

Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5



Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	30th September '06	MTD	YTD
Class A	127.86	+1.23%	17.45%
Class B	127.86	+1.23%	17.45%
Class C GBP	69.33	+1.39%	

Fund Size \$103m

NAV Update 30th September 2006

Class A USD	
Non distributing	USD127.86
Class B USD	
Distributing*	USD127.86
Class C GBP	
Distributing*	GBP 69.33

In September the fund rose 1.2%. The headline index numbers are giving rise to great frustration as neither the trading volumes nor the internal strength (such as new stock highs and new lows being in similar quantities) suggest any great conviction or robustness to the summer rally. Valuations are similarly giving neutral signals and the large companies have lead markets higher suggesting that index and futures players have been unusually prevalent. Indeed the Korean futures market now regularly trades higher volume than both the S&P and Nasdaq combined!

However, in domestic Asia we are seeing ongoing signs of strength, with a recent boost to margins of manufacturers as oil and commodity prices weaken. In many countries, we think that interest rates should edge lower over the coming months and that there are still new, interesting and powerful themes out there.

Social Networking/MySpace

Are we about to fall into the grip of another dot com type bubble or is something genuinely interesting happening in the social networking area?

We have written before about MySpace, the social networking website, bought last year by News Corp for \$580million, and subsequently paid for by a second deal with Google to provide search software which will give News Corp \$900million revenue over the coming three years.

MySpace is now host to over 115 million user profiles and has 55 million unique visitors per month. It is growing exponentially. Importantly, video downloads are doubling every three weeks. Advertisers are piling in to capture the attention of users, who, on average spend nearly half an hour at a time on the site. Even the US Marines now recruit here! MySpace plans to sell music downloads and already hosts a vibrant music scene of over 1.4 million registered bands, 350,000 band blogs, has broken several major acts...we could go on.

To cut to the chase; websites like MySpace are changing the way we behave. For example, even big brands such as Proctor and Gamble now have a MySpace presence but use a softly, softly user inter-active marketing approach. Anecdotally record companies now do up to a third of their talent searches on MySpace.

Additionally, for better or worse, we, the public, not Prusik we hastily add, have discovered an insatiable desire for self promotion and display.

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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This is resulting in an explosion in user generated content which spans teenage web-pages to 'news as it happens' from video bloggers around the world. The first coverage of the New Orleans disaster came from individuals sending video clips. It is possible that the thirst for self generated content, which is largely driving the video download explosion, is an indication of a new pattern of behaviour which we are not going to abandon lightly.

The biggest question of all, however, is, having built an audience will the profits follow for News Corp? We think, given the company's impressively early understanding of what this market could mean, that it will translate into MySpace becoming a big part of its revenues in the future. It is also worth remembering that, unlike Google or YouTube, News Corp is a longstanding company with a deep understanding of the management and ownership of content and rights. The monetisation of the current popularity of the site and its possible development into a hub for many of the Group's other activities via the internet and, in future, a mobile internet, is a very real possibility given these management skills. In the meantime, NewsCorp appears to be trading at a reasonable level, around 10% below most analysts' traditional sum-of-the-parts valuations. These estimates make modest assessments of the value of News Corp's internet assets ranging from nothing to around US\$4bn. Google's purchase of YouTube, which has currently less than a third of the monthly visitors of MySpace, for US\$1.65 billion, may act as a catalyst for a market re-appraisal of the value and potential of MySpace.

Mobile/Telecom

We think that the extraordinary growth in video downloads on the internet will spill over onto a mobile near you before long; the success of the Video iPod was a start. Our recent visit to Taiwan revealed a multitude of new, soon-to-be-available handset choices combining mobile networks with WIFI capability and offering everything from top-of-the-range executive smart-phones to bigger screens with crucially better clarity for watching videos. In a recent survey in Japan, the 'most wanted' technology was the ability to watch TV on a hand-held whilst on the train. We think that this will be a big attraction in the west; we can already see kids on the London underground watching short clips which they have pre-downloaded. Mindful of the bandwidth this will require, we are currently exploring whether this will lead to an explosion in the use of WIFI and eventually mobile WIFI or of the largely forgotten and undervalued broadband mobile technology. Will 3G finally have its moment in the sun? In any event, it looks as though we are only at the very start of the mobile revolution.

A final thought on Video downloads. The additional bandwidth needed to carry such downloads to the household PC can be accommodated by the backbone but not by the final mile of cable. The latter will therefore, we think, require significant further investment before long. Up until now, telecom companies have been forced to charge a flat fee for any kind of data traffic under the longstanding concept of network neutrality. However, it is possible that the growth in video usage will stimulate a change in this regulatory demand. This could give the incumbent telecom companies an advantageous new charging structure.

Made in China

On our visit to Hong Kong we met with a small cap retailer of achingly hip, teenage clothes with a big presence in Hong Kong, China and Taiwan, where it seems to be the only retailer in the country to be recording mid teens same store sales growth in an otherwise very lacklustre retail environment. Apart from planning huge growth in existing markets, this company is also expanding into Europe. Thematically, this is not an area of growth we would be choosing for now; we prefer Asian domestic demand-led growth. However, our attention was caught by the company's marketing angle, 'Made in China'. Japanese street fashion has been influencing western fashion for several years; In 2007, is it possible that consumer goods, originating and designed in China, are about to cross over from the tacky to the desirable?

Wheat

Our food theme is working beautifully; if only we could find more listed companies in Asia that are benefiting from it this theme. It is extremely frustrating but we continue to search with renewed vigour.. The newsflow remains unremittingly in favour of higher grain prices, with wheat now up 45% since mid August following a huge drought related shortfall in Australian production. To put this in perspective, last year, Australia was the world's third largest grains exporter after the US and Canada. This year it will be a net importer, as will India. The two combined will generate a 3.5% swing in world wheat demand. At the same time, overall global wheat production is down nearly 5% YoY. World

inventories are now at their lowest level since 1982. An El Nino is expected next year which should produce a strong harvest in the US. Without an El Nino, the global supply/demand balance of grain would look very precarious.

Taiwan

The Taiwan political environment has become a little more fraught with some anti-government demonstrations negatively impacting sentiment in spite of the still excellent longer term prognosis. Our recent visit to Taiwan highlighted that the domestic economy is still very depressed. Share price valuations, however, remain attractive. A visit to several of the smaller banks, which have been hit hard following a slew of bad credit card debts, intrigued us. For example, after big write offs and provisioning, Bank of Kaoshiung and Ta Chong Bank were trading on 0.7x and 1.3x clean bookvalues respectively. On our return, it transpired that we were not the only ones who were convinced; Standard Chartered announced the acquisition of Hsinchu International Bank, making it the first foreign firm to control a Taiwan bank. We hope the timing will be as immaculate as Standard Chartered's purchase of Korea First Bank in January 2005. This sparked an 80% rally in Korean financials over the following 12 months. Early signs are that the excitement will not abate quite yet as ABN, CitiBank and HSBC are now rumoured to be joining the fray. At least one of our holdings is possibly in the picture.

Green

In 2004 some 45 newspaper articles mentioned a 'tipping point' in connection to climate change. In the first five months of this year, 234 such articles have been published. The Middle Kingdom lies under a pall of smog. ITN, as we write, reporting daily on the state of China's polluted rivers. We have been warned not to visit Jakarta unless its raining due to excessive smog. Hong Kong's harbour is barely visible from above the 10th floor of harbourside buildings. There is much talk of service sector firms relocating to Singapore. However, even there, haze from Indonesian agricultural clearance fires is returning. Enough said.

However, if you haven't already done so, we strongly urge you to go and see Al Gore's film, 'An Inconvenient Truth'. You will hear some shocking research and statistics on global warming and CO2 emissions and some very compelling arguments that we are about to pass a point where the damage is not reversible. It therefore seems likely that we are either heading for some kind of crisis, seemingly New Orleans wasn't enough of a warning, or a massive and widespread change in behaviour, or both.

We think it is possible that next year will be the year that the business and investment world starts to value businesses in terms of their carbon footprint. It may seem a corny and incredible ambition but Wal-Mart's CEO, Lee Scott, wants to make the world's largest retailer into the greenest. He has a reasonably impressive plan showing how this will be achieved. Where Wal-Mart leads, others will follow. It is also possi-

ble that 2007 may be the year in which the same audience realises that renewable energy is not a play on the oil price but is a necessity for our future.

To this end, we have been eyeing up some of the recent casualties of the oil price fallout, Taewoong for example, a Korean-based manufacturer forger of componentry for wind power turbines, and have revisited some of our existing holdings where the newsflow remains very positive. Sino Environment, for example, is poised to exploit the market for the installation of sulphur dioxide emissions treatment equipment in China, a country where some 700 power plants will need to install air pollution control equipment before the 2010 government mandated deadline. Installing such kit at each plant takes around 18 months to complete with an average estimated contract size of around Rmb 180m to Rmb 250m. For a company of Sino-Environment's size, even a very modest share of such contracts could have a sizeable impact on its medium-term profitability. We think that Sino-Environment may be able to announce its first successful contract bids by the end of this year.

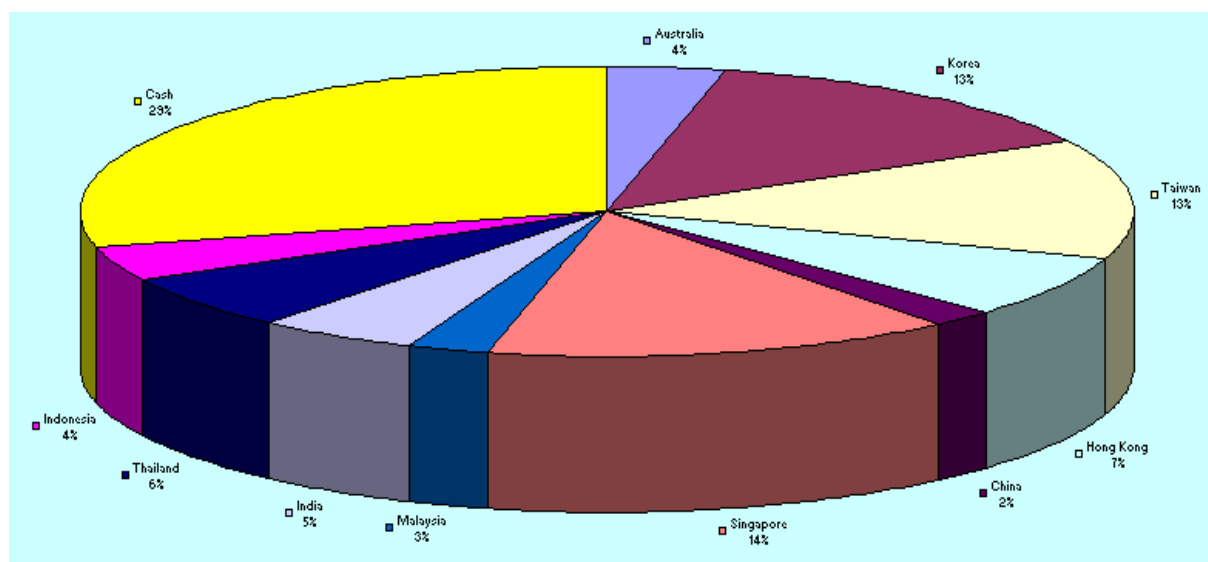
The portfolio, excluding the asset value based companies, is trading at 12.9x 07 earnings. We forecast the portfolio will generate earnings growth of 21% in 2007E and a return on equity of 19%.

Ed will spend 10 days in India at the end of October. Heather plans to visit Shanghai in November.

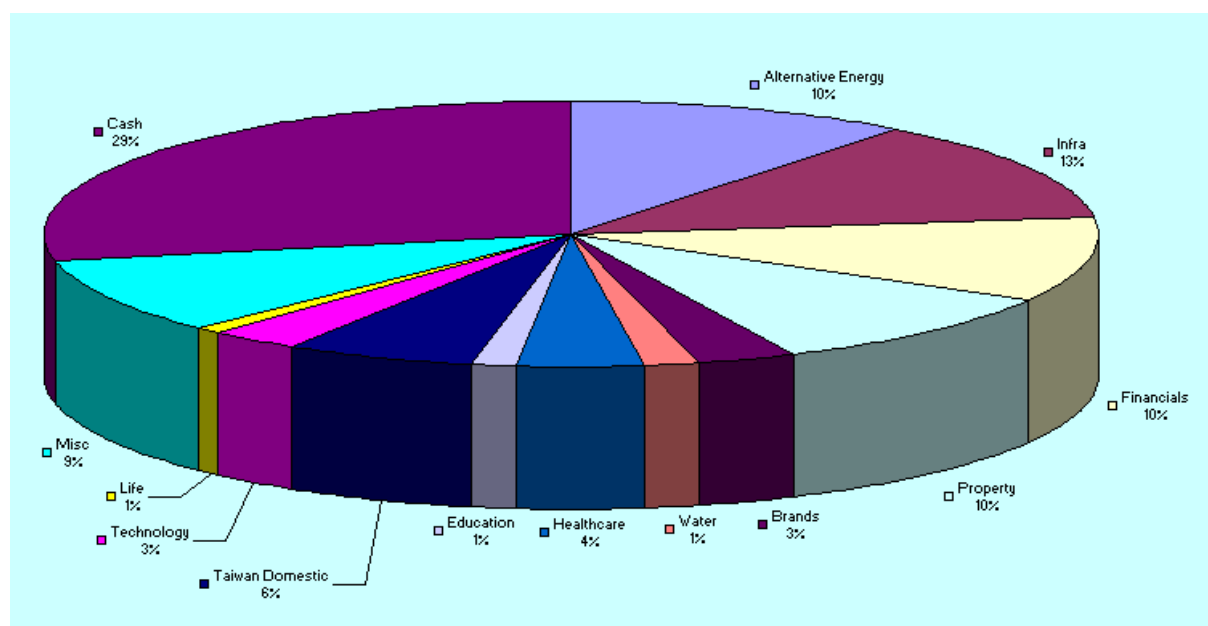
Top 5 Holdings	%
CITY DEVELOPMENTS LTD	4.7%
DBS GROUP HOLDINGS LTD	3.6%
DOOSAN HEAVY INDUSTRIES	3.3%
CTCI CORP	3.1%
KCC CORP	2.8%

Number of holdings 44
Percentage of Fund invested 71%

Geographical Distribution



Distribution by Industry



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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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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