PRUSIK

GROWTH INVESTING IN ASIA

Prusik Asian Smaller Companies Fund

Quarterly Investment Report
30 March 2018

FOR PROFESSIONAL INVESTORS ONLY

PASCF Quarterly March 2018

1Q18 Performance

During the quarter, the fund fell by 2.8% in US dollar terms, whilst the M2APJ index fell by 0.7%, resulting in a 2.1% underperformance for the fund. Small caps, overall, in Asia were slightly weaker during the quarter with the Asia ex-Japan Small Cap Index falling by 34bps more than the main index.

In terms of performance by theme, our leisure/tourism, financialisation and communication tech themes saw returns above the index with leisure/tourism seeing particularly strong absolute as well as relative returns, led by Cambodian casino operator, **Nagacorp**, and Vietnamese duty-free store operator, **Taseco Air Services**. Our modern retail and local brands themes were slightly weaker than the index, whilst the greatest drag in both absolute and relative returns in the quarter came from our infrastructure theme as Vietnamese developer, **Coteccons**, corrected.

Theme	PASCF Absolute Attribution 1Q18
Leisure & Tourism	1.00%
Communication Tech	0.07%
Financialisation	0.04%
Local Brands	-0.75%
Modern Retail	-0.87%
Infrastructure	-1.59%

Source: Bloomberg / Prusik

By country, we saw very healthy relative and absolute returns in Cambodia, Indonesia and the Philippines as well as positive absolute returns in Pakistan and Sri Lanka.

Our Vietnam exposures were flattish in the quarter, although this belies far greater gyrations at a stock level where strong returns from brokerage company, **Ho Chi Minh Securities**, the aforementioned **Taseco Air Services** and software company, **FPT Corp**, were offset by corrections in leading electronics retailer, **Mobile World**, and property developer, **Coteccons**. We would also note that the fund's flattish returns in Vietnam were quite different to the index on account of our small cap bias as continued flows into ETFs and large cap index positions in Vietnam drove the index there much higher.

India, however, was the key reason for the fund's negative return in the quarter on account of the authorities' announcement in this year's budget that Indian equities will be subject to capital gains tax of 10% from this financial year. While this news was disappointing, as it seemingly goes against the notion of free capital markets and appears unnecessarily punitive for a market where the financialisation of assets is still at such a nascent stage, we nevertheless remain very positive on India as one of the best long-term growth opportunities at large in Asia today.

	PASCF Weighting (%)	PASCF Return (%)	Index Return (%)	PASCF Relative Performance (%)
Cambodia	3.5	33.4	0.2	33.2
Indonesia	11.5	6.5	-6.7	13.3
Philippines	4.2	0.7	-11.5	12.1
India	31.0	-11.1	-6.8	-4.3
Sri Lanka	9.8	0.7	5.6	-4.8
Pakistan	6.6	4.5	11.4	-6.8
Malaysia	2.2	-5.2	9.1	-14.3
Singapore	1.3	-15.5	1.3	-16.8
Vietnam	27.9	-0.6	17.8	-18.4

Source: Bloomberg / Prusik

From a stock perspective, the top contributors to performance in the quarter were Vietnamese brokerage, **Ho Chi Minh City Securities**, Cambodian casino operator, **Nagacorp**, and our organised retailer of building materials and lifestyle goods in Indonesia, **Ace Hardware**. Strong returns were also seen from **Habib Bank** in Pakistan, our Indonesian dairy brand, **Ultrajaya**, and Vietnamese duty-free store operator, **Taseco Air Services**. The key detractors in the month were Vietnamese property developer, **Coteccons**, and our Indian non-bank financials, **Edelweiss Financial Services** and **Repco Home Finance**. **Mobile World** was also unhelpful in the quarter on account of a slight correction combined with its relatively large weighting in the fund.

Finally, currency movements accounted for a significant portion of the fund's negative return in the quarter, marking a reversal of the trend seen in 2017. During the quarter, the Philippine peso and the Pakistan rupee were particularly weak, falling by more than 4%. In the case of Pakistan, the authorities engendered a second depreciation of the currency, following a first depreciation in December 2017. This was largely welcomed by the market for its ability to ease the pressure on the country's balance of payments, plus this had been the longstanding advice of the IMF. The Indian rupee fell by 2.0% in the quarter, while the Indonesian rupiah and the Sri Lankan rupee fell by around 1.5%. At the time of writing, we have seen further weakness of the local currency against the dollar in India, Indonesia and Sri Lanka.

Portfolio Changes

We made a number of changes to the fund during the quarter. Both **Ho Chi Minh City** and **Nagacorp** were sold on account of the stocks reaching our valuation targets, whilst **Coteccons** was sold post meeting with management where they revealed their plans to bid for lower margin government infrastructure projects and carry out acquisitions to drive future growth. Other sales included exiting Indian home appliance brand, **Bajaj Electricals**, where we had made a very good return since purchase, and Indian mattress brand, **Sheela Foam**. Both stocks were on very high P/E multiples and, increasingly, we were having to question their ability to compound earnings at a high enough rate to justify these multiples. We also exited Vietnam steel company, **Hoa Sen**, and Indian mortgage finance company, **LIC Housing Finance**. While headline valuations for these stocks were more palatable, earnings momentum for both companies had disappointed for some time and further investigations into their core businesses highlighted structural weaknesses, which looked likely to persist over the long term.

The funds raised were invested into leisure/tourism plays across a broad range of markets, including India, the Philippines, Vietnam, Sri Lanka and Cambodia (via a listing in Malaysia). As of the end of April this year, our weighting in our leisure/tourism theme has risen to 16.0% up from 6.1% as of the end of December 2017.

2018 Quantitative Tightening Versus 2013 Taper Tantrum: How Asia Compares Now and Then

Pressure on current accounts, driven by higher oil prices and less demand for South East Asian government debt as US bond yields rise, has led to currency depreciation for many of our invested countries and questions as to whether GDP growth is likely to soften in these countries or even enter a down-cycle, prompted by rising fiscal pressures and enforced interest rate rises. With the caveat that we are far from macroeconomic experts, we believe our invested countries, in the main, are in far greater financial health with far stronger financial buffers when compared with their history over the past 5, 10 or even 20 years. As such, these fears may be overblown. With inflation at multi-year lows, fuel price controls in select countries, excess capacity still in evidence and employment yet to hit peak levels, there is scope for a tick-up in inflation, whilst the likelihood of inflationary pressures building to worrying levels appears low. In addition, with interest rates in our invested countries at multi-year lows, consumers and corporates should be able to withstand one or two rate rises. While risks remain and currencies in the near term may continue to be a headwind for the fund, we believe our invested countries are well placed to successfully navigate the adjustments we are undergoing as central banks attempt to return to 'more normalised' financial conditions. To flesh this point out further, let's take a look at the data for the current period compared to the 2013 'taper tantrum'.

India

India, our largest country exposure at around a third of the fund, has seen a marked improvement when compared with the 'taper tantrum' period. Firstly, in 2013, India's current account deficit was at a multi-year peak of 4.8%, whilst at the end of 2017, India's current account deficit stood at 1.9%. In addition, India's FX reserves totalled US$292 billion in 2013, equating to 6.4 months of import cover, whilst at the end of 2017 FX reserves stood at a multi-year high of US$431 billion; even post the recent central bank intervention reserves are still in excess of US$400 billion. Inflation may have increased from the record lows of the post demonetization and GST introduction period but its latest posting of 4.6% is still a far cry from the 9.9% witnessed in 2013.

Interest rates are at a manageable 6% versus 7.75%, respectively. Finally, it is worth noting that although oil at US$80 per barrel or higher will continue to put pressure on both India's current account deficit and the currency, remittances can work as a stabilising factor. Over half of India's remittances by value come from the oil dependent GCC block and higher oil prices should boost remittances from this region. A stronger US economy is also likely to lead to an increase in remittances to India. Overall, remittances to India totalled US$68 billion in the financial year to March 2018, nearly double net foreign direct investment and nearly triple net portfolio flows.

Indonesia

Turning to Indonesia, where around 10% of the fund is invested, the macro improvements compared to the 2013 'taper-tantrum' period are underlined by its transition to investment-grade status. Similar to India, Indonesia's current account deficit has narrowed, decreasing from 3.2% in 2013 to 1.9% as of the end of 2017. As of March this year, Indonesia's current account had even swung into surplus, although this position reversed in April. Further, FX reserves reached US$130.2 billion as of the end of 2017, nearly a third higher than Indonesia's reserves of US$99.4 billion in 2013, and import cover has improved to 8.6 months from 5.9 months, respectively. Inflation has fallen dramatically from 8.1% five years ago to 3.4% and interest rates have edged down from 7.5% in 2013 to 4.5%. Certainly, Indonesia's higher exposure to US dollar debt compared to other countries in Asia (on account of it being one of the most liquid government bond markets in Asia with tenors all along the curve) makes it more vulnerable to flow driven stresses (according to the IMF, 50% of the cycle in Indonesia is driven by exogenous shocks); however, the country's inclusion in the Bloomberg bond index in June and the recent 25bps rate hike may encourage capital flows. In addition, a well-capitalised banking sector, underleveraged consumer and rising government spending on infrastructure should otherwise create a relatively supportive base for the economy. The fact that government debt to GDP in absolute terms is at a relatively manageable 29.3% is also worth highlighting.

Philippines

The Philippines stands out as the one country where recent financial indicators point to a deterioration rather than an improvement in the country's macro position. For example, the country's current account surplus has since transitioned to a small deficit and FX reserves have been steady rather than having notably improved over the period. In addition, interest rates at 3.2% are similar to rates in the Philippines in 2013 and inflation is marginally higher at 4.5% versus 4.1%, respectively. However, we believe this is an economy exhibiting some inflationary pressures as opposed to entering crisis territory. Moreover, we see the fund's investments in the Philippines as being well placed to withstand and even benefit from this backdrop. For example, the tax cuts which have been stoking inflation have helped consumers spend more in **Philippine Seven's** stores and our investment in leading casino operator, **Bloomberry Resorts**, is likely to attract more overseas VIP customers on account of the weaker peso. Thus, while the macro conditions in the Philippines are amongst the less robust in South East Asia, we would contend that our investment choices in this market matter more. We have 8% of the fund invested here.

Frontier Asia

Vietnam, Pakistan and Sri Lanka also, on balance, are on much sturdier financial footing compared to 5 years ago, although both their starting points and trajectories during this period will naturally have been quite different to their emerging Asia counterparts. Vietnam now boasts a healthy current account surplus, post many years of foreign direct investment, and is helped by the loose peg its currency shares with the US dollar. Sri Lanka, under the guidance of the IMF, is placing a greater focus on building up reserves and tax reforms. Pakistan, admittedly looks more vulnerable versus 2013 on account of a widening current account deficit, but it also now has the firm commitment from China for billions of dollars of investment as well as a willingness to provide short term financing. The IMF is primed to step in to inject further financial support to Pakistan should the situation require it as well. As a reflection of the relative financial strength of these economies, around a quarter of the fund is invested in Vietnam, while 12% of the fund is invested in Sri Lanka and just 6.5% of the fund is invested in Pakistan.

In short, while many of our invested countries are more vulnerable to currency depreciation as well as rising current account deficits, inflation and pressures to raise rates relative to other countries in Asia, crucially, in both absolute and relative terms they are in a significantly stronger financial position today when compared to the 2013 'taper tantrum' period. As such, we believe our invested countries appear well placed to successfully navigate the adjustments we are undergoing as central banks attempt to return to 'more normalised' financial conditions. Moreover, should rising bond yields, inflation upticks and asset allocation changes be on account of improving global growth, as we believe to be the case, then we would expect earnings growth in our invested countries to continue to be supportive and for this to act as a stabilising force post this current adjustment period.

To this point, earnings growth for the portfolio remains very attractive with 30.1% growth forecast for the coming year. Further, the overall backdrop of investing in countries with large and young populations at a very early stage of penetration for organised retail, goods and services, infrastructure, financial services and digitisation provides an enormously rich opportunity for growth over the longer term. It is also worth highlighting that balance sheets for our holdings are also robust – in fact, around a third of the fund is invested in companies with a net cash position – and the US dollar debt exposure for our holdings is negligible. Overall, we believe that strong company fundamentals combined with powerful demographic tailwinds for the markets we invest in over the long term creates an exciting and compelling investment proposition.

India

Earnings Growth: Green Shoots

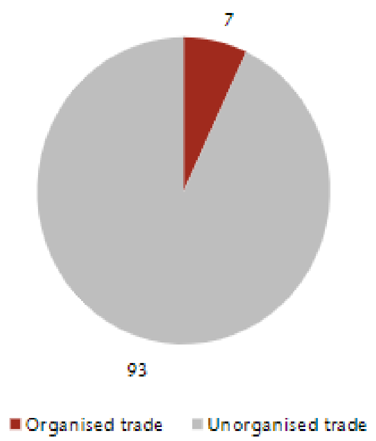
Beneath the ebb and flow of the political and macro discussions on India, something very intriguing is going on at the company level. After multiple quarters of weak, muted or mixed results in the wake of demonetisation and the introduction of GST, we are receiving note after note detailing not just strong earnings growth but strong earnings growth *which is far ahead of expectations*. This latter point is important. The period for comparison is relatively 'easy' given that it was in the immediate aftermath of demonetisation and its concurrent mini-cash crunch. However, this will already have been factored into consensus forecasts. Thus, we think it is significant that the latest earnings reports are ahead of an already optimistic consensus and, in numerous cases, by a wide margin. Interestingly, this trend is particularly evident in the more cyclical parts of the economy, such as advertising, traffic growth, and sales of two wheelers, jewellery, low cost airline tickets and home improvement items, all of which suggest a chipper Indian consumer.

Key examples we would point to are the 27% year on year growth in advertising sales for our Indian cinema chain, **PVR**, the 21% year on year growth in advertising sales witnessed by Indian broadcaster, Sun TV (in the past held by the Prusik Asian Equity Income Fund – this is particularly striking as the company has perennially delivered suboptimum single digit advertising growth), the 17% like for life traffic growth enjoyed by our toll road operator, **IRB Infrastructure**, and the 43% sales growth delivered by the organised retail channel of India's only listed building materials seller, **Shankara Building Materials**, also held in the fund. While it would be naïve to place too much weight on a single quarter, this at least hints at the tremendous growth potential that a consumer market like India represents and why, for now at least, the market appears willing to tolerate its stratospheric valuations.

The Key US$2,000 Per Capita Threshold Now Within Sight

As a reminder of this opportunity, the single most important statistic to focus on is that in 2017 GDP per capita in India reached US$1,983 (IMF), a hair's breadth away from the all-important threshold of US$2,000 per capita. Crucially, history reveals that when many other developing economies have crossed this threshold that it has heralded a significant boom in discretionary spending. As such, consumption in India is very clearly hitting a sweet spot. Add to this, the fact that organised retail in India still represents just 7-12% of total retail (numbers vary depending on the source) and demonetisation and GST reforms should accelerate the shift from unorganised to organised retail, it becomes clear that the opportunity for branded goods and organised retail and services in India is practically unparalleled, globally. This is why we have over 20% of the fund invested in companies geared directly into this trend in India via our local brands, modern retail and leisure and tourism themes.

Organised Trade in India



Source: Jefferies, IBEF report.

The Rise in Consumer Spending Post Crossing the US$2,000 Per Capita Threshold

Country	China	Russia	Brazil	South Korea	Singapore
Reached GDP per capita of $2000 in (Year)	2006	2001	1986	1984	1982
Trajectory of Retail sales after it reached $2000 per capita GDP	3x	2x	2x	4x	3x

Source: FLFL PPT

Walmart and Flipkart

Bearing all of this in mind, it is perhaps no surprise that Walmart, the largest bricks and mortar retailer globally, has chosen *now* to invest nearly a year's worth of its free cash flow into India, purchasing a 77% stake in one of the India's leading home-grown ecommerce companies, Flipkart, for US$16 billion. Walmart has been active in India since 2006, when it first inked a deal to form a JV with Bharti Enterprises to operate a wholesale cash and carry business. Yet twelve years on, all Walmart has to show for its efforts is a network of just 20 stores. While onerous regulations and the breakdown of the JV with Bharti a few years ago can partly explain this, we would argue that the Indian retail market has simply not looked attractive enough in a global context for Walmart to invest and expand aggressively. Fast forward to now and Walmart's multi-billion dollar investment and a willingness to pay 4.5x historic EV / sales underscores how high Walmart management's conviction is that the Indian consumption story is at a crucial tipping point. In case there is any room for doubt, here is how Doug McMillion, Walmart's CEO, put it to investors during a conference call discussing the deal:

"….when you step back and look at the world, look at all of the countries, their size, their growth rate, their potential, there just aren't opportunities like the one that we're looking at. India as a country, the growth rate, the GDP, the size of the market, the growth of middle income, the opportunity that still exists for the adoption of technology and mobile….I think it leads you to a conclusion that this is the right decision to make and to do this now and we're excited about it…."

Consumption on the Ground

Further corroborations of the tremendous opportunity for organised retail and branded goods and services in India were in evidence during our recent trip to the country. We have often said that a picture paints a thousand words and this is no exception.

Images of busy shoppers and very full shopping trolleys at Dmart, Mumbai. Source: Prusik.

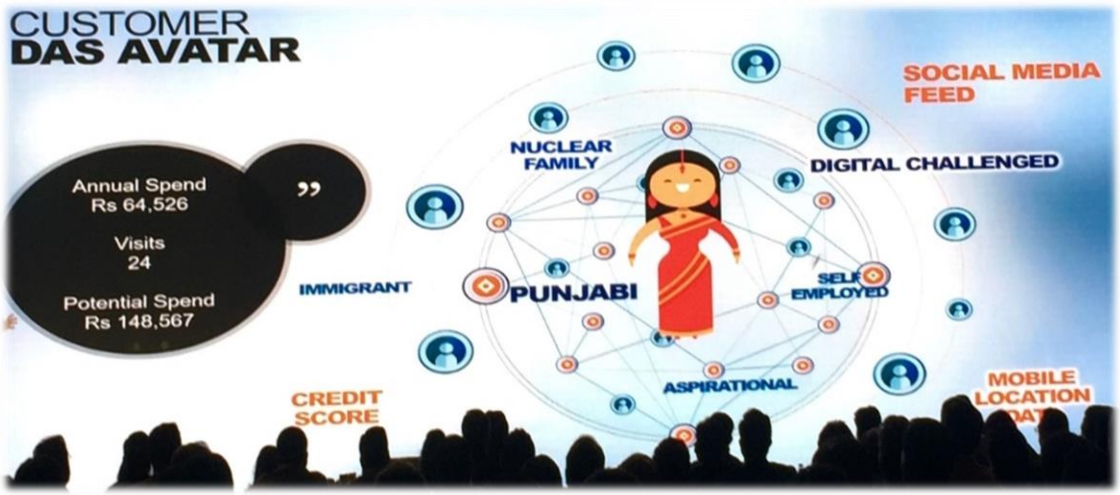
Following a busy day of meetings, we took time to stop by a 'Dmart' or neighbourhood based supermarket in the outskirts of Mumbai. The store was humming with visitors and shopping trolleys were notably packed to the brim. With grocery retailing representing the lowest penetration for organised retail out of all retail verticals in India at just 3%, this is a highly attractive area to invest. We prefer convenience store and hypermarket operator, **Future Retail**, to Avenue Supermarket, which operates the Dmart chain, largely on account of the former's more palatable valuation at 26.7x P/E, a c.70% discount to Avenue Supermarket on an eye-watering 84.6x P/E.

While organised retail for grocery shopping is growing in popularity in India, the majority of stores feature a 'kirana-like' format within their stores when it comes to selling household basics such as sugar, lentils and other dry goods. To our mind this 'market-like' feel within a modern supermarket suggests how nascent and gradual the shift towards organised food retail has been so far.

Images of 'kirana-like' or 'market-like' features in a Dmart store, Mumbai. Source: Prusik.

Another feature which struck us during our visits to India's leading supermarkets was the relative lack of product and brand diversification relative to more developed economies. Indeed, recent conversations on the subject have highlighted that there are many categories in India where established brands simply do not exist, meaning huge opportunities remain for the entrepreneurial and the innovative in India. Tellingly, two brands which dominated the shelves of every supermarket, hypermarket and convenience stores we visited are still relatively fledgling, especially when you compare them to the likes of, say, Nestle. Patanjali, the leading Ayurvedic inspired brand was created in 2006, whilst beverage sensation, Paper Boat, which based its flavours on childhood nostalgia, including sweet and sour raw mango juice and spicy cumin, first sold its juices in just 2013. Pleasingly for us, in the lighting section of the stores, it was the Crompton brand which dominated the shelves, an encouraging finding in support of the fund's investment in **Crompton Greaves**.


Images of single brands dominating the shelf space in organised retail stores, India. Source: Prusik.



Future Retail showcases data collection and consumer type mapping as part of its strategy. Source: Prusik / Future Retail Ltd Presentation, India.

The retention of kirana store features and relatively limited brand and product selection highlights how early it still is for organised grocery shopping in India. The fact that the Indian retail industry is at such a budding stage does not, however, preclude the rise of digitization as a key priority for the leading organised players. During our trip we had an exciting opportunity to attend a rare presentation given by Kishore Biyani, the promoter of Future Group, of which **Future Retail** is a part. Biyani set out his long-term vision for **Future Retail**, announcing its partnerships with Google and Facebook and detailing how digital strategies will sit at the core of the company's store roll outs in the coming years. As an additional fillip for organised retail, technology and innovation in Asia in general, it was China, not the West, which Biyani identified as the model to emulate.

Images of Kishore Biyani taking inspiration from Alibaba's, Jack Ma, and store digitisation strategy. Source: Prusik / Future Retail Ltd Presentation, India.

Turning to apparel, while the penetration of the organised sector is higher than food retail at 20%, the opportunity is no less vast. During our trip, there were a number of findings which we found particularly striking relating to this area of the retail market. Firstly, fast fashions' global leaders, Zara, H&M and Forever 21, are still something of a rarity in India. Likely on account of the regulations which require foreign brands to operate as part of an Indian JV with a maximum 49% stake, a lack of high quality mall space and women's relatively steady preference for ethnic-wear such as saris and churidhar, Zara, H&M and Forever 21 have only a fraction of the stores they have in China in India. For example, China is Zara's second largest market in terms of store-count with 638 stores but has less than 5% of this total in India at just 21 stores; H&M has over 450 stores in China but just 29 stores in India. Change, however, is afoot. In the last 12 months, both Zara and H&M have launched online operations in India and in the next 2 years, H&M wants to more than double its store count in India. This bodes well for our holding in high end mall operator, **Phoenix Mills**, which plans to double its mall space in the next 5 years and seeks to attract the likes of Zara and H&M to its tenant mix. A more ubiquitous fast fashion presence in India also augurs well for our holding in **Aditya Birla**, which recently acquired the rights to the Forever 21 franchise in India. **Aditya** has had a choppy start with Forever 21 as management have taken some time to find the appropriate price points for its Indian consumer, which is still in the process of transitioning to more modern modes of dressing. Yet, with the rise of urbanisation and the growth in the number of women working in India, we expect demand for non-traditional dress and fast fashion to gather pace over the long term. As you can see from the picture below, the prevalence of traditional dress in India is quite staggering! Excitingly, therein lies the opportunity.

Images of women in ethnic dress whilst queuing at the airport. Source: Prusik

Alibaba, Pakistan and Bangladesh

If you would agree that Walmart's investment in India is potentially something of a watershed moment for discretionary spending and the Indian consumer, then Alibaba's most recent investments outside its home turf also merit attention. Alibaba has recently initiated a second wave of investments in South East Asia. While the first round focused on investments in online payments company, Paytm in India, and ecommerce company, Lazarda in Indonesia, this second wave, rather fascinatingly, has centered on Pakistan and Bangladesh.

In recent weeks, Alibaba's acquisition of Daraz, the leading ecommerce company operating in Pakistan, as well as Bangladesh, Myanmar, Sri Lanka and Nepal, was confirmed by the company. In addition, several months ago, Ant Financial, Alibaba's affiliate, paid US$184.5 million for a 45% stake in Telenor Microfinance Bank, a fintech division of Norwegian operator, Telenor, which operates Pakistan's second largest telco. Looking at Alibaba's forays into overseas markets, this combination of buying into a country's leading ecommerce platform as well as a burgeoning online / mobile payments company is a common move. Most recently, Alibaba has bought a 20% stake in bKash, the equivalent of Vodafone's Mpesa in Africa, which is owned and operated by the esteemed Brac Bank in Bangladesh.

We find intra-Asia investments of this kind fascinating. While US-China trade wars may be grabbing the headlines, China's financial imperialism in its own back yard continues unabated, strengthening intra-Asia trade and quietly, incrementally bolstering China's geopolitical clout on the global stage over the long term.

We also believe that having a technologically advanced neighbour and partner like China will prove hugely beneficial to our invested countries over time. The digitisation of lower income countries in Asia will likely be greatly accelerated by investments and technology transfers from China, as well as the provision of low cost hardware and other digital infrastructure. Importantly, digitisation has the power to drive productivity, something which is vital to our invested countries to ensure that they are able to capitalise on the demographic dividend afforded to them.

Indices, Asset Classes and the Prusik Asian Smaller Companies Fund

					MSCI FM weights (if no new countries)			
	Nominal GDP/capita (USD)	3m Average daily turnover (MUSD)	Population (m)	Median age	May 31st 2017	June 2017	June 2018	June 2019
Argentina	13400	153	43	31.5	18%	20%	0%	0%
Bahrain	23400	1,3	1,4	32.1	3%	4%	5%	5%
Bangladesh	1200	144	161	26	2%	2%	3%	3%
Croatia	11500	2	4,2	42.7	1%	1%	2%	2%
Estonia	17300	1	1,3	42.4	0%	0%	1%	1%
Ivory Coast	1400	0	23	n.a.	0%	0%	0%	0%
Jordan	4900	12	7,6	22.3	1%	1%	2%	2%
Kazakhstan	10500	4	17,5	30.3	2%	2%	3%	3%
Kenya	1400	5	46	19.5	4%	4%	6%	6%
Kuwait	29000	30	3,9	29.2	17%	19%	24%	27%
Lebanon	8000	1	5,85	29.9	3%	3%	4%	4%
Lithuania	14200	0	2,9	43.4	0%	0%	0%	0%
Mauritius	9100	1	1,26	34.8	3%	3%	4%	4%
Morocco	2900	28	34,3	28.9	8%	9%	11%	12%
Nigeria	2600	7	182	18.3	7%	7%	9%	11%
Oman	15500	14	4,5	25.4	3%	4%	5%	6%
Pakistan	1400	179	189	23.4	9%	0%	0%	0%
Romania	9000	12	19,8	40.7	4%	4%	6%	6%
Serbia	5100	0	7,1	42.3	0%	0%	0%	0%
Slovenia	20700	1	2,1	44.1	1%	2%	2%	2%
Sri Lanka	3900	8	21	32.5	1%	2%	2%	2%
Tunisia	3900	2	11,1	32.4	0%	0%	1%	1%
Vietnam	2100	150	91,7	30.1	9%	10%	13%	0%

Source: Tundra Fonder Investments

The Prusik Asian Smaller Companies Fund invests in Emerging and Frontier Markets in Asia with large populations and a demographic dividend with a focus on smaller companies. This is a highly logical, extremely attractive approach, if one which is slightly unorthodox by index standards. However, we believe our approach and the companies we invest in will garner more attention over time owing to the challenges the traditional indices face in terms of composition and their ability to match investors with the exposures they seek in Asia. Frontier Markets are a relatively new and sexy name on the block – MSCI launched its Frontier Markets Index only as recently as December 2007. Yet scratch beneath the surface and you will realise that amongst the many geographies included in the Frontier Markets index only Vietnam, Bangladesh, Argentina and Iran are sufficiently liquid to merit sizeable asset allocations. Moreover, Pakistan has already transitioned to Emerging Market status and Vietnam is likely to follow suit in the coming 2-3 years. In a few years' time, it is possible that half the population and two thirds of the daily traded volume for the Frontier Markets index could disappear. As fellow investors, Tundra, put it, investors in the Frontier Markets could be left with a group of markets "which are in the Frontier category for being a bit odd rather than being a bit promising". As and when the Frontier Markets index becomes less relevant and less attractive as key markets transition to Emerging Market status, we believe the natural next port of call for investors will likely be small caps in Emerging Markets, including markets with prior Frontier status. With a bias to Asia – perennially the better performing quarter of Emerging Markets – this is exactly where the Prusik Asian Smaller Companies Fund is focused.

PORTFOLIO PERFORMANCE

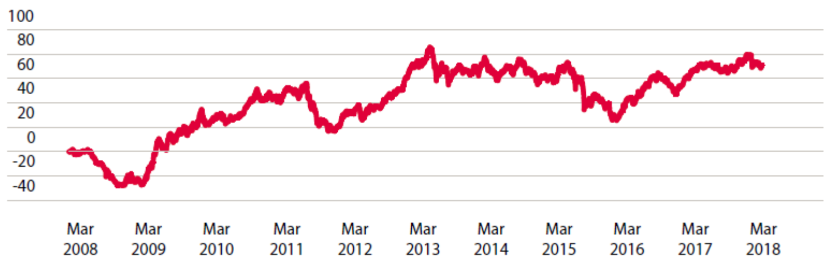
Performance Summary (%)
Period ending 30.03.2018

	A-USD	C-GBP	D-SGD
1 Month	-1.32	-1.51	-1.40
3 Months	-2.81	-3.34	-3.08
YTD	-2.81	-3.34	-3.08
2017	17.49	15.88	16.74
2016	7.14	7.32	7.06
2015	-12.78	-12.15	-12.21
2014	-3.49	-3.01	-3.43
2013	7.51	7.29	7.64
Since Launch+	70.31	77.06	24.59
Annualised 5 years	-0.36	-0.60	-0.42
Annualised 3 years	2.50	2.08	2.36
Annualised Since Inception	5.39	5.87	2.72

Source: Morningstar

+ Launch date: A: 08.02.08, C: 25.03.08, D: 15.01.10

Fund Performance – Class A (USD) (%)



Source: Morningstar. Total return net of fees.

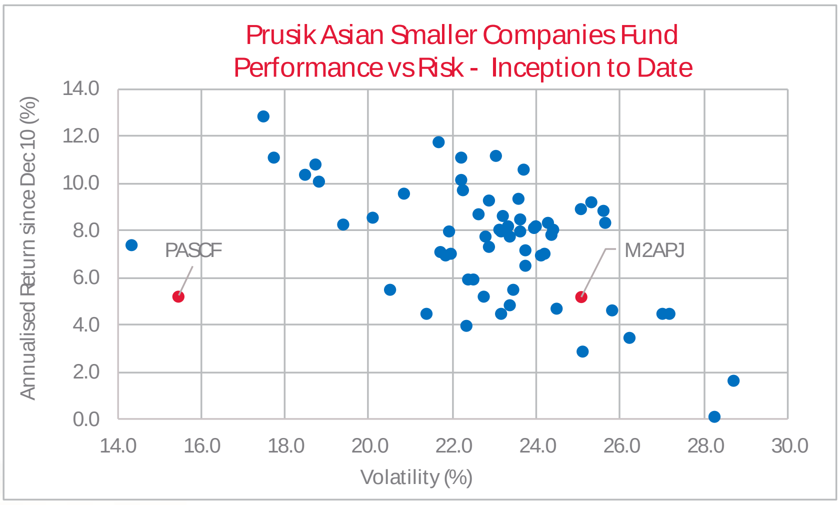
Monthly Performance Summary (%)

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2018	1.78	-3.24	-1.32										-2.81
2017	3.51	4.55	2.74	2.64	-0.86	2.35	-1.95	-1.54	-0.68	0.69	4.61	0.47	17.49
2016	-6.98	-0.67	8.76	2.98	0.65	4.49	2.57	3.55	0.17	-1.10	-3.51	-3.04	7.14
2015	1.25	-0.11	-2.04	7.23	1.21	-5.33	-1.78	-11.48	-2.63	4.83	-2.71	-0.78	-12.78
2014	0.21	3.58	-2.62	-2.50	0.56	2.45	-1.39	2.86	0.32	-1.85	-1.76	-3.11	-3.49
2013	7.27	3.73	1.32	1.82	3.58	-9.40	0.10	-4.52	3.54	2.84	-1.44	-0.51	7.51
2012	5.05	7.75	-1.04	4.29	-5.53	3.11	2.27	-0.65	5.40	1.27	4.12	1.81	30.80
2011	-2.15	0.43	2.35	3.75	-0.57	-1.22	3.60	-11.67	-8.27	0.37	-5.50	-1.07	-19.28

RISK ANALYSIS

Risk Metrics	Fund (%)
Beta	0.57
Alpha (%)	2.36
Sharpe Ratio	0.54
Volatility (%)	15.47
% of the portfolio – which could be sold in 2 business days	

Source: Morningstar
Since Inception: A: 08.02.08



Source: Morningstar

THEMATIC & GEOGRAPHICAL BREAKDOWN

Top 5 Holdings (%)

FPT Corporation	7.4
Mobile World Investment Corporation	6.0
Ace Hardware Indonesia	4.4
Philippine Seven Corporation	4.2
Bank Tabungan Negara Persero	3.6
Total Number of Holdings	39

Portfolio Financial Ratios*

Predicted Price/Earnings Ratio	15.5x
Predicted Return on Equity (%)	15.0
Predicted Dividend Yield (%)	2.1

* Fiscal year periods

Thematic Breakdown (%)

Local Brands	25.7
Modern Retail	19.7
Leisure/Tourism	16.1
Financialisation	13.6
Communication Technology	13.5
Infrastructure	9.8
Cash	1.4

Geographical Breakdown (%)

India	30.0
Vietnam	26.2
Indonesia	12.3
Sri Lanka	10.4
Pakistan	6.4
Philippines	6.2
Cambodia	3.4
Malaysia	2.5
Cash	1.4
Singapore	1.2

All data as at 30.03.2018. Source Prusik Investment Management LLP, unless otherwise stated.

FUND PARTICULARS

Fund Facts

Fund Size (USD)	54.8m
Launch Date	8 February 2008
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD

Management Fees

Annual Management Fee
1.5% p.a paid monthly in arrears

Performance Fee
All classes except Class U: Provided the fund achieves an overall increase of 6% a yearly performance fee of 10% of the total returns will be applied.

Class U: Provided the fund achieves an overall increase of 1.5% per quarter, a performance fee of 10% of the total return will be applied.

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

Class 1			SEDOL	ISIN	Month end NAV
A USD	Unhedged	Non Distributing	B2PKN21	IE00B2PKN210	170.31
B USD	Unhedged	Distributing	B2PKN32	IE00B2PKN327	165.29
C GBP	Hedged	Distributing	B2PKN43	IE00B2PKN434	85.46
D SGD	Hedged	Distributing	B3M3HJ5	IE00B3M3HJ55	226.45

Performance fee based on individual investor's holding

Class U			SEDOL	ISIN	Month end NAV
U GBP	Unhedged	Distributing	BBQ37T7	IE00BBQ37T77	105.68

Performance fee based on fund performance as a whole

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