

Prusik Asian Smaller Companies Fund



GROWTH INVESTING IN ASIA

PRUSIK

28 September 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)	34.7m
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	-5.68	-5.78	-5.74
3 Month	-8.66	-8.93	-8.85
Year to Date	-19.20	-20.30	-19.82
Since Launch	41.60	45.99	3.07
Annualised [†]	3.32	3.66	0.35

Source: Morningstar.

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

[†]Since Launch Performance

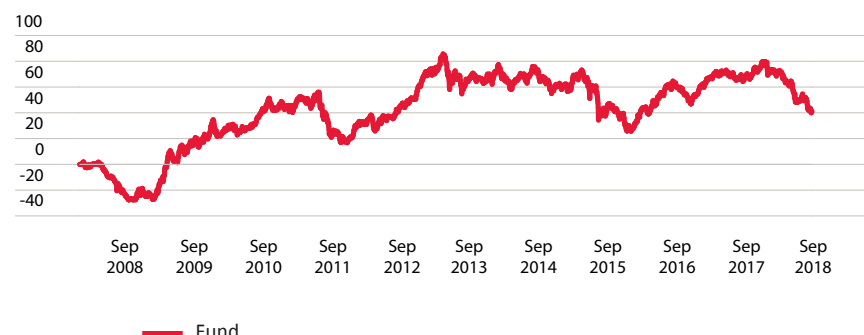
Investment Process

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

India saw a sharp correction in September, particularly small caps. While further oil price rises and US 10-year yields topping 3% had begun to prompt a de-rating, this trend was significantly worsened by Infrastructure Leasing & Financial Services (IL&FS) defaulting on one of its bonds. IL&FS is an unlisted infrastructure operator and financier, which was reliant on short-term financing to fund long term projects. Not only did this highlight the vulnerability of 'borrow short and lend long' models, but IL&FS was also a significant holding in two of India's largest credit based mutual funds. Redemptions for these funds led to forced selling of short term financing for India's 'Non-Bank Financial Companies' (NBFCs), in turn raising yields and causing widespread panic about NBFCs' ability to refinance and/or what the cost of that refinancing might be. NBFCs have become an important part of India's financial system in recent years, accounting for 45% of incremental loans in FY18, and so concerns also emerged that growth in India overall could slow. Against this backdrop and with 30% of the fund invested in Indian small caps, it is unsurprising that the fund was weak in September.

When assessing risks for the NBFCs, there are four important points to note. Firstly, NBFCs are essential to the Indian financial system, offering loans to customers who are not catered to by the banks on account of ticket size, location and product type etc. For example, NBFCs carry out the majority of lending to SMEs which make up 50% of India's economy. Secondly, NBFCs are not showing any signs of asset quality deterioration. Thirdly, NBFCs get funding from banks as well as commercial paper and as long as asset quality remains sound then banks will continue to lend to them. Finally, the term 'NBFCs' is wide-reaching and applies to companies providing financing for housing, infrastructure, consumer durables, farming equipment and more, and the merits of each must be assessed in terms of their individual loan books, financing sources, underwriting ability and cost management. Not all NBFCs are created equal. Finally, at a macro level, the central bank has been taking clear steps to ease liquidity, carrying out bond purchases for US\$6.5 billion, and relaxing banks' liquidity coverage requirements, which could increase liquidity by US\$35 billion.

Prior to the IL&FS default, the Prusik Asian Smaller Companies Fund had reduced its exposure to NBFCs, exiting LIC in February and Repco in August, which are mortgage financing NBFCs. We continue to hold **Edelweiss Financial Services**. Edelweiss is a well-diversified NBFC with half of profits coming from its market leading distressed credit business as well as its wealth management and capital markets businesses. It has a strong capital position with a 16.6% capital adequacy ratio and a 9-10% liquidity cushion on its balance sheet. We remain positive on Edelweiss on account of its top-3 market position in wealth management, a sector which has a tremendous structural growth opportunity in India with significant operating leverage benefits. We had recently bought a position in consumer finance market new entrant, **Indiabulls Ventures**, but the position was initiated at 0.5% and thus any negative impact here is de minimis.

Elsewhere, we reduced our position in **Mobile World** as the stock was reaching regulatory limits in terms of position size. As the foreign ownership capacity for the stock is full we achieved a 23% premium to the market price upon selling. At the time of writing, **Mobile World** remains our largest holding with a 7.3% weighting.

All data as at 28.09.18. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Smaller Companies Fund



Top 5 Holdings (%)

Mobile World Investment Corporation	6.9
FPT Corporation	6.7
Ace Hardware Indonesia	6.0
Philippine Seven Corporation	5.3
Taseco Air Services	3.8
Total Number of Holdings	35

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.1x
*Historic Return on Equity (%)	17.7
Predicted Dividend Yield (%)	2.4

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

Risk Metrics

Tracking Error (% pa)	13.36
Beta	0.58
Alpha	0.74
Volatility (%)	15.41
Sharpe Ratio	0.34

Thematic Breakdown (%)

Modern Retail	24.2	<div></div>
Local Brands	20.7	<div></div>
Leisure/Tourism	17.6	<div></div>
Communication Technology	15.9	<div></div>
Infrastructure	9.5	<div></div>
Financialisation	7.8	<div></div>
Cash	4.6	<div></div>

Geographical Breakdown (%)

India	28.7	<div></div>
Vietnam	25.6	<div></div>
Indonesia	13.0	<div></div>
Philippines	9.8	<div></div>
Sri Lanka	8.4	<div></div>
Cash	4.6	<div></div>
Pakistan	3.8	<div></div>
Malaysia	3.7	<div></div>
Singapore	2.5	<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	141.60
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	135.56
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	69.45
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	184.69
Performance fee based on individual investor's holding.			
U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	93.39

Performance fee based on fund performance as a whole.

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