

Prusik Asia Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

30 September 2016

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)	60.9m
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	-0.54	0.68
3 Month	7.60	12.02
Year to Date	4.46	20.10
Since Launch	104.37	37.83
Annualised [†]	6.73	10.38

Source: Morningstar.

Launch Date: A: 07.10.05, U: 13.07.13

[†]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 A USD (%)



Source: Morningstar. Total return net of fees.

Fund Manager Commentary

In September the index rose 1.8%, whilst the Prusik Asia Fund fell fund fell by 0.5%. This is frustrating as two of the better performing markets in September were Hong Kong/China, where we have a 50.8% weighting and Vietnam, where we have a 23.2% weighting. The explanation for this divergence is twofold.

Firstly, all our Vietnam positions did very well with one exception, **Vinamilk**. **Vinamilk** corrected sharply in September on concerns that rising powdered milk prices may affect margins. Add in the fact that the stock is trading on 22.6x 2016 P/E and it is clear that there is little room for error here. However, from our meeting with **Vinamilk's** management during our trip to Vietnam in September, we understand that they are working hard to minimize the effect of rising powdered milk prices and that market concerns are overdone. Moreover, although 22.6x P/E is high in the context of Vietnam, given the fact **Vinamilk** is the market leader and generating c.35% return on equity, we believe that in a regional context **Vinamilk** is more attractively valued than many of its regional peers. Additionally, the medium term opportunity for **Vinamilk** remains huge as milk product penetration in Vietnam still hugely lags neighbouring markets such as Thailand.

Secondly, the rally in Hong Kong and China was partly driven by renewed hopes of a cyclical recovery and so sectors we do not invest in, such as property, banks, casinos and coal did best. We are confident, however, that our portfolio will do better than these areas over the long term and recent nearer term indicators such as 2Q16 earnings results for our China solar holdings work to support this view (**Xinyi Solar** EPS + 105% yoy and **GCL Poly** EPS + 138% yoy). Elsewhere, our internet holdings continue to deliver strong performance and have also reported excellent results (**Tencent** 2Q EPS + 54% yoy, **Sina** 2Q16 EPS +350% yoy). These numbers indicate to us that our chosen themes are still performing far better than the economies they are operating in as a whole and that this will continue to be the case, even if a short term cyclical recovery does materialise.

In terms of our recent visit to Asia, in summary, we would say that notably more management teams are positive on the macro outlook on a 12-18 month view than we have seen in the recent past and they are revising up their earnings expectations as a result. In contrast, we would note that investors are still, on average, chronically underweight Asia, and we expect that the rebalancing could provide a significant catalyst for the Asian markets. In short, we now see a good buying opportunity for the fund at this point.

Following our trip to Asia we have initiated a new position in **Silicon Motion Technology**. **Silicon Motion Technology** is the foremost fabless designer of integrated circuit (IC) drivers for NAND flash. Simplistically, the explosion of video usage, plus the growing demand for virtual reality, augmented reality and artificial intelligence applications which also look set to explode in time, will drive demand for memory storage and in turn, NAND flash. **Silicon Motion Technology** is a pure play on this trend and is seeing both its sales and margins rise strongly.

All data as at 30.09.16. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Vietnam Dairy Products	5.9
AIA Group Ltd	5.7
Tencent Holdings Limited	5.0
Silicon Motion Technology	4.0
Newcrest Mining Ltd	3.6
Total Number of Holdings	33

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	16.5x
Predicted Return on Equity (%)	18.2

Risk Metrics

Tracking Error (% pa)	12.60
Beta	0.58
Alpha	1.79
Volatility (%)	16.46
Sharpe ratio	0.55
% of the portfolio which could be sold in 2 business days	96.76

Thematic Breakdown (%)

Vietnam	23.2	<div></div>
Artificial Intelligence/Virtual Reality	15.4	<div></div>
Clean Energy	14.7	<div></div>
Internet	13.9	<div></div>
Financialisation	13.2	<div></div>
Local Brands	7.7	<div></div>
Infrastructure/Logistics/Property	5.0	<div></div>
Gold	3.6	<div></div>
Leisure/Tourism	3.1	<div></div>
Cash	0.2	<div></div>

Geographical Breakdown (%)

Hong Kong/China	50.8	<div></div>
Vietnam	23.2	<div></div>
Korea	9.5	<div></div>
Australia	5.9	<div></div>
Taiwan	5.3	<div></div>
Thailand	5.0	<div></div>
Cash	0.2	<div></div>

All data as at 30.09.16. Source: Prusik Investment Management LLP, unless otherwise stated.

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	204.37
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	204.50
C GBP Hedged Distributing	B18RM25	IE00B18RM256	112.54
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	284.25

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	137.83
-----------------------------	---------	--------------	--------

Performance fee based on fund performance as a whole.

This document is issued by Prusik Investment Management LLP and is for private circulation and information purposes only. Prusik Investment Management LLP is authorised and regulated by the Financial Conduct Authority in the United Kingdom. The information contained in this document is strictly confidential and does not constitute investment advice, nor an offer or solicitation to buy or sell any securities and or derivatives or to make any investment decision and may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of Prusik Investment Management LLP.

The value of investments and any income generated may go down as well as up and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guide to, or indicative of, future results. Changes in exchange rates may have an adverse effect on the value, price, or income of investments.

The information and opinions contained in this document are for background purposes only, and do not purport to be full or complete. Please refer to the fund prospectus for more detail. The information given is not exhaustive and does not constitute legal or tax advice. Prospective investors and investors alike should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding, switching or disposing of shares under the laws of the jurisdictions in which they may be subject to tax. No representation, warranty, or undertaking, express or limited, is given as to the accuracy or completeness of the information or opinions contained in this document by any of Prusik Investment Management LLP, its partners or employees and no liability is accepted by such persons for the accuracy or completeness of any such information or opinions. As such, no reliance may be placed for any purpose on the information and opinions contained in this document.