Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*31st January '07*	*MTD*	*YTD*
Class A	145.79	-0.01%	-0.01%
Class B	145.79	-0.01%	-0.01%
Class C GBP	78.75	+0.14%	+0.14%

Fund Size $212m

NAV Update	**31st January 2007**
Class A USD	
Non distributing	USD145.79
Class B USD	
Distributing*	USD145.79
Class C GBP	
Distributing*	GBP 78.75

The fund remained flat during January as our best efforts in Malaysia, for example, were offset by politically driven general weakness in Taiwan. The best performing themes were LED and infrastructure. At the same time, a new group of companies in the portfolio, the Chinese car manufacturers, added at the beginning of the year, began to take shape.

The markets corrected a little mid month. This is a pattern we expect to see repeated as valuations head towards the high mid teens and the basis of valuation starts to shift a year forward to 2008E. However, we are still finding new themes in which to invest where companies with exposure to those themes are either still reasonably valued, trading on very low double digit PERs or better, or where we can foresee extraordinary growth in the visible future which should stimulate more demanding valuations than those companies currently enjoy. In particular, a number of smaller companies appear to offer relatively good value. However, we are wary of becoming too exposed at this end of the spectrum where lack of liquidity can become a problem. We are therefore maintaining a fairly sizeable cash position, around 25% of the fund at the time of writing not withstanding inflows, in the hope that more attractive entry points will emerge before long.

Carbon Fibre

After our trip to New York last year, we wrote about light materials, and carbon fibre specifically, as being, we believe, a future massive growth industry, driven by the urgent need to reduce carbon emissions in the aerospace and car industries. Carbon fibre is extremely light but capable of absorbing up to twelve times more crash energy than steel. The manufacturing process is complex and global supply, whilst due to rise sharply in the coming two years, currently lags demand.

The wind power sector already uses carbon fibre to make lighter, and therefore bigger wind turbines. Carbon fibre deep sea drill bits and brake-pads for aircraft and cars are already, increasingly in demand as well due to their lighter weight and better durability. In two to four years' time, we think that carbon fibre will be used to make lighter car bodies.

For that reason, since late last year, we have invested in Formosa Plastics in Taiwan, which despite having much of its

Prusik Asia Fund plc (the "Fund") is an open-ended investment company with variable capital incorporated with limited liability in Ireland under the Companies Acts 1963 to 2005 with registration number 407740 and established as an undertaking for collective investment in transferable securities pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2003, as amended).
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business currently in more traditional plastics, will, by 2008, we estimate, be supplying 20% of the world's carbon fibre. Very quietly, company management has been talking up expectations. However, so far, nobody appears to be listening and the shares have continued to trade on around 11x only forward earnings.

Zoltek, Formosa Plastic's biggest competitor in the US market, held a conference call last week. In spite of huge capacity increases, Zoltek's selling price for carbon fibre has risen 12% in January with further increases likely this year. Zoltek's gross margins have already risen from 17% to 22% and the company expects them to rise further towards 35% as capacity utilisation improves. Carbon fibre brake-pads for the new Boeing 737 will add 20% to aerospace sales alone. The consensus forward PE for Zoltek is 22x 2008E, double that of Formosa Plastics.

We have also been talking to a number of companies in the region who use carbon fibre to make products such as fishing rods and golf club shafts. Whilst the immediate margin impact of rising carbon fibre prices is a negative, these companies have a technical skill in carbon fibre which means massive new markets are opening up for them. One of the companies to which we spoke is already in talks with GM in the US to make carbon fibre car parts. We believe that composite materials including carbon fibre is truly an industry at the very start of a massive growth phase, driven by the need to reduce the weight and increase the energy efficiency of many products like cars.

Food/bees

A number of snippets of information are telling us that this theme, which performed well in 2006, will continue to do so in 2007. First, Reuters reported that the Australian Government, giving no reasons, has rejected seventy-two applications to export bulk wheat. Second, there is speculation that India has also put a ban on wheat exports. Third, while we know better than to try to predict the weather, patterns in the US suggest very clearly that we may be in for La Nina in 2007. This, amongst other things, usually creates drought in a number of important growing countries like Australia and South Africa and generates an extreme hurricane season in the US. Fourth, it is reported that, in 2006, farmland from Iowa to Argentina rose in value faster than apartments in London or Manhattan for the first time in 30 years; we think this could continue to be the case as corn prices rise and demand for ethanol and bio-diesel increases.

Finally, there is the recent and dramatic disappearance of bees. This is more serious than it sounds as over one third of all food crops in the US rely on bees for pollination. Last year, bees began to drop off in numbers in some US states. Since November, there has been a catastrophic collapse in bee colonies across twenty-two states. No discernable illness or cause has yet been detected to explain this collapse. Indeed, the bees do not die in the hive but disappear with no prior warning. In one extreme case, a Pennsylvania based beekeeper has seen his number of active hives decline from 1,200 to just 80 in three months. More bizarrely, deserted hives would usually be swarming with predator moths, beetles and other bees within hours. However, in every case, the deserted hives are left untouched. To what degree we should view this event as a canary in the coalmine for the rest of us remains unclear. However. the cost of hiring bees to pollinate crops has already quadrupled, increasing supply side pressures.

Finding investments in the food industry is never easy. However, a particular favourite of ours is China Green. As a producer and processor of organically produced vegetables and fruit sold both in China and overseas, notably Japan, we think that China Green is leveraged into this same food and agriculture related theme: First, demand for organically produced vegetables and fruit is likely to continue to rise both in China and overseas. Second, given the labour intensive nature of vegetable and fruit production, companies operating in China like China Green should continue to be competitive producers. Third, the PRC Authorities are looking to boost rural incomes and develop industrial scale agriculture thus favouring enterprises like China Green. Finally, China Green is planning to develop its processing and distribution capabilities and brand equity to advance along the value chain. China Green is currently trading on around 12.6x fully diluted FY04/08E EPS

LED

We are hearing very encouraging noises from Australia and also India regarding the adoption of higher efficiency lighting. In Australia, the Environment Minister has pledged to rid the country of incandescent light bulbs by 2010. This hastens the advance of compact fluorescent lighting, which uses 20% less energy and lasts 5-10 times longer but still contains some mercury, and LED, which uses 90% less energy, lasts 10 times longer and contains no mercury. We remain very positive for the outlook of our Taiwan listed LED companies and for Neo Neon in Hong Kong, a manufacturer of traditional lighting products using LED.

PRC autos

Over the last two months we have built up positions in two of the larger PRC auto manufacturers, Denway and DongFeng Motors, because we believe that the industry capacity utilisation rate will steadily improve over the next three years. On the demand side, China's GDP per capita is now at a level which the Japanese, Korean and Taiwan precedents suggest will stimulate a multi-year period of strong 25% plus per annum growth in demand. Vehicle sales growth in 2007E could be particularly strong boosted by the A share market wealth effect and the possible re-emergence of auto financing. Growth in new supply appears to be slowing with the PRC Government now rejecting capacity expansion plans for facilities running at below 80% capacity utilisation. As a result, we think that sedan car capacity utilisation over the next three years could rise significantly, resulting in rising margins for the car makers.

Dongfeng offers broad exposure to both the mid-end car and commercial vehicle markets in China. It has JVs with Nissan, Honda and Peugeot to build and distribute cars and manufactures commercial vehicles under its own brand name. Dongfeng is currently trading on around 13.4x CY08E EPS. Denway, via a 50% owned JV, manufactures and distributes Honda passenger cars. At only 10.4x CY08E EPS on a set of cautious estimates, Denway still looks good value.

Hemlines

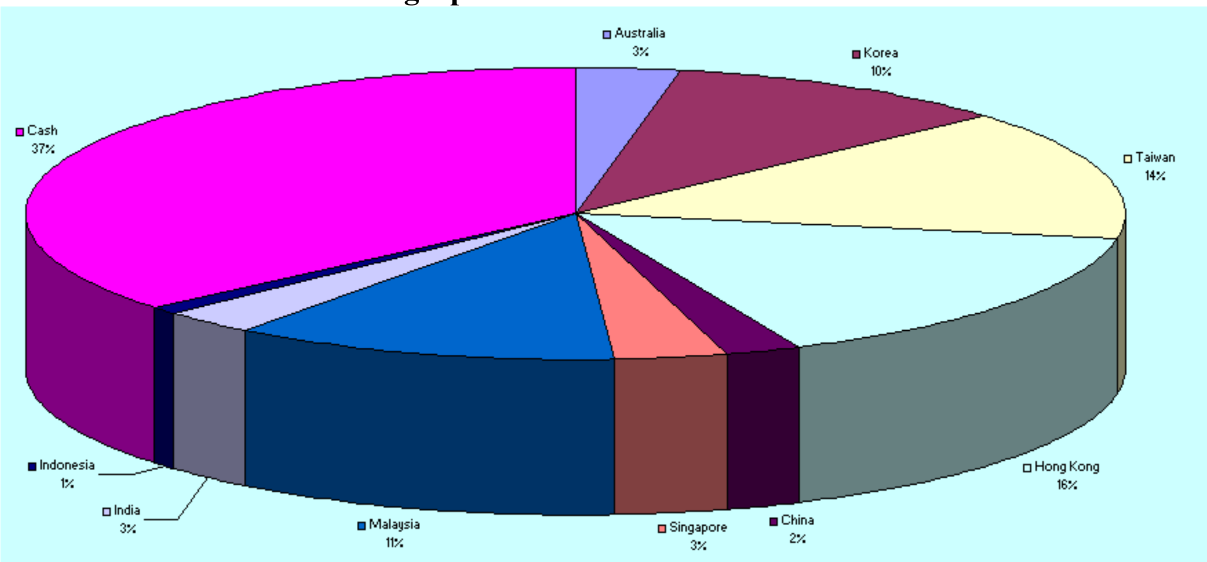
We have all long been aware that, via the length of hemlines, the fashion industry has a legendary correlation with bull markets. Given the ever decreasing amount of fabric in the average skirt over the past few seasons, the outlook has remained, on this gauge at least, pretty rosy. However, the advent of the new 'micro-short', as seen at recent film premieres and fashionable parties but not at Prusik, which requires almost no fabric at all, may suggest that this bull market guide might have gone off the scale. Have we been warned?

The portfolio is trading on 11.6x 2008E earnings with 18% growth in that year generating a ROE of 17.5%.

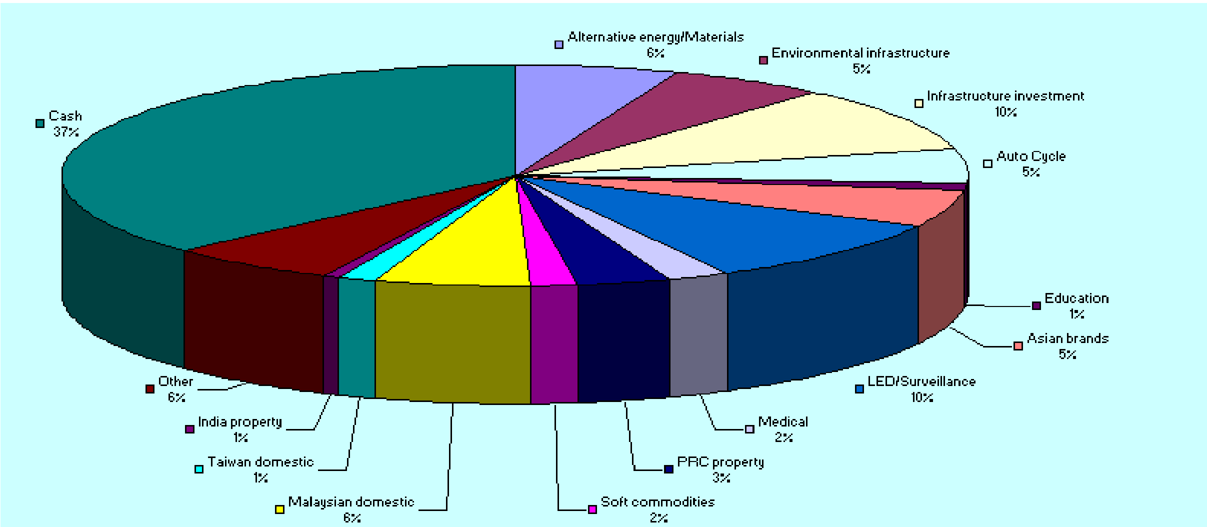
Top 5 Holdings	%
EVERLIGHT ELECTRONICS CO LTD	3.9%
WING LUNG BANK	3.5%
MALAYAN BANKING BHD	3.4%
FORMOSA PLASTICS CORP	3.4%
CHINA MOBILE LTD	2.6%

Number of holdings	41
Percentage of Fund invested	63%

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											

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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