

# Prusik Asian Smaller Companies Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 July 2017

## 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)	50.1m
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	-1.95	-2.03	-2.01
3 Month	-0.51	-0.79	-0.69
Year to Date	13.54	12.68	13.04
Since Launch	69.34	78.12	24.48
Annualised <sup>†</sup>	5.72	6.37	2.95

Source: Morningstar.

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

<sup>†</sup>Since Launch Performance

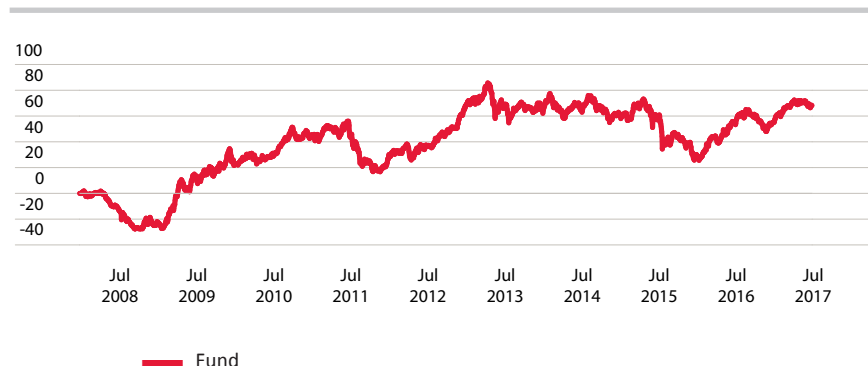
### Investment Process

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

Over the second quarter, we moved significantly towards being fully invested in the demographic growth markets. The demographic growth markets, whilst offering some of the best growth opportunities in Asia and comprising a combined population of over 2 billion people, make up just 14.5% of the M2APJ index. Specifically, India has a 10.1% weighting in the index, followed by 2.8% for Indonesia, 1.4% for the Philippines, 17bps for Pakistan and zero weighting for Vietnam and Sri Lanka as both Vietnam and Sri Lanka are still classified as Frontier Markets. So, although we are still measuring the performance of the fund relative to M2APJ index, we are currently and will continue to be invested very differently to the index.

It is worth bearing these points in mind when observing that July has been a testing month for the fund with a significant portion of our portfolio posting nominal to negative returns. From a country perspective, Vietnam and Pakistan contributed most of this underperformance, with Pakistan causing the lion's share of this. As a result, the fund NAV fell 2.0%. The M2APJ, however, rose 5.2%, driven by rises in North Asia, especially China.

In Pakistan the PM, Nawaz Sharif, has been under investigation for some time with regard to allegations of corruption and money laundering as part of the Panama Papers. These investigations came to a head in July with it looking increasingly likely that the PM would be ousted, creating significant negative sentiment and a de-rating of the market. At the time of writing the PM has finally been deposed. Pakistan will now enter a transition period after which the PM's brother, Punjab's Chief Minister, Shahbaz Sharif, will become the elected PM.

This political uncertainty has also come at the same time as Pakistan exiting the MSCI Frontier Markets index and entering the Emerging Markets index. Selling by the Frontier funds has not been matched by the Emerging Market passive inflows and anecdotal evidence suggests that active Emerging Market managers remain on the sidelines, at least for now. These flows have provided further impetus to the recent market weakness.

While politics is likely to continue to guide market sentiment in the very short term, we would note that the Pakistan KSE-100 index is now on 9.5x P/E, having de-rated from a high of 12x P/E in just a matter of months. As such, we are assessing whether this de-rating has sufficiently opened up valuation opportunities in select stocks. Indeed, the bigger picture fundamentals for Pakistan remain positive with earnings forecast to grow by 12% in the next year, interest rate cuts to the tune of 50bps expected by mid-next year and of course further progress is anticipated in the CPEC project to support GDP growth.

This fund is now trading on 12.5x P/E with 23.0% ROE while the M2APJ Index is on 14.4x P/E with 12.6% ROE. If further weakness in these markets prevails over the summer we would view this as a great buying opportunity.

All data as at 31.07.17. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asian Smaller Companies Fund



## Top 5 Holdings (%)

FPT Corporation	6.4
Mobile World Investment Corporation	5.8
Philippine Seven Corporation	3.9
Hemas Holdings	3.8
Pak Elektron Ltd	3.7
Total Number of Holdings	31

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.5x
Predicted Return on Equity (%)	23.0
Predicted Dividend Yield (%)	2.5

## Risk Metrics

Tracking Error (% pa)	13.72
Beta	0.58
Alpha	2.96
Volatility (%)	15.78
Sharpe ratio	0.56

% of the portfolio which could be sold in 2 business days

72.62

## Thematic Breakdown (%)

Local Brands	40.7	<div></div>
Infrastructure	16.7	<div></div>
Financialisation	16.0	<div></div>
Cash	12.1	<div></div>
Communication and Technology	11.2	<div></div>
Leisure/Tourism	3.3	<div></div>

## Geographical Breakdown (%)

India	25.7	<div></div>
Vietnam	25.6	<div></div>
Indonesia	13.0	<div></div>
Cash	12.1	<div></div>
Pakistan	10.5	<div></div>
Sri Lanka	6.2	<div></div>
Philippines	3.9	<div></div>
Taiwan	2.8	<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	169.34
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	165.49
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	86.55
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	227.81
Performance fee based on individual investor's holding.			
U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	113.07

Performance fee based on fund performance as a whole.

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