Geographical Breakdown (%)

Hong Kong/China	51.2	
India	10.2	
Australia	9.6	
Vietnam	7.0	
Korea	6.7	
Singapore	5.3	
Cash	4.9	
Taiwan	3.0	
Philippines	2.2	

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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

## 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	259.92
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	260.09
C GBP Hedged Distributing	B18RM25	IE00B18RM256	138.96
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	356.34

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	180.88
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Performance fee based on fund performance as a whole.

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