

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

31 July 2011

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 the 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)	18.4m
Launch Date	31 December 2010
Fund Manager	Tom Naughton
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD

Performance (%)

	B USD	C GBP	D SGD
1 Month	3.56	3.49	3.54
3 Month	5.60	5.79	5.40
Year to Date	7.90	8.06	5.39
Since Launch*	7.90	8.06	5.39

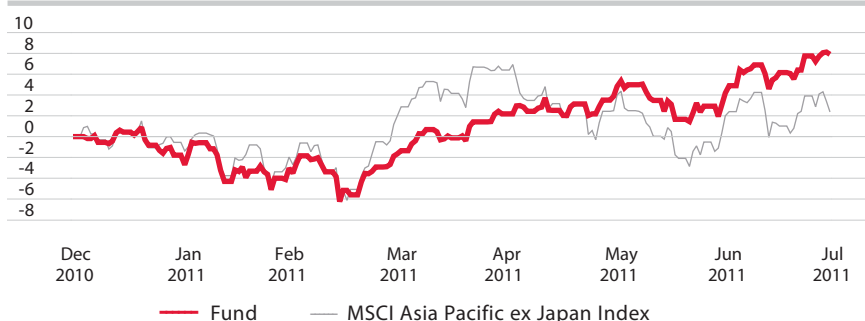
Source: Bloomberg.

*Launch Date: B: 31.12.10, C: 21.01.11, D: 04.01.11

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.

Fund Performance - Class B USD (%)



Source: Bloomberg. Total return net income reinvested. Since launch: 31.12.10

Fund Manager Commentary

The fund rose by 3.6% compared to a rise in the market of 0.4%. The main contributors to returns were Texwinca (textiles and Chinese retail), BEC World (Thai TV station) and Telecom New Zealand. The main detractors were Anhui Expressway, Macquarie Group and CNOOC.

Although July was a month of turbulence in the Continental European markets, Asia remained relatively unconcerned about the possibility of contagion spreading. It is very reminiscent of the 1997/98 period where Asian turmoil was (correctly) ignored by the developed equity markets. Whether this "decoupling" can continue is debatable but it shows that equity markets are curiously efficient at the moment even though they appear to be panicking. European bank stocks continue to hit new lows as investors fear that they will have very low profitability in perpetuity. At the same time markets such as Indonesia and Philippines hit new all time highs as corporate there continue to perform strongly. If this trend continues it should be positive for Asia and for our fund as it shows that good companies can perform well even in challenging circumstances.

A recent visit to Hong Kong has reaffirmed our faith in Texwinca, a Hong Kong based textile company. Producing fabric for Chinese garment manufacturers sounds like a painfully dull and unprofitable business. However, due to the huge increase in government regulation and customer monitoring (Texwinca had recently been visited by Nike at 11pm to check on their factory) it is now a relatively attractive industry. Perhaps more interesting is Baleno, their retail business in China. They have 4000 (profitable) stores in China and, were they to sell it to an operator such as Uniqlo it would fetch an extremely high price. A competitor of theirs in China admitted that Baleno has by far the best offering in the sector (think low end Gap/Uniqlo). They have indicated plans to spin this off at some point which might be a catalyst for the stock as the rating for a successful Chinese retail business is significantly higher than the current multiple. Although it is not a small stock (market capitalisation is almost US\$2bn) it is unpopular with the sell side as the company do not have a "story" to tell and are relatively conservative. Despite (perhaps because) of this, the company has produced total shareholder returns over the past 20 years of 22% CAGR compared to the Hong Kong market's 7.5%. It trades on a price earnings multiple of 10.6x forward earnings and has a 6.0% dividend yield. With virtually no debt and a 20% ROE it is trading at a steep discount to intrinsic value.

All data as at 31.07.11. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

Anhui Expressway	4.5
Sunway Real Estate Investment	4.0
KT&G	3.9
Texwinca Holdings	3.7
Jiangsu Express	3.7
Total Number of Holdings	36

Portfolio Financial Ratios

Price / Book Value	2.8x
Price / Earnings Ratio	13.9x
Predicted Price / Earnings Ratio	11.7x
Return on Equity (%)	20.7
Historic Dividend Yield (%)	4.8
Predicted Dividend Yield (%)	5.5

Thematic Breakdown (%)

Core infrastructure	26.9	<div></div>
Asian consumer	24.3	<div></div>
Quality Financials	13.4	<div></div>
Retail shopping mall	9.2	<div></div>
Niche Tech	8.3	<div></div>
Real estate services	7.6	<div></div>
Asian export brand	6.3	<div></div>
Cash	4.0	<div></div>

Geographical Breakdown (%)

Hong Kong/China	25.5	<div></div>
Singapore	15.1	<div></div>
Australia	12.1	<div></div>
Taiwan	11.4	<div></div>
Indonesia	10.1	<div></div>
Malaysia	9.4	<div></div>
Korea	6.1	<div></div>
Cash	4.0	<div></div>
Philippines	3.7	<div></div>
Thailand	2.6	<div></div>

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Management Fees

Annual Management Fee
1.0% p.a. Paid monthly in arrears
Performance Fee
Class 1: None

Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Weekly, Friday
Min. Initial Subscription	USD 10,000
Min. Subsequent Subscription	USD 5,000
Subscription Notice	2 business days
Redemption Notice	2 business days

Share Class Details

Class 1 [*]	Sedol	ISIN	Month-end NAV
A USD Unhedged Non distributing	B4MK5Q6	IE00B4MK5Q67	111.00
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	107.90
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	108.06
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	105.39

^{*}Class 1 will remain open to investors until the fund reaches USD50m. It will then soft close (to new investors) remaining open for current investors until the fund is USD100m. A new share class (Class 2) will be launched when Class 1 is approximately USD50m. This will carry a 1% AMC with a 10% performance fee, relative to the index.

Dividend Dates

Ex. Dividend: Interim 1 January, Final 1 July
Distribution: Interim end February, Final 31 August

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