

Prusik Asia Fund



PRUSIK

GROWTH INVESTING IN ASIA

30 November 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)	99.3m
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	2.33	-1.30
3 Month	4.58	-0.61
Year to Date	34.16	21.55
Since Launch	78.91	65.60
Annualised [†]	14.08	12.10

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

The Prusik Asia Fund rose 2.3% in November, outperforming the M2APJ by 3.6% over the month. One of the key drivers behind this performance was Vietnam, which comprises 16.4% of the fund and has been the best performing market in Asia to date in 2017. Specifically, we saw a very strong month for **Vingroup** following the partial listing of its shopping mall business Vincom Retail, which made a strong debut. We also saw the blue chip dairy brand, **Vinamilk**, rise sharply. The overall performance of Vietnam has accelerated since the summer and especially so in November and thus is due a reasonable correction. If this comes to pass we expect strong demand will appear for Vietnam. The economy remains on track to be one of the fastest growing in the region next year with a burgeoning consumer growth story that is only just beginning.

The second key driver behind performance this month was technology, led by **Tencent**, the Chinese social networking and gaming giant. Technology and internet companies are both segments which have done very well this year. Notably, therefore, technology was also a detractor in November, largely on account of a sell off in **Samsung Electronics**, possibly owing to concerns that the cycle is peaking. Whilst the rapid rise of both segments in 2017 suggests we will get a healthy correction soon, it is also worth looking at what possible future upside remains. The internet companies in China sit in a unique position versus global peers given their relatively unfettered access to domestic data, dominant competitive positions and close relationship with government. In addition, there are several companies of significant value waiting to emerge from content businesses to finance companies. We saw the first of these, China Literature, spun out from **Tencent** in recent weeks with the shares up an impressive 49.6% to date. Moreover, whilst the overall penetration of ecommerce in China is 18%, the share that ecommerce takes of incremental retail sales growth is 36%, which implies the sector penetration could double even from here. We would, therefore, still be buyers of the leading companies on weakness and believe that domestic Chinese investors will feel the same.

As touched on above, recent share price moves indicate that fears are emerging regarding the cycle is peaking for technology hardware companies such as **Samsung Electronics**. However, it is not clear to us that the memory market is about to enter a period of oversupply. Indeed, the current shortage of wafers suggests that even the new capacity being built in China will not be able to impact supply in the short term.

Elsewhere our technology exposure is in very specific areas such as 5G or 3D sensors which are at the very, very early days of demand. In fact, industry analysts predict that the 3D sensing market, for example, will grow 27-fold to become a \$15 billion market between now and 2020.

All data as at 30.11.17. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Samsung Electronics Co Ltd	6.6
Ping An Insurance Group	4.2
Tencent Holdings Ltd	4.0
Hangzhou Hikvision Digital	3.9
Vietnam Dairy Products	3.8
Total Number of Holdings	42

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	15.2x
Predicted Return on Equity (%)	20.5

Risk Metrics

Tracking Error (% pa)	6.57
Beta	0.81
Alpha	2.22
Volatility (%)	16.66
Sharpe ratio	0.92
% of the portfolio which could be sold in 2 business days	95.95

Thematic Breakdown (%)

Financialisation	27.5	
Vietnam	16.4	
Artificial Intelligence/Virtual Reality	14.4	
Infrastructure/Logistics/Property	13.0	
Internet	9.1	
Local Brands	4.9	
Leisure/Tourism	4.5	
5G	4.3	
Cash	3.9	
Energy	1.8	

Geographical Breakdown (%)

Hong Kong/China	40.8	
Vietnam	16.4	
Korea	8.7	
Taiwan	7.5	
India	7.0	
Indonesia	4.0	
Australia	3.9	
Cash	3.9	
Malaysia	3.9	
Pakistan	2.3	
Thailand	1.5	

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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	265.88
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	266.05
C GBP Hedged Distributing	B18RM25	IE00B18RM256	144.68
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	367.76

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	178.91
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Performance fee based on fund performance as a whole.

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