FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*April '08*	*MTD*	*YTD*
Class A	165.78	1.81%	-6.71%
Class B	165.84	1.80%	-6.71%
Class C GBP	89.79	2.03%	-6.18%

Fund Size $363m

NAV Update	**April 2008**
Class A USD	
Non distributing	USD165.78
Class B USD	
Distributing*	USD165.84
Class C GBP	
Distributing*	GBP 89.79

The fund rose 1% in April. Taiwan, our largest theme, corrected post election after a strong run up into the KMT victory at the end of March. We still believe there is tremendous upside in Taiwan. Some are drawing parallels between the Sino British accord signed in 1984 and this change of Government in Taiwan, which perhaps hints to the further potential in our Taiwanese investments. Much of the move in Asia in April was led by a rebound in financials and low quality downstream cyclicals which are not areas we are currently invested in. Our other core themes of food, infrastructure and coal continued to march on, for example, China has, as we write, shut down 32 coal fired power stations due to lack of coal. We have written previously on how we think infrastructural constraints would ultimately be the key brake on China's expansion rate, (monetary policy being largely cosmetic), and these constraints are now beginning to show. Still, some of our coal investments would show a net profit margin of 100% post acquisition for any buyer at current coal prices so we remain excited about the possible upside still to come in this area, especially as acquisition appetite seems to be accelerating. In April we invested in Australia's coal bed methane sector which has since come alive with British Gas's take over bid for Origin. In Korea we invested in LG Chemical, again a beneficiary of China's soaring coal costs which have pushed up carbide based PVC manufacturing, making LG Chemical's ethylene based product very competitive. We also are optimistic about its battery business.

We are very aware that the limelight this month was not in our areas but we continue to stick to our guns on valuations and thematic choice as the market gyrates around us. After two very good months at the start of the year, we are disappointed to report muted progress in April, but have strong faith that our themes will do well as the rally elsewhere peters out. Over the past two months we have started to add new themes as we are well aware that our core themes are now well understood and widely held. This presents more volatility, as we have just seen during April. The new areas include LED, Coal Bed Methane, China Automation, cheap laptops and broadband capex.

Inflation

Interest rates have just been raised 25 bpts in Indonesia thanks to inflation. Inflation across the region is at the point of creating problems for policy makers. Here are the most recent yoy numbers compared with the same month a year ago:
Singapore 6.7% vs 0.7%,
Malaysia 2.8% vs 1.5%,
Indonesia 8.2% vs 6.5%,
India 7.8% vs 6.7%
China 8.3% vs 3.3%
Taiwan 4% vs 0.9%,
Korea 4.1% vs 2.5%,
Vietnam 21.4% vs 7.2%.

We think it makes quite sober reading. Others argue that the year on year comparatives are about to drop out, bringing lower CPI numbers, although not necessarily much lower absolute prices. For example, pork in China accounts for two thirds of China's food inflation and from April 07 to February 08 it rose 80% but has since started to stabilise.
As rookie fund managers in the mid 1980's, following a painful period of high inflation, one of the early rules of engagement we were taught was the "Rule of 20." This simple rule was later tested in the 1990's by American academic Glenn Tanner to very positive effect. The rule simply states that the annualised inflation rate added to the current PE ratio should not add up to more than 20, the implication being that in times of inflation share valuations should be lower as future earnings are worth less than today's earnings. Tanner proved this by showing that $1000 invested in 1935 returned $134,000 by 1995 but that $ 1000 invested since 1935 *but only in times where the market PE added to inflation was below 20* returned $244,000 by 1995. What is interesting is that the bull market that ensued from 1995 came from a very high PE base but at a time where there was virtually no inflation.
Applying the Rule of 20 these days in Asia underlines our broad contention that valuation levels are not mouthwateringly attractive although, interestingly, Taiwan, Korea and Malaysia stand out. The former two are big importers of food and energy and whilst they are probably also more able to afford the increased cost than many other countries in Asia this may explain the discount. In times of prolonged inflation however, the best protection is to find and buy companies which are already very cheap but which can benefit from the pricing power inflation brings. Aside from the funds holdings in coal and other upstream commodities, which shorter term are the more obvious inflation hedge, we are also looking at those brands which are strong enough to pass on rising prices (and perhaps more than that).

China automation (again)

The Chinese government is pushing a huge and radical wave of change in an effort to get mainland manufacturers up the value added curve, address the shortage of labour (which has resulted in 30%+ wage increases and a hollowing out of rural areas), contribute more to domestic growth, create higher paying jobs, stop wasting China's precious resources exporting cheap goods to the rest of the world and protect and clean up the environment. It started in

January with new labour laws but the effects of new environmental regulations rolled out this summer will mean thousands of small businesses will close down, with larger firms benefiting and in many cases regaining some pricing power. In the past week we have seen notebook PCB prices rise 10% ! This is mainly due to virtually no plans by the major producers to expand capacity significantly for 2 years. These are Taiwanese companies based in China and the largest three enjoy over 70% global market share. Their reluctance to expand stems mainly from the onerous costs added by China's new regulations and a high degree of confidence that none of their smaller competitors, all earning wafer thin margins, can afford to either. This is practically unheard of in today's world of supposed oversupply and competition, especially in the manufacturing/tech sector, and presages a trend which we think could extend into some of the most unloved and cheap manufacturing sectors of all. (more anon) This may be exciting because it combines the two things we are looking for in todays more inflationary world – namely pricing power *and* value. However, it also means Chinas export growth will slow and the world will suffer the end of China as a global deflationary force. The PCB makers may not be alone. In a recent survey some 59% of small Chinese export manufacturers said they expect to raise prices this year! We in the west will now have to pay for higher Chinese wages and, rightly, the clean up of the environmental disaster that China now faces. This may feel uncomfortable for Western consumers.

Food

Looking at longer term trends for world population growth, food preference, crop yields, available agricultural land and water availability we believe rising food prices will be with us for a long while. However, reading that Afghan poppy growers are switching from opium to wheat, not only brings a smile but a twinge that caution in the shorter term is warranted. There are a number of factors which worry us about current food price levels in the immediate future.

Firstly, biofuels are a wild distraction. According to the UN, it takes 232kg corn to fill an average 50 litre fuel tank with ethanol. This amount of corn could feed a child for a year. American corn producers rely heavily on fertilizers to grow the corn and fertilizers are made from natural gas and/or oil in the first place! Some 33,000cu ft of gas is required to produce just 1 tonne of ammonia, so this is an effort of doomed circularity. A further example arose at a recent meeting with a Malaysian palm oil analyst which revealed that of the 95 biofuel plants that have been built in Malaysia only 6 are in use. The rest are not viable with palm oil prices above $3000/tonne (currently $3500). But palm oil prices are only likely to fall as the oil price falls so it may be that these biofuel plants never even see the light of day. The adjustment for this out of the demand side of the equation supporting biofuel crop prices, however, might be painful. Additionally, a change of government in the US could change policy on biofuels. Expectations of this could start before long if food prices remain very high. Notably China has recently abandoned its biofuel program, citing water shortages.

Secondly, none of this last point matters too much unless you believe there is undue speculation in current food prices. We think this is very likely. Alone, the size of commodity ETFs is over $200billion but speculators always find the area least regulated to play in and soft commodities have been a lucrative playground. Looking at a recent report from Copper expert Simon Hunt has been instructive to us. Unusually, he spends most of his time visiting the big copper users (mainly in China) and assessing demand. In copper he sees a big mismatch between current copper prices and actual demand and he blames speculation. We think this pattern could be repeating itself in food, where even countries have been hoarding grains, possibly at the wrong price. For example, China has recently admitted to secret grain reserves of 30-40% of annual production.
Thirdly, speculation and biofuels plus genuine demand could, of course, continue and equate to a further big spike in food prices. But with social unrest in over 30 countries, life imprisonment in the Philippines for hoarding food and political stability and real hunger and suffering now on the agenda this outcome is much less likely to be allowed to run its course. Food shortages, for that's what this means to the 2 billion plus people who live on less than $2 a day, are one investment bubble we can not sit back and enjoy and the risk is that governments will start to act rationally and cohesively to stem speculation, regulate and improve food security and remove some of the short term excess here.

Finally, as we have written before, the average American meal uses ten times the fossil fuel energy to produce than it actually contains in food energy, so the oil price will also be a big determinate in food costs in future. God forbid that the peak oil forecasters are right before we have some other solutions but likewise a drop in the oil price would probably bring food prices down as well.

We will not be abandoning the food theme longer term but the investments we have in some food producers may be due a correction which could be quite severe. In the last few months volatility has risen in this sector and valuations are no longer that cheap and yet interest is almost universal. As a result we are looking to take some profits here and diversify into more value added solutions to the food industry such as farm machinery， irrigation and biotech.

Biotech

It has become part of accepted wisdom to say that the twentieth century was the century of physics and that the twenty first century will be the century of biology. Indeed biology is already bigger than physics by size of budgets, size of workforce, by output of major discoveries and its economic consequences, ethical implication and impact on human welfare are undoubtedly now more important. The question is will biotechnology become domesticated in the way that computers, digital cameras, communication devices have? After all, we distrusted John Von Neumann not just because he liked to use his computer for designing hydrogen bombs secretly at midnight but also because he believed computers would remain large centralised facilities. Likewise we distrust Monsanto because they put genes for poisonous pesticides into food crops but also because they are a vast and powerful organisation.

This is possibly about to change – we are about to come face to face with the products of biotech for example genetically modified tropical fish in new and brilliant colours are now available at a pet store near you. Events such as this will begin to demystify and remove much of the fear we currently hold around biotech and which is well reflected in low share price valuations and poor performance in this sector worldwide.

The domestication of biotechnology and a new era of open source biology will move biotech into the mainstream and indeed we need this to be the case to solve many of our economic and environmental problems. Indeed green technology could bring us much closer to the goal of sustainability, using sunlight instead of fossil fuels as the primary source of energy. Sunlight is also more equally distributed than coal, oil and gas so this could also help narrow the gap between rich and poor countries.

For example, the most efficient crop plants, such as sugar cane and maize convert about 1% of the sunlight that falls on them into chemical energy. Artificial solar cells convert solar energy into electricity with an efficiency of about 15% . Imagine the future where we may breed a new crop of plants with leaves made of silicon. These plants would need one tenth of the land mass to produce the same crop, their leaves would be black, or course, but otherwise they would look the same.

Of course as of today this is still a dream, but as the arrival of Dolly the sheep in rural Scotland not Silicon Valley suggests, the movement towards smaller, rural and therefore seemingly less scary breakthroughs is coming.

In China, massive amounts of money are now being spent on biotech. In 2001 the budget was $100mill, by 2010 it will be nearing $10billion. Singapore is vying with the rest of the world to encourage biotech companies to move there and already there are a smattering of listed smaller companies in the region with serious biotech offerings. For example Singapore's Guangzhou Industrial Forest has produced fast growing poplar trees, Praj Industries in India has produced an enzyme that enables any plant waste to be turned to biofuel, Bisi in Indonesia is developing and selling hybrid seeds for wheat, rice and , in future, soya, China Agri is planning to produce biodegradable plastics whilst a subsidiary of Genting in Malaysia is mapping the genome for palm oil together with Craig Ventner. On the drawing board from China are also products such as longevity wine (6x the normal level of resveratrol), Omega 3 pork and, even, anti diarrhoea rice!!

For now these are far from mainstream investments, in some cases yet to be fully proven, and not all are either pure or cheap businesses. But looking forward a decade we are prepared to bet this will be a very important and more widely accepted sector which provides many of the food and environmental solutions we need so badly today.

$200 laptops (again)

Prusik children have been, since Christmas, enjoying the new EeePC. This is the new laptop developed by Taiwan notebook makers Asustek as part of the global One Laptop per Child campaign, aimed at emerging markets education efforts and the goal to increase access to the internet in poorer areas. It is a very cool item. Weighing not much more than a biggish paperback and half the size of a normal laptop with a 7 inch screen it offers Wifi internet access, a basic Micrsoft operating system, battery life of about 2 hours, a small amount of nand flash memory and a proper keyboard. Oh, and it costs $200.
For those of us lucky enough to be able to afford them for our children it's a no brainer (they even come in pastel coloured plastic – stylish this is not) but the black version would be a very real option for business travel when just wanting to access emails and the internet. However, the real demand for this product is coming from the roughly 5,880,000,000 people in the world who did not buy a laptop last year, because, in many cases, the EeePC or a similar model is possibly their first chance ever to buy an affordable device giving them access to the internet. We gather that roughly 2% of current notebook sales are EeePC or similar models but this is expected to rise to 10% in 3Q this year and could possibly outstrip expectations by some margin. The implications are manifold. Firstly it will massively confuse the whole notebook industry where pricing could fall wholesale for normal products, thereby also driving demand. Secondly, together with the Macbook Air at the top end, this could fuel a trend towards lighter, lower spec notebooks with less functionality but more battery life, thus fuelling the first point on selling price but also driving replacement demand for business travellers. Thirdly, despite fears of consumer slowdown this product could exceed expectations hugely on the upside and indeed recent meetings with companies exposed to notebooks expect 20% to 25% growth this year in volumes with the low cost models the biggest driver.

We wrote last month about LED demand from this product but we also see huge opportunities in the companies supplying parts from IC drivers to the plastic casings.

Internet capex

Leaving aside the potentially huge numbers of new internet users from emerging markets in coming years, new technologies are driving a deep transformation of the internet's capabilities and uses. We are entering a new phase. By 2015 it is estimated that the internet will be 50 times larger than it was in 2006 and growth to these levels will entail a dramatic expansion of bandwidth, storage, traffic management capabilities and many other aspects of the networks.
The major drivers behind this dramatic expansion are increased demands for movie downloads, high definition and

P2P file sharing, video calling and virtual windows, ‘cloud’ computing and remote backup, internet video, gaming and virtual worlds, non internet IPTV, business IP traffic and phone, email, photos, music etc etc. In technical terms this is estimated to grow to the size of 15 exabytes in 7 years. A megabyte can be seen as roughly the amount of information in a 400 page book stored digitally. 20million megabytes has found a unit of measurement called a LOC, designating roughly the contents of the Library of Congress or about 20 million big books. An Exabyte is 50,000 LOCs or a trillion big books .15 exabytes would therefore be equivalent to a 200million mile high pile of books reaching twice as far as the sun!
Needless to say the estimated numbers on required spending to achieve this are also large. $140 billion globally by 2010 and in the US alone some $100billion needs to be spent by 2012. Asia needs to spend more.
There are still extraordinary pockets of value in this area still. One example, like food and before that commodities, is fibre optic networks which we have all taken for granted as being in oversupply as so much was laid down during the tech boom. Most of these are now getting to capacity and companies like BT are starting to announce heavy capex plans which will be expensive and involve digging up streets again.

The PE of the portfolio is 18x 08 and 14x 09, with an ROE of 21% in 09.

Prusik Singapore

We are very pleased to announce that we have now opened a small office in Singapore where Tony Morris will now be permanently based. Our address is
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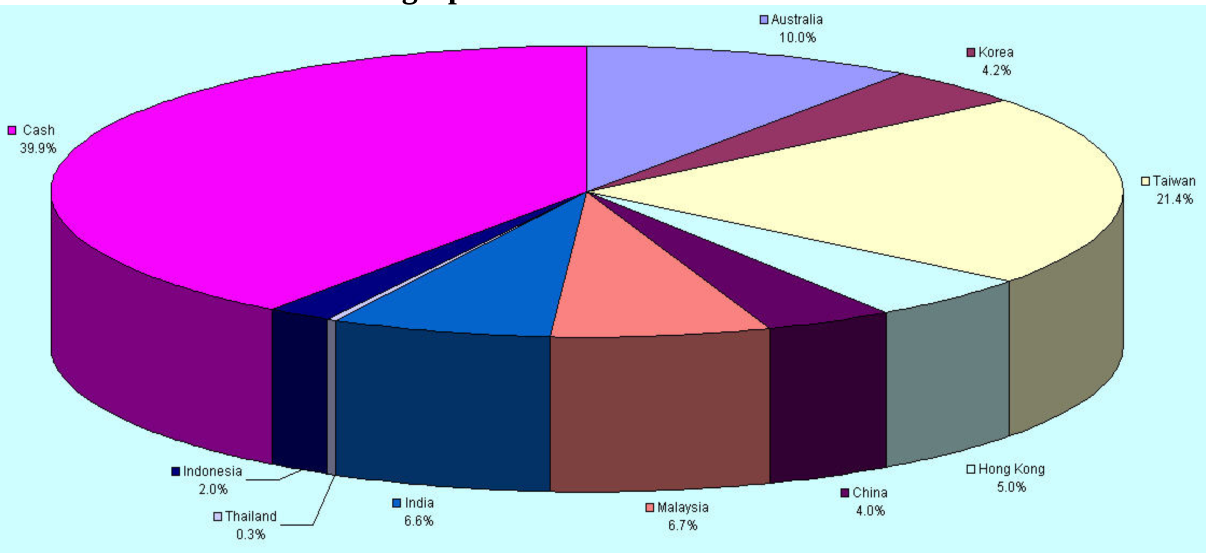
1, North Bridge Road
Singapore
179094
Tel 00 65 9674 0875
Please do drop in and see us there if you are passing through!

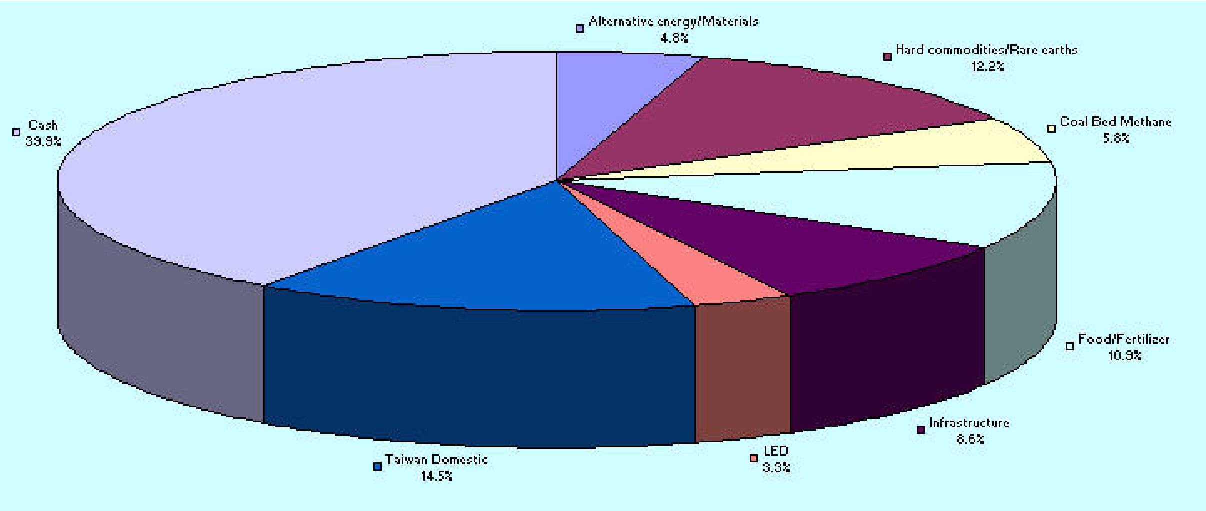
Top 5 Holdings	%
ICSA INDIA LTD	3.4%
CHUNGHWA TELECOM CO LTD	3.1%
EVERLIGHT ELECTRONICS CO LTD	2.5%
QUEENSLAND GAS COMPANY LTD	2.4%
SAMSUNG ELECTRONICS CO LTD	2.3%

Number of holdings	35
Percentage of Fund invested	60.1%

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	1.81								

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

Manager Fees

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

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