PRUSIK

LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

Prusik Asia Fund

Quarterly Investment Report
30 September 2013

FOR PROFESSIONAL INVESTORS ONLY

3Q13 Review and Outlook

Following the corrections in early summer, the index rose strongly in the third quarter, registering a rise of 7.5%. The fund marginally lagged the index as the ASEAN markets failed to resume their strong tone of earlier in the year. Since the early summer we have significantly reduced our ASEAN exposure, although we do remain slightly overweight versus the index. In making this move we feel we minimised the extent of the underperformance in the last few months and also feel the fund is well set for the final quarter of the year and beyond. Our weightings in North Asia, specifically Korea and China, have increased significantly. We remain faithful to our preferred themes, concentrating on tourism, services, wealth management, entertainment and beauty related businesses. However, we did add one major theme, China internet, which has been a very strong contributor since its inclusion.

Outlook

We think the outlook is complex – but it's not all bad! We expect markets to continue to do well in the short term, driven by the better perception of the growth outlook in Europe and China. For Asian markets in particular, global investors' current weightings in Asia are now 1.6 deviations below the historical average, meaning that a positive adjustment towards Asian equities could come at any point, especially if economic growth in China reasserts itself. However, there is still a risk that sometime next year markets might face some headwinds owing to further trouble in the region's bond market. In the longer term we believe that parts of Asia, such as ASEAN, will offer much better than average growth compared to the rest of the world. This should be supportive of equities in the region in general and lead investors to reassess how they see their Asian portfolios.

Our positioning

We have carefully reduced a large part of the portfolio that could be described as 'quality defensive domestic growth'. These companies had become very expensive with many trading at P/Es of over 25 xs. Instead we have gravitated towards the more cheaply valued North Asian stocks and have given the portfolio slightly more of a 'growth' tilt. 'Growth' as an investment style has been somewhat out of favour for years which, in our view, is leading to both opportunity and risk. In our opinion, popular styles such as quality defensives are now too widely held in portfolios and no longer offer any value. Meanwhile, in the past three months 'growth' has been the best performing strategy in Asia, possibly giving the first indication of a change in focus for the markets. The ability to be flexible and avoid the crowds will be very important in the coming year.

The portfolio currently trades on a P/E of 13.8% with aggregate forward earnings growth of 33.2% and an average ROE of 15%.

China

First, a headline comment: by the second quarter of 2013 China had become the most hated market and had historically low valuations to match. However, since the mini credit crunch there in late spring the Chinese stock market has quietly outperformed. Few are still giving China and its markets any credit for change though. After all the Shanghai Index has fallen for four consecutive years and still stands barely 20% above its 2008 lows, so investors will take time to review their opinions. We think that growth in the short term will surprise on the upside and that the recent Third Plenum sets up a very credible path for the coming five years. As a result, views on China will need to become less bearish.

Meanwhile, from a thematic perspective, there are some tremendous opportunities in China.

The Party Plenum and Reform in China

All eyes have been on the communique issued at the end of the Third Plenum held by the Communist Party's 18th Central Committee. What we see is a general statement about the desire to solve the current economic and social difficulties through reforms. We expect more specific details on these reforms in the coming days and weeks. However, we have already been given some hints.

Expectations had been running feverishly high prior to the Plenum. And the communique, which mostly repeats generalities that have been said before, may be interpreted as a disappointment. We think patience will be rewarded though.

Several highlights of the communique include:

- ***Deepening economic reforms to ensure that the market will play a "decisive" (previously "basic") role in allocating resources.*** The change in the wording of the role of markets in allocating resources signals the government's strong determination to deepen market oriented reforms. We expect deregulation to be a top priority for the reform package.

- ***Using "opening up" to push forward domestic reforms*****.** More specifically, controls on market access will be relaxed, the development of free trade zones will accelerate and inland borders will be further opened up. This implies that eventually "national treatment" will be given to foreign as well as domestic private firms in most sectors.

- ***Accelerating the transformation process of government function*****.** China is to deepen the fiscal reform, by improving its budget management and taxation systems in a bid to make responsibilities of government agencies match properly with what they spend.

- ***Private sector development will be encouraged*****,** which will in turn stimulate vitality and creativity in the whole economy.

The communique also briefly touched upon "improving the financial market system," "building an equitable and sustainable social safety net," "properly matching revenues and expenditure responsibilities for local governments" and "creating a unified urban-rural land market". These references are consistent with market expectations of financial liberalization, social security reform, development of the local government bond market, property taxation and rural land reforms.

We think that any disappointment which might follow in the next few months will be because other peoples' perspective is too short term. The government is telling us here what the next 5 years will look like and as reforms come through, the market should recover and re-rate. The best areas for investment are also embedded in the messages. We think social security such as financial services and healthcare, land owners in rural areas and private enterprise will be strong beneficiaries. Steady progress in reforms, the rise of private enterprise and better allocation of capital should underpin the economy and the stock market.

China Growth

Port Headland in Australia announced recently that in October they saw *all time record* shipments of iron ore. In our list of anomalies that triggers our thematic searches 'records' can be very instructive. The inference from this anomaly is that China is growing more strongly than the market is giving it credit for. Meetings with companies in Hong Kong in recent weeks also confirm this.

China Internet

As we mentioned earlier in the report, growth is becoming a scarce commodity, but there is one area where this is verily not the case: China internet.

Internet stocks had languished in the unpopular category alongside China as a whole until the second quarter. At this time we increased our exposure to the China internet theme to about 10% of the fund on the simple basis that growth rates were anomalously high. Barely five months on, some are already asking if we are in another internet bubble. We think we are still in the foothills or, in terms of the internet bubble witnessed at the turn of the century, we are in '1998 territory'. Here's our rationale for why.

Firstly, some basic yardsticks. China currently has some 679 million internet users, which roughly equates to a 50% penetration rate. Crucially, 91% of these users access the internet from a mobile device, making it the most developed mobile internet market in the world.

The online gaming market in China is worth $10 billion, larger than the market in both the US and Japan. Intriguingly, in China 98% of all video games are accessed online whereas in the US most games are still played using a console.

The e-commerce market in China is already the second largest e-commerce market in the world with only the US outstripping it. However, the Chinese e-commerce market is expected to grow much faster. Estimates forecast that the e-commerce market in the US will grow at a 12% cagr from 2012 to 2014, but in China the market will grow at a staggering 65% cagr. By 2017 the China e-commerce market is expected to be the largest globally.

Online advertising in China now accounts for 28% of the nation's total advertising budget, well ahead of the US where only 18% of total advertising spend is allocated to the internet. It is also worth noting here that China's overall advertising spend per head is well below that in the West.

Other categories such as digital music, films, books and newspapers in China remain tiny when considered on a global scale.

So why the excitement now?

Mobile Internet

It all started a few months ago when it became clear for the first time that **Facebook** and **Baidu** were actually able to earn serious revenue and profit from mobile users. Up until then monetising large mobile user subscriber bases had just been something which investors and industry observers hoped for.

Fast forward to October this year when Facebook reported another set of results. The consensus forecast was for Facebook to make earnings per share of US$0.18, but Facebook trumped this, announcing earnings of US$0.25, nearly 40% higher than expected.

This time last year mobile revenue at **Facebook** was US$188 million. And now? For the most recent quarter Facebook made a massive $900 million in mobile revenues.

Shortly afterwards **Baidu** also reported its quarterly results. **Baidu's** mobile growth of around 42% was impressive, although it is yet to enter the same universe as Facebook. However, there were a few data points which suggest it's on its way. For example, installation of **Baidu's** mobile app were up 50% quarter on quarter, whilst adoption of location based services rose from 20m to 140m over the same period.

Baidu's mobile revenues came to 14% of total revenues in the quarter. This is aligned with global numbers that show that mobile internet traffic is still ONLY 15% of total internet traffic. We believe the real fun will start though when mobile revenues cross the 20% threshold. Historically, this is a pattern we have seen with other networking services such as fixed line and mobile telephony, fax machines, GSM handsets and email, which is, after 20% penetration, these services go super critical.

Unsurprisingly, guidance from **Baidu** was raised for the fourth quarter. The mobile internet is just beginning.

E-commerce in China

Monday 11th November saw the arrival of China's equivalent to the Black Friday and Cyber Monday shopping days in the US, which it terms '1111 Singles Day'. '1111 Singles Day' is first and foremost an online shopping day in China, driven by frenzied promotions and of course eye watering sales discounts. **Alibaba** invented this day to promote e-commerce a few years ago.

By Monday evening **Alibaba** had generated US$5.5 billion in sales revenue, up an extraordinary 83% year on year. By contrast Cyber Monday generates about $2 billion in revenues! Significantly more transactions were carried out via mobile this year and the social network platforms and search engines were all involved and benefitted from the promotional campaigns.

Clearly e-commerce is going to grow further in China, and fast. Most young Chinese people will happily explain that shopping in malls is far more expensive than shopping online, plus online shopping means no exposure to pollution and terrible traffic jams.

The biggest anomaly of all is that there is currently only one listed pure play e-commerce company in China, **VIPshop**. **Alibaba** is rumoured to be listing soon and indeed when it does it will be a giant. Even now **Alibaba** sees larger daily revenues across its e-commerce platforms than **Ebay** and **Amazon** combined. This is leading to expectations of an IPO value of US$100-200 billion!

Sina

Sina is a company which we believe deserves a special word. The company has already achieved great things and we believe even greater things are yet to come. Quite remarkably the market does not appear to have fully woken up to this fact though. Indeed, a cursory glance at **Sina's** US$6 billion market cap compared to **Tencent's** nearly US$100 billion market cap at the time of writing suggests that there is an anomaly at play.

So where did the story begin? **Sina** started out, as many of the first generation internet companies around the world did, as a portal providing news and entertainment. However, courtesy of a few quirks of the Chinese market **Sina** was operating in and how it set about designing its business model **Sina's** portal quickly became a firm favourite amongst the Chinese people, particularly white collar workers. Firstly, as an online source of news it received less regulatory attention than state controlled media and so got away with publishing more contentious and entertaining content. Secondly, rather than hire full time journalists it collated the best stories from journalists across the country who often submitted their work for free in order to get national exposure. This added to the variety of stories on its site and kept costs low. Flexibility, innovation and survival were set as the core principles of the company's culture from the word go.

These core principles still lie at the heart of the company today and we believe are what enabled **Sina** to make probably the most important change to its business model in its history in mid 2009. At this time **Sina** launched 'Weibo' or a Chinese version of the US microblogging service provided by **Twitter**. Weibo, like **Twitter**, allows users to 'follow' celebrities, individuals or groups online by receiving the 140 character 'tweets' they send as well as allowing users to send their own. Interestingly, because the Chinese language uses characters rather than letters, this means a lot more can be said in a 140 character message in Chinese than English. The pace of growth in Weibo's users was unprecedented. In a matter of months, **Sina's** Weibo user numbers were around a quarter of **Twitter's** user numbers at the time and this gap has only narrowed since then.

Where this gets exciting from an investment perspective is the advertising opportunity. In 2012, total advertising sales in the US equated to 1.3% of GDP whilst in China this figure stood at just 0.5%. Combine this with the fact that GDP per capita still has a long way to go before it even comes close to the US and the opportunity is huge. Just how attractive this opportunity is is compounded further by fact that there is a strong preference for internet advertising in China. As we mentioned earlier internet advertising already accounts for 28% of total advertising in China compared to just 18% in the US. **Sina** derives 85% of its sales from advertising and 30% of this already comes from its social media platform, Weibo, a particular niche of internet advertising which we believe is little understood and much underestimated by the broader investment community. Consensus expects advertising through social media to remain a small piece of the pie over the next 3-5 years. We disagree.

Another facet of the investment case for **Sina** is its tie up with **Alibaba**. The relationship was cemented in May when **Alibaba** bought an 18% stake in **Sina**. The partnership makes sense given that, to our mind, **Alibaba's** greatest competitive threat in the long term was that it lacked a social networking crux to its business model. As **Tencent** has shown, a social network (or in the early days an instant messenger platform) creates a stickiness amongst users which is key to long term success.

The benefits to **Alibaba's** mobile shopping mall, **Taobao**, have already been great. As an example, one snack seller on **Taobao**, 'Be & Cheery', after taking advantage of the **Sina** service saw more visitors to its site in one day than the previous four days combined and the majority of transactions were conducted via mobile phones!

There are two further aspects of the **Sina** Weibo and **Alibaba** tie up which are interesting. Firstly, the tie up will enable **Sina** to collect a huge wealth of data on consumer behaviour. In fact, **Sina** has already started selling data analysis service to third parties. Secondly, we believe a close working relationship with **Alibaba** will have a very positive impact on **Sina** in terms of the company's long term strategy and management via Jack Ma and his team.

Finally, a word or two on valuation. Comparing **Sina** to **Twitter** highlights how **Sina's** current valuation appears to be out of sync with what is going on with the rest of the internet market. For example, **Twitter's** US$24 billion market capitalisation means we are being asked to pay US$208 per monthly active user while for **Sina**, with its US$6 billion market capitalisation, the price is US$67 per monthly active user**.** True, one would probably expect to pay less for **Sina** because of the lower income per capita in China, but just a third strikes us as too low. Also, on a price to sales basis and using 2012 sales figures, **Twitter** is trading on 75.6x, while **Sina** is trading on just 10.8x. And we say 'just' intentionally. In the past when we have looked at various internet companies paying around 10x sales has generally proved to be a reasonable entry point. **Baidu** is currently on 14.3x P/S. It is also worth bearing in mind that once **Alibaba** is listed at a valuation from probably US$100 billion to $200 billion, then buying **Sina** outright at current valuations would be a snip. The table below sets out some statistics.

	Twitter	Sina
Market cap (US$m)	23969	5740
Monthly active users (m)	115	86
Price / user (US$)	208	67
2012 sales (US$m)	317	529
Mkt cap / sales	75.6x	10.8x

Source: Bloomberg and Company figures

Sugar and Diabetes

It is a shocking statistic that in the US every 17 seconds somebody is diagnosed with type 2 diabetes, joining a global population of 366 million people. Whilst most of this population is in China and India, the pressure it bears on the healthcare system is best observed in the US where the disease and its collateral damage (kidney and heart disease, blindness and amputations) costs the US healthcare system US$150 billion annually. In Brazil alone some 65,000 people have a gastric band fitted. By 2030 it is estimated that 552 million people around the world, or one in every 10 adults, will have type 2 diabetes.

The current situation in Asia bodes ill for the disease there too. We have been long pointing out the powerful shift taking place in buying habits, with millions of new middle class shifting away from wet markets and into the modern retail sector. Here branded packaged goods and non essentials abound – fizzy drinks, biscuits, snacks and cakes – and so eating habits are changing fast. There are already around 500 million obese people in the world and 1.5 billion who are overweight but with such changes at play in the developing world these figures will only rise with time.

GI Dynamics, a small Australian healthcare company has developed an exciting new device called an Endobarrier, which could become a global solution to this epidemic. This device works by lining a stretch of the intestine below the stomach where most excess sugars are absorbed. The fitting procedure is very simple, taking just forty minutes under light sedation, so it's far less invasive than a gastric band. Once fitted, the essential nutrients are absorbed by the stomach and the excess sugars pass through. Not only does the device facilitate weight loss it also results in an extraordinary change in eating habits which last even after the device is removed. Blood sugar levels are stabilised and blood pressure is reduced. Just 18 months after the device has been fitted the patient's insulin fall to levels low enough for the patient to come off insulin altogether. **GI Dynamic's** Endobarrier has been used so far by 1,200 patients globally with patients consistently showing less need for insulin as well as weight loss and lower blood pressure.

"Scoop", one of our Australian stockbrokers had one fitted 6 months ago. Here he is before and after 6 months – nearly 20% lighter!

Before Endobarrier treatment

6 months post Endobarrier treatment

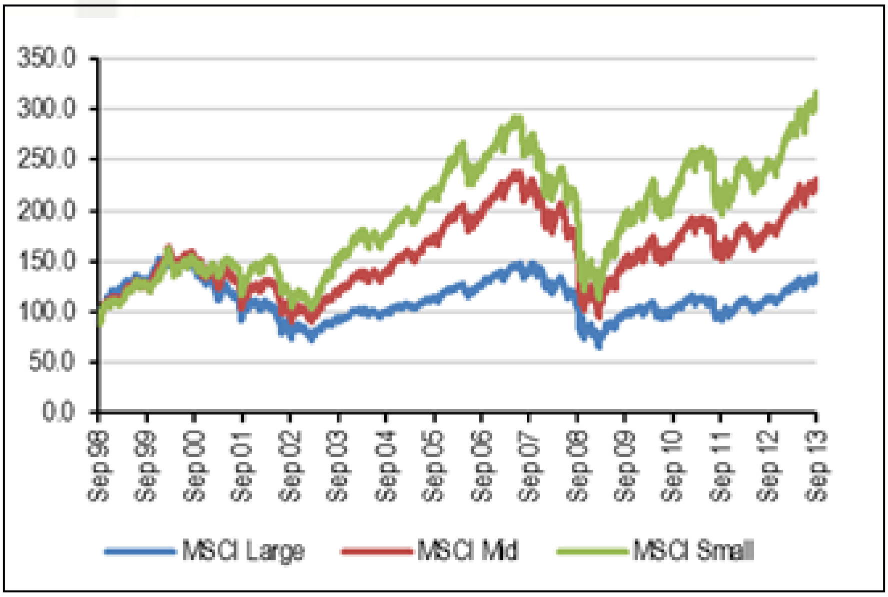
The product is undergoing a pivotal trial by the FDA in the US which is scheduled to complete this time next year, while sales in the self pay market in Brazil, the Middle East and India are expected to increase significantly in 2014. The national roll out of the device in Australia which started this year is already going well. If **GI Dynamics** is able to supply its products to the diabetic population in Australia alone – some 12,000 people – then the business will turn profitable. Thus, we believe **GI Dynamics** has a fairly short run before it leaves the incubation and development stage and becomes a high growth business on the radar screen of investors. It currently has a market cap of $270 million with $63 million in cash.

Small Caps

At Prusik we believe our approach to smaller companies sets us apart from much of our peer group. Firstly, we have a dedicated smaller companies fund which is unusual in Asia. When you look at the Asian investment universe it is very hard to find more than half a dozen dedicated smaller companies funds. Our **Prusik Asian Smaller Companies Fund** invests primarily in companies with market capitalisations of less than US$1 billion, which is typically too small for most mainstream funds. Further, our general fund, the **Prusik Asia Fund**, has over two thirds of its capital invested in companies with market capitalisations under US$10 billion and one fifth invested in companies under US$2 billion.

As keen smaller company investors for our whole career we have struggled to persuade many people that Asian smaller companies are NOT more risky and indeed that they generate much higher returns over the long term because this is counter intuitive to the conventional thinking about Asia. However, recently UBS has come to our rescue with a long report on the subject of why smaller companies outperform, with findings applicable to the smaller company universe the world over.

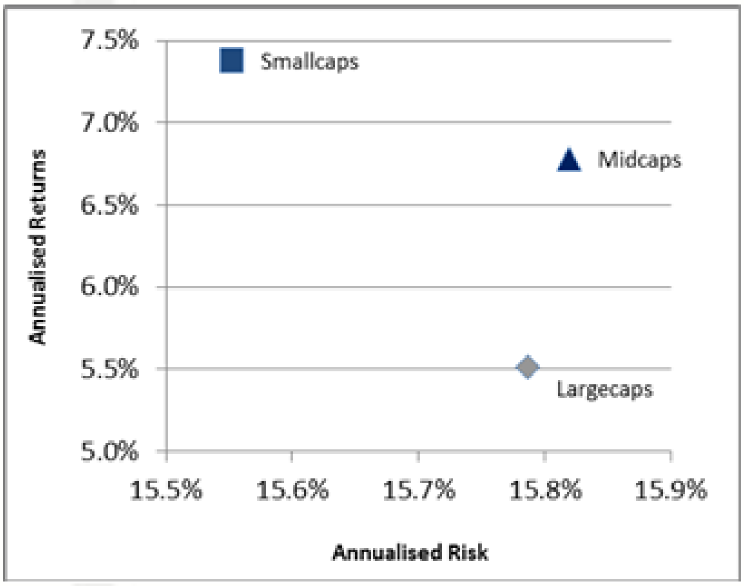
As the chart below shows, for the last 25 years smaller companies have consistently outperformed larger companies. Moreover, smaller companies have outperformed in both 'growth' and 'value' styles.



Source: UBS / Thompson Datastream

The key question, of course, is whether this outperformance has come with more risk, which is where the report becomes really interesting. According to the data available smaller companies are not significantly more volatile than larger companies.

Global annualised 20 year risk /return



Source: UBS / Thompson Datastream / MSCI

So why is it that smaller companies outperform? The report analyses the possible reasons and rules out higher ROEs, better margins, balance sheet factors and dividend yields. The positive drivers are in fact quite simple: growth, especially exposure to new technologies, M&A and (you may not believe this!) better corporate governance. In terms of corporate governance management teams of smaller companies are more likely to align themselves with the interests of minority shareholders. This is because smaller companies are often majority owned by the founder or founding family and / or senior management. Such a shareholder structure ensures that company management teams make genuinely long term strategic decisions. Small companies also score well on boards and pay.

We are already converts as to the benefits of investing in smaller companies and can see all the good reasons to have a exposure to this very undiscovered part of Asia. Valuations for small caps remain attractive and, in particular, if growth returns as a sought after investment factor then smaller companies should far even better.

Hengqin

Sometimes a picture tells a thousand words. But if you were wondering where the earlier mentioned record shipments of iron ore out of Port Headland, Australia were headed, then this picture might give you a clue. Hengqin is a new city under construction in China, but unlike some of the others this one is unlikely to remain empty for long! It is being built on the mainland, but is only a stone's throw (or a short journey over Lotus Bridge) across a narrow 50m stretch of water from Macau. Out of thin air, costing Rmb20 billion and due to open in December, is the Chimelong Hengqin Bay Hotel which is to offer 1,888 guest rooms and house the world's largest ocean animal aquarium as well as a number of stadiums. The first China International Circus Festival will be held next door in the

International Circus City in a few weeks times. This is just the first stage though of a multi-year development for Hengqin where the target is to host 20 million visitor arrivals a year. Experts on Macau suggest that the shortage of hotel rooms as well as living accommodation for workers will be eased by the building of Hengqin. This combined with the other tourist attractions being built (we met a Macau resident who is being kept awake by the lights and noise of a giant roller coaster being built across the causeway) will drive more gamblers to the casinos as well.

We believe Hengqin will become part of the Guandong-Macau-Hong Kong free trade zone and as such will have a vibrant future, not just as overspill from Macau, but as a tourist destination in its own right. While we have been very happy investors in the Macau casinos over the years, we now feel that the extrapolation of expectations on gambling may have got ahead of itself, plus 6 new casinos are due to open in Macau in 2017. Instead we prefer to focus on other tourist activities such as the development in Hengqin because we believe that the Chinese government's decision to develop new tourist centric cities tells us that this is a theme worth investing in.

Vietnam

Vietnam has been a theme in the fund since January 2012, which fortunately has been the low point of the stock market cycle since then. Indeed, year to date, Vietnam has been the best performing market in our Asian universe. In early 2012 the country was coming to the end of a year long battle with extreme inflation which had driven CPI to well over 20% and interest rates had risen accordingly to prohibitive levels. The Hanoi Index had fallen around 65% from its peak in 2007 and the country bore all the hallmarks of the bursting of a typical emerging market bubble. By the end of 2011, as you remember from our reports then, were trading on P/E s of 2-4x with dividend yields well into double digits.

Fast forward nearly 2 years and its time for an update. Vietnam remains well off most radar screens, probably owing to its small stock market size and the government's slow progress regarding recapitalising the banks and restructuring state owned enterprises. Whilst these accusations are fair, it has been business as usual for many companies, many of which are seeing rapid growth, and the stock market has done well. It now seems that the much needed progress is coming, which would be very positive news indeed.

Firstly, a 'bad bank' (VAMC) for bad loads is going to be created which is essential to the process of recapitalising the banking sector. Banks report non-performing loans of 5% but the reality is somewhat closer to 10% on average and 15-20% in some cases, rendering large chunks of the sector insolvent. That said, the overall sums are around 10% of GDP, so the current solution gives banks plenty of time to restructure their loans. Further, this combined with a national willingness to repay debt and the banks' asset quality should soon improve. In the meantime, smaller companies have learnt to be highly cash generative in order to sidestep the need for debt, whilst larger companies do have access to loan facilities at palatable rates.

Secondly, the government appears to be intent on restructuring the country's inefficient State Owned Enterprises (SOEs). Simple statistics tell us all we need to know. SOEs consume 80% of the capital in Vietnam but generate just 40% of GDP. Growth at the SOEs has also been sluggish at best while private enterprise has been on a tear. This has seen SOEs go from employing 60% of the population to just 20% today.

Finally, the size of the stock market is a problem for many foreigners, but this is also set to change. There are only 25 stocks with market caps over $200 million and trading over $500,000 a day and many of the larger ones have reached foreign ownership limits i.e. 49% for non-sensitive sectors and 30% for banks. However, by the end of this year these should be raised to 60% and 39%, respectively. Up to 100% foreign ownership is envisaged for non-sensitive sectors in the next few years.

The overall outlook for the new cycle in Vietnam is good. Economic growth bottomed at 5% last year and should grow to about 5.8% in 2013. Meanwhile inflation has calmed to a more modest 7%. As an export orientated country with over 70% GDP coming from this sector Vietnam should benefit from a sustained recovery in the global economy. Moreover, the fact that Vietnam boasts a cheaper labour force than China, Indonesia and Thailand, means it is increasingly being targeted by regional companies such as Samsung who want to increase their exports to ASEAN.

It is quite possible that Vietnam has quietly followed the track of many of our themes, quietly performing without recognition, and now sits at the point of discovery. This could well be accompanied by some major policies by government to tackle the problems mentioned above. Vietnam companies remain cheap compared to the region and we remain positive on the outlook for 2014.

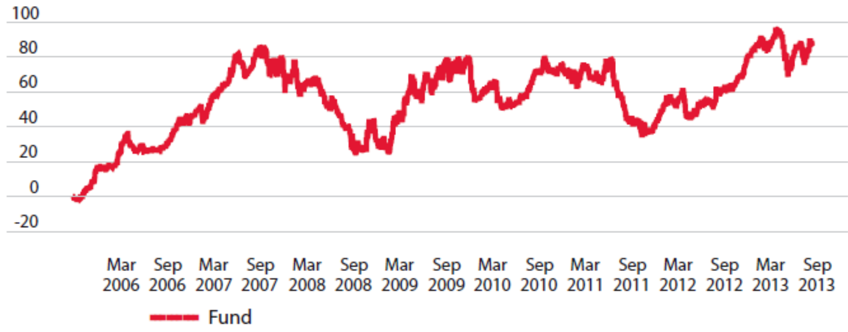
PORTFOLIO PERFORMANCE

Performance Summary (%)
Period ending 30.09.2013

	USD	GBP	SGD
1 Month	4.60	4.41	4.66
3 Months	5.04	4.77	5.14
Year to Date	9.12	9.42	9.27
Since Launch+	86.59	47.14	3.13
2012	24.68	24.36	23.95
2011	-20.89	-20.70	-20.95
2010	-2.66	-3.00	-3.70
2009	26.59	23.20	-
2008	-20.84	-17.70	-
Annualised 5 years	6.16	6.01	-
Annualised 3 years	2.97	3.18	2.69
Annualised Since Inception	8.12	5.49	0.83

Source: Bloomberg
+ Launch date: A: 07.10.05, C: 14.07.06, D: 15.01.10

Fund Performance - Class A USD (%)



Source: Bloomberg. Total return net of fees.

Monthly Performance Summary (%)

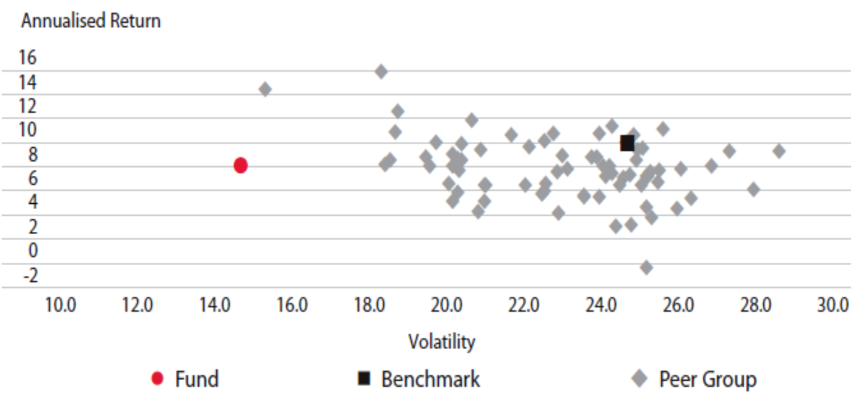
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2013	6.68	3.52	-0.45	1.73	0.09	-7.21	3.75	-3.21	4.60			
2012	5.81	6.55	-0.38	3.08	-6.93	0.67	4.33	-2.54	6.47	0.24	2.45	3.39
2011	-2.27	-0.70	1.19	1.23	-0.86	0.30	4.32	-11.95	-8.24	-0.55	-4.02	-0.52
2010	-9.67	-2.62	3.66	1.67	-7.15	-0.54	0.96	2.98	7.80	0.74	-0.38	1.08
2009	-6.90	-2.90	11.16	4.46	10.67	-2.69	6.77	-4.94	6.42	-2.45	4.08	2.12
2008	-6.78	6.91	-8.06	1.81	0.67	-7.69	0.21	-5.34	-5.33	-7.37	0.02	9.75
2007	-0.01	1.28	3.05	4.08	3.58	4.79	3.77	-3.75	5.67	2.61	-6.33	1.93
2006	7.71	0.09	1.84	10.14	-1.95	-0.45	-1.72	0.02	1.23	3.90	7.64	1.97
2005										-1.90	5.64	5.08

RISK ANALYSIS

Risk Metrics	**Fund (%)**
Beta	0.57
Alpha (%)	2.5
Sharpe Ratio	0.55
Volatility (%)	14.7
% of the portfolio – which could be sold in 2 business days	88.30

Source: Bloomberg
Since Inception: A: 07.10.05

Risk Adjusted Performance - Class A USD (%)



Source: Bloomberg. Annualised return and 1 year volatility versus the peer group (open ended offshore Asia Pacific ex Japan Equity Fund Index), 7.10.05 to 30.09.13

THEMATIC & GEOGRAPHICAL BREAKDOWN

Top 5 Holdings (%)

Kinh Do Corp	4.5
Travelsky Technology	4.4
Haeir Electronics	4.0
Baidu	3.7
Cheung Kong Holdings	3.7
Total Number of Holdings	44

Portfolio Financial Ratios*

Predicted Price/Earnings Ratio	13.7x
Predicted Return on Equity (%)	16.1
Predicted Earnings Growth (%)	32.5

*Fiscal year periods

Thematic Breakdown (%)

Domestic Consumer	23.2
Entertainment/Tourism	21.0
Infrastructure	11.8
China Internet	10.3
Vietnam	9.6
Local Brands	9.2
Telecoms	6.6
ASEAN Consumer	5.0
Other	3.2
Cash	0.2

Geographical Breakdown (%)

China	36.3
Korea	17.3
Hong Kong	14.1
Vietnam	9.6
Thailand	5.1
Philippines	5.0
Malaysia	4.3
India	4.2
Australia	2.5
Indonesia	1.5
Cash	0.2

All data as at 30.09.13. Source: Prusik Investment Management LLP, unless otherwise stated.

FUND PARTICULARS

Fund Facts

Fund Size (US)	64.6m
Launch Date	7 October 2005
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GDP, SGD

Management Fees

Annual Management Fee
1.5% p.a Paid monthly in arrears
Class U – 1% p.a. Paid monthly in arrears
Performance Fee
All classes except Class U: 10% of NAV appreciation with a 6% hurdle annually
Class U: 10% of the net out-performance of the MSCI Asia Pacific ex Japan Index (MXAJP) with a high-water mark paid quarterly

Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Daily
Min. Initial Subscription	USD 10,000
Subscription Notice	1 business day
Redemption Notice	1 business day

Share Class Details

Codes

Class 1			SEDOL	ISIN	Month end NAV
A USD	Unhedged	Non Distributing	B0MDR72	IE00B0M9LK15	186.59
B USD	Unhedged	Distributing	B0M9LL2	IE00B0M9LL22	186.66
C GBP	Hedged	Distributing	B18RM25	IE00B18RM256	101.6
D SGD	Hedged	Distributing	B3LYLK8	IE00B3LYLK86	256.89

Performance fee based on individual investors' holding.

N USD	Unhedged	Non Distributing	B3LP510	IE00B3LP5101	186.54
O USD	Unhedged	Distributing	B3M40N3	IE00B3M40N30	185.53
P GBP	Hedged	Distributing	B3MWDD8	IE00B3MWDD86	99.84
U GBP	Unhedged	Distributing	BBQ3756	IE00BBQ37560	104.75

Performance fee based on fund performance as a whole.

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