

Prusik Asian Smaller Companies Fund



GROWTH INVESTING IN ASIA

PRUSIK

31 January 2018

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) | 59.2m |
| 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 | 1.78 | 1.58 | 1.65 |
| 3 Month | 6.97 | 6.40 | 6.72 |
| Year to Date | 1.78 | 1.58 | 1.65 |
| Since Launch | 78.36 | 86.07 | 30.68 |
| Annualised [†] | 5.97 | 6.50 | 3.38 |

Source: Morningstar.

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

[†]Since Launch Performance

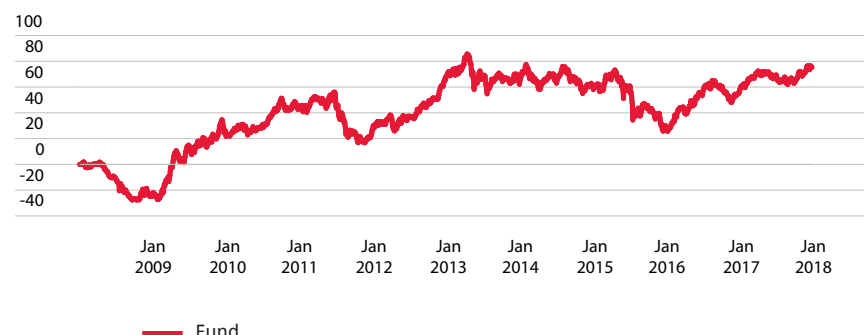
Investment Process

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

Asia had an exuberant start to the year with the Asia ex-Japan index returning 6.7% in a single month. This was largely driven by China with the MSCI China index rising by 12.4% in January. Smaller companies, in general, in Asia continued to lag the main index with the small cap Asia index up 5.1% in January or 1.6% behind the broader index. Our Prusik Asian Smaller Companies Fund returned a steady 1.8% in January. While we saw good returns in Vietnam, Indonesia, Cambodia and Pakistan of over 5%, gross of fees, the fund's 32.5% weighting in India offset some of these gains. The MSCI India Smaller Companies Index fell by 1.9% in January and the fund's India exposure fell in line with this. Rumours regarding the introduction of capital gains tax in India, which were finally confirmed in the budget announcement at the beginning of February, may have contributed to this.

A clear bright spot for the fund in January was Pakistan which returned 16.8%, gross of fees. We believe the 5% devaluation of the Pakistan Rupee in early December combined with very attractive valuations were finally sufficient to see capital return to the market. We continue to see positive developments for our holdings here. **Habib Bank** has recently announced a new CEO, who was previously Head of Asia Pacific for JP Morgan, and a surprise 25bps increase in interest rates should be supportive of net interest margins. For **Indus Motor**, management have successfully passed on all input cost increases caused by the devaluation in the form of higher prices. We added to our existing exposure in Pakistan in early January.

Around half of our holdings have reported earnings for the September to December quarter (and therefore the full calendar year for 2017) with the majority of these releases coming from India and Vietnam. The average earnings growth for calendar year 2017 for our holdings which have reported is 24% year on year. For our India portfolio this stands at 21% year on year, whilst for our Vietnam portfolio this stands at 30%. A handful of our holdings saw particularly strong earnings growth in 2017. This includes Vietnam broker, **Ho Chi Minh City Securities**, with earnings up 73%, Indian wealth manager, **Edelweiss**, with earnings up 43% and Vietnamese software company, **FPT**, with earnings up 39%. We believe strong double-digit earnings growth will remain supportive of share prices over the long term.

Finally, during the month, we made a number of small changes to the fund. Firstly, we trimmed a couple of our holdings where the stocks had re-rated significantly in a relatively short space of time, despite there being little change to the underlying business. Vietnamese shopping mall operator, **Vincom Retail**, Indian cinema chain, **PVR**, and Indian home appliances retailer, **Bajaj Electricals**, had all re-rated to over 35x P/E. We also added two new positions to the fund, **Muhibbah Engineering**, which derives around 40% of its profit before tax from the airport management business for the three leading airports in Cambodia, and **John Keells Holdings**, which is a Sri Lankan conglomerate with 38% of sales coming from its consumer food and retail business. Both companies are well positioned to offer robust earnings growth but for much lower valuations with **Muhibbah Engineering** trading on 11.5x P/E and **John Keells Holdings** trading on 12.9x P/E at the time of purchase.

All data as at 31.01.18. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Smaller Companies Fund



Top 5 Holdings (%)

| | |
|-------------------------------------|-----|
| FPT Corporation | 7.1 |
| Mobile World Investment Corporation | 6.2 |
| Ace Hardware Indonesia | 4.2 |
| Phoenix Mills Ltd | 3.8 |
| Philippine Seven Corporation | 3.4 |
| Total Number of Holdings | 41 |

Portfolio Financial Ratios

| | |
|--------------------------------|-------|
| Predicted Price/Earnings Ratio | 14.7x |
| Predicted Return on Equity (%) | 16.6 |
| Predicted Dividend Yield (%) | 2.3 |

Risk Metrics

| | |
|---|-------|
| Tracking Error (% pa) | 13.61 |
| Beta | 0.57 |
| Alpha | 2.48 |
| Volatility (%) | 15.49 |
| Sharpe ratio | 0.59 |
| % of the portfolio which could be sold in 2 business days | 53.49 |

Thematic Breakdown (%)

| | | |
|--------------------------|------|-------------|
| Local Brands | 27.6 | <div></div> |
| Modern Retail | 19.0 | <div></div> |
| Financialisation | 15.1 | <div></div> |
| Infrastructure | 14.1 | <div></div> |
| Communication Technology | 13.0 | <div></div> |
| Leisure/Tourism | 9.9 | <div></div> |
| Cash | 1.3 | <div></div> |

Geographical Breakdown (%)

| | | |
|-------------|------|-------------|
| India | 32.5 | <div></div> |
| Vietnam | 28.3 | <div></div> |
| Indonesia | 11.3 | <div></div> |
| Sri Lanka | 9.7 | <div></div> |
| Pakistan | 6.7 | <div></div> |
| Philippines | 3.4 | <div></div> |
| Cambodia | 3.3 | <div></div> |
| Malaysia | 2.5 | <div></div> |
| Cash | 1.3 | <div></div> |
| Singapore | 1.2 | <div></div> |

All data as at 31.01.18. Source: Prusik Investment Management LLP, unless otherwise stated.

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 | 178.36 |
| B USD Unhedged Distributing | B2PKN32 | IE00B2PKN327 | 173.10 |
| C GBP Hedged Distributing | B2PKN43 | IE00B2PKN434 | 89.81 |
| D SGD Hedged Distributing | B3M3HJ5 | IE00B3M3HJ55 | 237.52 |

Performance fee based on individual investor's holding.

| | | | |
|-----------------------------|---------|--------------|--------|
| U GBP Unhedged Distributing | BBQ37T7 | IE00BBQ37T77 | 110.25 |
|-----------------------------|---------|--------------|--------|

Performance fee based on fund performance as a whole.

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