

# Prusik Asian Smaller Companies Fund



GROWTH INVESTING IN ASIA

PRUSIK

31 October 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)	32.5m
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	-6.21	-6.38	-6.34
3 Month	-11.79	-12.11	-12.03
Year to Date	-24.22	-25.39	-24.91
Since Launch	32.80	36.68	-3.46
Annualised <sup>†</sup>	2.68	2.99	-0.40

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

The Asia ex-Japan index saw a sharp correction in October as the trade war negotiations continued and China invoked a number of unexpected reforms which led to concerns that China is returning to a more centrally planned economy at the expense of the private sector. The Shanghai Composite saw turnover fall to the lowest level since January 2016 and the index touched levels not seen since 2014. With the fund's focus on the 'demographic growth' markets in Asia, the fund's relative performance fared well in October with a negative return of 6.21%, 4.04% ahead of the negative index return of 10.26%. The decline in the oil price from over \$85 a barrel to less than \$75 a barrel was also supportive, given that most of our invested countries are oil importers.

Key positive contributors at the country level were the Philippines and Sri Lanka. The Philippines benefitted from signs that the trade deficit may be stabilising and inflation reports were within expectations. Sri Lanka rallied on the controversial news that the President has sworn in the former President, Mahinda Rajapaksa, as his Prime Minister. While, technically, it is constitutionally possible to make such an appointment, it is less clear whether the President has the constitutional right to remove the sitting Prime Minister. Rajapaksa is credited by many for winning the civil war in 2009 and seen as a populist leader who may introduce pro-growth policies to boost the economy. We are currently looking into the potential pitfalls and positives of this in more detail.

Elsewhere, we saw constructive developments in Pakistan where Imran Kahn has successfully managed to broker a deal with Saudi Arabia to help improve Pakistan's balance of payments position. The total financial support Saudi Arabia has agreed to provide is US\$6 billion in two tranches. Given that Pakistan is alleged to be looking for financial support from the IMF in the region of US\$8-12 billion, this is significant, and represents a real coup for Kahn at such an early stage in his leadership.

In India, concerns regarding the NBFCs continued as news emerged that Supertech, one of the country's largest unlisted developers, has defaulted. As mentioned in our September report, asset quality remaining sound is essential for the current loss of confidence not to turn into a real systemic dislocation and the Supertech default has led to more questions regarding asset quality. While the system should be able to digest a handful of isolated incidents such as this, it is key that it does not become more broad-based. For now, however, we are seeing clear indications of liquidity conditions improving and a number of NBFCs have recently reported very good quarterly results in October, including **Edelweiss**, which we hold (profits +47% yoy). November will be an important month in this saga with large amounts of borrowings for the sector due to be rolled over. We are travelling to India this month and are looking forward to the opportunity to glean what is happening on the ground.

All data as at 31.10.18. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asian Smaller Companies Fund



## Top 5 Holdings (%)

FPT Corporation	6.5
Mobile World Investment Corporation	6.5
Ace Hardware Indonesia	6.0
Philippine Seven Corporation	5.9
Taseco Air Services	4.1
Total Number of Holdings	35

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.6x
*Historic Return on Equity (%)	17.8
Predicted Dividend Yield (%)	2.6

\* Historic used as Sea Ltd has a negative predicted ROE which distorts, disproportionately, the predicted portfolio ROE.

## Risk Metrics

Tracking Error (% pa)	13.37
Beta	0.58
Alpha	0.70
Volatility (%)	15.46
Sharpe Ratio	0.28

## Thematic Breakdown (%)

Modern Retail	24.7	
Local Brands	21.3	
Leisure/Tourism	18.0	
Communication Technology	15.5	
Infrastructure	9.2	
Financialisation	6.9	
Cash	4.6	

## Geographical Breakdown (%)

India	28.8	
Vietnam	24.8	
Indonesia	12.4	
Philippines	10.7	
Sri Lanka	9.0	
Cash	4.6	
Malaysia	3.7	
Pakistan	3.7	
Singapore	2.3	

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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	132.80
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	127.14
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	65.02
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	172.98
U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	89.71

Performance fee based on individual investor's holding.

Performance fee based on fund performance as a whole.

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