Prusik Asia Fund

Growth Investing in Asia

PRUSIK

29 December 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)	107.1m
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 (%)

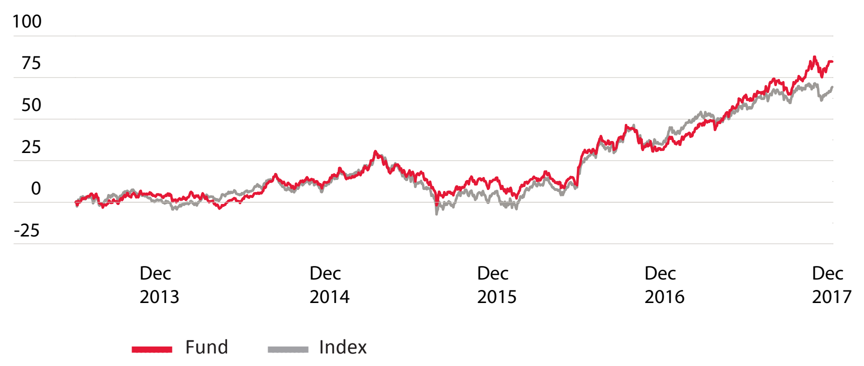
	U (GBP)	Index (GBP)
1 Month	3.05	3.20
3 Month	11.99	7.09
Year to Date	38.25	25.43
Since Launch	84.37	70.89
Annualised†	14.56	12.64

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

In December, the index rose 3.2% with the Prusik Asia Fund a few basis points behind this, rising 3.05%. This brings to a close a full year in which the fund rose 38.3% in sterling terms, outperforming the M2APJ by 12.9%.

During the month the positives were mainly in China, whilst Taiwan, India and Pakistan hindered performance. Vietnam remained a highlight and completed the year as the region's best performing stock market by some margin. We expect capital flows to continue into Vietnam as the economy posted estimated 6.7% GDP growth in the fourth quarter and looks set to attract more investors as the state sells more assets this year, thereby increasing market capitalisation and liquidity. We have reduced some of our exposure to the financial services sector here after very strong returns this year, but we remain positive, albeit more wary of valuations as the country enters its sixth year of positive returns since we initiated our investment here in early 2012.

In Pakistan, the rupee was devalued by 5% which negatively impacted the fund in December, although we have seen a very strong rally beginning in the final days of the month, which we expect to continue into January.

In the same way that we made an early entry into new technology companies in China specialising in AI (**Hikvision** and **Iflytek**), we recently took part in the IPO for **AK Medical**, the leading domestic player in the Chinese orthopaedic implants market with a particular focus on hip and knee replacements and - notably - a dominant competitive position in 3D printing. The company has been growing sales at a 35% cagr since 2014 and already makes an impressive 69.2% gross margin. **AK Medical** derives 6% of its sales from 3D printed implants, whilst 30% of its sales contain a 3D printed component. The latest innovation by **AK Medical** is likely to see the company move into customised 3D printed implants, which would position the company leagues ahead of its peers. Its poor performing competitor, Chunli, meant that the deal was priced attractively and the stock has already made a 70.3% return for the fund post listing. At the time of writing, **AK Medical** has a US$380 million market capitalisation and we are estimating 30% earnings growth this year.

We can see that most international investors remain underweight in Asia, with both a cognitive and emotional bias against China, despite recent performance. This is usually a good recipe for positive returns ahead! We remain very optimistic that 2018 can provide strong returns for investors in Asia who invest in companies with healthy earnings growth combined with sensible valuations. We would encourage investors to be cautious of richly valued defensive stocks. These performed less well last year and we believe this trend is set to continue as valuations unwind. In contrast to this, the Prusik Asia Fund remains invested in a wide range of very attractive long term growth opportunities yet trades on an undemanding 16.2x P/E and offers over 20% ROE.

Since we launched the fund we have kept a 40% country limit as part of our risk management process. However as at the end of December the China and Hong Kong weightings combined comprise 37.2% of the M2APJ index with China 27.9% of this. We also note that MSCI has indicated it will increase the China weighting in the index at least once in 2018. Therefore, in order to have the flexibility meaningfully to overweight Greater China, and to stay in line with current industry norms, we have increased our internal risk process country maximum to 50%. This is an internal limit only and so should be viewed as a guideline.

Finally, we would like to thank you for your support in 2017 and wish you all a happy and prosperous year ahead.

All data as at 29.12.17. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Investment Management LLP
6th Floor 15-16 Brook's Mews
London W1K 4DS

Mark Dwerryhouse
Tel: +44 (020) 7297 6854
Mobile: +44 (0)7891 767 386

Michelle Johnson
Tel: +44 (0)20 7297 6858
Fax: +44 (0)20 7493 1770

Web: www.prusikim.co.uk
Email: enquiries@prusikim.co.uk

Prusik Asia Fund

Top 5 Holdings (%)

Ping An Insurance Group	4.1
Vietnam Dairy Products	4.0
Hangzhou Hikvision Digital-A	3.9
PetroChina	3.5
Phu Nhuan Jewelry	3.4
Total Number of Holdings	42

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	16.2x
Predicted Return on Equity (%)	20.8

Risk Metrics

Tracking Error (% pa)	6.50
Beta	0.81
Alpha	2.33
Volatility (%)	16.65
Sharpe ratio	0.96
% of the portfolio which could be sold in 2 business days	95.96

Thematic Breakdown (%)

Financialisation	27.1
Infrastructure/Logistics/Property	12.1
Vietnam	10.6
Artificial Intelligence/Virtual Reality	10.6
Cash	8.7
Internet	7.6
Local Brands	6.9
Healthcare	4.6
Leisure/Tourism	4.5
5G	3.9
Energy	3.5

Geographical Breakdown (%)

Hong Kong/China	46.7
Vietnam	10.6
Cash	8.7
Taiwan	6.7
India	6.6
Korea	5.2
Indonesia	4.3
Australia	3.8
Malaysia	3.6
Pakistan	2.2
Thailand	1.4

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	273.85
B	USD	Unhedged	Distributing	B0M9LL2	IE00B0M9LL22	274.02
C	GBP	Hedged	Distributing	B18RM25	IE00B18RM256	148.71
D	SGD	Hedged	Distributing	B3LYLK8	IE00B3LYLK86	378.39

Performance fee based on individual investor's holding.

U	GBP	Unhedged	Distributing	BBQ37S6	IE00BBQ37S60	184.37

Performance fee based on fund performance as a whole.