

Prusik Asia Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

28 October 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)	59.2m
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	-2.41	3.99
3 Month	0.65	9.35
Year to Date	1.94	24.90
Since Launch	99.44	43.33
Annualised [†]	6.44	11.40

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 October, the index corrected 1.8% whilst the Prusik Asia Fund fell by 2.4%. At the stock level, we saw a positive contribution from Thai infrastructure construction company, **Sino Thai Engineering**, and from Chinese sportswear brand, **Anta Sports**. Virtual reality and handset company, **HTC**, was also strong.

One of the two key factors behind the small relative under-performance this month was the sharp drop in the price of **Silicon Motion (SIMO)**, a Taiwanese company focused on fabless Nand flash technology. This was due to SK Hynix stating that it wants to bring in-house products which it currently outsources to SIMO. Hynix has since cleared up this point, saying that management plan to continue to outsource. Furthermore, Hynix is currently only able to compete with SIMO on controller products which are twice the size and twice the cost, meaning it is very likely that SIMO will continue to supply Hynix. Furthermore, the rest of the business is still growing fast and could surprise expectations on the upside.

The second factor behind this month's performance was weakness in Vietnam. This came after a strong September and although we saw some weakness in a couple of our companies, our largest holding, **Vinamilk**, managed a small positive return in the month.

Despite much bad press for **Samsung** post the Galaxy Note 7 recall, the company's earnings growth should resume from 4Q. Moreover, channel checks show that customers are remaining with **Samsung** brands, even opting for the Edge in replacement for the Note, which suggests there has been little brand impairment. We have added to our **Samsung** position, making it a significant overweight position.

Within **Samsung**, the semiconductor and memory businesses are each nearly as large again as the handset business in terms of operating profit. Importantly, both these businesses should see tight supply and rising prices in the coming two quarters. Indeed, we are especially bullish on the medium-term outlook for demand in Nand flash memory as the explosion in video, artificial intelligence, virtual reality, augmented reality and the 'Internet of Things' requires increasing quantities of fast memory. Moreover, looking into the future, OLED, the display technology in which **Samsung** dominates globally, is the only possible display technology that works for virtual reality. There is likely significant upside here in the coming years as virtual reality takes off.

Finally, **Samsung** is already under shareholder pressure to adopt a more attractive returns policy, which may now be accelerated given the current problems the company is facing. Earnings are expected to increase by 33% in 2017 and the shares are on a P/E of just 8x.

All data as at 28.10.16. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Vietnam Dairy Products	6.2
AIA Group Ltd	5.6
Tencent Holdings Limited	5.1
Sino-Thai Engineering & Construction	3.9
Ping An Insurance Group	3.8
Total Number of Holdings	32

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	15.3x
Predicted Return on Equity (%)	19.1

Risk Metrics

Tracking Error (% pa)	12.55
Beta	0.58
Alpha	1.64
Volatility (%)	16.41
Sharpe ratio	0.53
% of the portfolio which could be sold in 2 business days	97.30

Thematic Breakdown (%)

Vietnam	22.7	<div></div>
Financialisation	16.4	<div></div>
Clean Energy	15.1	<div></div>
Artificial Intelligence/Virtual Reality	15.1	<div></div>
Internet	14.0	<div></div>
Local Brands	8.0	<div></div>
Infrastructure/Logistics/Property	3.9	<div></div>
Leisure/Tourism	3.0	<div></div>
Cash	1.8	<div></div>

Geographical Breakdown (%)

Hong Kong/China	51.0	<div></div>
Vietnam	22.7	<div></div>
Korea	9.4	<div></div>
Taiwan	5.7	<div></div>
Thailand	3.9	<div></div>
India	3.0	<div></div>
Australia	2.3	<div></div>
Cash	1.8	<div></div>

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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 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	199.44
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	199.56
C GBP Hedged Distributing	B18RM25	IE00B18RM256	110.08
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	277.58

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	143.33
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Performance fee based on fund performance as a whole.

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