

# Prusik Asian Smaller Companies Fund



GROWTH INVESTING IN ASIA

PRUSIK

28 February 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)	32.9m
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	2.25	2.11	2.17
3 Month	5.04	4.42	4.74
Year to Date	5.20	4.84	5.01
Since Launch	48.01	51.10	7.14
Annualised <sup>†</sup>	3.61	3.85	0.76

Source: Morningstar.

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

<sup>†</sup>Since Launch Performance

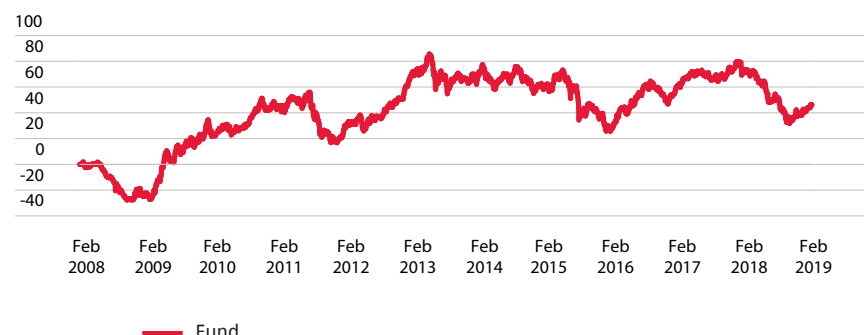
## Investment Process

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

In February, the Prusik Asian Smaller Companies Fund rose by 2.3%, which was in-line with the main Asia ex-Japan index. The Asia ex-Japan small cap index performed slightly better in the month, up 2.5%. During February, the fund saw very good absolute and relative returns in the Philippines, driven by convenience store operator, **Philippine Seven**, and casino group, **Bloomberry Resorts**. **Philippine Seven** was likely playing catch up after a subdued January, while **Bloomberry** benefitted from being added to the main MSCI index in the Philippines. Elsewhere, we saw marginal outperformance in India and Indonesia (44.7% combined weighting) and marginal underperformance in Pakistan and Sri Lanka (8.2% combined weighting). Our Vietnam portfolio returned 4.2% in the month, which was positive in absolute terms but poorer than the main Vietnam index.

The key driver of performance, however, was the 53.5% return we saw in ASEAN ecommerce and gaming company, **Sea Ltd**, which included a single day rise of 35% towards the end of the month. We bought shares in **Sea Ltd** during the IPO towards the end of 2017 due to our positive view on ecommerce in Indonesia and Vietnam, as well as the calibration of having Tencent as its biggest shareholder. High marketing spend and subsidised shipping in the ecommerce business have meant that the company is yet to turn a profit and so since listing discussions have focused on when the company might reach breakeven and how far it can grow without further rounds of fundraising. **Sea** finally gave a robust retort to its detractors in its 4Q18 results. Its self-developed game, Free Fire, has become a global success, ranking as the fourth most downloaded game in the Apple and Google Play app stores in 2018. As a result, **Sea's** gaming EBITDA grew by 100% year-on-year in 4Q18 and management expect gaming revenues to grow by a further 80-100% in 2019. This, combined with the fact that losses in the ecommerce business are expected to fall, has quashed fears that capital raising is imminent. Moreover, **Sea** looks set to become profitable sooner than expected. **Sea's** ecommerce business, Shopee, is currently trading on 0.1x 2020 EV/GMV, which represents a 90% discount to its global peers. Analysts have changed their ROE forecast for **Sea** from a negative reading in 2019 to 180%, which has lifted the fund's forecast ROE from 17.7% to 29.1%.

During the month, we exited **Muhibbah Engineering**. The key attraction for **Muhibbah Engineering** was its stake in Cambodia's three main airports which constituted around half of profits. Although the concession on these airport management contracts runs to 2040, there is growing concern that the next phase of airport expansion or even the contract to build a new airport will be won by the Chinese, in turn decimating the **Muhibbah's** airport passenger numbers. In fact, even though the government has yet to make a decision, the Chinese have already bought a large plot of land in Phnom Penh and have started clearing it in anticipation of a win. In light of this, the risk-reward for the stock is no longer attractive.

The funds raised were recycled into **Lucky Cement** in Pakistan. **Lucky** is the second largest cement producer in Pakistan and the lowest cost producer due to its captive power plant. Owing to China's investments in Pakistan, the industry is seeing incremental cement demand of 10-15%. **Lucky** also has a JV with auto OEM, Kia Motors, and is due to start commercial production in the coming quarters. The shares had sold off on the back of input cost rises and currency depreciation impacting margins, thus enabling us to buy the shares on 11.1x ex-cash P/E. **Lucky** is net cash and typically generates over 20% ROE.

All data as at 28.02.19. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asian Smaller Companies Fund



## Top 5 Holdings (%)

Philippine Seven Corporation	7.6
FPT Corporation	6.8
Mobile World Investment Corporation	6.7
Ace Hardware Indonesia	4.9
Sea Ltd	4.0
Total Number of Holdings	39

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.8x
Predicted Return on Equity (%)	29.1
Predicted Dividend Yield (%)	2.7

## Risk Metrics

Tracking Error (% pa)	13.26
Beta	0.58
Alpha	1.06
Volatility (%)	15.39
Sharpe Ratio	0.36

## Thematic Breakdown (%)

Modern Retail	30.6	<div></div>
Leisure/Tourism	16.1	<div></div>
Communication Technology	15.8	<div></div>
Local Brands	14.1	<div></div>
Infrastructure	11.9	<div></div>
Financialisation	7.8	<div></div>
Cash	3.7	<div></div>

## Geographical Breakdown (%)

Vietnam	28.1	<div></div>
India	27.8	<div></div>
Indonesia	15.2	<div></div>
Philippines	14.0	<div></div>
Pakistan	5.6	<div></div>
Singapore	4.0	<div></div>
Cash	3.7	<div></div>
Sri Lanka	1.6	<div></div>

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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	148.01
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	140.42
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	71.22
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	190.26
U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	94.94

Performance fee based on individual investor's holding.

Performance fee based on fund performance as a whole.

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