Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*31st October '06*	*MTD*	*YTD*
Class A	132.85	+3.90%	22.04%
Class B	132.85	+3.90%	22.04%
Class C GBP	71.87	+3.66%	

Fund Size $120m

NAV Update 31st October2006	
Class A USD	
Non distributing	USD132.85
Class B USD	
Distributing*	USD132.85
Class C GBP	
Distributing*	GBP 71.87

The fund rose 3.9% in October with a strong showing from our infrastructure companies across the board. We have been slower to reap the benefits of the meteoric rise in the Hang Seng but are sitting on several investments there that are already beginning to show good form in November. Even the Mayor of New York is concerned about Hong Kong's rise as a financial capital which he believes might challenge New York's position. That, in our opinion, is a given, eventually. Nevertheless, such hubris shorter term means that we are, once again, closely scrutinising our valuation assumptions. One of the biggest risks we face in Asia could be an avalanche of portfolio inflows, a swathe of unplanned placements and a subsequent drop in return on equity.

The fund size is now nearly US$150 million. We would like to make it clear that, were we to see little value left either in our holdings or in prospective investments, we would prefer not to take in more money shorter term just to add to a cash pile. That being said, we are currently 90% invested and still comfortable.

We now have our first employee. Simon Rogers is an ex colleague of Ed's from UBS Asia where he was a highly regarded sell side analyst. He was also well known to Heather during the 1990s. He brings further depth to our analysis process and, importantly, we are confident that he knows and understands the investment process at Prusik and will enhance our efforts considerably. We are not planning any further hiring at this time.

Infrastructure / India

Infrastructure continues to dominate the portfolio. Over the last two months, we have reaped strong returns from infrastructure related companies across the region.

The 11th India Plan earmarks infrastructure spending to double over the next 4 years to the tune of US$250 billion. This is still only 6% of GDP! Spending will focus on power transmission, irrigation, roads and rail projects. Arguably, if one adds to this the proposed property development and corporate capital expenditure plans from the private sector, there is clearly a future danger of an inflationary spiral developing in building materials akin to what we saw in China in late 1993.

We saw a wide selection of construction and engineering companies on our recent Indian tour and it is clear that India is still undersupplied in the construction sector. One of our holdings, IVRCL, warned that if DLF, India's largest property developer, were to execute its development plans in full, DLF would need to hire 5 IVRCL's and 3 Hindustan Constructions to satisfy its needs alone!

Fortunately, due to cash flow issues, DLF will not be able to develop all that it promises, nor will the full US$250 billion be spent. Given a cautious Central Bank, the Reserve Bank of India blames excessive real estate development as the main cause of the problems in 1997, we believe that a lid will be kept on excessive price escalation. However, we are watching these trends closely.

From a company perspective, we have had over 3% of the fund in IVRCL, in our view India's top infrastructure, engineering and construction company. It is the market leader in irrigation and water projects for the World Bank and the private sector, both of whom tend to pay quickly unlike some of the State Governments who tend not to. The order book now stands at a whopping 6x 2005 revenue and management, like the majority in India, manages for profitability not top line world domination. Increasingly, in-house design and engineering are captured in the overall contract, thus improving margins, and IVRCL is able to cherry pick contracts and dictate price escalation clauses. A listing of its property arm, IVRC Prime, next year will be an additional catalyst. On Prusik forcasts, IVRCL is still valued at under 10x 07 earnings.

In pure irrigation, Jain Irrigation doubled its earnings in the first 6 months of 2006 as more Government subsidies were directed at the Indian agricultural sector to accelerate the development of micro irrigation systems. Jain has also started developing and/or acquiring agri processing facilities in India which tend to benefit from food price increases at the upstream end. Interestingly, two Indian distribution companies, Dabur and Marico, are already beginning to see the price of agri products begin to rise, a theme we believe will really take off in 2007.

CTCI, our infrastructure company in Taiwan, has continued to announce further growth in its order book including a sizeable project in Saudi Arabia. The key at CTCI will be management's ability to deliver higher margins as the old legacy deals expire. On Prusik forecasts this could see the share price rise a further 50%. It may also, perhaps, draw attention to quite how much further scope there is for bottom up improvement in Taiwan.

Property

Partly due to the Reserve Bank of India's caution about excessive real estate investment, the listed property sector in India is under 2% of the total market capitalisation. Last month, we visited our holdings in this sector and other companies in the sector including the Ansal Group, Anant Raj, Unitech and DSK. Our impression that the Indian property market is only in the first stages of its evolution remains unchanged.

There is no broker research. Our NAV estimates are therefore home grown. As we write, a sharp run up in prices may force us to take profit sooner than we would have liked. However, on a longer-term view, quite simply, the underlying market still looks undervalued versus Asia. Arguably, the most valuable piece of real estate in India is next to the Oberoi Hotel at Nariman Point, Mumbai. All the tycoons have apartments there and the last quoted price was over Rupees30,000 p.s.f. . That is under HK$5000 p.s.f. for which you could either buy an uninspiring flat in Hong Kong or, probably more relevantly, a reasonable apartment in Shanghai. Our analysis into the mid tier pricing structure also shows how cheap India is still. The commercial sector also looks significantly undersupplied with prices still cheap and double digit yields.

Financials

Banks are not our normal port of call as we prefer to dig out the direct beneficiaries of loan book expansion. However, our A share allocation holds Shanghai Pudong Bank, Shanghai's best consumer banking franchise. Citigroup, which own 5%, is still flirting with Shanghai Pudong over further cross holdings. Last week, Shanghai Pudong announced its own plans to satisfy capital requirements by listing in Hong Kong. Post dilution from this equity issuance, we value Shanghai Pudong at a 30% discount to China Merchants Bank. Such a valuation would still generate further upside in spite of the recent strong run in the share price.

Alternative Energy/Environment

A climate conference in Birmingham this month highlighted an important piece of news hitherto hidden from the public. In 2004, the Atlantic heat conveyor, which includes the Gulf Stream which brings warmth up from the tropics to Western Europe, came to a halt for 10 days. A scientist at the conference was quoted as saying that this was 'the most abrupt change in the whole record' of climate study, and, needless to say, it is not fully understood.

We have just returned from a two day conference on future trends in science and energy. Hot on the heels of the UK's Stern Report, the topics of global warming, sustainable growth and carbon emission control were central. The risk is that we, Prusik, are early on these themes. However, it seems there will be an explosion of technological innovations which will help to tackle these issues in the coming five years. The consequent investment opportunities are some of the most exciting we have seen in a while. Additionally, we think that the speed of adoption, driven by necessity, and the financial benefits that these innovations can bring to businesses, will likely to take our breath away.

For example, oil causes 42% of world carbon dioxide emissions and in the US 70% of oil use relates to vehicles. However, less than 1% of fuel used by a car actually propels the weight of the driver. Three quarters of the fuel used is required to drive the weight of the vehicle. Lighter materials, aluminium, light steel and, perhaps most importantly, carbon fibre, will be increasingly used .

Projections suggest that, by using such materials, fuel efficiency can be increased more than threefold. Carbon fibre can also absorb 8-12 times the crash energy per kilogramme of steel. At current carbon fibre prices, cost does come into the equation. However, consider this, the additional cost of a ‘light’ family car at today’s prices would be repaid by fuel savings within 22 months at US petrol prices and within 9 months at EU or Japanese petrol prices. Perhaps even more importantly, building carbon fibre bodied cars will generate a revolution in car production, fewer structural parts, no big lifting devices and no spray paint, and those were just the technical benefits we understood. In short, a typical car plant could become two fifths less capital intensive and two thirds smaller. It is likely not an accident that the new CEO at Ford comes from Boeing which is currently pioneering the use of new carbon fibre materials in lighter passenger jets.

One headline in the New York Times last week summed up the groundswell in opinion. Covering a sad tale of a little boy who was killed by a woman driver on a Manhattan pavement, the print read: ‘SUV runs down family’

In Asia, which is increasingly producing outsourced car parts and will likely take the lion’s share of the production of such materials, there will likely be many ways for investors to take advantage of this trend.

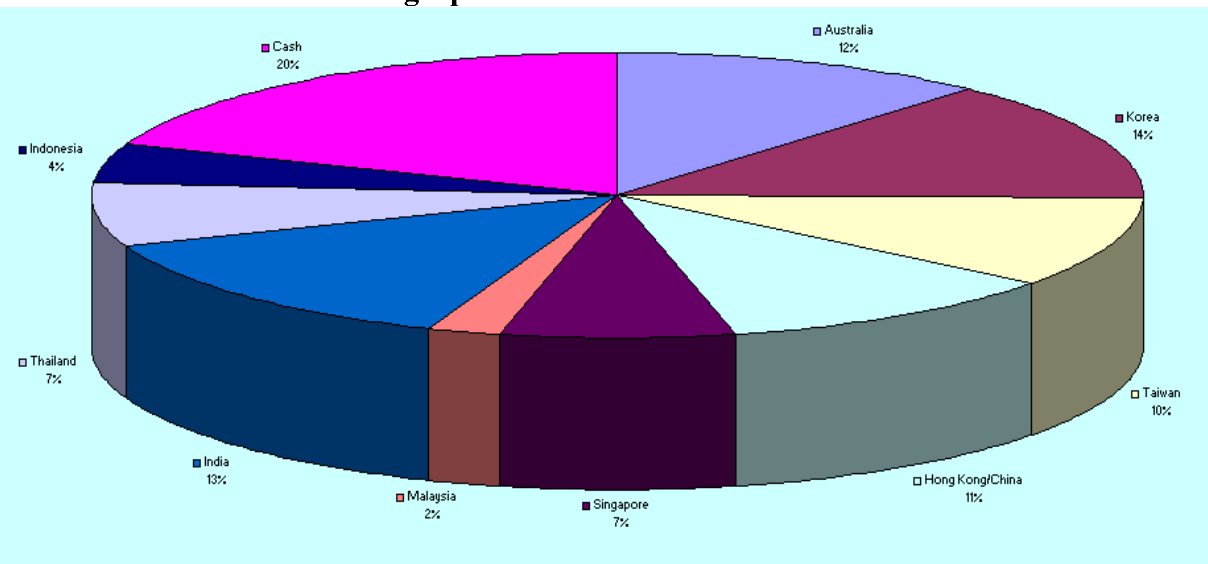
The portfolio (ex asset backed companies) is trading on 14x 07 earnings with 17% earnings growth in 2007 and an ROE of 17%.

Next month Heather and Ed depart for China and then Indonesia.

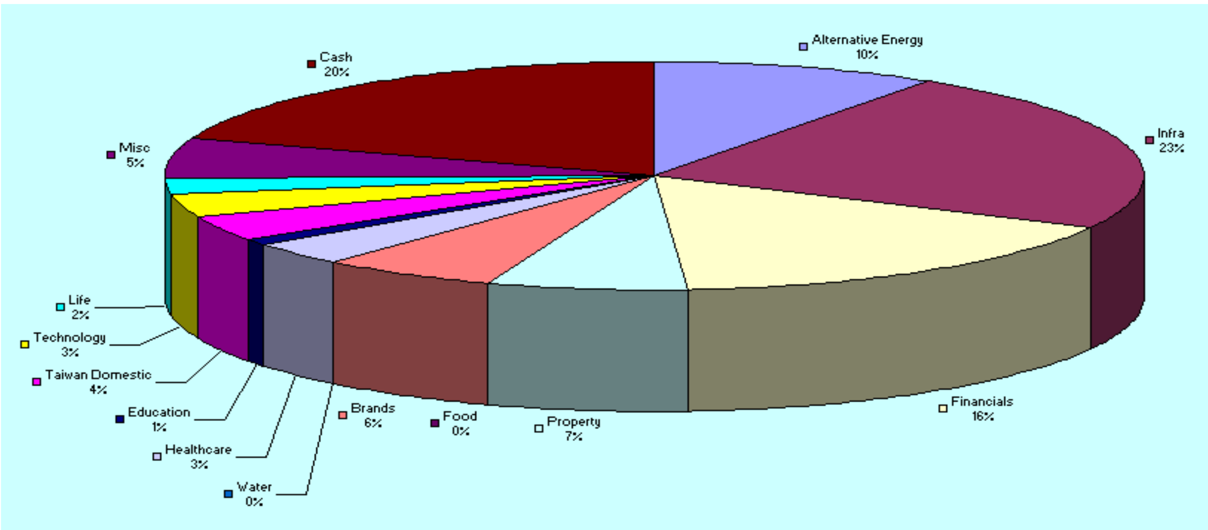
Top 5 Holdings	%
CHINA CONSTRUCTION BANK-H	3.8%
KCC CORP	3.1%
NEWS CORP-CDI CLASS B	3.1%
IVRCL INFRASTRUCTURES & PROJ	3.0%
CTCI CORP	3.0%

Number of holdings 46
Percentage of Fund invested 80%

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		

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.