



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

Prusik Asia Fund

Quarterly Investment Report
31 December 2013

FOR PROFESSIONAL INVESTORS ONLY

2013 and 4Q13 Performance Review

Overall, 2013 was a good year for the Prusik Asia Fund and 4Q was a continuation of this with the fund generating healthy, absolute and relative returns in 4Q of 6.9% compared to the index which was up around 2.5%.

In 4Q, as is widely appreciated, our ASEAN exposure was a drag on performance. However, this was more than offset by very strong returns from China internet names, **Baidu** and **YY Inc**, as well as domestic consumption and travel companies in China, namely **Haier** and **Travelsky**. Interestingly, although **Haier** is a leading domestic white goods company, it performed extremely well in the second half of 2013 on news that **Alibaba**, the e-commerce giant, was buying a stake in **Haier's** logistics subsidiary.

Over the quarter the fund was also helped by the management buyout of **Giant Interactive**, a Chinese online gaming and mobile internet company, at a 30% premium to the previous day's share price. Strong rises in **NCSoft**, the Korean online gaming company, **Sands**, the Macau casino and **Coway**, the Korean air purifier and water purification company, also contributed. Further, some of the ASEAN exposure that remained in the fund had a positive impact with Vietnam in particular rising sharply to become the best performing market in Asia for the year. Our holdings in **VNDirect Securities** and **Phu Nhuan Jewellery**, the Vietnamese broker and gold jewellery brand, respectively, were helpful in the quarter.

In conclusion, 2013 saw an overall return for Prusik Asia Fund of 16.6% versus the index return of 4.1%, yielding total outperformance for the fund of 12.5%.

Overview and Outlook

Despite the Asian index rising in the final quarter, foreign investors exited Asia in droves towards the end of last year, with the selling accelerating in January. To some extent this is understandable. After all, the MXAPJ has delivered just under 9% total return in the past 3 years, which compares poorly with Western markets and even Japan. So the topical question is: "Is it right to be selling now?"

Risks and Concerns

For those who believe the answer to this question is "yes," there is ample evidence they can look to for support.

Firstly, much of ASEAN is seeing a slowdown. Indonesia went first, followed by Thailand and, while the Philippines remains robust, it may peak this year. Vietnam is on a different timescale though and is undergoing a recovery. However, there is additional potential risk to these markets from their newly formed and relatively immature and illiquid bond markets. Too many foreign investors have invested in this asset class in the past couple of years in search of higher yields and much of this trade is yet to reverse. We saw an early tremor of what this might look like in late spring 2013 but then stability returned. The potential for further foreign selling, driving up interest rates in the process, is a clear risk. Equally, this could be avoided or at least mitigated by local investors opting to take up the slack.

Secondly, China still has yet to reveal the extent of its banking problems and this is keeping sentiment very cautious, especially amongst foreigners. We don't feel we have much insight beyond what is readily available in the press, but would say that there are anecdotal signs of credit tightening in China. For example, there are reports of agreed lines of credit not being available when

requested, even from the larger banks. What is harder to say is whether this is due to a government directive towards suffocating the industries they want to de-emphasise or genuine signs of bank liquidity issues. On the other hand, our recent visit to China yielded many areas where the government is actively trying to support growth via generous subsidies, so our sense is that this is not entirely a one way street.

Thirdly, there has been a notable increase in lending across Asia, some of which is occurring across borders and in different currencies. For example, Hong Kong has become linked to a carry trade. Since 2009, Hong Kong banks have lent \$400 billion to China, or the equivalent of 150% of Hong Kong's GDP, driven by expectations of a stronger RMB and higher interest rates. For those with memories spanning back to the Asian crisis of 1998, this may ring alarm bells.

In short, we cannot disagree that Asia has some domestic risks.

Valuations

However, we believe that these risks should be viewed in the context of the overall market valuation. Asia currently trades on a P/B ratio of 1.5x, which is only a small premium to the 1.4x P/B level at which Asia typically trades during a recession. Indeed, in the past Asia has traded more expensively than it is today for 83% of the time. It is a similar story if we look at the market valuation in P/E terms. Trading on a P/E of 12.6x historic earnings, the MXAPJ is close to the bottom decile of its valuation history.

It is also instructive to look at the table below which shows Emerging Market outflows each fortnight since August 2013. These outflows reached a record level at the end of January this year.

Emerging Market Inflows and Outflows



Source : UBS

Equally, we want to be very clear that we are FAR from complacent about the risks in 2014, both from within and outside of Asia. In a worst case scenario we estimate there is some 28% downside to reach past 'crisis' valuations. While it is not our central case that a 'crisis' situation plays out from here, we are taking a very careful look at the underlying liquidity of our stocks and do not rule out having slightly higher cash levels, hedged currencies and other defensive strategies if needed. We are extremely alert.

On balance, we believe the positives for investing in Asia far outweigh the risks at this juncture, although this view largely depends on one's ability to take a new and alternative approach to

investing in Asia. Importantly, we are more than confident that the Prusik Asia Fund is perfectly placed to navigate and capitalise on this new and alternative approach.

An Alternative and Constructive View

1) Dispersion of Returns

The underlying stock market was significantly less robust in 2013 than the headline figures suggest, with significant swathes of the market seeing quite big losses. The final quarter was no exception. In many ways this makes sense because it is easy to see why large elements of the index, such as Chinese banks, property, energy, resources and clunky large cap technology companies, are increasingly less appealing to investors at this stage of the cycle. However, other sectors performed extraordinarily well in 2013. These areas are largely geared into structural growth where companies are enjoying the benefit of a specific trend such as leisure spending or shopping online. Amongst the bigger index constituents that did well in 2013 were the Macau gaming stocks and the China internet stocks but very strong returns were also made from investing in tourism, leisure and entertainment related businesses, ASEAN (especially in the first half of the year), Vietnam, healthcare and beauty, software and many select small caps - even those in seemingly traditional businesses if the business model deserved it.

Our point is twofold. Firstly, *picking areas of the region where change is occurring regardless of the economic cycle and investing there can be very productive*, even against a poor index return. Secondly, *most of these themes are mainly represented by companies in the \$1-10 billion market cap range*, or are certainly not big index components. Hence, by definition this is not an opportunity open to everyone! Fortunately for the Prusik Asia Fund this is our main hunting ground for new investment ideas.

It feels as though the penny is finally starting to drop and many investors are now selling ETFs and index-hugging funds. Not only might this process become a self fulfilling prophesy, creating its own vicious circle, but there is a chance that some of this money will start to invest in the region differently with a positive outcome for the areas with genuine investment merit.

We reiterate our message from several of our reports last year which is that *active* investment in Asia is the key and moreover, that smaller and mid-sized companies do not merit the perceived risk with which they are usually viewed (more on this below).

In summary, there is a strong argument for avoiding the dominant cyclical elements of the Asian index in favour of structural growth at this stage. However, we would like to go one stage further and argue that there is something even more profound and spectacular afoot here, which will require savvy investors not only to invest actively but in fact to think quite differently.

2) 'Old' versus 'New'

First of all a word on 'technology.' This word typically has most people mentally hiding behind the sofa, quivering at the memory of the 1999/2000 tech boom and bust. Today we believe we are just in the foothills of another boom but *this time the technology and the changes it is wreaking on business models are profound and far reaching*. As investors we do not have the luxury of relying on 'old wisdom' from last time round. This time we cannot just decide to stay in 'old' economy stocks and ignore the 'new' until the next bust comes round because *this time it could very well be the 'old' stocks that are the ones which go bust*.

Here is an example of what we are trying to say. Last week we had a conference call with **China Light and Power**, a Hong Kong based electric utility company operating under the stodgy 'Scheme of Control'. The shares have been weak over the past year and the stock is on a low teens multiple suggesting this is far from being an investors' favourite. Maybe this view is the right one, at least for now. However, when we spoke to the Chief Technical Officer and asked him about how the company is making use of new technology this was his answer:

China Light and Power is trialing a new network of sensors which covers the entire passage from the power plant to the home. In the home there will be smart meters which can not only send back to the company minute by minute information on the power being used but they can also tell from the power 'signature' which appliance is being used and when and even if that appliance is about to break! This network will produce millions of data points on how power is being used in the home and from this the company can use predictive algorithms (of a similar variety to the ones currently used by **Amazon** who, at this very moment, is sending to a warehouse near you the item which according to **Amazon's** data analysis you are about to buy next) to generate power more efficiently. The capex invested in this network of sensors (for which, incidentally, management expect the payback period to be just 2.5 years) will enable at least three significant changes for the company:

- 1) More accurate data and more sophisticated analysis of that data will enable the company to generate energy far more efficiently and with less wastage.
- 2) In the future consumers will have an app on their phone telling them what power they are using and how much it is costing them. Owing to this improved transparency management expect overall power usage to fall. This will delay by up to 3 to 4 years the need for billions of dollars of capex which would be required only to manage occasional spikes in demand.
- 3) The company will be able to generate all manner of new revenue streams linked to this data collection and analysis, beginning with selling customers new appliances when (or before?) theirs break.

In this example an old fashioned company is planning to collect and use data aggressively to enhance every aspect of the business. It plans to use a network of sensors, which lies at the heart of the 'Internet of Things,' to do so. Management understand that the combination of increased profitability, better cash flow and potential new revenue streams can all come out of such an investment and that *the key to this investment is gathering and using information*. This move has the potential to redefine how investors see this company in the future and to drive revenue and profits in ways which currently nobody is imagining.

The key is that most companies will need to do something similar in the immediate future and the ones that are forced to follow, not lead, risk having their businesses suffer irrecoverable competitive damage. It will be imperative to invest in companies that understand the 'new' world in which they are operating. The most important thing to remember about data is that the bigger the company and the more data it manages to collect, store and mine efficiently and effectively, the more powerful that company is likely to become. In short, being an early mover in this 'new' mode of operating is more crucial than ever before.

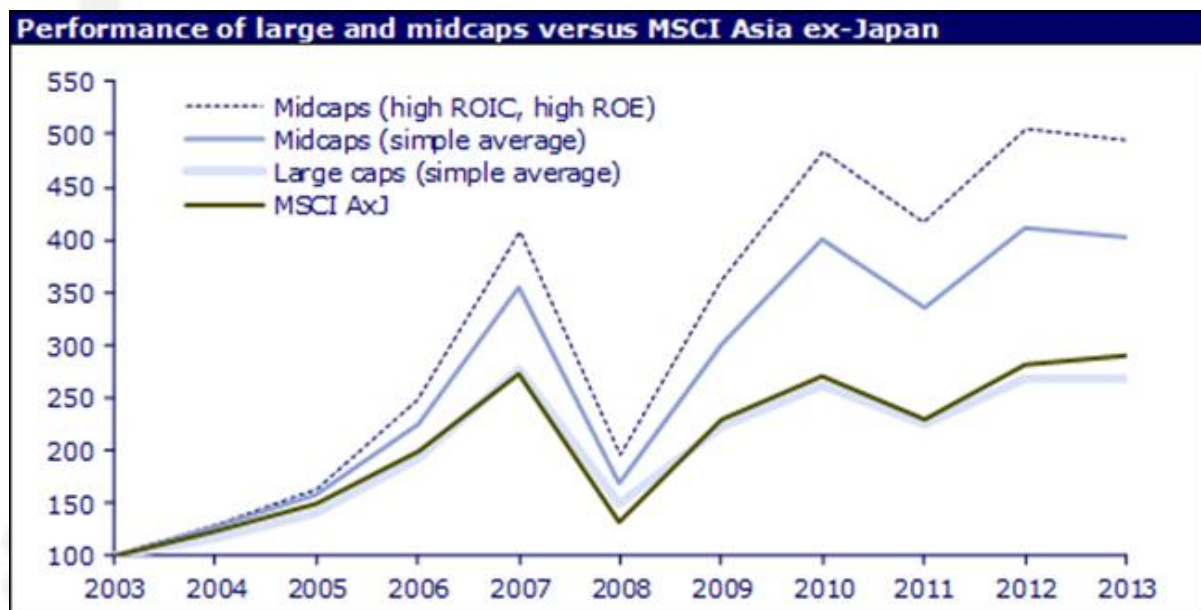
*Importantly, this seismic shift is not just about 'technology' companies, it is about **every** company.* Our role as fund managers has just got even more complex as we will need to move fast and with clarity to identify the new winners and losers in this data driven world. This is a challenge which we relish because it is exactly what our process at Prusik is designed to capture. However, for the wider market, just imagine that the game has gone to another level, every piece on the chess board has moved, and somebody has pressed fast forward...

We suggest that the effects of these changes will start to be felt at the stock level in the coming 12 months. We can already see this happening with retailers on our doorsteps. A good example from the UK would be to compare the share prices in 2014 to date of **Mothercare** with companies who are successfully incorporating these 'new' online and data centric approaches to their business models, including **ASOS**, **Domino's Pizza** and the newly listed **Appliances Online**.

With a better understanding of the divisions in the global economy between 'old' and 'new' it becomes clearer to see that the opportunities for us as investors are numerous, high growth and inexpensive in relation to that growth.

3) Mid-Cap Stocks

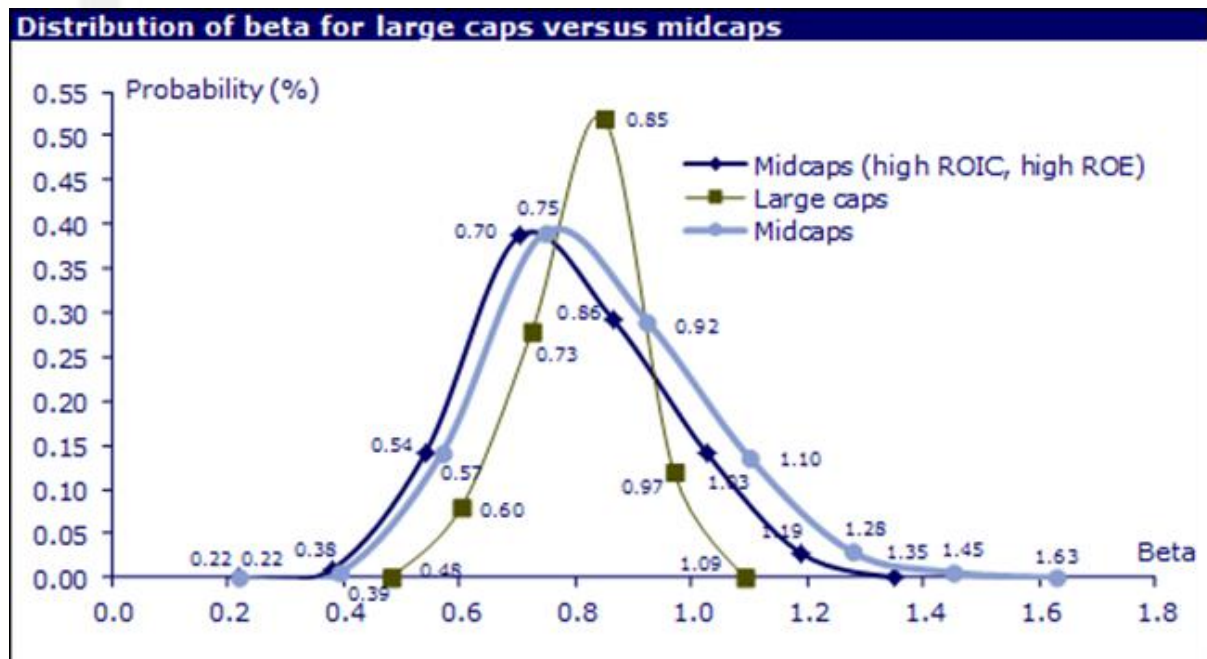
CLSA has recently published a piece of research on investment returns for mid-cap stocks, an extract of which we think would be valuable to share. In the last 10 years the MSCI Index for Asia ex-Japan has provided 11% compounded returns in US dollar terms, including dividends. Large caps, namely companies with market caps in excess of US\$10 billion, underperformed the index by 1% p.a. over the period. In contrast, mid-caps stocks, that is companies with market caps between US\$1 billion and US\$10 billion, outperformed by 4%. In fact, mid-caps stocks with long term average return on equity and return on invested capital above 10% outperformed by 6% p.a. This 17% compounded return, including dividends, translates to 394% total return over 10 years!



Source: CLSA

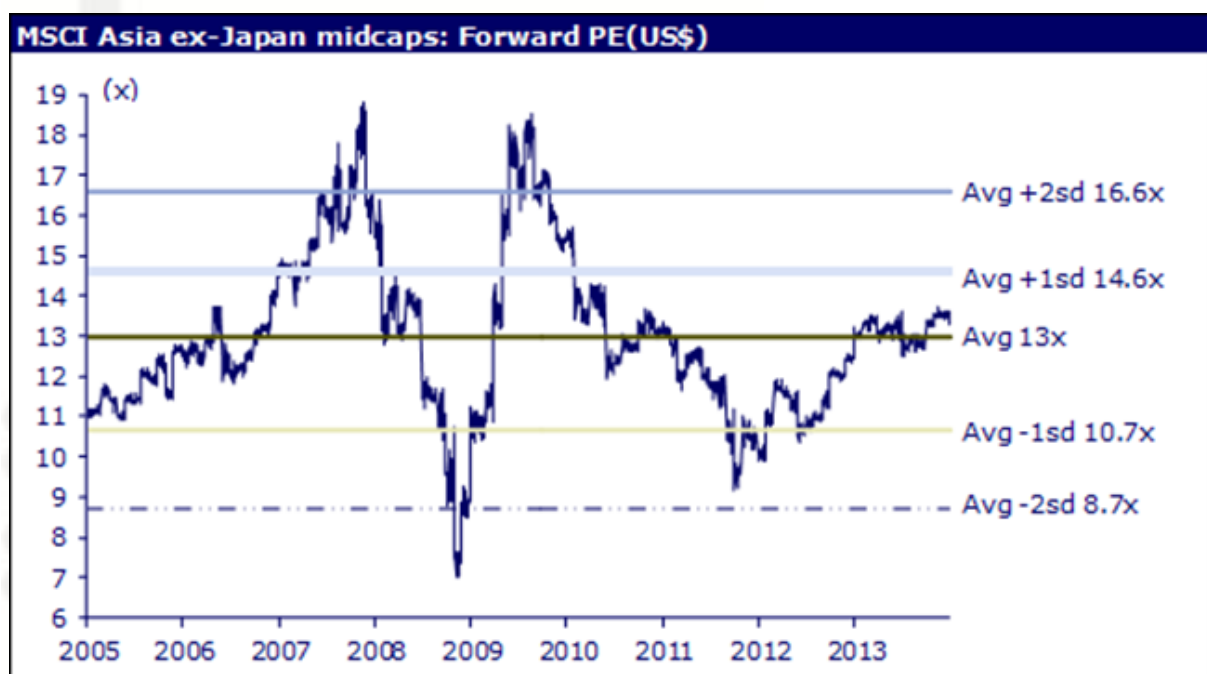
As the chart below shows, on average, the 10-year betas for mid-caps stocks have not been materially different from large cap stocks, although mid-caps have had a higher distribution of betas.

The outperformance has less to do with daily correlations (beta), but mid-caps provide higher growth and greater potential for upside surprise, thus delivering higher alpha.



Source CLSA

The question is “Are we now paying up for mid-caps after such a strong period of superior performance?” Indeed, mid-caps have moved up from their P/E lows of 2 years ago to an average P/E of 13x, or roughly in line with their historic mean. From here we expect mid cap stocks to see higher valuations driven by superior growth. So far in 2014 growth has been outperforming and given that growth is increasingly rare in the world it makes sense that this should continue.



Source CLSA

China

A large portion of the current bearishness surrounding Asia centres on concerns regarding China. China is currently performing a balancing act which appears to be held aloft by the prevailing belief that the PBOC can control money supply, interest rates and the exchange rate all at the same time. Thus the risks are either that the world lets the shades drop from its eyes and the markets adjust accordingly or the pressure on China is ratcheted up by an external event, such as an EM debt crisis or a weaker Yen, until something gives. What would then ensue is a cycle which would probably cause a spike in interest rates, in turn stifling growth until the exchange rate gave way and fell to more competitive levels.

The key question is how soon might this come about? China's current account is in surplus as is the capital account, but we have still seen spikes in interest rates over the past year which suggests that even this relatively comfortable state of affairs cannot supply the massive liquidity needed in the economy all the time.

Although private money has flooded into private enterprise in China the state sector remains off limits thanks to the long duration of the assets and opacity of the rule of law surrounding government assets. Recently we have seen China borrowing massive sums - US\$170 billion in US dollars in 1H 2013 - to fund RMB activities and keep surpluses high. What is more, China's overall external low debt to GDP means they can continue to borrow and ostensibly manipulate these surpluses and in turn continue to 'run to stand still' for a while to come.

So the question appears to be more one of timing. Can the current uncompetitive exchange rate and uneconomic returns in the state sector cause more money to head for the exit, thereby setting up a painful cycle of adjustment which eventually forces interest rates up and wages down, causing much socio-economic pain on the way? Alternatively, will some external event force such an adjustment on them?

There is one possible solution to this conundrum; however, this solution would require a major leap in ideology, and not least, a re-writing of the relationship between China and its citizens regarding the rule of law. If the government opened the state sector to private investment and also allowed private capital to enter the financial system, then the combination of improved returns and the prospect of a truly wholesale consumer lending boom would create a huge external surplus at the targeted exchange rate. This is probably not a solution one should hold one's breath for though.

Set against the backdrop of these challenges, we can see China's leaders running to promote growth in the targeted areas of the economy where they believe the future of the economy should lie. These areas include activities which are higher up the value chain as well as services and consumption. One example of a company in these 'new' areas which appears to be doing well is **Bona Film**, a cinema operator and movie production company which we met with on our recent trip to China. **Bona** is being subsidised by the government to build cinema screens as part of the government's target for growth in the domestic movie industry to reach a 30% cagr over the coming 4 years. There are similar levels of support for the online economy and mobile internet. Thus, in China, we are taking an approach similar to that of "Don't fight the FED".

Gold

One final and arguably more radical thought on the subject is that, in extremis, the Chinese might look to create demand for the RMB in a different and perhaps more brutal way. There is growing evidence that China is quietly amassing gold, both in bullion where last year alone they are said to have acquired more gold from central banks around the world than one entire year's worth of global production, and productive assets. In the past year it is the Chinese who have been buyers of all of

the purchases of gold mining assets in Australia. At this stage it is just a theory but quietly the gold reserves of the world are heading to China. For how long will this remain quiet?

How is the Fund Currently Positioned?

The fund still has around 16% of the fund invested in ASEAN but around two thirds of this is invested in Vietnam. The Vietnamese market saw excellent returns in 2013 and we believe this will continue into 2014 as 'Frontier Markets' come into focus for more mainstream investors, whilst the macro backdrop in the country is becoming more supportive. We wrote at length about Vietnam last quarter and believe there is still valuation upside as well as scope for foreigners to return here as foreign ownership limits are relaxed.

The fund's weighting in China/Hong Kong is significant at around 49%. This is because we are seeing some quite extraordinary growth in certain themes in China currently, in particular the leisure and tourism sector, the internet and software. The China internet accounts for around 14% of the fund and we also have internet exposure in Korea via **Naver**. We remain enthusiastic holders of many of our themes from last year which include Asian travel and leisure related stocks, local brands, healthcare, software, infrastructure and logistics. We are also adding stocks in some newer themes. These include the 'Internet of Things,' business intelligence or data usage, software, automation, LEDs and cloud services, especially storage.

The China Internet

There has not been a dull moment in this sector since early summer 2013. Most recently it has all been about consolidation and, while the tilt of what we have been observing in the US arena where the acquirers have sought expertise in robotics, the Internet of Things and artificial intelligence is slightly different to what we have been seeing in China, the appetite for acquisitions there is just as fierce. The three Chinese heavyweights, **Alibaba**, **Tencent** and **Baidu** have each gone on a buying spree looking for key assets in gaming, payments, e-commerce, logistics and so on. We do not expect this to stop any time soon. As we have said many times now, the addressable market of internet users in China will almost double over the coming 2-3 years and the network effect of these new users, mainly on mobile devices, will likely confound even the most optimistic analyst forecasts. It has barely started.

Sina

Sina was one of the first internet companies in China. It started out as a portal company aimed at white collar workers; however, the company's fortunes were transformed in 2009 when it launched **Weibo**, the Chinese equivalent to **Twitter**. 85% of **Sina's** sales come from advertising of which 30% already come from **Weibo**. We believe online advertising is an attractive place to be invested on the basis that total advertising in the US equates to 1.3% of GDP while total advertising in China is just 0.5% of GDP. Not only should total advertising in China as a percentage of GDP 'normalise' to fall in line with the US ratio but you also need to factor in that the Chinese economy is going to grow faster than the US economy in the coming years and internet advertising is likely to end up a larger piece of the total advertising pie in China compared to the US (as it already is!). Taking all this into account you can see how internet advertising in China is a huge growth opportunity.

Last year **Sina** established a tie up with **Alibaba** (**Alibaba** bought an 18% stake in **Sina**) so that users can simultaneously log into **Sina** and **Alibaba** and use their **Sina** accounts to promote products they are trying to sell on **Alibaba's** platforms. The tie up got off to a flying start with revenues from the

venture reaching US\$20m or 10% of total revenues in the first quarter. The company has a market cap of US\$4.7bn which compares well with **Twitter** at US\$31bn.

Dang Dang

Dang Dang is a small e-commerce player in China, listed in the US. Although it is far inferior to **Alibaba** in terms of scale we like **Dang Dang** on the basis that either **Tencent** or **Baidu** may consider buying the company in order to expand their presence in e-commerce. This is also one of the most impressive companies we met in our recent visit to China regarding management's understanding of the use of data. Finally, the company's recent results were very encouraging with **Dang Dang** not only turning profitable for the first time but, moreover, doing so ahead of consensus expectations. The company's gross merchandise value increased year on year by a massive 154% in the quarter.

Giant Interactive

Giant Interactive is a Chinese online gaming company with a small percentage of sales coming from mobile games. The company is notable for having the highest margins amongst the Chinese online gaming companies. The share price recently rose strongly on management's announcement that they plan to buy back the rest of the company which they do not already own at around a 30% premium to the share price prior to the announcement. With a significant cash pile and at the time, a very low P/E, plus a small stake in **Alibaba**, **Giant's** management had good reason to believe that the market was not awarding the company the valuation it deserves. We, like many other investors, believe that the premium management are paying is far too low though and that minority shareholders are being treated unfairly. Allegedly, some of the larger and more activist shareholders are grouping together to see if they can put together a legal case against management. Time will tell whether or not they will prevail.

Naver

Naver is the leading online portal and search company in Korea. In addition to this core, more traditional online business, **Naver** has an exciting social messaging and entertainment platform called **Line**. **Line** was launched in Japan just 2 years ago but 90% of smartphone users or 50m people there have already signed up to the service. It started out as a social messaging service similar to **Whatsapp** but it has since added online games and is planning on launching a mall and a music offering for users in 2014. **Line** currently generates revenues from selling 'stickers' which are perhaps best described as 'advanced emoticons,' so instead of just smiley faces users can share cartoon images which dance or blow kisses. The way in which **Line** generates revenues from advertising is particularly interesting. Instead of just using traditional banner ads, users can nominate which companies they want to receive adverts and offers from. The click-through rates on these more targeted adverts are a massive 30%. To put this in context, click through rates for traditional key word search in Korea is just 2%! What's more, these targeted adverts are effectively turning into a 'location based service,' a form of advertising which has been talked about for years but, as far as we are aware, is yet to be rolled out anywhere on a mass scale. **Line** users can shake their phones when out and about and then they will get information on all the local stores which are pushing coupons at which point the user can select which store they want to view the coupons for. If, as it seems to be, **Line** is the first company globally to roll out 'location based services' on a mass scale then this will be truly transformative for the company. **Line** is also hugely successful outside of Japan with 330m users in other countries. It is particularly popular in Taiwan, Thailand, India, Indonesia and, oddly, Spain. **Line** is expected to IPO in 2014, something which should also benefit **Naver's** share price.

Automation

China may have entered into a slower economic growth phase but the growth opportunity for automation equipment remains robust. Wages in China continue to rise sharply and in major cities they are 2-3x higher than a decade ago, yet the pressure for improved productivity continues. Penetration rates for automation equipment in China are very low. Currently in China there are 213 robots per 10,000 employees versus over 1000 robots per 10,000 employees in Japan, US, France and Germany. Clearly, the room for growth is significant. To give a guide on the possible growth path China could see in automation, it is instructive to compare China today with Japan in the 1970s. During that period Japan saw its 'numerical control' (NC) tool ratio rise from 10% to 70% and today it stands at over 90%. At present, penetration of NC equipment in China is just 30% so there are many years of strong growth ahead. This will benefit **Airtac**, which focuses on pneumatic components, and **Hiwin**, which specialises in linear motion components.

From its formation in 1998, **Airtac** has made vertical integration a priority so that today 90% of its components are manufactured in house. Vertical integration forms a key part of the company's edge as it means that it is now capable of supplying its customers at a 30% discount to its peers, including those in China! Owing to this **Airtac** is rapidly taking market share. The company currently has 14% market share in China where it derives 90% of its revenues and is gaining ground on the market leader, **SMC Corp**, which has 31% market share.

In our recent meeting with the company in Taiwan, **Airtac** management outlined their expectations for top line growth of 15-20% p.a. over the long term and it was suggested that these expectations were likely to prove conservative. Indeed, in 2013 the automation market in China grew by 24% year on year and **Airtac** grew comfortably ahead of this, delivering year on year sales growth of 29%. Margin improvement is also likely, despite margins already rising from 47% in 2008 to 55% at present.

PORTFOLIO PERFORMANCE

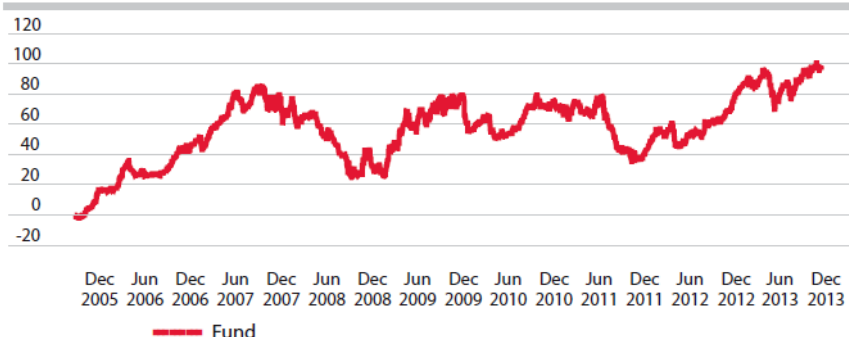
Performance Summary (%)
Period ending 31.12.2013

	USD	GBP	SGD
1 Month	0.66	0.62	0.68
3 Months	6.88	6.70	6.62
Year to Date	16.63	16.76	16.50
Since Launch+	99.43	57.00	9.96
2013	16.63	16.76	16.50
2012	24.68	24.36	23.95
2011	-20.89	-20.70	-20.95
Annualised 5 years	7.22	6.60	-
Annualised 3 years	4.78	4.81	4.51
Annualised Since Inception	8.74	6.22	2.42

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	Total
2013	6.68	3.52	-0.45	1.73	0.09	-7.21	3.75	-3.21	4.60	4.19	1.92	0.66	16.63
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	24.68
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	-20.89
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	-2.66
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	26.59
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	-20.84
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	21.88
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	33.94
2005										-1.90	5.64	5.08	8.86

RISK ANALYSIS

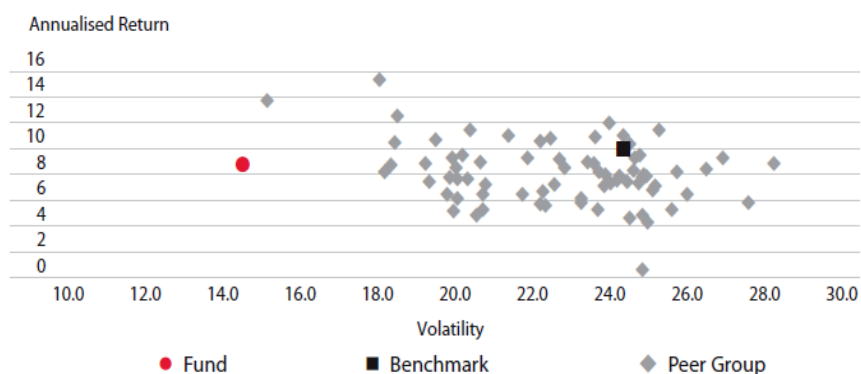
Risk Metrics Fund (%)

Beta	0.57
Alpha (%)	3.09
Sharpe Ratio	0.60
Volatility (%)	14.53
% of the portfolio – which could be sold in 2 business days	94.76

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 31.12.13

THEMATIC & GEOGRAPHICAL BREAKDOWN

Top 5 Holdings (%)

Travelsky Technology	5.1
Kinh Do Corp	4.1
Baidu	3.9
Haeir Electronics	3.8
GS Home Shopping Inc	3.6
Total Number of Holdings	40

Portfolio Financial Ratios*

Predicted Price/Earnings Ratio	13.6x
Predicted Return on Equity (%)	16.7
Predicted Earnings Growth (%)	29.2

*Fiscal year periods

Thematic Breakdown (%)

Internet	15.8	
Brands	14.9	
Other	13.9	
Tourism	12.9	
Financialisation	10.5	
Infrastructure	9.3	
Telecoms	6.5	
Local Brands	5.3	
Leisure	2.9	
Internet of things	2.8	
Healthcare	2.4	
Gaming	2.3	
Cash	0.5	

Geographical Breakdown (%)

Hong Kong/China	51.8	
Korea	19.9	
Vietnam	9.5	
India	4.3	
Malaysia	4.2	
Thailand	4.2	
Taiwan	2.8	
Australia	1.5	
Indonesia	1.3	
Cash	0.5	

FUND PARTICULARS

All data as at 31.12.13. Source: Prusik Investment Management LLP, unless otherwise stated.

Fund Facts

Fund Size (US)	69.7m
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: Provided the fund achieves an overall increase of 6% a yearly performance fee of 10% of total returns will be applied.

Class U: 10% of the net out-performance of the MSCI Asia Pacific ex Japan Index (MXAJP) with a high-water mark paid quarterly

Share Class Details

Codes

Class 1			SEDOL	ISIN	Month end NAV
A USD	Unhedged	Non Distributing	B0MDR72	IE00B0M9LK15	199.43
B USD	Unhedged	Distributing	B0M9LL2	IE00B0M9LL22	199.57
C GBP	Hedged	Distributing	B18RM25	IE00B18RM256	108.41
D SGD	Hedged	Distributing	B3LYLK8	IE00B3LYLK86	273.89

Performance fee based on individual investors' holding.

N USD	Unhedged	Non Distributing	B3LP510	IE00B3LP5101	199.54
O USD	Unhedged	Distributing	B3M40N3	IE00B3M40N30	191.75
P GBP	Hedged	Distributing	B3MWDD8	IE00B3MWDD86	106.78
U GBP	Unhedged	Distributing	BBQ3756	IE00BBQ37560	104.43

Performance fee based on fund performance as a whole.

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

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