

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

28 February 2017

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)	837.5m
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	4.77	3.45
3 Month	7.02	8.30
Year to Date	10.52	9.46
Since Launch	133.39	18.08
Annualised†	14.74	2.73

Source: Morningstar.

Launch Date: B: 31.12.10

†Since Launch Performance

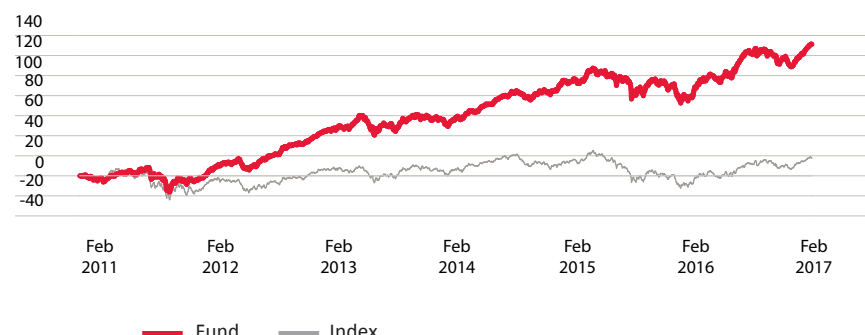
Investment Process

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

Despite the low beta nature of our portfolio, the fund outperformed in February due to strong stock selection in Australia, India, China and Singapore. Our India portfolio has now returned 27% year to date and we have now exited one position (**Sun TV**) as the upside potential is no longer as attractive following the 35% share price return this month. Other positions that performed strongly during February were **Asia Pay TV** (+25%), **Indiabulls Housing Finance** (+19%), **Zhejiang Expressway** (+11%) and **Crown Resorts** (+11%). Despite the strong performance, we believe that the overall portfolio is still attractively valued and for the first time in several years, earnings expectations are finally improving which means that even though the portfolio is up 10% since January, the forward P/E ratio has increased by just 3%.

The auto industry is one of the least attractive businesses imaginable. It is cyclical, the R&D and capital intensity is high and the industry move from combustion engines to Electric Vehicles may make most of the existing plant and equipment obsolete. It sums up almost perfectly the type of business that we try and avoid. So why have we bought a position in **Hyundai Motor** preference shares? There are several reasons. The first is valuation: trading at <1x EV/EBITDA with a dividend yield of 5% we think the stock is one of the cheapest securities in Asia – if not the world – and that the market is already pricing in a relatively pessimistic scenario. Some element of capital protection is provided by the fact that net cash equals almost half the market cap and the company is free cash flow positive, even under more stressed scenarios. One positive is that the market appears unaware of the company's strong position in India where it has a 17% market share and ranks only behind Maruti, the market leader, in terms of its dealer network. India is an extremely attractive market with car ownership at just 2 per capita compared to 12 in China. The number of households with income above US\$10k/year (the key level as far as car ownership is concerned) is expected to grow from 50m in 2015 to 100m by 2020. Hyundai has a 17% market share in this market which we think can grow at 15-20% annually for several years to come. If we valued **Hyundai's** business in India at the same level as Maruti then this would be equal to almost half the market cap of the company, implying that the value given to their auto business outside of India is zero.

All data as at 28.02.17. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

Samsung Electronics Co Ltd	7.0
CK Hutchinson Holdings Ltd	6.5
AIA Group Ltd	5.3
Indiabulls Housing Finance Ltd	5.1
Power Grid Corporation of India	4.8
Total Number of Holdings	34

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.9x
Predicted Return on Equity (%)	15.1
Predicted Dividend Yield (%)	4.5

Risk Metrics

Tracking Error (% pa)	9.72
Beta	0.79
Alpha	11.76
Volatility (%)	14.13
Sharpe ratio	1.47

Thematic Breakdown (%)

Consumer	20.5	
Financials	15.4	
Communications Infrastructure	15.0	
Power Utilities	14.1	
Transport Infrastructure	14.0	
Technology	8.5	
CK Hutchison	6.5	
Cash	3.2	
Real Estate	2.8	

Geographical Breakdown (%)

Hong Kong	28.3	
Korea	16.1	
Thailand	11.6	
China	10.0	
India	9.9	
Australia	6.8	
Singapore	4.3	
New Zealand	3.5	
Cash	3.2	
Pakistan	3.2	
Indonesia	1.6	
Taiwan	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	240.09
B	USD Unhedged Distributing	B4QVD94	IE00B4QVD949	181.84
C	GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	182.50
D	SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	175.94

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	162.74
Y	GBP Hedged Distributing	B4TRL17	IE00B4TRL175	163.99
Z	SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	163.57

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	164.80

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

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