Prusik Asia Fund Plc

FSA Authorised
Recognised Schedule 5

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*30th November '06*	*MTD*	*YTD*
Class A	143.00	+7.64%	32.05%
Class B	143.00	+7.64%	32.05%
Class C GBP	77.15	+7.35%	

Fund Size $160m

NAV Update	**30th November 2006**
Class A USD	
Non distributing	USD143.00
Class B USD	
Distributing*	USD143.00
Class C GBP	
Distributing*	GBP 77.15

November was a good month for the fund which rose 7.6%, as our infrastructure and property companies performed well, especially those in India and Singapore. We remain ever mindful that in markets, as in life, the good times do not last forever and so, despite remaining optimistic for our investments, we have also been scrutinising our valuation targets and the assumptions behind them more closely than ever. We have also been revisiting our trading liquidity assumptions as market volumes have been rising steadily. As a result, we have reduced our exposure to a number of areas which, we felt, were looking expensive. Most notably, we halved our weighting in India and sold some of our more richly valued individual Indian stock holdings. We are still finding new areas in which to invest where valuations look very attractive (including deep value assets with dividend yields of around 14% in Taiwan) and expect to re invest the cash you can see on the month end valuation before long.

LED

Last year, as we got out the Christmas tree lights, we wrote about the potential for the LED manufacturers, a sector which performed strongly in the first half of the year. It looks as though this sector is readying itself for some major volume increases in 2007 and beyond. However, the interesting factor for us is that margins also appear to be expanding.

To recap, LED lights are currently used mainly as backlights for mobile phone handsets and for display. We think that, in the future, their use will spread to backlights in notebook computers, flat screen TVs, car headlights, car interior lights and finally general lighting systems. First, unlike conventional lighting, LEDs are free of toxic substances such as lead and mercury. New EU environmental protection regulations limiting the disposal and use of such materials will, we think, therefore accelerate adoption of LED as we head towards the end of the decade. Second, and most importantly, LED lights use about one tenth of the power of conventional lights and they also last ten times longer. However, third, significantly, they no longer cost ten times as much!

A recent meeting with one of our holdings, Everlight, an LED packager in Taiwan, highlighted a number of important turning points that are looming. LED average selling prices fall about 25% per annum which means that by the second quarter of 2007, we think that notebook manufacturers will no longer find any financial excuses not to cross over from using CCFL to LED as backlights. Not only will the remaining marginal cost increase be compensated for by brighter light and longer battery times, laptops using LED will also be about one third lighter to carry! A similar shift is coming through in the car sector. LED brightness intensity is now such that they can be used to replace all car lights (around 900 in total per vehicle, and 400 per motorcycle) including head lamps. With the price differential between LED and traditional lights now only five times and falling fast, a more wholesale adoption is likely to come through in the second half of 2007 with BMW leading the way. In the case of Everlight, the product mix change that these shifts will bring in the coming few years will see margins increase along with a 50% plus increase in revenue. There are really quite significant barriers to entry in this industry due to some patent issues and the complex technology. Everlight trades on a PE of only 11.8x, well below the 46x 2007E consensus mean multiple on which US industry leader, Cree, trades in spite of the fact that Cree is losing market share to the Taiwanese manufacturers.

Finally, despite all the major industry players in the LED sector saying that LED general lighting is still two years away from being at a price point which makes it a viable alternative to incandescent or fluorescent lighting, a new China based IPO in Hong Kong, Neo Neon Holdings, which is a vertically integrated maker of LED general lighting products, claims already to be able to manufacture comparable products as conventional lighting, albeit selling at a price some 30% higher. This is potentially a huge market, worth some US$70 billion per annum. Neo Neon estimates that half this market will shift to LED products by the turn of the decade. We believe that consumers need to undergo a shift in mindset, in all aspects of consumption, away from the naïve comparison of cost of acquisition and towards incorporating cost of ownership. On this basis, it probably makes economic sense to buy LED products already. We think this will be a huge growth area, with massive savings accruing to those who adopt LED. For example, Wal Mart has just announced that it will be replacing the fluorescent tube lighting in its refrigerator displays with LED in five hundred stores. The company estimates that this will cut energy use by 66%, saving $2.6billion a year in bills. The take-off point is now very close indeed.

Energy saving/ Oil

Whilst we don't profess to be experts on Middle Eastern geo-politics, friends who are, tell us that once again we should be concerned that oil prices could be pushed much higher by any number of 'accidents' which could be brewing, be it the ongoing situation in Iran or the extreme precariousness of the situations in, for example, Egypt or Saudi Arabia. It seems to us that the West has two imperatives which drive the need to reduce reliance on oil, one is political and the other environmental. Leaving politics aside, if energy use in proportion to global GDP falls just 1% per annum, CO_2 emissions will triple by the year 2100. This excludes the impact of population growth which is scheduled to grow 50% by 2050. However, a cut in energy intensity of just 3% could stabilise the climate. Oil use causes 42% of global CO_2 emissions and electricity 40%. However, in both cases, wastage and inefficiency still account for up to 50% of usage.

Significantly, the US has already experienced a 'dry run' in the past of the impact of reducing its dependency on oil. Oil efficiency use has doubled since 1975. Taking the period 1977 to 1985 as an example, oil use fell 17% in the US, oil imports fell 50% and oil imports from the Persian Gulf fell 87%! However, over that same period, GDP grew 27%. The key lesson from history then is that increasing energy efficiency can be incredibly profitable for companies. We think that companies which provide the technology and expertise for this will do very well. Last month we wrote about light materials, such as carbon fibre, having the potential massively to improve the energy efficiency of cars. However, there are many other environment-linked fields in which we have invested or which we are exploring such as waste heat usage, high tech materials with strong insulation properties for buildings, micro-power or co generation and more efficient electricity distribution from centralised power sources. However, perhaps the real story over the next few years will be, we think, that companies from all walks of life which adopt more energy efficient practices will see real benefits to their own bottom lines as well like Wal Mart above.

Here is another exquisitely simple example of how this might work: Pumps are the biggest use of motors, which use 3/5ths of global electricity. Redesigning a standard industrial pump loop to use shorter, fatter pipes and to make each junction Y shaped rather than using 90' angles can reduce friction and hence the power needed to drive the pump by over 75%. Even a complete retrofit of an oil refinery could have a payback period of as little as 3 years!

Once again, it is the conventional psychology, which prioritises up front costs over longer term paybacks, which needs the biggest change. However, we believe that adoption could be extremely rapid and exciting once momentum starts to build. In Asia, this is likely especially to be the case given the amount of grass roots investment and development currently being undertaken by companies and governments. This would be ultimately beneficial to companies, the climate, our dependence on Middle Eastern politics and future oil supply. In short, history could repeat itself. In 1851 the whale oil merchants ran out of customers long before they ran out of whales….

Alternative energy

Our focus on companies active in the 'green' space means that we have the opportunity to meet the management of many companies which we would describe as 'green' asset gatherers. Usually, these companies or funds house a collection of wind farms, landfill gas projects and solar parks and the manager is paid via a fee structure not unlike the "hedge fund" industry.

What alarms us when we speak to these companies is just how low a return from these assets is now acceptable to management. We have already seen returns in the Chinese water treatment sector drop to 10% or below. We now often find that wind or solar parks investments are projected to give only a 10% return. Of course, a discounted cash flow forecast of a windmill must be treated with a pinch of salt. Nevertheless, it is a reminder of just how quickly capital has flooded into this industry. We view a 3% spread on a solar park as quite a risk.

However, as the capital continues to flow in, many more such projects are being built. Component suppliers to the manufacturers of wind turbines and solar parks are thus where we like to hunt as they are the beneficiaries of the rising volume of demand. Korea listed Taewoong and Hyunjin Materials are key suppliers of gears, crankshafts and turbine components to Vestas and Gamesa, the main assemblers of windmills. These companies have adapted their expertise gained from their core business of supplying components for marine engines. Positively, we see a similarly rising demand trend at their marine activities as well. The continued expansion of capacity at the Chinese shipyards will eventually lead to the roll over of the ship pricing cycle. However, we think that the volume of demand will still soar. Currently, the Chinese forging industry still does not possess the expertise to manufacture engine components. However, the Korean industry does. In the face of such growth in demand and improving product mix, we expect operating margins also to rise. Hyunjin Materials will be a particular beneficiary of these trends given its planned expansion of crankshaft capacity.

The portfolio, excluding the asset value based companies, is trading at 10x 07 earnings. We forecast the portfolio will generate earnings growth of 18% in 2007E and a return on equity of 16.6%.

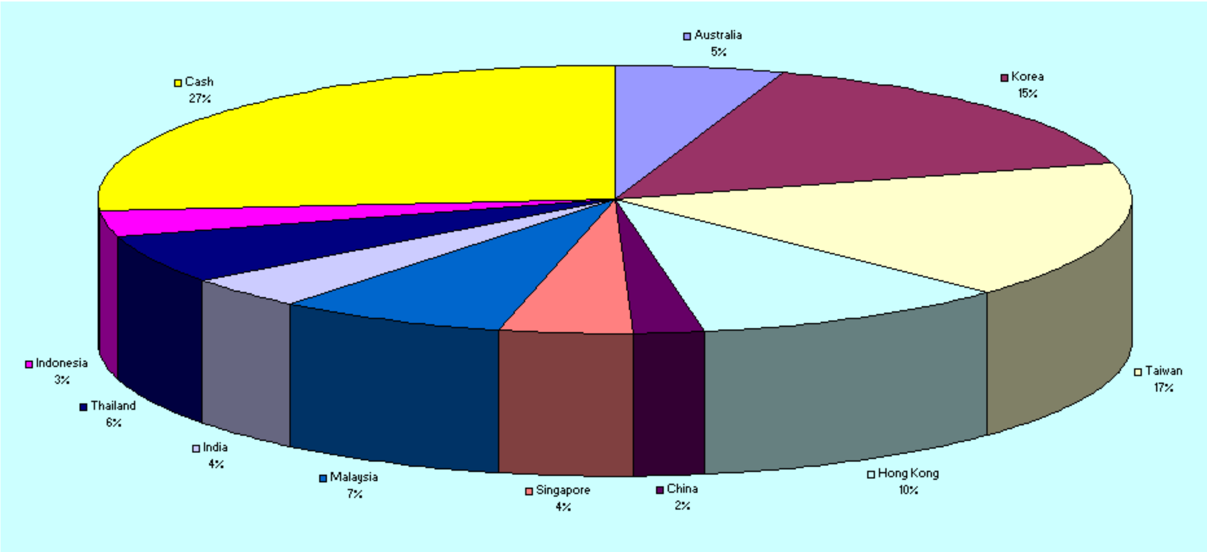
Ed is currently visiting companies in Hong Kong, Taiwan and Indonesia.

We would all like to say how much we have enjoyed our first full calendar year at Prusik and to thank our clients and friends for their tremendous support which we hugely appreciate. We wish you all a wonderful Christmas and a happy and successful 2007.

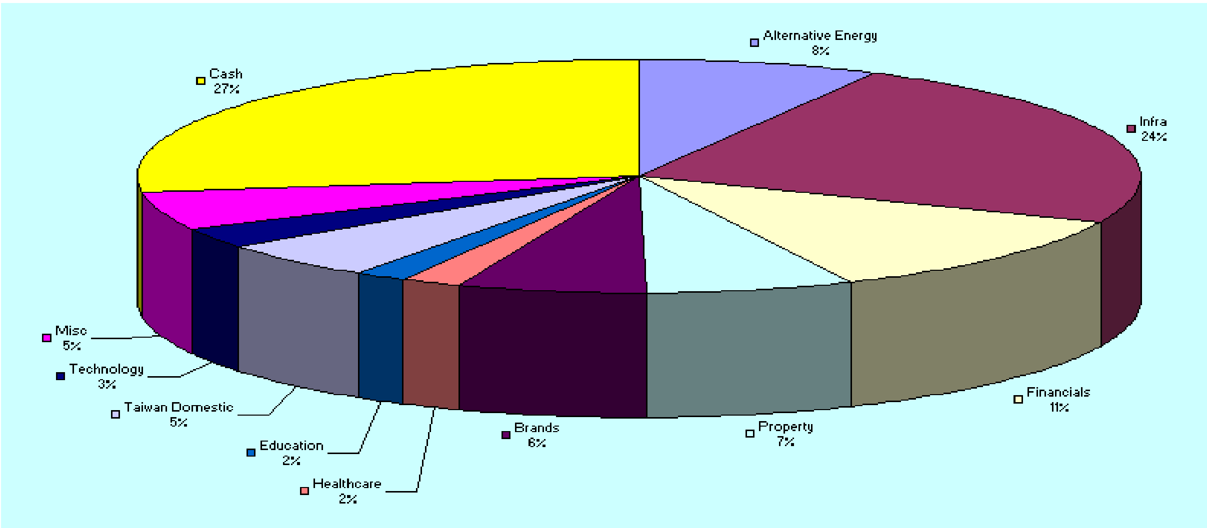
Top 5 Holdings	%
FORMOSA PLASTICS CORP	3.0%
UNI-PRESIDENT ENTERPRISES CO	3.0%
KCC CORP	2.5%
TAEWOONG CO LTD	2.5%
WING LUNG BANK	2.5%

Number of holdings	47
Percentage of Fund invested	73%

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	7.64	

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.