

# Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 July 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)	853.8m
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 (MXAJPI)

### Performance - Class B USD (%)

	Fund	Index
1 Month	3.50	3.54
3 Month	10.61	8.92
Year to Date	13.48	11.16
Since Launch	80.39	21.15
Since Launch (Annualised)	17.90	5.50

Source: Bloomberg

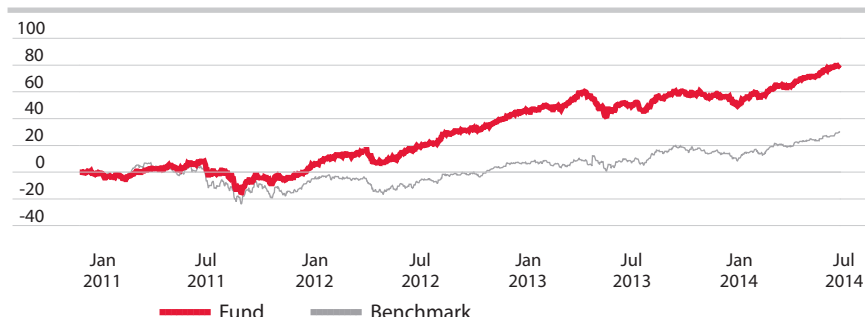
### Investment Process

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

Due to the "low quality" nature of this month's rally with highly geared Chinese stocks leading the charge, we are relatively happy with the fund's performance this month. **Cheung Kong**, **SK Telecom** and **Daqin Railway** were the top contributors and **eMemory** was the only significant losing position. We have begun to reduce the position in **Cheung Kong** as it approaches our assessment of fair value. Although it remains a very attractive business, the 50% price rise over the past 12 months has reduced the margin of safety considerably.

Although Korea is not a market known for its high dividend stocks, there are a number of changes being proposed by the new finance minister which might change that perception. Bemoaning the low valuation of Korean's equity market, he has proposed a number of changes to the tax code which will both encourage companies to pay higher dividends (by penalising the retention of earnings) and reduce the tax rate on dividend income for individuals. If the experience in Taiwan is anything to go by where similar measures introduced 15 years ago led to a very sharp rise in dividends we can expect a sharp improvement in dividends in Korea given the current payout ratio is just 15% compared to a regional average of 45%. Although there is no theoretical reason why increasing the payout ratio should change the valuation for a market, in a country like Korea where corporate governance is regarded as being poor, it generally has a positive impact. Korean equities have historically traded at a large discount to fair value reflecting the market's distrust of management – might this lead to the end of the "Korean discount"?



All data as at 31.07.14. Source: Prusik Investment Management LLP, unless otherwise stated.

**Prusik Investment Management LLP**  
1st Floor 46 Hays Mews  
London W1J 5QD

**Mark Derryhouse**  
Tel: +44 (0)20 7297 6854  
Mob: +44 (0)7831 856 066

**Nazinna Douglas**  
Tel: +44 (0)20 7493 1331  
Fax: +44 (0)20 7493 1770

Web: [www.prusikim.co.uk](http://www.prusikim.co.uk)  
Email: [enquiries@prusikim.co.uk](mailto:enquiries@prusikim.co.uk)

# Prusik Asian Equity Income Fund



## Top 5 Holdings (%)

Cheung Kong Holdings	5.7
Hutchison Whampoa Ltd	5.1
Link REIT	4.1
Macquarie Korea Infrastructure	3.4
SK Telecom Co Ltd	3.3
Total Number of Holdings	45

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.8x
Predicted Return on Equity (%)	12.7
Predicted Dividend Yield (%)	4.7

## Risk Metrics

Tracking Error (% pa)	6.7
Beta	0.80
Alpha	13.5
Volatility (%)	13.0
Sharpe ratio	1.38

## Thematic Breakdown (%)

Core Infrastructure	52.5	<div></div>
Retail Shopping Mall	14.5	<div></div>
Asian Consumer	9.8	<div></div>
Cash	6.4	<div></div>
Real Estate	5.7	<div></div>
Quality Financials	5.3	<div></div>
Asian Export Brand	3.6	<div></div>
Niche Tech	2.1	<div></div>

## Geographical Breakdown (%)

Hong Kong	39.6	<div></div>
China	14.7	<div></div>
Thailand	10.4	<div></div>
Korea	10.2	<div></div>
Singapore	8.6	<div></div>
Cash	6.4	<div></div>
Australia	3.4	<div></div>
Malaysia	2.2	<div></div>
Pakistan	1.9	<div></div>
New Zealand	1.1	<div></div>
Taiwan	0.9	<div></div>
India	0.6	<div></div>

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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 (MXAJP) 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	185.39
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	154.53
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	154.90
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	148.15

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	141.91
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	142.67
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	141.55

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	105.86

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

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