Prusik Asia Fund

LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA



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 (US	SD)	60.9m
Launch date		7 October 2005
Fund Manag	er	Heather Manners
Fund Structu	ire	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		

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.

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Prusik Asia Fund

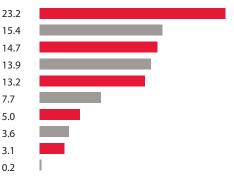
Vietnam Dairy Products	5.9
AIA Group Ltd	5.7
Tencent Holdings Limited	5.0
Silicon Motion Technology	4.0
Newcrest Mining Ltd	3.6
Total Number of Holdings	33
Portfolio Financial Ratios	
Predicted Price/Earnings Ratio	16.5x
Predicted Return on Equity (%)	18.2

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

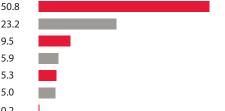
Thematic Breakdown (%)

Vietnam	
Artificial Intelligence/Virtual Reality	
Clean Energy	
Internet	
Financialisation	
Local Brands	
Infrastructure/Logistics/Property	
Gold	
Leisure/Tourism	
Cash	



Geographical Breakdown (%)

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



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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 highwater mark paid quarterly

Dealing

Dealing Line		+353 1 603 6490
Administrator		Brown Brothers Harriman (Dublin)
Dealing Freque	ency	Daily
Min. Initial Sub	scription	USD 10,000
Subscription N	otice	1 business day
Redemption N	otice	1 business day

Share Class Details

Share Class		Sedol	ISIN	Month-end NAV
A USD Unhedge	ed Non distributing	B0MDR72	IE00B0M9LK15	204.37
B USD Unhedge	ed 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 inv	estor's holding.		
U GBP Unhedge	ed Distributing	BBQ37S6	IE00BBQ37S60	137.83
Performance fee	based on fund perform	ance as a whole		

Performance fee based on fund performance as a whole

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