

# Prusik Asia Fund



PRUSIK

## GROWTH INVESTING IN ASIA

**31 December 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)	121.5m
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	-3.10	-2.57
3 Month	-8.56	-6.64
2018	-9.63	-8.32
Since Launch	66.62	56.68
Annualised <sup>†</sup>	9.73	8.51

Source: Morningstar.

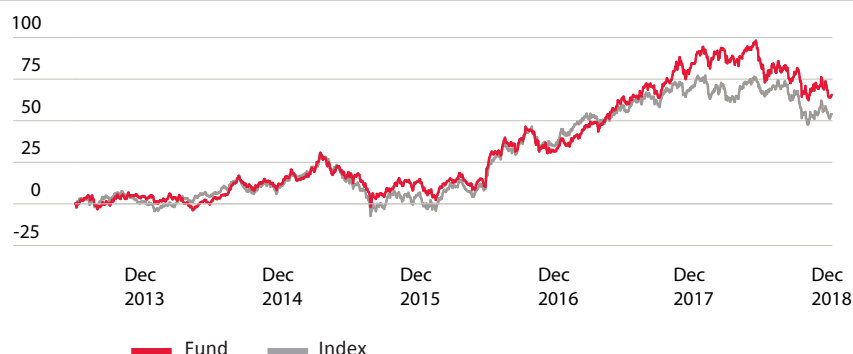
Launch Date: U: 01.07.13

<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 December, the M2APJ index fell 2.57% whilst the Prusik Asia Fund fell 3.1%. At headline level, China, Hong Kong, Vietnam and the energy sector led the decline in December and, top down again, these are some of the areas where we are most exposed to. However, we see the relatively modest underperformance of the fund for the month as a positive sign of a coming turnaround as, in fact, many of the underlying stock moves in these areas were far less severe than the headlines suggest.

For example, on the positive side we saw good returns from our China construction stocks, especially **China Railway Construction** and in materials, such as **BHP**. These areas have continued to perform so far into the new year and have also been joined by a rally in energy.

The degree of the decline we have experienced in the overall index suggests to us that, once we have reached the true lows for this bear market, a new leadership group will emerge which will be quite different from the last. We think therefore that the coming years are unlikely to be led by internet, technology and consumer discretionary stocks. Our hunch is that areas of shortage, due to years of underinvestment, may provide a good clue as to where the new leadership will arise. These might include, at sector level, some of the most unloved but attractively valued areas such as shipbuilding, materials, energy services and dare we say it, even gold. At country level EM Asia certainly falls into this category, as might small and midcaps. Because such change is always shocking after long periods, it is worth remembering similar turning points. For example, the best performing area of the US market after the demise of the NiftyFifty in the mid-1970s bear market was small caps, which subsequently outperformed by over 100% over an 8-year period.

As for the immediate year ahead, we are still seeing cuts in consensus earnings forecasts for the region and these are likely to continue given the Asia ex-Japan forecast is currently showing 7.6% for 2019, whereas the reality is more likely to be between zero and 5%.

However, valuations are continuing to send a more encouraging message with Asia ex-Japan's trailing PB ratio now at 1.45x versus a mean of 1.78x since 1995. Put another way, at the current PE of 11x forward earnings, Asia ex-Japan is within 10% of typical recessionary troughs. If the Fed begins to ease and China's current easing is supplemented by further policy action, both of which are likely in our view, and we see some kind of resolution to the trade issues between China and the US, it is very possible we will see Asia ex-Japan begin to outperform other world markets in 2019.

All data as at 31.12.18. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

China Railway Construction	4.0
Hyundai Heavy Industries	3.9
Melco International Development	3.8
Infosys Ltd	3.2
China Communications Construction	3.2
Total Number of Holdings	37

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.0x
Predicted Return on Equity (%)	14.4
Predicted Dividend Yield (%)	3.1

## Risk Metrics

Tracking Error (% pa)	6.30
Beta	0.85
Alpha	0.95
Volatility (%)	17.33
Sharpe Ratio	0.49

## Thematic Breakdown (%)

Infrastructure/Logistics/Property	22.9	<div></div>
Energy/Energy Services/Resources	18.1	<div></div>
Leisure/Tourism	11.3	<div></div>
Local Brands	10.1	<div></div>
Financialisation	8.9	<div></div>
Vietnam	7.8	<div></div>
Artificial Intelligence/Internet	7.2	<div></div>
Cash	6.8	<div></div>
Healthcare	5.2	<div></div>
Education	1.6	<div></div>

## Geographical Breakdown (%)

Hong Kong/China	51.9	<div></div>
Australia	12.5	<div></div>
Korea	8.9	<div></div>
Vietnam	7.8	<div></div>
Cash	6.8	<div></div>
Singapore	4.2	<div></div>
India	3.2	<div></div>
Taiwan	2.7	<div></div>
Philippines	1.9	<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	234.12
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	234.27
C GBP Hedged Distributing	B18RM25	IE00B18RM256	124.30
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	319.74

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	166.62
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Performance fee based on fund performance as a whole.

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