Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An independent, Asian specialist, investment management company
Long Only Absolute Return in Asia & Australia ex Japan

NAV Updates

Series	*Since inception Oct 2005*	*31st Jan '06*	*MTD*
Class A	+17.25%	$117.25	+7.71%
Class B	+17.25%	$117.25	+7.71%
Fund Size	$19.2m		

NAV Update	**31st January 2006**
Class A USD	
Non distributing	USD117.25
Class B USD	
Distributing*	USD117.25

The fund rose 7.7% in January. Some sharp moves up in several of our holdings put to the test, with some success, our view that our strong focus on valuation and returns is our best defence.

This was especially so in Korea, where we managed to sidestep much of the sharp and unpredictable fall mid month. As a result we end the month with a little more cash than previously, which we are looking to re invest in more attractively valued ideas.

Water, clean power related industries, green.

Of course not everything works perfectly. Our valuation approach instructed us to sell Suntech Power, a photovoltaic panel manufacturer at 31 times forward earnings, the counter has since risen to over 60 times earnings. Annoying - but we still feel there is far more risk to holding companies at unsupportable valuations where change is widely known no matter the quality of the business model.

President Bush's recent exhortation to quit an addiction to oil has put further strain on valuations of these small alternative energy companies, and already many countries are prepared to buy solar power at seven times the price of thermal power. Thematically, we remain very keen on alternative energy but feel that expectation and reality are growing quite far apart. For example the California government is offering to subsidise any household to install solar panels to the tune of $10,000. But a 2000 square foot residence needs $30,000 worth of solar panels –still an expensive 'luxury'in our minds.

This month we have added to our water treatment companies. Sinopec, one of China's largest integrated oil companies, has introduced internal guidelines to halve the volume of water used per barrel of oil refined. We have spoken to several companies and analysts in this sector during the month and can already see order books beginning to build.

Finally, we dipped our toe into India. Thermax has a substantial domestic and regional market share engineering waste heat fired boilers. The Californians may see thousands of roof top solar panels as an efficient way to reduce the electricity burden – but in the shorter term Asian heavy industry is fast catching onto the benefits of harnessing waste heat. We had two conference calls with management and feel comfortable with how they intend to exploit the niche they have established for themselves. Management are keen to stress that the business is managed with a priority on raising returns and we forecast Return on Capital Employed to be lifted from low 20's to over 40% over the next three years.

China/ Brand names

Heather visited a string of Chinese consumer companies in Shanghai this month. Despite continued strong growth, we were turned away by high multiples and a very clear over-ownership amongst local fund managers, so we have stuck to our original investments which include watch retailer, Peacemark.

We also visited some of the top brand names in the Internet space whilst in Shanghai. Internet advertising, which comprises around 5% of all advertising spend in developed countries, is still nascent in China and this particular segment of revenue is likely to grow by over 30% per annum for the next 5 years. Sohu.com, the number 2 branded internet portal, is a major beneficiary of this, and has the additional advantage of owning the

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).
Prusik Investment Management LLP is authorized and regulated by the Financial Services Authority(FSA).

rights to the official Beijing Olympics website come 2008.

We are also very optimistic that this could be the year the 5 year bear market in domestically listed mainland Chinese companies comes to an end. Foreign involvement is gradually being opened up and the government is quietly but efficiently liberalising and deregulating industries as varied as coal, car manufacturing and tourism. This is exciting, as from a bottom up perspective we are discovering good companies at attractive valuations. We can obtain limited involvement in the domestic A shares but many of these companies have listed B shares as well, many of which have been trading at large discounts to their respective A shares. Amongst our holdings are Dazhong Transport, which owns bus and taxi services in Shanghai, and Hangzhou Steam Turbine.

Life Companies

We reduced our exposure to Hanwha Corp on the basis that the valuations for Korea Life now look well known by the market and we can't, after lengthy discussions with various City based Life experts really see much upside. The company seems to be more attractive now on its peripheral holdings in industries we are not keen on. Our exposure to this industry remains in China.

Taiwan.

Although we are hearing an increasing number of people in the market becoming more positive on Taiwan, we think that the positive move we have seen is just a beginning. That having been said we were compelled to sell several of our holdings on valuation grounds during the month. Compal Communications for example, a surprisingly profitable OEM manufacturer of mobile phones, mainly for Motorola, reached 18X earnings. We felt this was quite far enough, especially given that Tony has already abandoned his new super cool Motorola Razr mobile phone in favour of one which actually has a battery life! We are exploring a number of better valued opportunities here.

Company visit with Downer

We met with Australian blue chip engineering company, Downer, which has exposure to power, rail, road, mining and telecom engineering sectors in Australia and some parts of Asia. We focussed on Australia where we learnt that more than a decade of underinvestment in key infrastructure projects has resulted in an urgent backlog of three years work and a general backlog of nearer nine! This is not a problem specific to Australia - similar strained situations exist throughout Europe and US as well as the obvious demand in emerging Asia. Significantly, despite this, the company is modest in its growth projections (20% pa) due to the constraints on engineering supplies. For example, a new truck ordered from Komatsu or Caterpillar (low end producers not an option due to quality) will now take 18 months. There is very little new capacity coming in these trucks as both the top producers 'don't believe' the cycle they are seeing. However, even if they did add to capacity, they in turn are constrained by global supply of large truck tyres. Bridgestone is the only major tyre producer adding capacity but a new plant takes over 4 years to come on stream.

This is not a new story and is replicated both in the mining and oil services sectors. However to us, the surprise seems to be that in such a tight environment there is, so far, very little sign of rising prices. Shortages and outages, both of which are part of this story, are glaring anomalies. We shall leave you to make the macroeconomic inference but suffice to say our largest exposure thematically in the fund is here, where we think companies are about to properly wake up to the pricing power they clearly have.

Portfolio

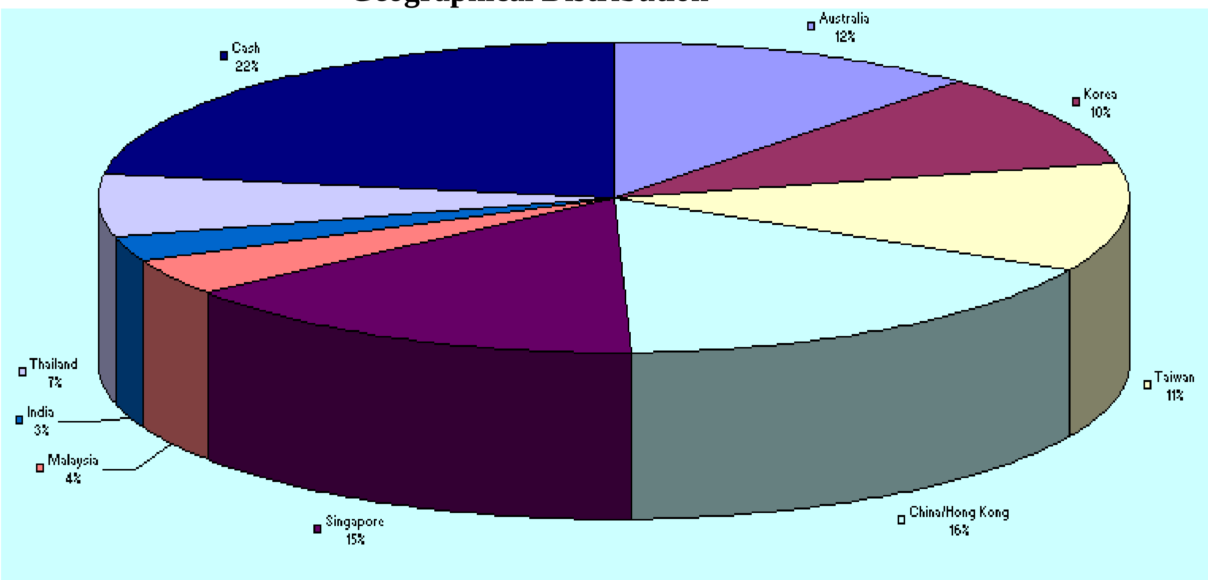
The forward PE of the portfolio is now under 11.7x and the weighted ROE of the portfolio is 24%. Expected earnings growth has risen to over 20% now for '06 - we have made some upgrades to our earnings forecasts in Australia & Thailand. By comparison, the benchmark index currently trades at PE 13.7x, for 13% growth, with ROE of 14.7%.

The coming month is looking busy. Ed is off to explore some exciting ideas in Taiwan and to spend further time in China investigating domestically listed companies. Heather has already 19 companies in her diary to see in February alone. We shall report back.

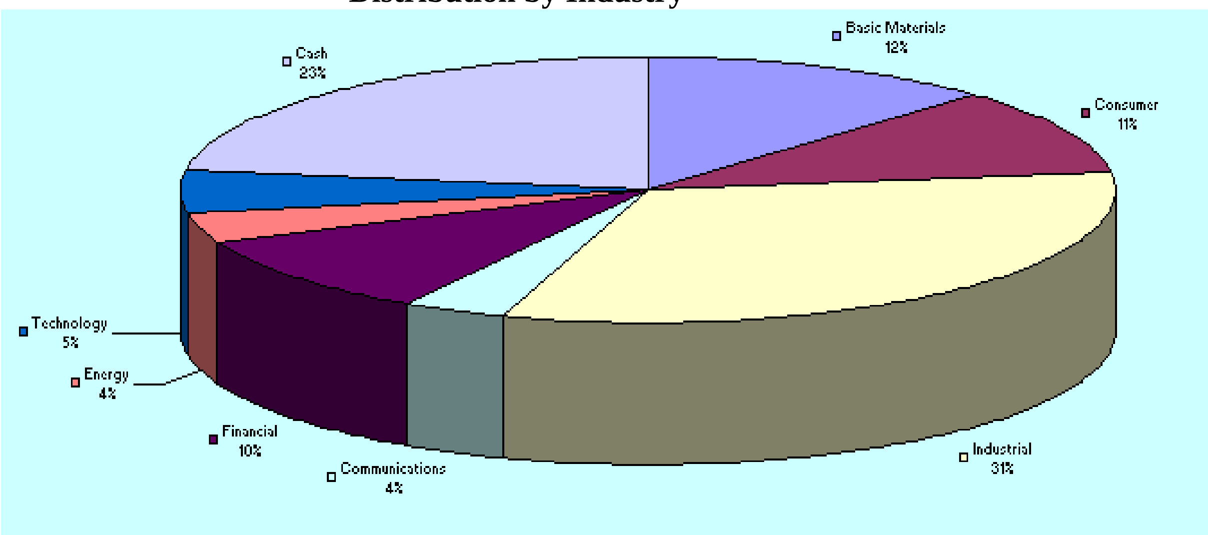
Top 5 Holdings	%
Handsome Co Ltd	3.4%
Doosan Heavy Industries	3.3%
Rojana Indus Park	3.3%
Uni-President Enterprises	3.2%
Energy Resources of Australia	3.1%

Number of holdings	34
Percentage of Fund invested	77%

Geographical Distribution



Distribution by Industry



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

Manager Fees

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

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)

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