Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*30th June '06*	*MTD*	*YTD*
Class A	128.50	-0.44%	18.04%
Class B	128.50	-0.44%	18.04%

Fund Size $40m

NAV Update	**30th June 2006**
Class A USD	
Non distributing	USD128.50
Class B USD	
Distributing*	USD128.50

June was another tricky month for stock markets as investors fretted about the future direction of the US economy and found little comfort or clarity from the data announced.

As a result, we have been holding fast to our convictions more firmly than ever. These are as follows: First, by choosing to invest only in themes or industries which possess a set of changes or drivers which are not influenced by the economic cycle, we can remain agnostic on those big picture factors which are not clear whilst remaining confident about our investments. Second, company valuations will tell us when the time is right to re- invest.

On those criteria the news is mixed. We are confident that most of our industry themes are continuing to perform well. In particular, we have made further investments in companies with exposure to our water, food, education, and infrastructure themes. Company valuations, however, have given more mixed signals. Share prices of some of our target investments have barely moved. While this is comforting in some respects, it can, nevertheless, be frustrating! However, a number of attractive entry points have emerged of which we have taken advantage. It is likely though, that given the general uncertainty and the re- emergence of the spectre of downgrades, what constitutes 'cheap' may be adjusted down further .

So far, we have used the wider market sell down to re-invest in old holdings such as Doosan Heavy, a nuclear and desalination company with new management, Bio-treat, a water treatment company, and Thermax, a company which offers exposure to waste heat fired boilers and has, we think, fantastic management. We sold our investments in all of these companies earlier in the year on valuation grounds. For example, we sold our position in Thermax when the share price moved up to 27x CY2007E earnings. It is now trading on 16x CY2007E earnings. In addition, the share prices of a number of companies which we had previously ignored on valuation grounds fell to levels we saw as attractive at which point we initiated positions. These include Jain Irrigation Systems in India, a manufacturer of irrigation systems, and Taewoong in Korea, like Suzlon, a manufacturer of parts for wind turbines. Taewoong trades on half the multiple of Suzlon but appears to have, in our opinion, as good a client list. Finally, our search in the Asian infrastructure brand and content spaces introduced us to some new companies which we have added to the portfolio as detailed below.

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).

If you think you can detect a note of caution in all this, you are right! We need to tread very carefully. In particular we have taken time to ensure our forecasts are not too high, and our preferred valuation entry point not too generous. To this end our cash has fallen somewhat in June. However, we believe that setting demanding valuation targets is prudent over the summer months.

Cities(I)

This year marks the first time in the history of the world that more people will live in an urban rather than a rural environment. In fact the global urban population will reach 3.2 billion in 2007, larger than the entire population of the planet just 40 years ago! On average, cities globally are adding over one million inhabitants a week; In developing countries, the growth rate is up to four times faster. In Asia, for example, there are currently some 1.4 billion city dwellers. This is projected to double over the next thirty years, creating at least 9 new 'megacities' with populations of over 10million.

These numbers are important because cities are crucial to the economic growth of a country. In her book 'Cities, The Wealth of Nations', Jane Jacobs goes so far as to suggest that it is cities which create wealth, not nations. Cities hum with conscious and sub conscious communication which creates culture, consumer trends and relationships and facilitates trade, scientific progress and commerce. You could say that the stats above show that we are indeed voting with our feet that this is the case.

Whilst we have already written on the huge requirement for infrastructure spending in Asia, we have been giving this particular trend more thought. It is no surprise, for example, that global elevator companies have been focussing on Asia. This is a huge industry worth some US$30 billion on 2005 estimates and has been undergoing consolidation in recent years. Unlike some other construction materials, this is a technologically difficult business. Barriers to entry are high. China has just one elevator or escalator for every 2,000 people. By contrast, in the rest of the world, there is one elevator for every 700 people. The potential growth in demand is therefore clear to see.

Cities (II) / Wireless Internet / Content

Cities, today, can also be of the virtual kind. The creators of website Myspace.com wanted to build a community of like-minded souls and they successfully sold their dream to Rupert Murdoch last year for US$550 million.

Since virtual urban sprawl also sparks creativity and communication so Myspace has become almost a byword for self generated content. Myspace has been the launch pad for subsequently successful bands such as the Arctic Monkeys and Lily Allen and has also fuelled and facilitated the internet trend for self display (there are over 50,000 video uploads a day!) whilst blogging is becoming a worldwide phenomenon. In the process, Myspace has inspired a comet tail of similar websites across the world.

The possible key to understanding all this is the open source movement, which is best typified by the Linux operating system. This was built nearly a decade ago by anyone on the internet who wanted to be part of the community. There is no ownership, and anyone can alter the source code as long as they share the new intellectual property with others. In short, it is the counter trend to content ownership and patents and is arguably the true voice of the internet. It is interesting and important to see which companies have failed to grasp this concept so far; Microsoft and most record companies for example, compared to those which have clearly seen how the new business model works such as NewsCorp, obviously, and also IBM, which now earns more than twice as much from providing back up services to open source than it does from its impressive patent portfolio.

The next stage for content will be fairly explosive. We expect before long to see near ubiquitous internet access, which will eventually unify all networks, mobile, fixed, public and private. On a recent trip to Malaysia, we met a company called Green Packet which supplies WIFI (Wireless Internet) mesh software to China but is about to shift to a new product which allows mobile wireless internet access. Green Packet will soon be launching this service in the Middle East and Asia. In order to test the product, we travelled at speed down a motorway whilst making a voice over the internet phone call and surfing the internet; it all worked brilliantly. Voice over the internet telephony is free but, to date, mobile is not. Likewise, the internet is not yet mobile. This next stage will, we think, wreak havoc on the mobile telecom companies. It will also accelerate the need for content. Being able to watch internet TV on the train home, or surf the net from the car also brings in a myriad of other possibilities, such as location based advertising. We think that the demand for content, therefore, is only just beginning.

Content thus is a very exciting area, with self generated or open source perhaps the most interesting. We are currently eyeing up some Indian and Chinese opportunities in this area.

Brands

It was frustrating that some of our more fancied Asian brands did not come back to levels where we felt there was value in once more investing. However, we visited Pelikan, a global brand name in stationary. Pelikan's top end fountain pens compete with Mont Blanc and are beautifully designed in Germany and most school children will recognise Pelikan's Plaka paints. Pelikan was recently acquired by a Malaysian company. We spent an afternoon with management, whom we liked, and whose plans are exciting. Most manufacturing to date has been carried out in Europe. However, for the lower end products, a shift in production to Malaysia should mean instant cost savings and better margins. Additionally, whilst it has a global presence in 160 countries, 80% of sales to date have been in Europe. New tie ups in China, India, the Middle East and Taiwan, should result in solid future sales growth. We believe the company to be on a forward PE of under 7x and expect a dividend yield of 7%. Too cheap for a brand of this calibre.

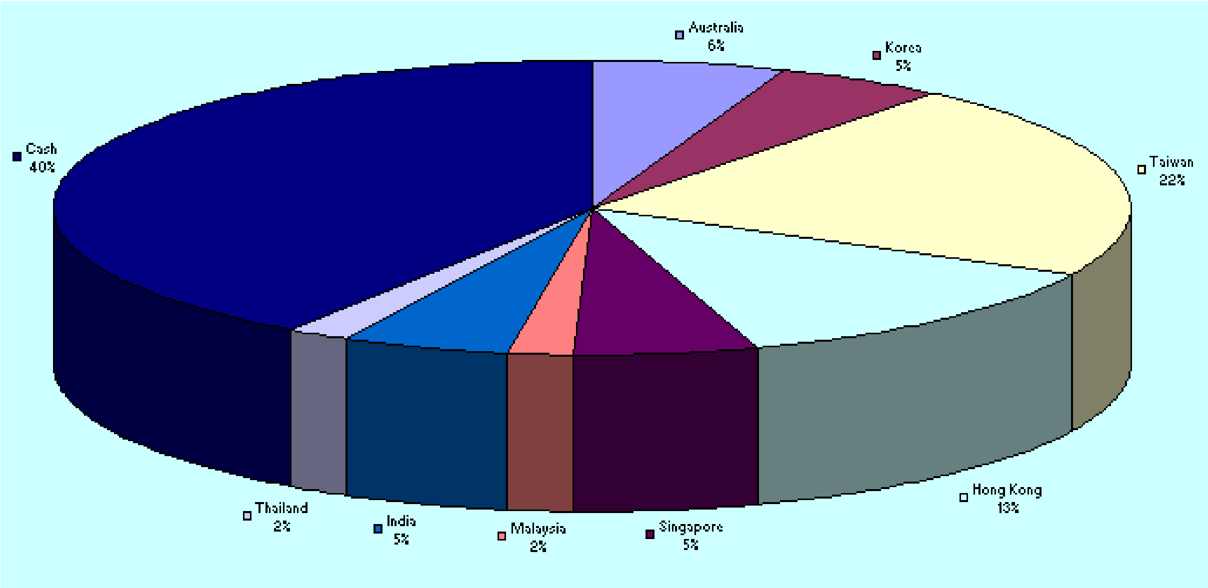
Overall the portfolio is trading on 12x 07 earnings with 26% earnings growth for that year and a return on equity of 23%.

Ed visits Thailand and Indonesia in August.

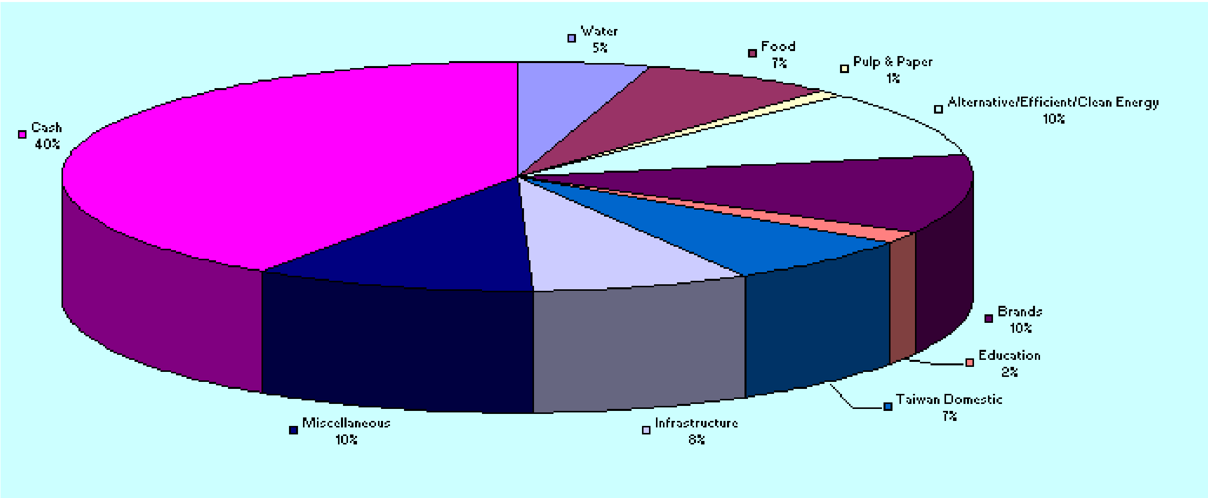
Top 5 Holdings	%
CHINA LIFE INSURANCE CO LTD	3.1%
KOREA COTTRELL CO LTD	2.9%
UNI-PRESIDENT ENTERPRISES CO	2.6%
TIMBERCORP LTD	2.5%
SYSGRATION LIMITED	2.4%

Number of holdings	40
Percentage of Fund invested	60%

Geographical Distribution



Distribution by Industry



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005										-1.93	5.63	5.07
2006	7.70	0.09	1.84	10.14	-1.95	-0.44						

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

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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