

Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5



Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	31st July '06	MTD	YTD
Class A	126.29	-1.72%	16.01%
Class B	126.29	-1.72%	16.01%
Class C GBP	68.57		

Fund Size \$75m

NAV Update 31st July 2006

Class A USD	
Non distributing	USD126.29
Class B USD	
Distributing*	USD126.29
Class C GBP	
Distributing*	GBP 68.57

The fund price dropped in July by 1.7% . The lack of headway was really down to our large exposure to Taiwan, where the domestic and political environment became a little cloudier and stocks which had done well corrected or took a breather. We have reviewed our entire Taiwan portfolio, and, in conclusion remain very keen on our domestic related companies which are not expensive and we think will do very well over the longer term.

Overall, we are struck by the recent obsession with the macro economic outlook, low volumes and somewhat aimless lack of new trends...or maybe its just summer again! From a valuation perspective some of the companies we revisited just a couple of months ago are nearing our valuation targets again – notably in India!

We are sticking with our thematic guns in the belief that others will have to come our way as growth becomes more scarce and our preferred industries, which are driven by factors over and above the economic cycle, will stand out even more.

Medical

We recently read a piece from the Federal Reserve Bank of St Louis Review which was alarmingly titled 'Is the United States Bankrupt?'. Whilst many would scoff at this notion, what the paper attempts to demonstrate is that government debt bears no relation to a country's fiscal condition. The only route to the real truth is to look at the lifetime fiscal burdens facing current and future generations and whether they exceed the resources of those generations. Sparing you the equations (and there were many), a 2005 study (based on an earlier analysis done by the US Treasury) by Gokale and Smetters calculates that there is indeed a fiscal gap, and calculated it to be a whopping \$65.9trillion or 5 times US GDP. Why so big? In short (and leaving aside methods of taxation for another day), old age and healthcare obligations play a very large part. There are 77 million baby boomers now ranging in age from 41 to 59, all hoping to collect tens of thousands of dollars in pension and healthcare benefits from the next generation. These claimants are not going away. In three years the oldest boomers will be eligible for Social Security benefits. In six years, the boomer vanguard will start collecting Medicare. America has done very little to prepare itself for this onslaught of obligation.

. Whilst the fiscal situation in China, for example, is significantly different and much stronger than the US, the absolute numbers on demographics are also worth repeating. By 2050 the active worker/retiree ratio in China will be the worst in the world, with over 400million people over 60 (up from 120milllion in 2003). This will mean 30% of the population will be of retirement age and needing to spend more on health and old age care.

We think these pressures on both sides of the world will fuel a revolution in healthcare. To coin an old adage, prevention is better than cure. The arrival of cheap and effective technology into healthcare will provide one of the few palatable solutions to any country with an aging population or inadequate healthcare provisions, and force a revolution in favour of pre-emptive diagnosis. For example, it has been said by experts that any cancer is treatable through radiation *provided it is picked up early enough*. This will be the key . We believe we are about to say goodbye to the time starved GP with a stethoscope and rubber hammer and hello to blood on a chip diagnosis (Taiwan) , high resolution scanners (Korea) and, hopefully cheaper bills and better health all round. This is potentially a very exciting new theme and Ed is currently in Asia visiting a number of medical equipment manufacturers.

Food

We were very interested by comments made recently by Unilever regarding the EU push to have 5.75% of the fuel used for road transport coming from biofuels by 2010, up from 0.8% today. To meet these EU quotas, up to 80% of European rape-seed products would need to be used. Rape-seed is a main ingredient for margarine, the price of which will have to go up.

This bodes well for our palm oil producing companies, IOI and KLK and highlights what we believe will be similar pressures coming in the corn market, given the biodiesel capacity being built worldwide, and the competition that food will therefore receive from future fuel needs.

Desertification also remains a topic in the headlines, with China being affected more than any other country. China has lost 24,000 villages to desert in the last 50 years, and the rate at which land is lost annually to desert in China has risen sharply from 1560 sq kilometres per year on average from 1950 to 1975 to an average of 3,700 sq km per year over the last 20 years.

Media/content

Reflecting our view that content is undervalued a number of events have occurred in recent weeks. MySpace has teamed up with Google in a multi year search and advertising deal which pays back NewsCorp its \$580million cost for MySpace and then some. Elevation, a US based buyout fund backed by Bono of U2 fame has just bought a 40% stake in Forbes magazine and Richard Li , the Hong Kong based entrepreneur behind broadband TV company PCCW has just bought 50% of the Hong Kong Economic Journal.

Print and digital journalism will be melded more closely, the former being the foundation for the latter. Next year we see the arrival of new WIFI standard 802.11n which allows wireless broadband in the home at a dataspeed which is 8x higher than currently and will enable us to download movies, play games, surf the net and use the telephone via broadband all at once, whilst also completely networking the home. Needless to say consumer electronics companies are pushing this hard and it will not be long before the internet enters every nook and cranny of the economy.

Quite apart from the hardware and content angles of this coming development, the surge in creativity (the PC, having been originally a left brain tool for analysis of data has now become truly a right brain instrument) is becoming an enormous business challenge and opportunity. We hope you have all booked tickets for the 18th August to see the latest Hollywood blockbuster 'Snakes on a Plane'. It is the first movie to re-shoot scenes in response to ideas from internet bloggers and is expected to be the box office success of the year!.

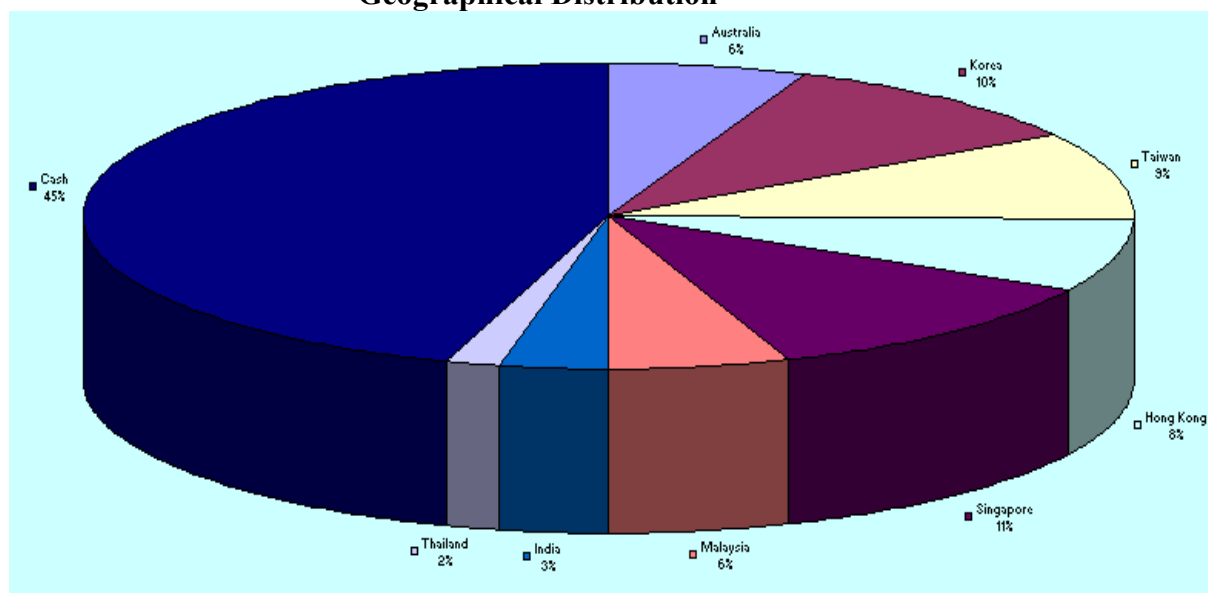
In Asia the industry is dominated by content distributors, two of our favourites are Major Cineplex and Adlabs – both rolling out multiplex cinema developments in Thailand and India respectively. Of the two we prefer Adlabs given the change in returns is accelerating as its multiplex network becomes more profitable and a 14 times multiple means we are paying little for the option value of their film production business.

The portfolio is trading at a PE of 12.6x 07, with earnings growth of 22% and an ROE of 25%.

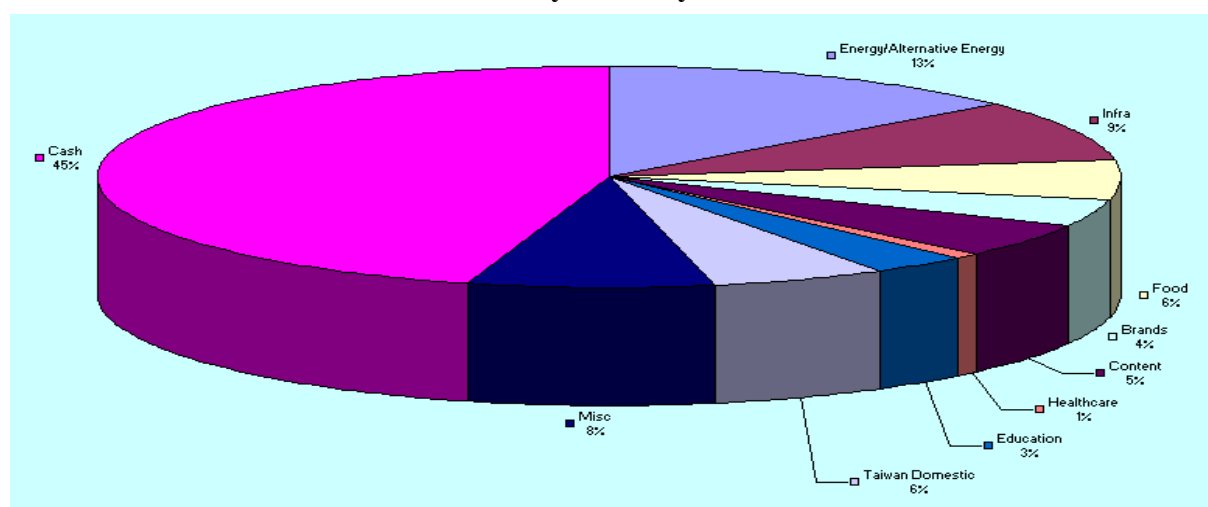
Top 5 Holdings		%
KOREA COTTRELL CO LTD	3.1%	
RAFFLES EDUCATION CORP LTD	2.7%	
DOOSAN HEAVY INDUSTRIES	2.5%	
ABB GRAIN LIMITED	2.3%	
CHINA LIFE INSURANCE CO LTD	2.3%	

Number of holdings 37
Percentage of Fund invested 55%

Geographical Distribution



Distribution by Industry



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2005										-1.93	5.63	5.01
2006	7.7	0.09	1.84	10.14	-1.95	-0.44	-1.72					

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.

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