

# Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 October 2015

## 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) | 826.7m                                   |
| 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 (MXAPJ) |

### Performance - Class B USD (%)

|                           | Fund  | Index |
|---------------------------|-------|-------|
| 1 Month                   | 7.04  | 7.55  |
| 3 Month                   | -0.10 | -5.43 |
| Year to Date              | 5.52  | -6.87 |
| Since Launch              | 95.90 | 5.43  |
| Since Launch (Annualised) | 14.93 | 1.02  |

Source: Bloomberg

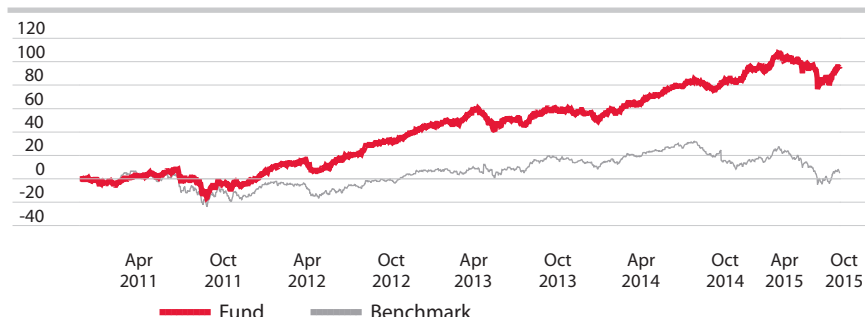
### Investment Process

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: Bloomberg. Total return net income reinvested.

### Fund Manager Commentary

This month **Samsung Electronics** surprised the market by announcing an unprecedented commitment to return cash to shareholders over the next three years. Management have stated that the company will buy back US\$10 billion worth of stock and that they are committed to returning 30-50% of free cash flow to investors with dividends being the "primary" route to achieving this. This is one of the most important announcements to come from a corporate in South Korea for many years and it is a welcome sign that the board is finally addressing shareholder concerns that the company's cash position is too large. **Samsung Electronics** has a market capitalisation of approximately US\$170 billion and ended the third quarter with a net cash position of US\$50 billion. It is expected to generate annual free cash flows (after annual capital spending of around US\$20 billion) of approximately US\$15-20 billion which would imply that the company will return 15-20% of its market capitalisation to shareholders over the next 2 years. Even after these distributions, the cash pile is likely to continue to grow and so we foresee more measures to return cash to shareholders in the coming years. The stock still trades at below book value despite the strong investment case owing perhaps to the market's pessimistic assessment of the mobile phone business which is facing stiff competition from Apple at the high end and the Chinese manufacturers at the low end. Even though the underlying business is highly cyclical, we think the risk/reward in the stock is exceptional.

We ended the month with a cash position of 8.8% as several of our holdings reached our target price. The biggest reduction during the month was **Scentre Group** (Westfield Australia) which has rallied strongly this year and no longer offers any upside to our fair value. Since listing in June 2014, the stock has returned 42% compared to a market return of just 4% and the dividend yield has fallen from 6.5% to 5%. Although this is an extremely high quality asset, we cannot justify holding the stock at today's price.



All data as at 31.10.15. Source: Prusik Investment Management LLP, unless otherwise stated.

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# Prusik Asian Equity Income Fund



## Top 5 Holdings (%)

|                                     |     |
|-------------------------------------|-----|
| Samsung Electronics Co Ltd          | 7.3 |
| CK Hutchinson Holdings Ltd          | 7.3 |
| Cheung Kong Property Holdings Ltd   | 4.5 |
| Macquarie Korea Infrastructure Fund | 4.2 |
| SK Telecom Co Ltd                   | 3.7 |
| Total Number of Holdings            | 37  |

## Portfolio Financial Ratios

|                                |       |
|--------------------------------|-------|
| Predicted Price/Earnings Ratio | 12.6x |
| Predicted Return on Equity (%) | 13.8  |
| Predicted Dividend Yield (%)   | 4.9   |

## Risk Metrics

|                       |       |
|-----------------------|-------|
| Tracking Error (% pa) | 6.54  |
| Beta                  | 0.78  |
| Alpha                 | 14.14 |
| Volatility (%)        | 12.28 |
| Sharpe ratio          | 1.22  |

## Thematic Breakdown (%)

|                               |      |  |
|-------------------------------|------|--|
| Communications Infrastructure | 20.1 |  |
| Transport Infrastructure      | 17.2 |  |
| Financials                    | 13.7 |  |
| Asian Brands & Technology     | 11.9 |  |
| Cheung Kong / Hutchison       | 11.8 |  |
| Cash                          | 8.8  |  |
| Consumer                      | 7.8  |  |
| Shopping Malls                | 5.7  |  |
| Power Utilities               | 3.0  |  |

## Geographical Breakdown (%)

|             |      |  |
|-------------|------|--|
| Hong Kong   | 34.1 |  |
| Korea       | 15.3 |  |
| Thailand    | 12.4 |  |
| Cash        | 8.8  |  |
| China       | 7.6  |  |
| India       | 6.5  |  |
| Singapore   | 5.1  |  |
| Taiwan      | 4.6  |  |
| Pakistan    | 2.4  |  |
| Australia   | 1.9  |  |
| Philippines | 1.3  |  |

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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 (MXAPJ) 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 | 201.33        |
| B USD   | Unhedged | Distributing     | B4QVD94 | IE00B4QVD949 | 161.65        |
| C GBP   | Hedged   | Distributing     | B4Q6DB1 | IE00B4Q6DB12 | 163.11        |
| D SGD   | Hedged   | Distributing     | B4NFJT1 | IE00B4NFJT16 | 156.50        |

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 | 145.23        |
| Y GBP   | Hedged   | Distributing | B4TRL17 | IE00B4TRL175 | 146.95        |
| Z SGD   | Hedged   | Distributing | B6WDYZ1 | IE00B6WDYZ18 | 146.04        |

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 | 119.19        |

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

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