

# Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 October 2014

## 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 out-perform the MSCI Asia Pacific ex-Japan index by 5-10% annually whilst growing its dividend over time.

### Fund Facts

Fund Size (USD)	834.0m
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 (MXAJP)

### Performance - Class B USD (%)

	Fund	Index
1 Month	2.31	2.74
3 Month	0.95	-3.84
Year to Date	14.55	6.91
Since Launch	82.10	16.52
Since Launch (Annualised)	16.89	4.07

Source: Bloomberg

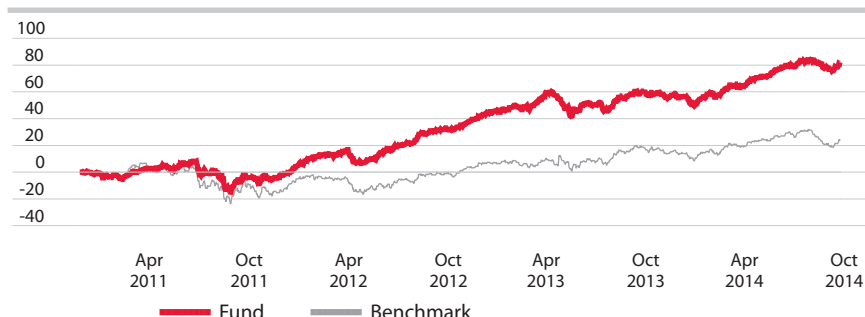
### Investment Process

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

We reduced the cash position in the fund significantly this month from 12% at the end of September to 2% at the end of October. The reason for this is not because we believe that markets will rally, just as the high cash position was not due to a belief that markets would fall. It is simply because we are finding more companies to buy and fewer companies to sell. The most significant use of cash was to increase our holdings in Korea, mainly in the preference shares of **Samsung Electronics** and **Hyundai Motor**. Although these are not companies that would typically be of interest to us, the extreme level of bearishness on both companies has led them to trade at exceptionally low valuations which discount financial distress. However, owing to the sizeable amount of net cash each company has on its balance sheet we think the probability of this scenario playing out is low.

Although these two companies operate in different industries they have a lot in common. Both have strong global brands, a high return on capital, net cash equal to 35-50% of their market capitalisation and trade on less than 2x EV/EBITDA. Although recent events have led investors to doubt whether cash will be returned to shareholders, our belief is that this will happen and the 2% dividend yield will increase substantially over the next 5 years. Both companies are extremely unpopular with investors and while this is not without reason, we believe that this presents us with an exceptional risk / return opportunity. Although by no means risk free, we now have 5% of the fund in these two positions.



All data as at 31.10.14. Source: Prusik Investment Management LLP, unless otherwise stated.

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# Prusik Asian Equity Income Fund



## Top 5 Holdings (%)

Hutchison Whampoa Ltd	5.3
Cheung Kong Holdings	5.1
HSBC Holdings	3.6
MTR Corporation	3.4
SK Telecom Co Ltd	3.4
Total Number of Holdings	46

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	11.3x
Predicted Return on Equity (%)	13.4
Predicted Dividend Yield (%)	5

## Risk Metrics

Tracking Error (% pa)	6.8
Beta	0.79
Alpha	13.7
Volatility (%)	12.6
Sharpe ratio	1.34

## Thematic Breakdown (%)

Core Infrastructure	47.0	
Retail Shopping Mall	12.0	
Asian Consumer	11.6	
Quality Financials	11.3	
Asian Export Brand	7.3	
Real Estate	5.1	
Niche Tech	3.8	
Cash	1.9	

## Geographical Breakdown (%)

Hong Kong	34.5	
China	15.4	
Korea	15.0	
Thailand	9.0	
Singapore	6.4	
Australia	4.7	
India	2.6	
Taiwan	2.6	
Malaysia	2.1	
Pakistan	2.0	
Philippines	2.0	
Cash	1.9	
New Zealand	1.7	

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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 (MXAJJP) 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	187.15
B USD	Unhedged	Distributing	B4QVD94	IE00B4QVD949	155.99
C GBP	Hedged	Distributing	B4Q6DB1	IE00B4Q6DB12	156.70
D SGD	Hedged	Distributing	B4NFJT1	IE00B4NFJT16	149.61

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	142.55
Y GBP	Hedged	Distributing	B4TRL17	IE00B4TRL175	143.63
Z SGD	Hedged	Distributing	B6WDYZ1	IE00B6WDYZ18	142.25

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	112.21

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

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