Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*March '07*	*MTD*	*YTD*
Class A	152.16	+3.05%	4.35%
Class B	152.16	+3.05%	4.35%
Class C GBP	82.18	+3.01%	4.50%

Fund Size $255m

NAV Update	**March 2007**
Class A USD	
Non distributing	USD152.16
Class B USD	
Distributing*	USD152.16
Class C GBP	
Distributing*	GBP 82.18

The fund rose 3% in value in March. Markets, overall, shrugged off the latest round of "noise" emanating from the US and, interestingly, Asia was more resilient in the face of such concern than its global peers. Our own work on existing holdings this year perhaps points to why.

We have been consistently upgrading Prusik earnings expectations on a number of companies we hold after speaking to management. Ignoring the new investments we have made this year, our medium-term earnings growth forecast for the stocks in the portfolio has risen by over 10% YTD. Currently we forecast a 21% earnings increase for the portfolio in 2008E which is now valued on around 12 times 2008E earnings. We also sense that amongst the bigger index heavyweights, to which we are less attracted, overall earnings expectations are rising as well. This is just the kind of trend we need to see if Asian markets are to attempt to de-link themselves from Western market moves.

We continue to be careful not to maintain holdings in the portfolio where valuations have gone significantly above our targets. The recent reduction in exposure to LED makers in Taiwan is a good example. Everlight is now trading on around 18x 2008E earnings and has just announced a big jump in employee bonus shares. These two factors could provide a reasonable headwind for the share-price to tack against from here.

Earnings expectation changes

What is most refreshing about the bulk of our expectation changes is that they are driven either by what we would call Asian trends or by global dynamics suggested by our thematic searches. Our upgrades of earnings forecasts at the two Korean forgers, Hyunjin and Taewoong, for example, have been driven by an acceleration in international wind turbine orders, alternative energy, and by the increasing number of shipyards requiring crankshafts and engine parts for vessels, China's growth and the resulting changes in international trade patterns. The Doosan Group continues to gain market share, without margin pressure, in desalination plant construction, water, nuclear plant construction, alternative energy, and regional infrastructure investment, all long held themes of ours. Two examples outside Korea are Formosa Plastics, where the continued rise in carbon fibre pricing alternative energy, has lifted our earnings expectations and China Hongxing Sports, whose "Erke" sports goods are selling faster than even our optimistic projections suggested as the Olympics approach, Asian brands.

In general, top line growth continues to surprise on the upside and margins are either being sustained or even expanded. This points to another rise in ROE for the portfolio and we hope the region overall.

Shipping

International shipping plays a vital role in global trade given that two thirds of the world's goods are transported by sea. Tankers, which carry liquid fuels, account for 40% of seaborne trade while dry bulk carriers represent about 38%. The rest is general cargo and containers. A number of years ago, when the Prusik team were in their previous jobs, we invested in shipping companies when we realised that daily super-tanker rates had fallen to such low levels that even we could afford to hire one, personally, for a day.

These days, things are somewhat different. The cycle is strong and in response to this, the shipping industry has gone size crazy. Last year, Samsung Heavy announced the first of its planned 300 super carrier container vessels, called a post Panamax, because, at 1,106 feet long, it was too big to navigate the Panama Canal. It was officially the world's largest container ship for about two months at which point it was superseded by a Danish contender, at 1,300 feet. Given that cargo capacity demand has been growing at 10% per annum over the past decade, container ships may yet become even bigger. Already on the drawing board is a quarter of a mile long ultra vessel that would barely squeeze through the Straits of Malacca. If it were to sink, over US$1billion worth of cargo would go down with it. Is this a sign of the shipping industry going overboard?

Prior to 2001, freight rates were less than half current levels, likely a reflection of the modest growth in seaborne dry bulk trade between 1990 and 1999, an average annual rate of only 2.1%. However, between 1999 and 2006, the annual growth in seaborne trade rose to 5.1%. The current cycle began in 2002. Previous cycles in dry bulk have lasted 4, 12 and 3 years respectively. As a result, in the second half of last year, when faced with a combination of events including a surge in the supply of new ships and adverse weather in a number of big grain producing countries such as India, Australia and Brazil, many seasoned commentators were taken by surprise by the continued strength in the freight environment.

There are a couple of factors which suggest this buoyant state of affairs may continue a while longer, in particular in the dry bulk sector. First, China is likely to remain a driving force. Demand for iron ore and other core commodities are not consumer or export driven but are a direct result of massive infrastructure spending and preparation for the Beijing 2008 Olympics. If we compare China's development and the resulting potential demand for bulk commodities with that of Japan or Korea at the same stage of development, China is about 10 years only into a 30 year cycle. Second, overall 'tonne miles' are increasing as shipping distances travelled increase. China will, for example, in future import more iron ore from Brazil, rather than from Australia, thereby doubling the number of days travelled. China's increasing trade with Africa, which has already risen tenfold over the past decade, will have a similar effect. Third, new-builds are limited, with shipyards booked solid until after 2009. There are also significant shortages of key items such as engines. Overall, the supply/demand balance is likely therefore to remain fairly tight. Finally, the dry bulk sector is intriguingly fragmented and is therefore ripe for consolidation. There are over a 1,000 shipping companies operating globally and, excluding COSCO which is Chinese government owned, the top 19 owners operate just 20% of the global dry bulk fleet between them.

Mercantilism

According to the Daily Telegraph, there is a story doing the rounds that Carlyle, the US private equity giant, has offered to pay college fees for the children of any Latin American grain farmer who will commit to sell Carlyle all his produce for the next five years. We have written extensively in the past about future food shortages so we shall not repeat ourselves but merely highlight this as an example of another growing trend we can observe, Mercantilism.

As nations realise that future supplies of certain resources will not be enough to meet projected demand, the political response is changing. In the past, the market economy resolved the problem by allowing prices to be driven by market demand. This ensured, in theory, that a relationship was generated between demand and price; higher prices eventually reduced demand. It also ensured, in theory, that resources were allocated to the customer capable of deriving the greatest value from that commodity. However, more recently, the producers, instead of using market mechanisms to try to distribute the pie more efficiently, have sought to lock in as big a share of the pie as possible for their own needs, political as well as economic.

China, Russia and India all appear to be heavily embracing this mercantilist approach, in particular in energy, and are busy locking significant portions of their energy supplies into long term bi- lateral contracts. As a result, much less of the world's energy needs will be met via freely traded instruments. It is especially relevant when we consider that it is the US, Western Europe and Japan which remain primarily dependent on the free market for their energy supplies. This also means that, importantly, in the future, different countries will be paying different prices for energy and possibly other key commodities. It also could reduce the risk profile for the better for those countries which have fixed supply, assuming the prices at which supply has been fixed are at or below market, as they can always tap the spot market for extra supplies. The converse is not true for those countries dependent on open markets. In addition, the existence of longer term bilateral agreements means embargoes will be easier to impose. A more meaningful move away from dollar denominated transactions is also likely.

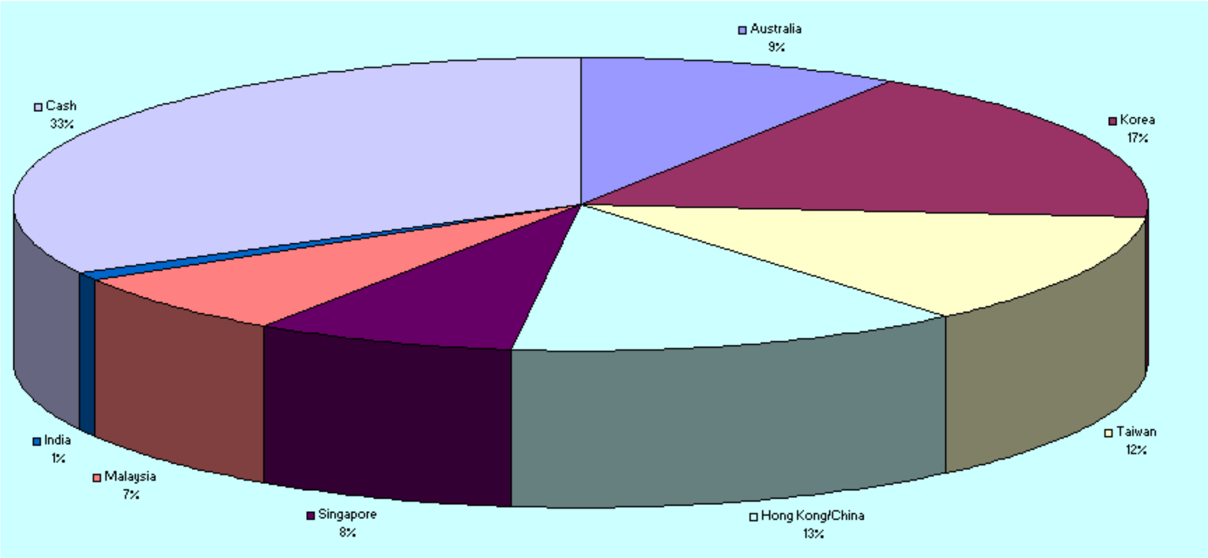
Finally, the Bush administration has just announced it will pursue action against certain Chinese coated paper producers that the paper industry maintains are subsidized by the Chinese Government. This reverses a 20 year policy. So what is the risk that other industries will go to Washington to cry for protection from any company with a government interest?

Heather departs for Taiwan and China end of April, Ed for Korea and Simon for Singapore.

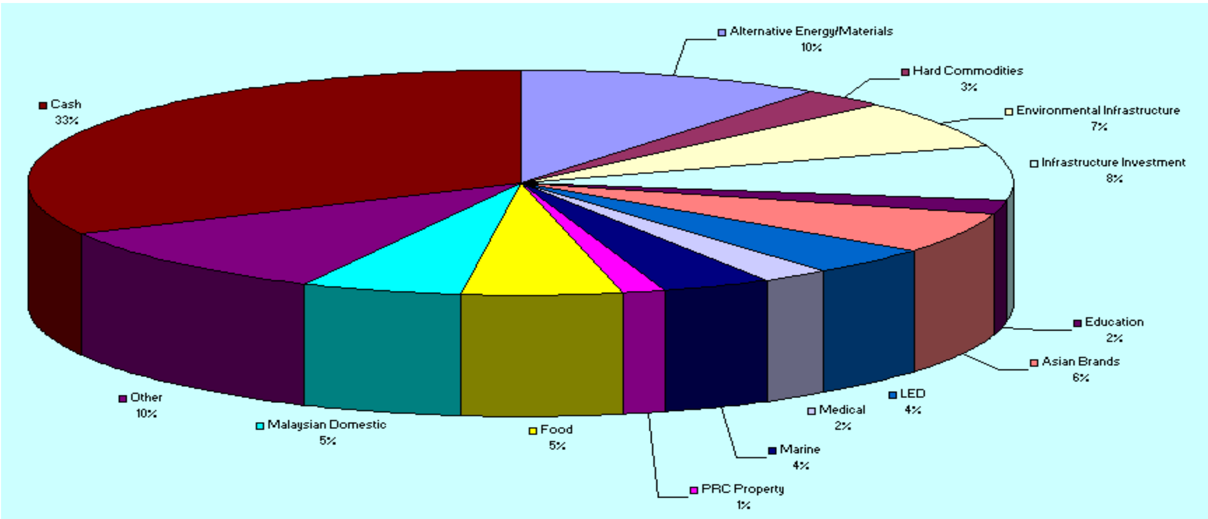
Top 5 Holdings	%
FORMOSA PLASTICS CORP	4.4%
CHINA MOBILE LTD	3.5%
DOOSAN CORP	3.3%
MALAYAN BANKING BHD	3.3%
HYUNJIN MATERIALS CO LTD	3.0%

Number of holdings	42
Percentage of Fund invested	67%

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									

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.