

# Prusik Asia Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 August 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)	87.4m
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	3.70	3.39
3 Month	9.34	8.57
Year to Date	28.28	22.29
Since Launch	71.07	66.62
Annualised <sup>†</sup>	13.75	12.84

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 August, the M2APJ index rose for the eighth month in a row, setting a new record and gaining 3.4%. The Prusik Asia Fund rose by 3.7%, just outperforming. The primary drivers for the fund this month were China, Australia and India. In China two of our top performers were the artificial intelligence companies, **Hangzhou Hikvision** (face recognition) and **iFlytek** (voice recognition). **iFlytek** recently announced very strong revenue growth for the first half of 2017, up 44% year on year. The company's impressive fundamentals have not gone unnoticed with the stock up over 100% since June and reaching our valuation target in the process. In light of this, we have been taking profits in **iFlytek** during the month and currently just a small position remains in the fund. **Treasury Wine**, the Australian wine exporter seeing rapid growth in China, was also a very strong performer in August as recent results indicated that management's ambitious margin expansion programme is working well.

In terms of the detractors, Vietnam and Pakistan were amongst the key headwinds. After a strong run we saw a correction in leading Vietnamese broker, **VN Direct Securities**. In Pakistan, negative sentiment in reaction to the country's political shakeup continued. The MSCI Pakistan index fell 13.5% in August following the announcement that the PM would be ousted at the end of July. Fears regarding the potential for currency weakness and pressures on foreign currency reserves also continued and likely had a further dampening effect on the market in August as well.

In particular, **Habib Bank**, was a poor performer in the month. During the last 2 years, **Habib Bank** has faced question marks regarding weak controls and non-compliance at its New York branch. This came to a head in August when the US authorities completed their investigations into this matter, recommending the maximum fine of US\$629 million, which was significantly more than expected. Unsurprisingly, the shares fell sharply in reaction to the news. However, at the time of writing, **Habib Bank** has since announced that the final agreement made with the US authorities is to pay a much reduced fine of US\$225 million. While this will have an impact on FY17 earnings, a fine of US\$225 million is much closer to the expected amount. The shares have already started to respond positively. **Habib Bank** is the leading bank in Pakistan with the largest deposit franchise, which leaves it particularly well placed to capitalise on the economic development of Pakistan in the coming years. Now trading on 1.3x P/B versus its 5 year average of 1.7x P/B and all time high of 2.3x P/B with a high teens sustainable ROE, the shares now offer tremendous value.

More broadly, with the prospect of possibly another IMF programme to be initiated in 2018, strong GDP growth for FY17 of 5.6% and the CPEC programme still very much intact, we believe our Pakistan exposure looks very attractive at this juncture.

Meanwhile, the overall outlook for Asia remains supported by robust earnings growth and ongoing signs of an economic recovery, especially in North Asia where valuations are still attractive.

All data as at 31.08.17. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Samsung Electronics Co Ltd	6.7
Tencent Holdings Ltd	5.3
Indiabulls Housing Finance Ltd	4.9
Ping An Insurance Group	3.9
Hangzhou Hikvision Digital-A	3.9
Total Number of Holdings	34

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	14.8x
Predicted Return on Equity (%)	21.0

## Risk Metrics

Tracking Error (% pa)	6.52
Beta	0.81
Alpha	1.10
Volatility (%)	16.64
Sharpe ratio	0.78
% of the portfolio which could be sold in 2 business days	96.22

## Thematic Breakdown (%)

Financialisation	25.8	
Vietnam	15.4	
Artificial Intelligence/Virtual Reality	14.7	
Infrastructure/Logistics/Property	11.4	
Internet	10.9	
Cash	8.5	
Local Brands	7.4	
Leisure/Tourism	6.0	

## Geographical Breakdown (%)

Hong Kong/China	34.0	
Vietnam	15.4	
India	9.7	
Korea	8.7	
Cash	8.5	
Taiwan	5.7	
Malaysia	4.9	
Australia	4.2	
Indonesia	4.2	
Pakistan	2.9	
Thailand	1.8	

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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	245.82
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	245.98
C GBP Hedged Distributing	B18RM25	IE00B18RM256	134.35
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	340.61

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	171.07
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Performance fee based on fund performance as a whole.

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