

# Prusik Asia Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

30 June 2017

## 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)	80.3m
Launch date	7 October 2005
Fund Manager	Heather Manners
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD

### Performance (%)

	A USD	U GBP
1 Month	3.56	2.63
3 Month	11.35	8.03
Year to Date	24.62	20.41
Since Launch	134.09	60.58
Annualised <sup>†</sup>	7.52	12.58

Source: Morningstar.

Launch Date: A: 07.10.05, U: 13.07.13

<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 A USD (%)



Source: Morningstar. Total return net of fees.

### Fund Manager Commentary

June saw the M2APJ index rise by 1.9%, whilst the Prusik Asia Fund rose by 3.6%, outperforming by 1.7%. Top contributors to this month's move were our two Chinese AI stocks, **Hikvision** (vision technology including face recognition) and **IFlytek** (speech recognition). Vietnam was also a good performer with our financials doing especially well. Our Indian exposure fared less well due to concerns regarding the final details of the new General Sales Tax (GST), which were confirmed for many sectors across the month.

We visited India during early June and came away extremely impressed by what we saw and heard. Getting the negatives out of the way first, the key issue for investors is the valuation that Indian stocks have reached. That being said, we believe the policies put in place by the Modi government in recent months have transformed the business environment for Indian companies and, as such, we believe the Indian economy is likely to have a strong period of expansion after what has been a fairly stagnant couple of years.

The digital ID system, Aadhaar, has bought 96% of the population into the banking system (up from only 40% just 6 months ago!) and sparked a huge demand for formal savings as well as mortgages. Meanwhile, the implementation of a much simplified national GST – effective from 1<sup>st</sup> July – as opposed to most taxes being decided on a state to state basis has laid the way for nationwide businesses to exist without the friction of state taxes and for single state businesses to expand nationwide with ease.

Elsewhere, a newly regulated property development industry is likely to lead to huge consolidation for an industry which was previously rife with low quality operations, whilst new tax breaks and mortgage subsidies should significantly increase the supply of much needed low cost housing in the coming years, and a growing mortgage industry with it.

Finally, the government has initiated some audacious plans, such as the creation of GIFT City outside Ahmedabad, which will be a special economic zone, focussing on Finance and Technology and including a host of exemptions and incentives, including full capital convertibility. This will allow foreign companies to set up in India and employ India's highly educated IT and finance graduates.

We have since added two Indian companies to the fund. Firstly, we have added **Godrej Properties**, which is expected to see a boom in demand after new regulations have created a much tougher environment for its smaller competitors. In addition, **Godrej** is expected to see margin expansion as – somewhat surprisingly – low cost housing is margin accretive for **Godrej**. Secondly, we added **ICICI Prudential**, India's leading private insurance company, which is expected to see strong premium growth as retail investors increasingly reallocate their wealth from property and gold to financial assets. **ICICI Prudential** is also expected to see its margins improve due to positive changes in the company's product mix.

All data as at 30.06.17. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Samsung Electronics Co Ltd	7.1
Tencent Holdings Ltd	4.8
Indiabulls Housing Finance Ltd	4.6
Hangzhou Hikvision Digital-A	4.0
Vietnam Dairy Products	3.9
Total Number of Holdings	34

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	15.0x
Predicted Return on Equity (%)	20.4

## Risk Metrics

Tracking Error (% pa)	12.29
Beta	0.59
Alpha	2.15
Volatility (%)	16.16
Sharpe ratio	0.63
% of the portfolio which could be sold in 2 business days	95.74

## Thematic Breakdown (%)

Financialisation	24.4	<div></div>
Artificial Intelligence/Virtual Reality	19.5	<div></div>
Vietnam	16.5	<div></div>
Infrastructure/Logistics/Property	11.0	<div></div>
Internet	9.7	<div></div>
Local Brands	7.6	<div></div>
Leisure/Tourism	6.1	<div></div>
Cash	5.3	<div></div>

## Geographical Breakdown (%)

Hong Kong/China	33.8	<div></div>
Vietnam	16.5	<div></div>
India	9.5	<div></div>
Korea	9.3	<div></div>
Taiwan	8.5	<div></div>
Cash	5.3	<div></div>
Malaysia	4.7	<div></div>
Pakistan	4.3	<div></div>
Australia	4.2	<div></div>
Indonesia	2.1	<div></div>
Thailand	1.8	<div></div>

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## Management Fees

### Annual Management Fee

1.5% p.a. Paid monthly in arrears  
Class U - 1% p.a. Paid monthly in arrears

### Performance Fee

All Classes except Class U: 10% NAV appreciation with a 6% hurdle annually  
Class U: 10% of the net out-performance of the MSCI Asia Pacific ex-Japan Index, with a high-water mark paid quarterly

## 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	234.09
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	234.24
C GBP Hedged Distributing	B18RM25	IE00B18RM256	128.15
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	324.76

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	160.58
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Performance fee based on fund performance as a whole.

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