

Prusik Asia Fund

GROWTH INVESTING IN ASIA



PRUSIK

28 September 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)	125.4m
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	0.74	-1.69
3 Month	-1.08	-0.10
Year to Date	-1.17	-1.79
Since Launch	82.22	67.82
Annualised [†]	12.11	10.37

Source: Morningstar.

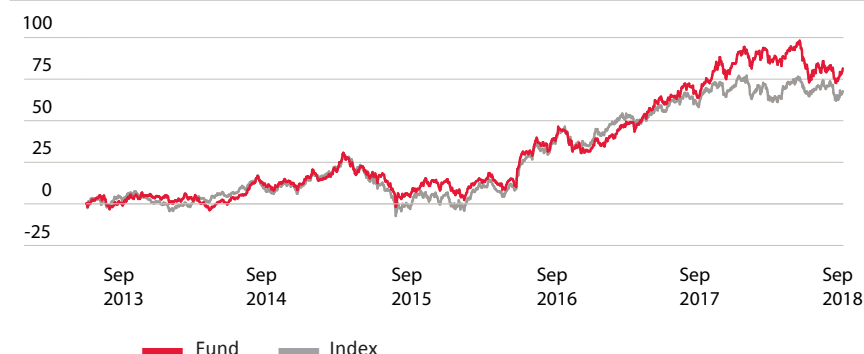
Launch Date: U: 01.07.13

[†]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 September, the M2APJ index fell 1.7% whilst the Prusik Asia Fund rose 0.7%, outperforming by 2.4%. There were two main reasons for this month's outperformance.

Firstly, the holdings which we have accumulated since the first quarter of 2018 in what could generally be categorised as unapologetically 'unfashionable' sectors, namely, oil, gas, oil services, resources and Chinese construction companies, all bucked the trend and rose over the month, without exception. We now have just over 20% of the fund invested in these areas and we still see plenty of potential upside owing to shortages as well as strong demand, and we would add into any weakness.

Secondly, India was very weak in both stock market and currency terms over the month but our exposure here is relatively modest. While India has been facing challenges within its financial system for some time owing to non-performing loans amongst the government-owned Indian banks rising, risks in the financial system increased sharply in September following the default of IL&FS, India's foremost non-banking infrastructure financier with \$12.5 billion of debt outstanding. Since July 2018 IL&FS has missed five payment obligations. This reached a climax in mid-September when the rating agencies finally downgraded IL&FS, making markets nervous and driving up borrowing costs in the credit markets.

IL&FS is one of a large group of 'Non-Bank Financial Companies' (NBFCs) in India, which offer loans to customers which are not catered to by the traditional banking system on account of ticket size, location, product type etc. The common characteristic of the NBFCs is that they are not able to collect sticky household deposits or access the Central Bank or interbank liquidity options and so instead, they are very reliant on short-term funding sources such as commercial paper. This makes the NBFCs far more vulnerable to short-term spikes in credit costs as well as rollover risks. The deteriorating debt-servicing ability at NBFCs has made India's entire financial ecosystem fragile, not least because one of the other key sources of NBFC financing is the commercial banks who are large owners of bonds issued by these companies. Whilst it is still not yet clear how this will play out, we are becoming more cautious about the possible impact on the financial sector as well as consumer growth in the near term.

At the time of writing, we have a 7.3% weighting in India having sold our property exposure. The fund still has 5.9% in two very defensive companies, **Sun Pharma** (healthcare) and **Infosys** (software), both of which benefit from a weaker India rupee. We do still own a small position in **Indiabulls**, a well-managed and adequately financed mortgage company which is currently trading very cheaply (PE 8x, and a dividend yield of 5.5%) after a sharp fall this month. We will be weighing up the clear longer-term upside potential against the possible unfolding credit crunch and risk of higher interest rates.

All data as at 28.09.18. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Fila Korea Ltd	4.3
China Railway Construction	3.7
CNOOC Ltd	3.5
PetroChina Ltd	3.5
China Communications Construction	3.4
Total Number of Holdings	37

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.3x
Predicted Return on Equity (%)	14.9
Predicted Dividend Yield (%)	2.7

Risk Metrics

Tracking Error (% pa)	6.38
Beta	0.83
Alpha	1.86
Volatility (%)	16.93
Sharpe Ratio	0.71

Thematic Breakdown (%)

Infrastructure/Logistics/Property	18.3	
Energy/Energy Services/Resources	15.1	
Local Brands	13.0	
Financialisation	10.8	
Healthcare	10.4	
Artificial Intelligence/Internet	8.2	
Leisure/Tourism	7.9	
Vietnam	7.3	
Cash	7.0	
Education	2.0	

Geographical Breakdown (%)

Hong Kong/China	52.1	
India	9.0	
Australia	7.9	
Vietnam	7.3	
Cash	7.0	
Korea	6.9	
Singapore	4.8	
Taiwan	3.1	
Philippines	1.9	

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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	262.58
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	262.75
C GBP Hedged Distributing	B18RM25	IE00B18RM256	140.26
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	359.78

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	182.22
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Performance fee based on fund performance as a whole.

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