

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 July 2018

Monthly Fund Fact Sheet

Investment Objective

To select a portfolio of equity investments in the Asia Pacific ex-Japan region with above average dividend yields and which have the ability to grow their dividends over time. The fund aims to outperform the MSCI Asia Pacific ex-Japan index by 5-10% annually whilst growing its dividend over time.

Fund Facts

Fund size (USD)	906.0m
Launch date	31 December 2010
Fund Manager	Tom Naughton
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD
Index	MSCI Asia Pacific ex Japan Index

Performance - Class B USD (%)

	Fund	Index
1 Month	0.96	1.14
3 Month	-4.98	-3.39
Year to Date	-6.20	-2.96
Since Launch	163.04	43.76
Annualised [†]	13.61	4.90

Source: Morningstar.

Launch Date: B: 31.12.10

[†]Since Launch Performance

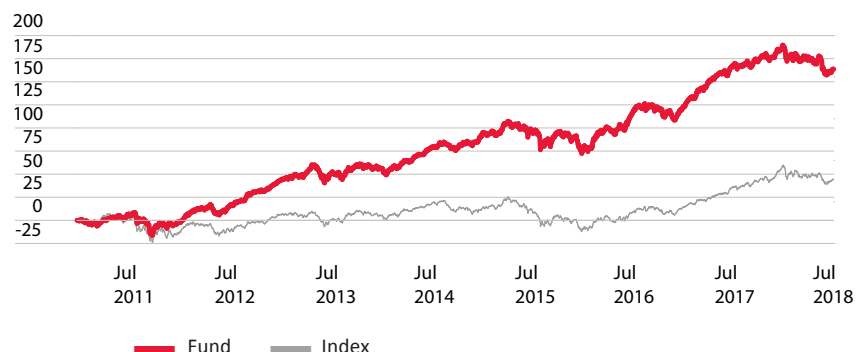
Investment Process

The process is both quantitative and qualitative with the latter dominating. The universe is screened for those high dividend stocks which have the greatest ability to sustain and grow their dividends over time. A particular emphasis is placed on identifying those companies with exceptional franchises, annuity like cash flows and pricing power which are trading at significant discounts to intrinsic value.

Dividend Dates

Dividends paid twice annually (January and July)

Fund Performance - Class B USD (%)



Source: Morningstar. Total return net income reinvested.

Fund Manager Commentary

This month, we added Chinese oil producer **CNOOC** to the portfolio. We have no strong view on the oil price except to say that we believe, unlike most commodities, the risk from a weaker China is not particularly concerning for oil as it is one of the few commodities that they "under consume" relative to their GDP size (China accounts for approximately 12% of global oil demand but 50% of iron ore demand). Also, it is an "opex" rather than "capex" commodity meaning that its demand is more correlated to consumption as opposed to investment (unlike iron ore or copper) and is therefore less exposed to a hard landing in China. From a supply side we have no particular insight on the geopolitical drivers of the oil price but we do note that from a capital allocation perspective, the major companies (including the Chinese operators) are reluctant to increase capital spending and indeed many are letting their balance sheets shrink as they spend less than depreciation. However, the real appeal with **CNOOC** is the risk/reward profile. Depending on whether one uses the spot (\$75) or 5 year forward oil price (\$63), there is 21-35% upside potential in the shares. If we assume that oil prices will return to their recent lows of US\$40 then there is 10% downside risk. So, this "return vs risk ratio" is between 2:1 and 3.5:1, even though we do not assume higher oil prices in our upside scenario. If the oil price goes to \$100 then there is almost 80% upside potential. Finally, the stock offers a 5.7% dividend yield and trades on a 10.5% free cash flow yield, making it one of the cheapest major E&P stocks globally. It also has the appeal of being negatively correlated to many of our existing portfolio positions.

All data as at 31.07.18. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

CK Hutchison Holdings Ltd	6.0
Samsung Electronics Co Ltd - Pref	5.7
Beijing Capital International Airport	5.0
Power Grid Corporation of India	4.7
Zhejiang Expressway	4.7
Total Number of Holdings	33

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	11.0x
Predicted Return on Equity (%)	15.0
Predicted Dividend Yield (%)	5.3

Risk Metrics

Tracking Error (% pa)	9.34
Beta	0.78
Alpha	9.12
Volatility (%)	13.40
Sharpe ratio	1.41

Thematic Breakdown (%)

Transport Infrastructure	28.5	
Communications Infrastructure	18.0	
Power Utilities	13.3	
Financials	11.1	
Real Estate	7.6	
Cheung Kong / Hutchison	6.0	
Technology	5.7	
Consumer	3.9	
Cash	3.7	
Energy	2.3	

Geographical Breakdown (%)

Hong Kong	27.2	
China	15.0	
India	11.2	
Australia	10.6	
Korea	9.9	
Thailand	6.0	
Indonesia	4.9	
New Zealand	4.9	
Cash	3.7	
Singapore	2.7	
Philippines	2.4	
Pakistan	1.5	

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Management Fees

Annual Management Fee

1.0% p.a. Paid monthly in arrears

Performance Fee

Class 1: None

Class 2 and Class U: 10% of the net out-performance of the MSCI Asia Pacific ex-Japan Index, with a high-water mark paid quarterly.

Temporary Front End Charge:

3% introduced on 2nd December 2013 paid to the benefit of the fund.

Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Daily
Valuation Point	11am UK time
Dealing Cut-off	5pm UK time
Min. Initial Subscription	USD 10,000
Min. Subsequent Subscription	USD 5,000

Share Class Details

Class 1	Sedol	ISIN	Month-end NAV
A USD Unhedged Non distributing	B4MK5Q6	IE00B4MK5Q67	270.59
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	193.43
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	189.25
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	184.94

Class 1 shares were closed to further investment on 30th November 2012.

Class 2	Sedol	ISIN	Month-end NAV
X USD Unhedged Distributing	B4PYCL9	IE00B4PYCL99	172.80
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	169.76
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	171.58

Class 2 shares were soft closed to new investors as of 30th November 2012. Performance fee based on individual investor's holding.

Class U	Sedol	ISIN	Month-end NAV
U GBP Unhedged Distributing	BBP6LK6	IE00BBP6LK66	165.46

Class U shares are open to current investors only. Performance fee based on fund performance as a whole.

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