Prusik Asian Smaller Companies Fund Plc

Prusik Investment Management LLP

An Independent Asian specialist investment manager

NAV Updates

Series	*March '09*	*QTD*	*YTD*
Class A	78.23	-0.17%	-0.17%
Class B	78.23	-0.17%	-0.17%
Class C	GBP 42.18	+0.64%	+0.64%

Fund Size $12.6m

NAV Update	**March 2009**
Class A USD	
Non distributing	USD78.23
Class B USD	
Distributing*	USD78.23
Class C GBP	
Distributing*	GBP 42.18

After a strong end to 2008, stocks corrected in January and February, with the index bottoming in early March within a couple of points of the previous November low. We took advantage of this sell off to add some more new positions and we now have 26 holdings. Smaller companies initially lagged the index rally but the fund ended the quarter marginally up and is performing strongly in April so far.

As you know when Prusik invests in a company we log a valuation target based on where we feel the reasons we like the company would be fully reflected in the share price. These targets are predominantly PE based. Overall for 2009 earnings forecasts we can see at least 25% upside for the portfolio overall but if we start to peer into 2010 then the upside potential leaps to well over 40%. This is interesting as we feel 2010 will be a difficult year for many, with scant visibility, but we are growing increasingly comfortable with the holdings in this fund's ability to deliver in 2010.

The main reason for this is that our themes have led us to a number of companies where we can see clear growth for the coming few years. Moreover, this growth is currently valued extremely cheaply despite recent share price rises. We have written on some of our favourites below.

The largest caveat to this would be the sustainability of China's stimulus and the ability of China to continue the momentum as the stimulus fades away. No doubt this will be a major issue for Asian markets in the second half of this year but even if the economy falters we are reasonably confident that it will not destroy these companies earnings potential as the themes or industries they operate in were reasonably robust pre stimulus.

With these kind of upside numbers, even though the fund has had a reasonable run up from the March lows we feel for the first time since we launched into last years chaos that prospects look healthy. We are encouraging our seed investors and others to add to it. With confidence returning investors may ask why the fund is now 67% invested. Our rationale is that we do not want to invest for the sake of it. There are many lower quality investment options that exist but which could damage the portfolio during the inevitable bouts of volatility we will see as the year progresses. We expect to be given another opportunity to buy this year, possibly more than one, and so prefer to keep some cash ready for these opportunities when they arise.

Those who read the Prusik Asia Fund's monthly reports will be aware that during the quarter we have been populating a file called "Happy Snippets"! Those of you who have visited us will have witnessed the growing size of this stack of paper, and even in the most bearish days of February it was amazing to see what good news one could find if one had a mind to look. These news snippets consist of data from all areas of business, from Q1 manufacturing utilisation rates and rising margins to volumes picking up in underlying industries and markets. Importantly, these were impressively varied ranging from Thai hotel occupancy to Taiwanese DRAM orders, from Chinese property transactions to Indian car sales. Moreover, new 'snippets' have continued to feed through thick and fast as the rally gathers pace.

Much of the better news leads back to the various branches of the huge stimulus the Chinese government is deploying, and to a lesser extent, to the easier monetary policies now prevalent across the region in response to plunging inflation and final demand numbers. However, we also see a degree of 'normalisation', or reversion to basic demand reflected in orders and some glimpses of pricing power as weaker companies have been forced out of business. In addition, there are quite a few areas where there are new or rekindled changes afoot which offer genuinely interesting and traditionally attractive investment opportunities. We would include amongst these themes, the growth in usage of touch screens, China's new love affair with the internet and 3G (internet gaming and net books), the ongoing improvement of Cross Straits relations between China and Taiwan (Taiwan domestic) and the quest for efficient and fast charging energy storage (batteries). A shorter term but nonetheless powerful new theme has also arisen in a number of the regions property sectors, especially China and Hong Kong. Medium term, Taiwan property, once again, also offers the potential of multi year upside from very depressed levels.

China Stimulus Update

The size of the stimulus in China, which we wrote about in our November and December reports as a prime reason for Prusik to recommit to equities, has surprised even us. Nearly spectacular levels of bank lending and better trade financing (through alternative routes) has reliquified the Chinese economy. Perhaps most encouraging of all has been the degree of reform amongst the packages. These are crucial as a key driver of the stimulus beyond its initial impact and are currently being accelerated in social welfare, education, farming and employ-

-ment. Rural consumption is still a major focus which gives us cause for optimism in the longer term as China turns to its domestic economy for future growth.

Note of Caution

We believe the Chinese government has plenty of cards up its sleeve with which to stimulate growth and will be forced into playing more before long. The recent quarterly GDP number of 6.1% hides the fact that nominal GDP (ex adding back deflation) was much lower. The risk is that the attempts to stimulate the economy cannot offset the massive downdraft coming from overseas demand and that the current situation, such as year on year bank lending growth of several hundred percent, is unsustainable much beyond the final part of this year. This could result in possible wild swings of optimism near term followed by fear as we enter the latter part of the year.

Taiwan Domestic

Following the Mayoral elections in Taipei at the end of 2005 we first embarked on our 'Taiwan Domestic' theme. This was based on the expectation of a change in government in 2008 followed by the introduction of direct travel and trade, or 'Direct Links' with China and an opening of a two way relationship which could see the inward investment of mainland money into Taiwan as well the legalization of money leaving Taiwan for China. Equally interesting is the potential for significant repatriation of domestic money left or sent overseas, due to political uncertainty, over the past decade.

It is hard to put this into perspective for readers who do not know Taipei but by comparison to most other cities in Asia it has undergone the least transformation in the past 10-20 years and has a decidedly down at heel aura which is quite at odds with the 'on paper' wealth of Taiwan as a nation. Three decades of political tension and uncertainty with China, with plenty of exciting 'sabre rattling' moments en route, have taken their toll and whilst Taiwanese companies and individuals have quietly gone out to China and made their fortunes there serving the international manufactured goods boom, much of this money has since stayed away from Taiwan. Events however are now finally unfolding as planned, with Cross Straits meetings looming in early May and both sides reportedly keen on the imminent and practical realization of something that has been a dream for years.

In the life of Prusik there have been three opportunities to make money from this theme; once in early 2006 as the penny dropped that there could be a change in government and secondly, in the run up to the elections themselves on March 22nd 2008. In both cases companies with assets in Taipei or with businesses set to benefit from travel, investment, growth and rejuvenation in Taiwan have performed well. These range from property and construction companies to banks and retail but the emphasis and performance has always been from the theme itself acting as a catalyst to unlock deeply undervalued assets.

Today, domestic investors in Taiwan have, perhaps poetically, taken the first bite of the cherry and domestic shares are unsurprisingly up in the past few months. However, almost all the companies typically bought on this theme are at or below the levels they were before the election at the end of 2007. This generally translates to levels which are half or a third of the highs reached in 2008's election euphoria. Perhaps more excitingly we are seeing this renewed optimism entering the physical market. This week a Taipei land auction was won at a 40% premium to the expected price which was a whopping 57% over the floor price, setting the bar considerably higher for investors in assets valued at deep discounts.

The upside from here is dependent on this momentum taking hold and drawing in money from overseas. Leaving aside foreign money bound for Taiwan, the potential for repatriation of Taiwanese money alone is huge. Looking at corporate expatriation of money, the Taiwanese Government approved about $75billion for China bound investments between 1991 and 2008, but this was probably not the whole story. Assuming the profits made over this 17 year period were a conservative $85billion, this equates to 21% of Taiwan GDP or 20% of Taiwan's stock market capitalization! If this seems like a big assumption then bear in mind that over the same period individuals invested overseas a total of $250billion! So in total the money which went overseas was about $350billion versus Taiwan's GDP of $400billion! Once this money starts to return to Taiwan there is a multi year domestic boom on the way.

Portfolio update

The portfolio reflects most of Prusik's core themes - gold, power transmission & distribution, rail rollout, food, Chinese healthcare, Asian internet usage, education, LED and Taiwan domestic. We have written an update on some of the fund's larger holdings below.

Rexlot

Renamed and reborn! This is the only country wide Chinese lottery supplier that exists as far as we know. We have long memories of the kind of premiums Berjaya Sports Toto, Resorts World and other Malaysian lottery operators used to trade at in the early 90's. To find Rex, which has doubled since we last wrote about it, is still on 4x 2010 earnings is positively mouth watering.

China Automation

China Automation is the No. 1 provider of safety and control systems for the Rail and Petrochemical industries in China. They are a software company with the hardware procured from Japan Signal (Rail) and Invensys (Petrochemicals) . The software margins are 80%!

The Electronic control signal systems market is not highly competitive as the

MOR (Ministry of Rail) has only awarded 4 licenses . Public safety concerns mean that it is very hard to get accredited. China Auto has a 35% market share having increased their stake in BJMT in 2008 to 77%. BJMT was sponsored by Beijing University and supported by the MOR. They have a very good relationship with the Bureau Chief and the Minister for Transport – Old class mates. There are 7000 national railway stations of which 2000 have been upgraded. Every year about 500 are upgraded. After 10 years the systems need to be replaced for safety reasons ensuring an ongoing replacement cycle.

Good order flow prospects combined with also very good visibility and an ROE of over 30% means the PE multiple of only 6x is still far too modest .

Wasion

Wasion is a manufacturer of electronic power meters in China with 20% market share. Major customers include provincial power grid companies (77% of sales). State grids expected to spend 68.5bn RMB over 4 years to construct and upgrade the power grid with all meters needing to have Automatic Meter Reading (AMR) capability. Of this amount 60 bn RMB is related to products the company currently offers.

On the commercial side 80% of the total 3 phase meters are electrical with the balance 20% being Mechanical. All the Mechanical ones need to be upgraded to Electrical and even all the electrical ones don't have AMR functionality so will also require upgrading. The more compelling growth however is on the residential side where 80% are mechanical, therefore the grid has to replace all these into electric with AMR functionality. This business has huge potential; there are 300mn families in China – at 80% of households still using mechanical meters this means 240 million units need to be replaced. Last year the company sold a total of 2.5mn units for both residential and industrial! Life cycle of metres ranges from 5-8 years, providing long term visibility and growth potential for the company.

Wasion management is expecting 25-30% growth this year and have finished their production expansion plans, so they are well positioned to take the anticipated increase in volume of orders. Trading at 7.5x PE multiple, the stock has potential for significant upside from here. Last year revenues grew 32% while earnings were up 23% - capacity being the biggest constraint to growth. No Longer!

Ju Teng

Ju Teng is the global leading plastic notebook casing supplier (31% market share) and the first mover on vibrant / coloured casing design.

Ju Teng's revenue is almost 100% geared to notebook/netbook casings. The company maintains solid and balanced relationships with the top five notebook OEM vendors, including Wistron, Asustek, Compal and Quanta, which comprise 70–80% of notebook shipments globally. These good relationships along with Ju Teng's strong technical know-how in surface processing and precision manufacturing of casing components also guard its strong market presence in the industry. In addition, Ju Teng has formed a JV with Wistron and is set to acquire shares soon from Compal's magnesium casing investment, Wah Yeun. This could potentially secure Ju Teng's future orders. According to industry forecasts, global notebook shipment will likely grow 15.1%/19.5% YoY in 2009/2010, and we believe Ju Teng will continue benefiting from the boom in notebook demand, especially differentiated products such as the increasingly popular netbooks.

In 2008 the company grew revenues by 37% and earnings by 61%. The company realises that the current market environment provides them with a unique opportunity to grow market share – and they have stated that this is their goal for 2009.

The stock is trading at 5x PE and below book value, whilst peers are trading at closer to 3 times that of Ju Teng's rating with lower growth prospects. We anticipate that Ju Teng should be able to substantially narrow this valuation gap. Recent conversations with company suggest that the company is running ahead of forecast for the first quarter.

China Internet

We think the internet in China is one of the fastest growing sectors in the country and with user penetration reaching the sweet spot at 20% of the population, we are reminded of the moment that mobile phone ownership took off producing a multiyear boom for the companies involved. It is probable that the online population in China will grow 30% this year, and stay around 20-30% growth in the coming few years whilst increases in Average Revenue Per Subscriber (ARPU) are expected for the next decade or more. In China 70% of the 300 million current internet users are below 30 years of age and 60% are single. Most are spoilt only children, with two parents and four grandparents to boost their spending power, so they are unlikely to be too price sensitive. What is more there are plenty of them! In China there are approximately 260million 15 to 30 year olds and another 300million under 15's all dying to get onto the internet!

The comparison with the US is a fascinating one. Here, 70% of users are over 30 years old. There is a stark contrast therefore in which internet companies will do well. In the US most users are after information whereas the younger generation in Asia are using it for entertainment. We most like the internet gaming companies such as Shanda, which is just about to launch a new game, Aeon, which has been a huge success in Korea. This is a very good sign as Korean internet media, TV and movies dominate the region for popularity.

We also like CTrip which has 60% market share for online travel in China but online travel services are currently only used by 2% of the population. Last quarter they beat the economic slump and Ctrips air ticket sales grew by 40% ! None of these companies are especially cheap these days however, but certainly they have the potential to surprise on the upside and deliver growth and profits long after other flash in the pan cyclicals run out of steam.

CJ Internet

CJ Internet provides Internet games services, publishing casual games through its portal site Net Marble. It has more than 23m registered users with around 8m monthly unique visitors. CJI has become the top online game portal, with a 25% market share based on unique visitor traffic.

Sudden Attack could be CJI's first mega hit given its strong traction, according to internet metrics providers. In addition the company is expected to launch 8 new games in 2009. We expect these new games to underpin stable growth while enhancing its market position.

In our opinion, in the online gaming space, even though market saturation and the sluggish economy signal stagnating growth, we expect bigger players armed with a broad user base and strong brands to likely outpace the market and gain share.

The stock trades at a 10 x PE multiple, for expected growth of 20% at the bottom line. Coupled with a net cash balance sheet and 35% ROE, clearly the valuations do not reflect the company’s fundamentals.

Portfolio valuation

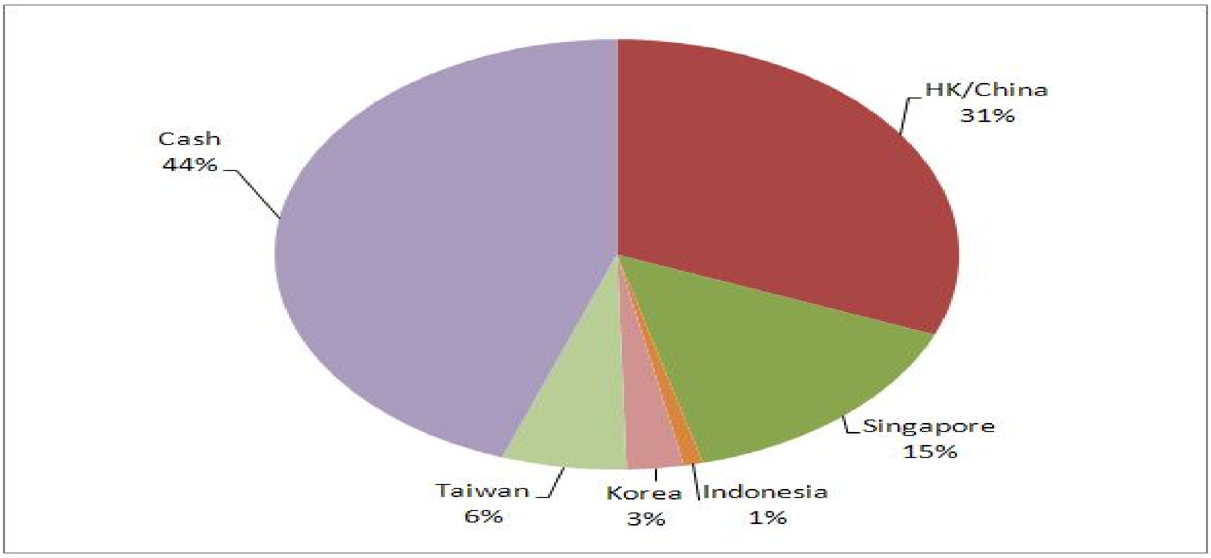
The PE of the portfolio is 11.5 x, 2009 estimates and 9.8 x 2010 estimates with 19% earnings growth into 2010 and generates an ROE of 17%.

Heather has already visited several of our holdings in Asia this quarter and is poised for another visit to Hong Kong , Taiwan and Korea in early May. Amit visits Singapore in mid May where several more of the fund’s holdings will be under the same roof.

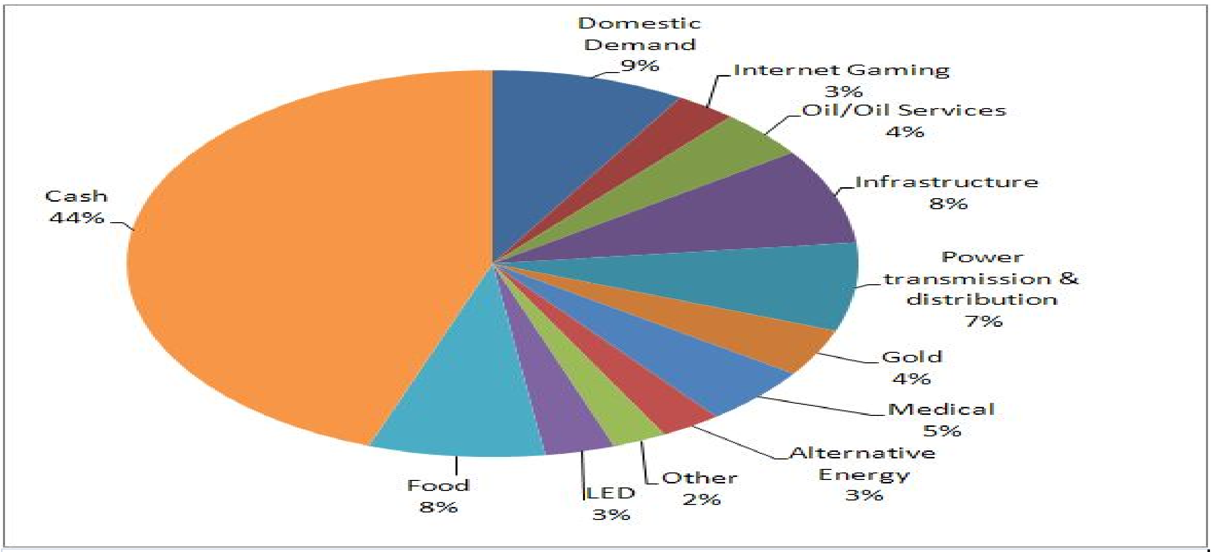
Top 5 Holdings	%
WASION GROUP HOLDINGS LTD	4.6%
SWIBER HOLDINGS LTD	4.0%
CHINA AUTOMATION GROUP	3.1%
HARVATEK CORP	3.1%
INDOFOOD AGRI RESOURCES LTD	3.0%

Number of holdings	22
Percentage of Fund invested	55.2%

Geographical Distribution



Distribution by Theme



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2009	-3.6	-2.1	5.6										-0.2

Key Terms

Denomination	USD
Dealing Day	Every Two Weeks
Minimum Subscription	USD100,000
Min Subsequent Subscription	USD10,000
Subscription Notice Period	10 business days
Redemption Notice Period	10 business days
Dividends	
Class A	None
Class B	Annual
Class C	Annual

Key Parties to Fund

Investment Manager	Prusik Investment Management LLP
Administrator	Bisys Fund Services (Dublin)
Custodian	Brown Brothers Harriman (Dublin)
Auditor	Ernst & Young
Legal Advisors	Dillon Eustace (Dublin)
	Simmons & Simmons (London)

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Manager Fees

Management Fee	1.5% p.a. paid monthly in arrears.
Performance Fee	10% of NAV appreciation. With a 6% hurdle.