

Prusik Asian Smaller Companies Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 August 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)	49.2m
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	-1.54	-1.65	-1.57
3 Month	-1.19	-1.52	-1.36
Year to Date	11.79	10.82	11.26
Since Launch	66.74	75.18	22.53
Annualised [†]	5.49	6.12	2.70

Source: Morningstar.

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

[†]Since Launch Performance

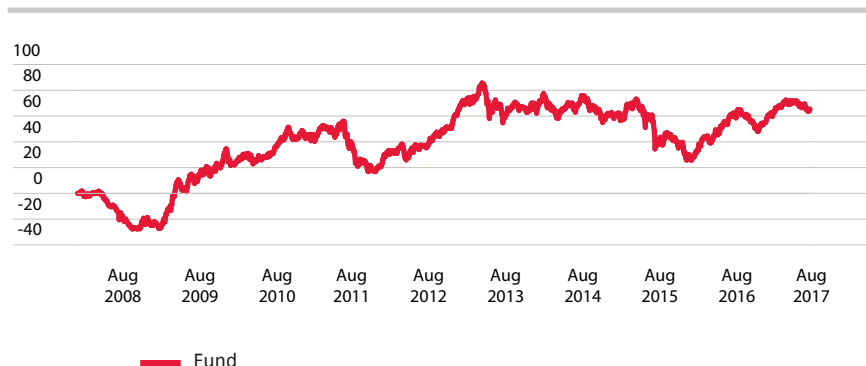
Investment Process

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

In August, the M2APJ rose by 1.1%, setting a record for the index. This is being driven by the economic recovery and strong earnings growth environment we are witnessing in Asia, especially North Asia. The Prusik Asian Smaller Companies Fund fell 1.5% in August, reflecting the very different performance of the markets we are invested in.

During the month our investments in Indonesia and Vietnam performed well, while our India exposure also posted positive returns. The chief headwind for the fund in August continued to be Pakistan where negative sentiment related to the political gyrations persisted.

In Indonesia, telco tower company, **Sarana Menara**, saw double digit returns following its in-line quarterly results, and news that the company may bid for two smaller tower companies. **Sarana Menara** has a much stronger balance sheet than its peers and so is best placed to make such acquisitions, which we expect to be value accretive. This is a core part of our investment thesis.

Elsewhere, Vietnam's mobile and electronics retailer and ecommerce champion, **Mobile World**, also had a good month post, reporting 56.2% year on year sales growth for 2Q17.

As touched on above, the MSCI Pakistan index fell 13.5% in August following the announcement that the PM would be ousted at the end of July. Fears regarding the potential for currency weakness and pressures on foreign currency reserves likely had a further dampening effect on the market as well.

Pakistan's **Habib Bank** was particularly weak. In recent years, **Habib Bank** has faced question marks regarding non-compliance at its New York branch. This came to a head in August when the US authorities completed their investigations, recommending the maximum fine of US\$629 million, significantly more than expected. Unsurprisingly, the shares fell sharply in reaction to the news. However, **Habib Bank** has since announced that the final agreement made with the US authorities is to pay a much reduced fine of US\$225 million, far closer to the expected amount. The shares are already recovering. Now trading on 1.3x P/B versus its 5 year average of 1.7x P/B with a high teens sustainable ROE, the shares currently offer tremendous value.

More broadly, the fund's Pakistan portfolio is currently on just 7.4x P/E. With the possibility of another IMF programme to be initiated in 2018, 5.6% GDP growth for FY17 and the CPEC programme still very much intact, we believe our Pakistan exposure looks very attractive.

Finally, we have initiated a new position in India, **Future Retail**, a leading hypermarkets and convenience store operator with around 35-45% of sales coming from food and groceries. Penetration of the organised sector in the food and grocery market in India is just 3%. The introduction of GST is expected to radically change this, however, as unorganised players will no longer benefit from their tax and other advantages. Moreover, management plan to grow the convenience store business from c.550 stores to 3,000 stores by 2022. We purchased the shares at 26.6x March 2019 P/E and a 56% discount to supermarket and convenience store operator darling, Avenue Supermarkets, and have already made good traction in the stock.

All data as at 31.08.17. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Smaller Companies Fund



Top 5 Holdings (%)

FPT Corporation	6.6
Mobile World Investment Corporation	6.5
Philippine Seven Corporation	4.0
Bank Danamon Indonesia	3.7
Phoenix Mills Ltd	3.6
Total Number of Holdings	32

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.8x
Predicted Return on Equity (%)	22.6
Predicted Dividend Yield (%)	2.7

Risk Metrics

Tracking Error (% pa)	13.68
Beta	0.57
Alpha	2.71
Volatility (%)	15.73
Sharpe ratio	0.54
% of the portfolio which could be sold in 2 business days	82.49

Thematic Breakdown (%)

Local Brands	39.9	
Financialisation	18.0	
Infrastructure	14.8	
Communication Technology	12.1	
Cash	9.3	
Leisure/Tourism	5.8	

Geographical Breakdown (%)

India	28.4	
Vietnam	26.3	
Indonesia	13.8	
Cash	9.3	
Pakistan	6.7	
Sri Lanka	5.7	
Philippines	4.0	
Taiwan	3.3	
Cambodia	2.5	

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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	166.74
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	162.95
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	85.12
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	224.23
Performance fee based on individual investor's holding.			
U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	113.12

Performance fee based on fund performance as a whole.

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