Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*March '08*	*MTD*	*YTD*
Class A	162.84	-8.06%	-8.37%
Class B	162.90	-8.06%	-8.36%
Class C GBP	88.00	-7.88%	-8.05%

Fund Size $370m

NAV Update	**March 2008**
Class A USD	
Non distributing	USD162.84
Class B USD	
Distributing*	USD162.90
Class C GBP	
Distributing*	GBP 88.00

The fund fell 8% in March. Stock markets declined sharply early in the month and neither our stock selection nor the continued fundamental strength in our chosen themes was able to save the Fund's performance from being impacted by the worst of the forced selling from other quarters. Consequently, the share prices of a number of our favourite companies were hit very hard over a matter of a few days. For example, a holding in ICSA, our Indian writer of software for management of power distribution systems, turned up in the portfolio of one of Bear Stearn's proprietary funds. As a result, ICSA's share price, promptly, declined nearly 35% in a week. Likewise, Hidili, our coking coal company which we wrote about last month, suffered similar treatment. Elsewhere, commodities, both hard and soft, were aggressively sold. This damaged the performance of the Fund's holdings which represented two of our major themes, coal and food. Finally, in Taiwan, the election result, which met our expectations of a massively positive victory for the KMT, led to inevitable short term profit which was compounded by negative sentiment elsewhere.

Happily, however, this has given us an opportunity to add to holdings in a number of favourite companies which were worst impacted by the market sell down, to build up several new holdings in Taiwan and to re-invest in the palm oil companies at more attractive valuation points, we having viewed the sector as being expensively valued prior to the recent decline. We are also pleased to report that, in no case, did specific stock related news generate unusual weakness in the share prices of any of our investments where, if anything, latest guidance continues to exceed consensus expectations.

Share price performance over the last few days has shown that the sell down in food stocks was temporary. Indeed, a general recovery in the share prices of many companies, whose stock-prices had been badly hurt during the first three months of the year, has now taken place. For many of the more well known stocks which are not held in our fund because first, we still do not think that their valuations are attractive and/ or second, we expect that their prospects will be shaped by the global economy, the recent bounce in their share prices has now, broadly, fulfilled the classic retracements of either one third or one half of their declines from their recent highs. Very few, if any, of these companies' share prices have, however, breached their downtrends or achieved new highs. This does not, in our view, bode particularly well for the immediate future of the overall market. We have, generally, avoided investing in such shares as we believe before long many of these companies will suffer earnings downgrades. As a result, this has lead to the Fund having limited exposure to the brief recent market rally. However, we feel strongly that, at the time of writing, many stocks are already starting to show their true colours once more and that our thematic approach and value oriented stock picking will ultimately reap safer and, therefore, more satisfying returns in these difficult times.

One significant exception to this trend has been the Taiwan domestic property stocks which have performed well. Residential property prices rose 15%, literally, over the election weekend. Companies holding commercial property look equally interesting. With virtually no new supply of commercial space this year, we think that commercial rents could rise as much as 30% in the coming months. The outlook remains very positive as confidence gradually returns to the local market after a 'lost decade'. Many of the Taiwanese property stocks are still trading well below estimated NAVs and it is still possible to find companies whose assets have not been revalued for eight years or more or where today's share price remains at a third of book cost.

We feel that the general outlook for Asia still remains clouded by a number of factors. First, China, clearly, appears to be facing several headwinds about which we have written in detail in past months. It is now accepted wisdom that a slowdown to around 8% GDP growth, from 12% previously, is possible as the Chinese Authorities try to juggle the very serious issue of food price inflation and the risk of further unrest that may cause with the ongoing rising costs of energy, labour and cleaning up the environment. While 8% growth does not sound too bad in itself, it is the strong negative effect of the second derivative, i.e. the impact of the rate of slow-down, that investors tend to forget between cycles. It is also worth remembering that around US$1.3 trillion has been wiped off the value of the mainland stock markets since their peak on January 14th and that the local indices are continuing to make new lows. This equates to, approximately, 20% of China's GDP.

Second, as we reported last month, we think that many Asian companies are struggling to control cost pressures with the resulting negative impact on operating margins. We expect that the impact of this trend will soon be reflected in reduced analysts' forecasts and, later, in companies' results. We are already starting to see the former. However, we believe this is only part of the picture. Companies, so far, are still reporting very little damage to demand. Given that a month or so ago, Jeff Immelt, CEO of General Electric, was busy telling investors that GE's numbers were in the bag, we know that, at this stage of the cycle, still confident guidance should be taken with a pinch of salt. We think it is possible that, so far, reasonably stable demand from Europe has offset the slowdown in US demand and has, thus, kept the wolf from the door in Asia. However, hearing, as we do on a daily basis, anecdotal evidence suggesting a slowdown in the UK economy, we think it would be a big bet to assume that resilient demand from Europe is likely to remain the case. As a result, we are resolutely sticking to investments in companies whose spokespersons have sat across the table from us and reported not just stability in demand or orders but *increasing* demand and with excitement and light in their eyes. Our thematic work, far more than traditional bottom-up analysis, often leads us to companies where we believe such trends are possible. The share prices of these companies, many of which are, crucially, experiencing rising margins as well, should increasingly stand out as a minority as the year wears on. We had a nice flash of how well this can work during January and February.

Overall, therefore, the fund remains in a skinny state with a fairly large portion of cash and investments in a few, carefully chosen themes and companies. Our favourite sectors continue to include food producers, coal miners, companies with exposure to the Taiwanese domestic economy, gold and selected other hard commodity miners, manufacturers of energy saving devices, beneficiaries of investment in power transmission and distribution systems, suppliers of coal bed methane, more on which below, and selected suppliers of materials to the alternative energy sector.

Street lights/ LED

For many areas of technology, investors may spend much of 2008 living in hope. However, anybody living in Finchley in London, Ann Arbor in Michigan, the German city of Vecha or many new urban areas in China may have noticed something new on their street corners which is evidence of a new and very large potential area of demand, LED street lights.

Due to the tremendous improvement in light emission performance and cost, LED street lights are now a very real alternative to traditional street lights. While LED street lights are still more expensive, investment in LED street lights now has a payback of only two to three years. LED streetlights last for ten years, require minimal maintenance and replacement and use half the energy. As a result, LED street lights are now a very real alternative to be considered by local authorities. For example, in Toronto, converting the city’s 160,000 street lights to LED will save US$6 million a year in energy expenses and reduce greenhouse gases by over 18,000 tons. The latter is the equivalent of the removal of 3,608 cars from the streets.

According to the US Department of Energy, lighting accounts for close to 20% of global electricity consumption. Street lights account for more than 10% of this consumption. The Industrial Technology Research Institute estimates that there are around 120 million street lights around the world. Most of these use traditional light sources such as mercury vapour or high pressure sodium lamps. These are wasteful of energy. Many Governments around the world, such as Australia, Canada, the US and Taiwan, have pledged, by 2010E, to phase out these inefficient and toxic light bulbs in an effort to reduce carbon emissions, energy waste and the cost of disposing of the bulbs' toxic mercury. In addition, LED offers many other attractive benefits. First, it is possible to replace old lamps simply by changing the bulb fitting to a new LED lamp head and leaving the pole and cover unchanged. Second, LED lights are small, have no cold starting issues, are non toxic, are fully dimmable, require no strike time and therefore light instantly, come in multiple colours and are quite robust, having no filament to break. Third, LED lights also give a brighter and clearer light thereby rendering security cameras more efficient and, where new lights are being installed, permitting an increase in the gap between posts from twenty to thirty metres. This reduces the number of posts needed by one third over a stretch of road of ten kilometres.

In all, conservative estimates suggest that LED street lights will comprise 0.6% of the global installed base in 2008 and that this could rise to 6% by 2011. The total addressable market is some US$18 billion. This is 2.6 times larger than the entire LED market today, by packaging value.

Given its rapid urbanisation, its desperate need to reduce energy usage and the recent launch of the Green Lights Project as part of the recent five year economic plan, China is likely to be the biggest buyer of LED street lights. China is currently experiencing growth of 10-15% per annum in street light installations. This implies demand for around 1 to 1.5 million new units of street lights per year. This will most benefit the Taiwanese manufacturers given their close geographical proximity and cultural similarities to the Chinese market. The Taiwanese exposure to the entire value chain from epi wafer production to module assembly means that the Taiwanese manufacturers can offer competitive quality but much lower costs than their US and Japanese competitors.

Given that LED streetlights are a government related purchase with clear benefits in maintanance, energy and environmental costs, we feel confident that demand will be very strong in the coming years and will become an unexpected key driver of growth for the LED industry.

Laptops / LED

There are also a number of new factors at work within the notebook sector which, however dim your view of the world may be, should propel LED demand.

First, and most mundanely, using LEDs rather than CCFLs as backlights on notebooks now adds less than 5% to the cost of a notebook PC. As an offset, LED backlights offer lower power consumption and therefore longer battery life and are thinner, lighter, and more environmentally friendly.

Second, the arrival of the gorgeous Mac Air notebook, thin as a whisper, light and ultra desirable, is achievable because of the use of LEDs as back lights and of Nand flash memory. We think that all other notebook makers will have to follow suit with a similar model. Perhaps, aching backs from endlessly carrying a thick heavy laptop around airports will soon be a thing of the past. As a result, LED usage will rise sharply.

Finally, low cost notebooks are now with us. This is very confusing for the market as, now, consumers can buy a small laptop with a 7 inch screen, a basic Windows and Office operating system, wireless internet capability and a decent battery for under US$200. Quanta, which we visited last month, believe that this development will result in a step function decrease in average notebook selling prices. Undoubtedly, the consumer seems keen. Ju Teng, a maker of plastic casings for laptops, including all the low cost models, several of which are due for release very soon, reckons that 250,000 units of Asustek's very successful EEE PC and other low cost notebooks are now being shipped every month. These low cost notebooks are part of the 'one laptop per child ' campaign aimed at emerging markets and pose an interesting question for those trying to estimate global notebook sales this year. In 2007, some 120 million notebook computers were sold. However, the low cost model addresses a completely new market including children and adults in emerging markets for whom gaining access to the internet is now possible for a manageable sum. It could be that notebook computer sales seriously surprise us this year and beyond given that the addressable market has just increased significantly. If so, this is good news for LED demand. A 7 inch screen using LED backlights is now no more expensive than a traditional CCFL lit screen. This could rival streetlights as another growth driver for LEDs.

Coloured notebook PCs

Interestingly, plastic notebook casings, traditionally used for lower end or consumer notebooks, are leading a new trend as the fashion moves away from boring metal and black plastic casing more geared to the commercial market. Expect to see notebooks with wildly coloured and textured casings in a PC World near you soon, faux wood, faux leather or Ferrari badged red anybody? Such cases, incidentally, while designed to drive the consumer into wanting a new notebook, are also allowing the manufacturers of such cases to make nearly double the margins earned on traditional black plastic cases.

China Automation

Labour costs appear to be rising strongly in China driven upwards by rising wage inflation and compliance with China's new, more protective labour laws. As a result, SMEs are likely increasingly to look to automate production lines. Chroma ATE, a Taiwan-based manufacturer and installer of testing systems with a dominant 80% market share in Asia, should be a beneficiary.

In a proprietary survey conducted in early 2008, around 40% of companies questioned indicated that labour costs in 4Q 2007 rose more than any other individual cost. By 4Q 2007, the sample group indicated that managers and skilled workers' wage costs were rising 14.2% YoY and new factory workers' wages by 10.2% YoY. As a result, more than half the SMEs surveyed indicated their intention to automate some of their production lines and almost half of them to increase their capital expenditure in 2008E in comparison with 2007 to try and protect already declining gross margins. The survey sample forecast gross margins, on average, to decline from around 15.5% in 2006 to only 12.5% by 1Q 2008.

Neo Neon, a Taiwanese owned, China based manufacturer of lighting, is a good example of a company executing exactly this strategy. Late last year and early this year, Neo Neon management indicated to us that the company had reduced its staff numbers by around 15% to 20% and started to invest in increased automation. As a result, while the company hopes to grow its top-line by 30% plus in FY12/08E, a reflection of increasing production, it is budgeting for around a 10% rise only in its labour costs, mostly a reflection of salary inflation.

Chroma ATE is Asia's leading designer and manufacturer of testing equipment. Chroma claims to have an 80% market share in the Taiwanese and Chinese markets from which it sources 85% of its sales. Its hardware product is modulised and commoditised. However, its software product is customized. Once customers have adopted the Chroma software, changing product provider requires complete installation of new software and re-training of testing engineers which costs money and, more importantly, time. Chroma claims to have never lost a customer. Chroma has no local competition and claims to have a 30% cost advantage versus its US, European and Japanese competitors

Chroma ATE grew its sales 32% in 2007E and is confident that it can achieve 20%+ sales growth for the next five years. First, Chroma ATE expects factory automation to increase as manufacturers seek to reduce labour costs over the next 12-24 months. Second, Chroma ATE is continuing to expand its product range. 45% of Chroma ATE's FY12/07E sales came from fast growing new products, growing at around 30% per annum. IC and LED testing, the newest products accounted for 27% of sales. In the medium-term, Chroma ATE hopes to add automotive component and solar cell testing products. The former, potentially, will be an even bigger market than IT as auto component manufacturing moves to China.

Coal Bed Methane

Natural gas accounts for 22% of the world's energy supply. However, only 3% of China's energy supply and 8% of India's come from this source. Positively, natural gas produces 45% less harmful waste products than coal and 29% less than oil. For that reason, we expect that natural gas will be an increasingly large part of energy supply in Asia. For example, the PRC Authorities have indicated that it is their intention to raise the share of natural gas as a proportion of China's total energy supply to 7.8% by 2010 from 3% today. Given the lack of traditional natural gas fields in China, this means that China will either have to import gas or increase coal bed methane production.

Coal bed methane is extracted from coal seams which are too deep to mine for coal. Deep coal seams contain folds or 'cleats' formed by the pressure of the overlying rock. These cleats form a natural system through which both water and gas can move as pressure levels fluctuate. The natural gas tends to be chemically bonded to the coal face until the water pressure drops at which point the natural gas separates from the coal, flows through the cleats and becomes available for extraction. Typically this gas is over 95% methane and is therefore pure enough to use directly in national gas distribution networks.

Mining coal bed methane is a relatively new technology which has become viable only in the last decade. It involves drilling a number of wells down to a narrow coal seam which may be between 300 and 1,000 metres below ground but is possibly only a few meters thick. Horizontal drilling along the seam is sometimes used and water may be pumped down under pressure to increase the size of the cleats and thus to aid the outward flow of gas. In the US, the technology is now fully proven. Coal bed methane now comprises 10% of natural gas production and is dominated by the oil and gas majors. In China and Australia, coal bed methane supply is dominated by the smaller players. While production of coal bed methane is starting to ramp up to economically significant levels, coal bed methane is still only 4% of gas production in Australia and 2% in China.

With oil currently at a price of US$116 per barrel, coal bed methane is an attractive business. After recent meetings with all four of the key companies in China and Australia, we understand that the 'lifting costs' of a mcf of gas amount to between under US50c to US$2, depending on gas flow pressure and technology management. In Australia, by contrast, natural gas spot prices are around US$4 whilst onward processing and selling as LNG to the international market could further double or even triple margins .

The valuations of coal bed methane suppliers should benefit as first, proved and probable reserves surge, a several fold jump in proved and probable reserves for many of the coal bed methane companies in Asia. production ramps up and geologists upgrade the value of the companies' reserves. Currently, such reserves are treated much more conservatively than natural gas reserves. Global reserves of coal bed methane are generally mostly in China, Canada, the US, Australia and Russia. It is estimated that the world's coal bed methane reserves are 50% greater than proved natural gas reserves. Finally, natural gas is much cleaner a fuel than coal or oil. The coal bed methane companies can therefore also look forward to an additional source of revenue in future from selling carbon credits.

Queensland Gas

Queensland Gas has perhaps the most extensive and accessible reserves onshore of coal bed methane in Australia. This is underlined by the fact that British Gas has taken just under a 10% stake in the company with options to acquire more. British Gas and QGC plan to build the first LNG terminal at Gladstone. This would enable, for the first time, onshore gas companies in Australia to access skyhigh international prices. We have used a similar analysis to value these companies as we use with Australian coal miners. QGC, we think, is the most attractive.

GRAB

We think that many of the commodity producers' key customers are keen to reduce their dependence on the increasingly concentrated commodity suppliers by acquiring or finding alternative supplies. We think that a potentially interesting battle looms. On one side, there are the North Asian power producers and the base metal manufacturers. On the other side are the increasingly concentrated commodity producers, apparently christened within the industry as GRAB, or Glencore, RTZ, Anglo-American and BHP.

The power and base metal producers appear to be increasingly looking to diversify and control their commodity sources. For example, POSCO's board, last year, issued a target that POSCO should seek to source 40% of its raw materials requirements from internally controlled producers. POSCO's board also indicated that it would like to see the emergence of a fifth commodity player with critical mass to dilute the market position of the four major commodity producers.

We think this underpins our investments in coal suppliers outside of GRAB. A typical example of this is Felix where KEPCO is financing the expansion of Felix's Moolarben mine. Logically North Asia has two options, the first to invest in and encourage alternatives to GRAB, the second, to buy out a part of GRAB, most likely RTZ. We have seen various Australian miners over the last two weeks and conclude that the second option is probably too sensitive of which both sides are aware. However it is clear that State Goverments in Australia are still eager to attract North Asian Investment to open up more mining assets which we feel favours our strategy.

An example of this, aside from Felix, is Cockatoo Coal where an ex Glencore management has brought in POSCO and KEPCO as investors in order to help develop the potential of the Surat Basin mining assets in Queensland. Again, infrastructure is the key, the financing of which will be made easier by the presence of such robust shareholders.

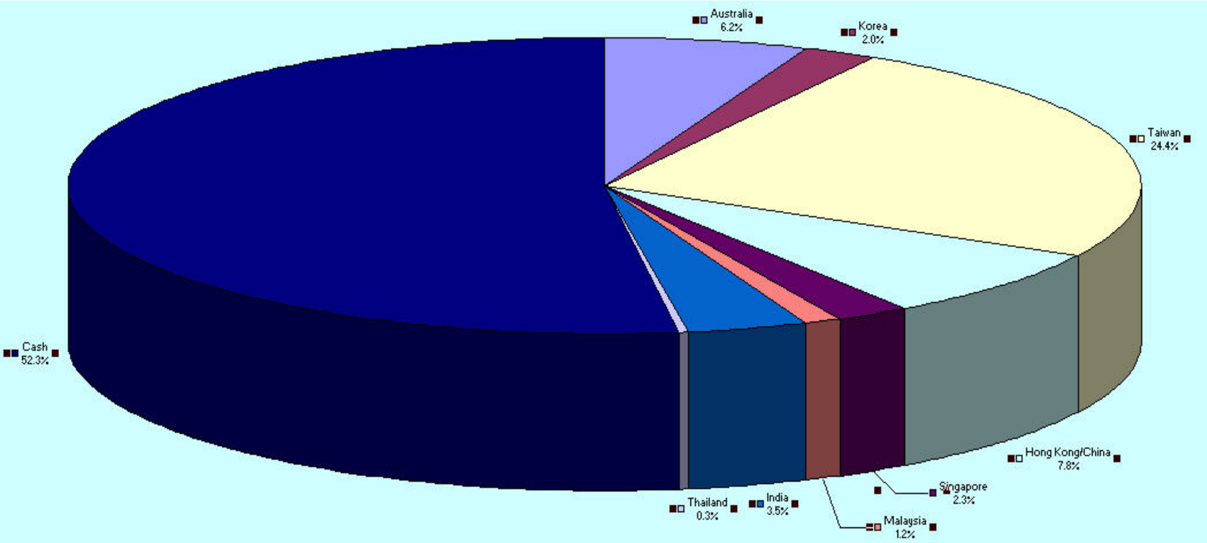
The portfolio trades on 17x 2008E and 13x 2009E earnings and is forecast to generate an ROE of 20% for 2009E.

Ed visits Singapore, Seoul and Shanghai in early May.

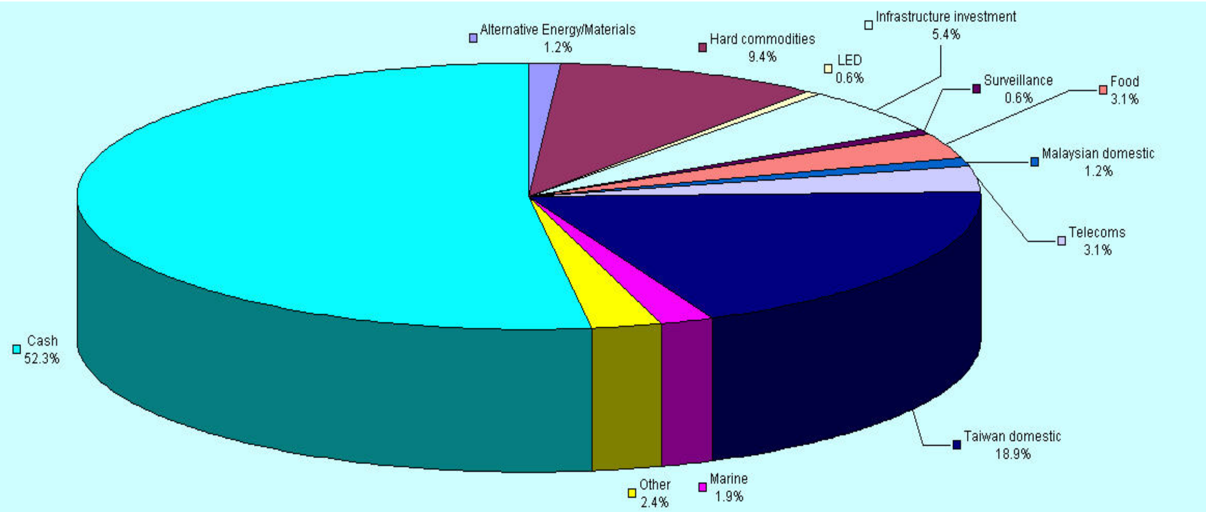
Top 5 Holdings	%
YUANTA FINANCIAL HOLDING CO	3.1%
CHUNGHWA TELECOM CO LTD	3.1%
HIDILI INDUSTRY INTL DEVELOP	3.0%
ICSA INDIA LTD	2.7%
TATUNG CO LTD	2.6%

Number of holdings	29
Percentage of Fund invested	47.7%

Geographical Distribution



Distribution by Theme



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005										-1.90	5.64	5.08
2006	7.71	0.09	1.84	10.14	-1.95	-0.45	-1.72	0.02	1.23	3.90	7.64	1.97
2007	-0.01	1.28	3.05	4.08	3.58	4.79	3.77	-3.75	5.67	2.61	-6.33	1.93
2008	-6.78	6.91	-8.06									

Key Parties to Fund

Investment Manager	Prusik Investment Management LLP
Administrator	Bisys Fund Services (Dublin)
Custodian	Brown Brothers Harriman (Dublin)
Auditor	Ernst & Young
Legal Advisors	Dillon Eustace (Dublin)
	Simmons & Simmons (London)

Key Terms

Denomination	USD
Dealing Day	Weekly (Friday)
Minimum Subscription	USD100,000
Min Subsequent Subscription	USD10,000
Subscription Notice Period	2 business days
Redemption Notice Period	2 business days
Dividends	
Class A	None
Class B	Annual
Class C	Annual

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Manager Fees

Management Fee	1.5% p.a. paid monthly in arrears.
Performance Fee	10% of NAV appreciation. With a 6% hurdle.