

# Prusik Asian Smaller Companies Fund



GROWTH INVESTING IN ASIA

PRUSIK

31 January 2019

Monthly Fund Fact Sheet

## Investment Objective

To preserve capital and generate absolute returns over a full economic cycle by investing primarily in Small Cap companies in Asia Pacific ex-Japan, whilst maintaining portfolio volatility significantly below the peer group.

## Fund Facts

Fund Size (USD)	34.4m
Launch date	8 February 2008
Fund Manager	Heather Manners
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD

## Performance (%)

	A USD	C GBP	D SGD
1 Month	2.89	2.68	2.78
3 Month	9.01	8.27	8.63
Year to Date	2.89	2.68	2.78
Since Launch	44.76	47.98	4.87
Annualised <sup>†</sup>	3.43	3.68	0.53

Source: Morningstar.

Launch Date: A: 08.02.08, C: 25.03.08, D: 15.01.10

<sup>†</sup>Since Launch Performance

## Investment Process

With anomalies as a start point, the investment process seeks to identify and invest in key 'themes' in the Pacific region. Our themes are driven by factors outside of the normal economic cycle and are not yet discounted by the market. Companies are identified and chosen via rigorous bottom-up analysis with emphasis on traditional value and high ROCE. Cash and Index Futures are used when opportunities are few and to reduce portfolio volatility.

## Dividend Dates

Dividends paid twice annually (January and July)

## Fund Performance - Class A USD (%)



Source: Morningstar. Total return net of fees.

## Fund Manager Commentary

After three consecutive months of outperformance, the fund underperformed in January but nevertheless posted robust absolute returns. In January, the fund returned 2.9% versus the Asia ex-Japan index increase of 7.3%. A key factor in the fund's underperformance is that Asian small-caps overall rose less than the main index in the month by 2.1%. In addition, Indian small-caps in particular fared poorly in January, although on a relative basis the fund's Indian small-cap exposure outperformed the local index. Finally, China had a strong start to the year with the MSCI China index up 11.1% in the month. Given the fund's focus on the demographic markets, which does not include China, this was also a headwind in January.

Performance in January was led by Indonesian DIY retailer, **Ace Hardware**, which posted 19% same store sales growth in December despite a high base, Indonesian telco tower operator, **Sarana Menara**, which is benefitting from aggressive network expansion by the telcos, and Philippines casino, **Bloomberry**, as continuing growth in gross gaming revenues allays concerns that new entrants will negatively impact the incumbents. Moreover, all of our recent new additions to the fund, namely, online classifieds leader in India, **Info Edge**, fast food giant in the Philippines, **Jollibee Foods**, Vietnamese auto assembler, **Vietnam Engine & Agricultural Machinery**, and Indonesian auto and construction machinery filter company, **Selamat Sempurna**, have all had a strong start to the year.

The chief headwinds in January were leading Indian hypermarket and convenience store operator, **Future Retail**, and our remaining NBFC in India, **Edelweiss**. News emerged at the beginning of January that talks between **Future Retail** and Amazon have stalled (it had been reported that Amazon was due to buy a 10% stake in the company). At the end of 2018, a new e-commerce Foreign Direct Investment (FDI) policy was announced which blocked the likes of Amazon and Walmart/Flipkart from offering deep discounts and from building out their own brand products online. There are both pros and cons to this move but in the short term the news was poorly received by the market. Elsewhere, **Edelweiss** posted a more subdued set of quarterly results and lowered its future growth objectives, as had been expected. We are in fact in favour of these lower growth targets (c.20% versus recent growth rates of close to 50%) and were pleased to see the asset quality of the book remains strong, despite the stress which emerged in the sector at the end of 2018.

We are positive on the outlook for Asia in the year ahead and the fund's positioning. The three key headwinds for the fund in 2018, namely rising interest rates and long-term bond yields in the US, high oil prices, and currency weakness for our invested countries, may prove to be less onerous in 2019. Moreover, fundamentals for many of our invested countries are improving across the board. For example, inflation in the Philippines has softened, Indonesia appears to be on a cusp of a new credit cycle, Pakistan has secured further funds and investment pledges from Saudi Arabia and Qatar, growth continues unabated in Vietnam and valuations for Indian small caps are far more palatable. Further, this is the group of countries in Asia, and, indeed, globally, which are expected to catapult up the GDP rankings over the next 5-10 years with earnings growth and investment values almost certain to follow suit. Against such a backdrop and with the fund trading on 13.9x P/E with 17.6% ROE, we believe the fund represents a highly compelling and unique investment opportunity at this juncture.

All data as at 31.01.19. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asian Smaller Companies Fund



## Top 5 Holdings (%)

Philippine Seven Corporation	6.6
FPT Corporation	6.3
Mobile World Investment Corporation	6.0
Ace Hardware Indonesia	5.0
Bank Tabungan Negara	4.1
Total Number of Holdings	39

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.9x
Predicted Return on Equity (%)	17.6
Predicted Dividend Yield (%)	2.5

## Risk Metrics

Tracking Error (% pa)	13.31
Beta	0.58
Alpha	1.00
Volatility (%)	15.43
Sharpe Ratio	0.35

## Thematic Breakdown (%)

Modern Retail	28.6	
Leisure/Tourism	19.7	
Communication Technology	15.3	
Local Brands	14.9	
Infrastructure	11.3	
Financialisation	7.9	
Cash	2.4	

## Geographical Breakdown (%)

India	29.5	
Vietnam	24.8	
Indonesia	17.0	
Philippines	13.1	
Sri Lanka	3.6	
Malaysia	3.6	
Pakistan	3.5	
Cash	2.4	
Singapore	2.4	

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## Management Fees

### Annual Management Fee

1.5% p.a. Paid monthly in arrears

### Performance Fee

All Classes except Class U: 10% NAV appreciation with a 6% hurdle annually

Class U: 10% NAV appreciation with a 1.5% hurdle, quarterly

## Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Weekly, Friday
Min. Initial Subscription	USD 10,000
Subscription Notice	2 business days
Redemption Notice	2 business days

## Share Class Details

Share Class	Sedol	ISIN	Month-end NAV
A USD Unhedged Non distributing	B2PKN21	IE00B2PKN210	144.76
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	137.34
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	69.75
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	186.22
U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	94.00

Performance fee based on individual investor's holding.

Performance fee based on fund performance as a whole.

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