

# Prusik Asia Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

29 September 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)	87.8m
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	-3.76	-4.23
3 Month	2.52	2.66
Year to Date	23.45	17.13
Since Launch	64.63	59.58
Annualised <sup>†</sup>	12.45	11.44

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 September the MSCI M2APJ Asia ex-Japan index fell 4.2% whilst the fund fell 3.8% in GBP terms, outperforming fractionally. Korea drove the lion's share of returns in the month with both **Samsung Electronics** and **Com2Us** performing well. Vietnam also made good headway, led by local jewellery brand, **Phu Nhuan Jewelry** and property giant, **Vingroup**. Our China exposure was the biggest detractor in September. While there were some bright spots such as Chinese internet portal and microblogging company, **Sina**, profit taking was seen across the Chinese insurance sector and select consumer companies. Our India exposure was also soft in the month as the market likely overreacted to the weaker than expected GDP figure of 5.7% for the April to June quarter.

During the month we made marginal additions to the fund's China weighting, buying new positions in electric vehicle play, **Yutong Bus**, as well as China's two leading brokers, **Huatai Securities** and **Citic Securities**. These new purchases take the fund's China and Hong Kong exposure to roughly 40%.

**Yutong Bus** is China's leading electric bus manufacturer with 60% of profits coming from this division. China has recently set out a hard target for removing all petrol based vehicles from its roads, thus cementing a tremendous growth opportunity for China's electrical vehicle manufacturers. Unlikely China's auto OEM EV brand, BYD, with its patchy profitability track record and lofty valuation, **Yutong Bus** has consistently delivered over 20% return on capital employed over the last 5 years and at the time of purchase was trading on just 12.4x forward P/E. To date the shares have already been performing well.

As touched on above, India was amongst the key detractors from performance in September as the country saw its slowest GDP growth rate for years in the most recent quarter. While there are a myriad of factors at play, the short term effects of demonetisation and GST are likely to have been key contributors. What is important to remember though is that these policies were never intended to provide a short term boost to economic growth but rather are very specifically aimed at increasing the medium term economic growth rate for India, which we still believe they will. It is also worth noting that India saw a marked improvement in its PMI indicator in August, the indicator which tracks manufacturing activity. In August it rose from 47.9 to 51.2, thus firmly back into expansion territory for which the threshold is 50. In addition, according to Credit Suisse, ROE in India recently touched 12.9%, which is comfortably ahead of its March 2016 low of 11.6%.

In general the outlook for Asia remains very positive, with ROE clearly turning a corner, most possibly just as US ROE peaks. Furthermore, free cash flow is rising markedly, suggesting ongoing dividend support, whilst earnings growth continues to be stronger than expected, with two thirds of companies in China currently beating estimates. We believe international investors are still underweight Asia, whilst domestic equity interest is also rising. Any correction, we believe, is a strong buying opportunity.

All data as at 29.09.17. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Samsung Electronics Co Ltd	7.2
Tencent Holdings Ltd	5.4
Indiabulls Housing Finance Ltd	4.8
Hangzhou Hikvision Digital-A	3.8
Ping An Insurance Group	3.7
Total Number of Holdings	38

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	14.7x
Predicted Return on Equity (%)	20.8

## Risk Metrics

Tracking Error (% pa)	6.45
Beta	0.81
Alpha	1.15
Volatility (%)	16.62
Sharpe ratio	0.77
% of the portfolio which could be sold in 2 business days	97.35

## Thematic Breakdown (%)

Financialisation	28.7	
Vietnam	15.7	
Artificial Intelligence/Virtual Reality	15.0	
Infrastructure/Logistics/Property	14.3	
Internet	11.3	
Local Brands	7.0	
Leisure/Tourism	5.1	
Cash	2.9	

## Geographical Breakdown (%)

Hong Kong/China	40.1	
Vietnam	15.7	
Korea	9.4	
India	9.4	
Taiwan	5.3	
Australia	4.2	
Indonesia	4.1	
Malaysia	4.1	
Pakistan	3.0	
Cash	2.9	
Thailand	1.7	

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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	245.53
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	245.69
C GBP Hedged Distributing	B18RM25	IE00B18RM256	133.84
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	340.03

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	164.63
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Performance fee based on fund performance as a whole.

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