

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 August 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)	960.2m
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	0.06	1.06
3 Month	3.90	8.36
Year to Date	26.60	27.53
Since Launch	167.36	37.58
Annualised [†]	15.90	4.90

Source: Morningstar.

Launch Date: B: 31.12.10

[†]Since Launch Performance

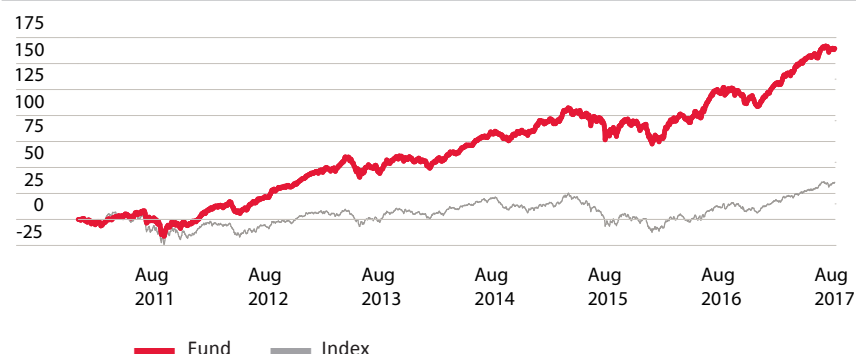
Investment Process

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

The market continues to be driven by the improving sentiment towards China with financial and technology stocks, in particular, showing particular strength and our lack of exposure to these more cyclical sectors is proving costly in terms of relative performance. Although we don't consider the index when constructing the portfolio, it is important to note that Tencent and Alibaba are now very large constituents in the Index (the #1 and #3 weightings at 4.5% and 3.6% respectively) and so because we are effectively "short" these two stocks (as we don't own them), if they perform strongly we will underperform. So far this quarter, we are underperforming the index by around 350bps of which around 140bps is due to not owning these two stocks (not owning resources and Chinese banks also hurt). Of course, this is part and parcel of running a high tracking error portfolio and so we are not presenting it as an excuse but just as an explanation. Although it would be easier if we could be bearish on the "new economy" stocks and call them a bubble, sadly this is not the case. We are in agreement with the bulls that, not only is the growth potential for these stocks huge, but also their franchise strength is extremely strong given the lock that products like WeChat and Alipay have on their respective markets. So why don't we own the stocks? Aside from the obvious point that they pay little or no dividends, the more important factor is because they fail our first, and most important investment principle, which is preserving capital and limiting downside risk. We cannot accurately assess what the downside risk is in the case that we are wrong about our calculation of both growth potential and future competition in this sector and therefore we are unable to consider them for the fund. We are, however, finding some interesting ideas in China in less exciting areas but with more predictable earnings streams and have started to build a position in one name in the infrastructure sector which we will discuss in a future report. It is undoubtedly going to be challenging for the fund to outperform as long as the current situation continues but we remain very positive on our portfolio from an absolute return perspective. As long as we can generate an attractive dividend yield which grows steadily over time and avoid overpaying for stocks, then we believe that we will outperform the market over the long term and that remains our focus.

All data as at 31.08.17. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

Samsung Electronics Co Ltd - Pref	7.7
CK Hutchison Holdings Ltd	6.3
AIA Group Ltd	6.0
Beijing Capital International Airport	5.2
Zhejiang Expressway	5.2
Total Number of Holdings	31

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.6x
Predicted Return on Equity (%)	15.5
Predicted Dividend Yield (%)	4.3

Risk Metrics

Tracking Error (% pa)	9.53
Beta	0.78
Alpha	11.15
Volatility (%)	13.77
Sharpe ratio	1.60

Thematic Breakdown (%)

Transport Infrastructure	15.4	
Cash	14.6	
Consumer	14.5	
Communications Infrastructure	14.3	
Financials	12.8	
Power Utilities	11.7	
Technology	7.7	
CK Hutchison	6.3	
Real Estate	2.7	

Geographical Breakdown (%)

Hong Kong	22.4	
China	16.8	
Korea	15.1	
Cash	14.6	
Thailand	10.3	
India	9.2	
New Zealand	2.9	
Indonesia	2.8	
Australia	2.5	
Pakistan	1.7	
Singapore	1.4	
Cambodia	0.3	

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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	275.04
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	204.29
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	203.85
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	197.08

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	182.50
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	182.87
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	182.97

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	178.47

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

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