

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 May 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)	928.7m
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	3.25	2.68
3 Month	10.25	7.52
Year to Date	21.85	17.69
Since Launch	157.32	26.96
Annualised [†]	15.87	3.79

Source: Morningstar.

Launch Date: B: 31.12.10

[†]Since Launch Performance

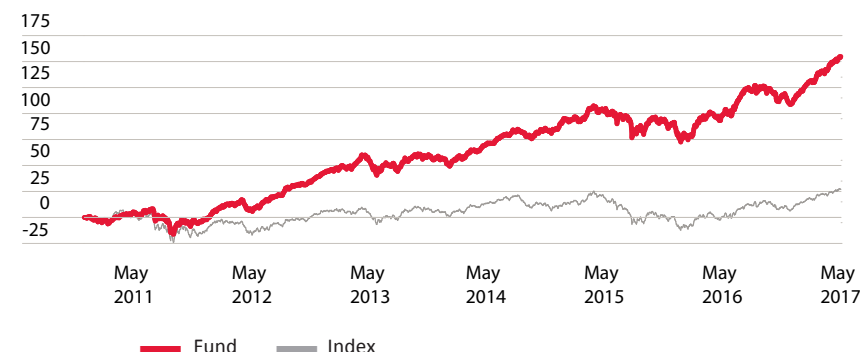
Investment Process

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

As markets rally it is often tempting to focus more on trying to “keep up with the market” and ignore downside risk. However, our view is that when market sentiment is buoyant and risk premiums are low this is in fact EXACTLY the time to be focused on how much we can lose if the current bullish sentiment disappears. As a result of this discipline, we have sold three positions which we believe no longer offer sufficient upside potential relative to downside risk. Note that we are not bearish on these stocks – in fact we would expect their share prices to increase if our analysis on them is correct – but we also need to consider how much we can lose if we are wrong.

The first position sold was **Crown Resorts** which has generated >30% returns from our initial purchase in October 2016. The company has now exited its non-core businesses to focus on the Australian casino assets as well as paying a special dividend and conducting a large share-buyback. We initially purchased the position when news of the arrest of Crown employees in China caused a sharp sell-off in the stock, as we believed the impact on the intrinsic value of the company was close to zero. Now that discount has been removed we have decided to exit. We also sold **TSMC**. TSMC is an excellent company with superb long term potential and a very strong position in the foundry sector. However, we believe that the valuation now reflects much of this optimism and does not account for the potential slowdown in the smartphone sector (which is more than 50% of its sales) and the emergence of Samsung as a viable competitor. Finally, we exited sofa manufacturer **Man Wah**. Man Wah is a well-managed company and has generated very strong sales growth in China but the business is still very cyclical and margins are at a cyclical peak.

As a result of these sales, and a lack of new buy ideas, cash has risen to 15%. It is certainly valid to ask why we have sold these positions if we think they are going to rise and we don't have any other ideas. The reason is that during the life of the fund we have always operated with an extremely strict absolute return mentality. We only seek to own companies that have superior risk/return characteristics and a significant part of that is assessing downside risk. If we believe that the downside risk is growing too large (as is the case in the stocks above) then we exit even if it means owning cash instead. We should add that we are not bearish. Our current portfolio, we think, has excellent potential if Asia continues to recover and if and when we find new ideas we would expect the cash level to return to more normal levels.

All data as at 31.05.17. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

Samsung Electronics Co Ltd - Pref	7.4
CK Hutchison Holdings Ltd	6.5
AIA Group Ltd	5.7
Indiabulls Housing Finance Ltd	5.0
Beijing Capital International Airport	4.8
Total Number of Holdings	31

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.7x
Predicted Return on Equity (%)	15.4
Predicted Dividend Yield (%)	4.2

Risk Metrics

Tracking Error (% pa)	9.62
Beta	0.79
Alpha	11.93
Volatility (%)	13.95
Sharpe ratio	1.59

Thematic Breakdown (%)

Consumer	15.5	
Cash	15.2	
Communications Infrastructure	14.6	
Transport Infrastructure	14.5	
Financials	12.6	
Power Utilities	11.1	
Technology	7.4	
CK Hutchison	6.5	
Real Estate	2.6	

Geographical Breakdown (%)

Hong Kong	25.6	
Korea	16.8	
Cash	15.2	
China	11.7	
Thailand	9.9	
India	9.0	
New Zealand	3.1	
Indonesia	2.6	
Australia	2.5	
Pakistan	2.2	
Singapore	1.4	

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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	264.70
B	USD Unhedged Distributing	B4QVD94	IE00B4QVD949	200.48
C	GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	200.74
D	SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	193.71

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	178.98
Y	GBP Hedged Distributing	B4TRL17	IE00B4TRL175	179.93
Z	SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	179.69

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	175.90

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

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