PRUSIK

LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

Prusik Asian Equity Income Fund

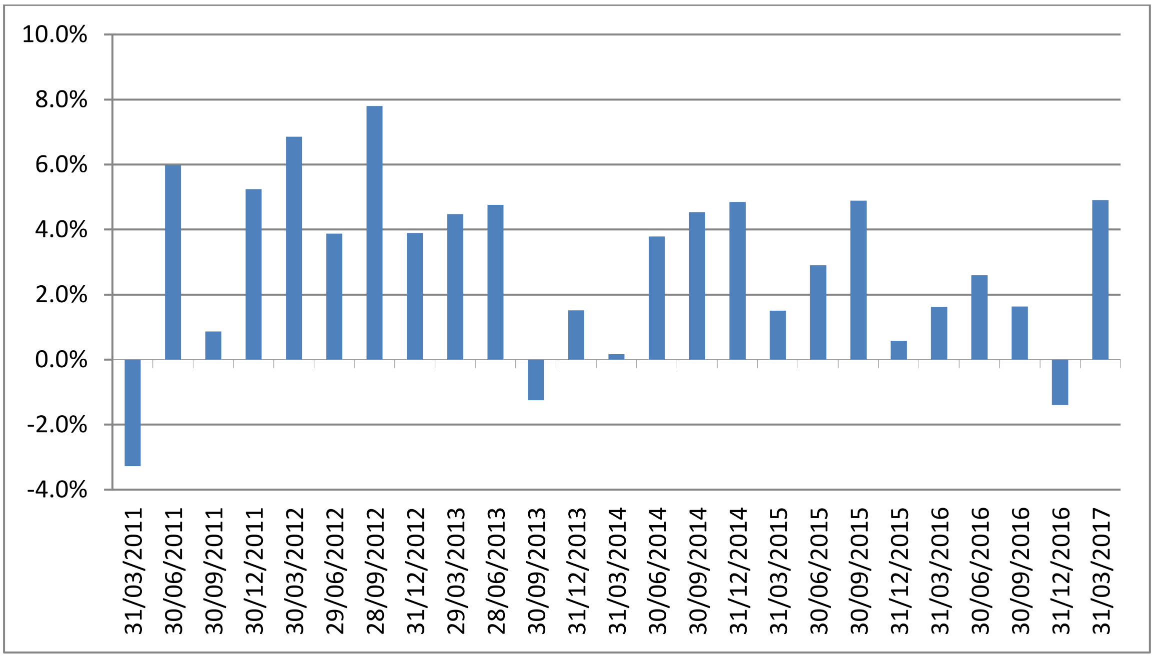
Quarterly Investment Report
31 March 2017

FOR PROFESSIONAL INVESTORS ONLY

Prusik Asian Equity Income Fund 1Q17 Commentary.

The fund rose by +14.9% compared to a market rise of +12.8% which implies that the alpha generation was +4.9%[1]. This is only slightly above the long-term average of 3.3% but, it is the highest that we have enjoyed since 3Q15. Although the market move was relatively sharp (this was the 3rd best ever quarter in absolute terms for the fund), the cyclicality of the market was not as dramatic as the second-half of 2016. That said, the worst 3 performing sectors were utilities, consumer staples and telecoms and our overall defensive bias was still a drag on returns. Overall however, we were very pleased by the performance and are not looking back in hindsight, wishing that we had done much differently[2].

Quarterly Alpha Since Inception.



Source - Prusik

The reason for the outperformance was really due to very strong alpha generation in India and China (where we were 24 and 14 percentage points ahead of the local markets respectively). This was offset, to some extent, by poor stock picking in Hong Kong and Korea (where we were 3 and 1 percentage points behind the local markets respectively). There were no positions that fell significantly during the quarter (due to the strong market move) but our utility positions were relatively lacklustre and 3 out of our 5 worst contributors came from this sector.

The top 5 positions by contribution were:

- Indiabulls (+254bps)
- Samsung Electronics preference shares (+145bps)
- Zhejiang Expressway (+138bps)
- Sun TV (+129bps)
- Wuliangye Yibin (+76bps)

[1] We assume beta of 0.78 for this and the historic alpha generation chart
[2] Regular readers will know this isn't often the case!

The bottom 5 contributors were:

- Cache Logistics (+1bp)
- SPCG Ltd (-1bp)
- Cheung Kong Infrastructure (-2bps)
- United Bank (-8bps)
- K-Electric (-13bps)

New Positions.

Hong Kong Telecom.

We already own a position in **PCCW** which is the holding company for **Hong Kong Telecom** so this could be viewed as adding to an existing position rather than a new holding. We took part in a placement when **PCCW** decided to reduce its holding from 63% to 52% in the company, by way of a relatively steeply discounted placing. Although little detail was given for the reasons for the placing, many took the announcement negatively inferring that Richard Li (the majority owner of **PCCW**) had a negative view on the Hong Kong Telecoms industry and was selling to reduce his exposure. Our view is a little different. Having followed **PCCW** for the last 18 years, and knowing something of the history of company, our view is that Richard Li was never particularly interested in running a mature, low growth telecoms company and he has, in fact, tried to sell the business on more than one occasion in order to spend more time on the media side of the business which is, let's face it, much more fun. **Hong Kong Telecom** remains a very strong company with dominant positions in the mobile and broadband market in Hong Kong. At the placement price, it offered a 6.5% dividend yield which should grow in the mid to high single digits over the next several years. Although there are of course risks in the sector and we are monitoring the competitive situation closely, we believe the upside potential outweighs the downside risk.

Hyundai Motor Preference Shares.

The auto industry is one of the least attractive businesses imaginable. It is cyclical, the R&D and capital intensity is high and the industry move from combustion engines to Electric Vehicles may make most of the existing plant and equipment obsolete. It sums up, almost perfectly, the type of business that we try and avoid. So why have we bought a position in **Hyundai Motor** preference shares? There are several reasons. The first is valuation: trading at <1x EV/EBITDA with a dividend yield of 5%, we think the stock is one of the cheapest securities in Asia – if not the world - and that the market is already pricing in a relatively pessimistic scenario. Some element of capital protection is provided by the fact that net cash equals almost half the market cap and the company is free cash flow positive, even under more stressed scenarios. One positive is that the market appears unaware of the company's strong position in India where it has a 17% market share and ranks only behind Maruti, the market leader, in terms of its dealer network. India is an extremely attractive market with car ownership at just 2 per capita compared to 12 in China. The number of households with income above US$10k/year (the key level as far as car ownership is concerned) is expected to grow from 50m in 2015 to 100m by 2020. **Hyundai** has a 17% market share in this market, which we think can grow at 15-20% annually for several years to come. If we valued **Hyundai's** business in India at the same level as Maruti Suzuki (23x earnings) then this would be equal to almost half the market cap of the company, implying that the value given to their auto business outside of India is zero.

Exited Positions.

We exited **Cache Logistics** (the supply demand dynamic in the industrial warehouse sector is unattractive and we believe the yield, though high, is not enough to compensate for the risk) and **Sun TV** (which reached our target price).

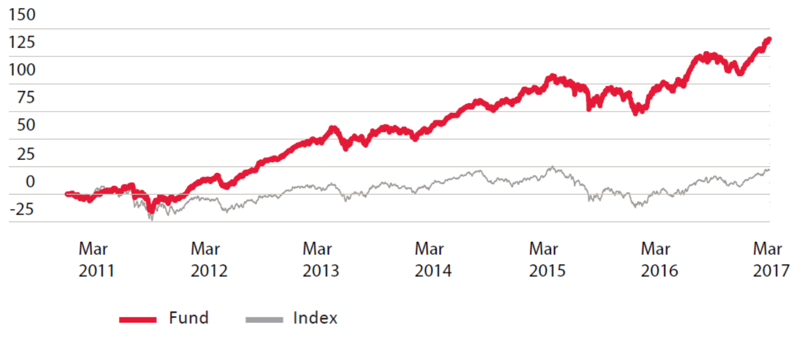
PORTFOLIO PERFORMANCE

Performance Summary (%)
Period ending 31.03.2017

Class 1*	B USD	Benchmark **
1 Month	3.98	3.09
3 Months	14.92	12.84
YTD	14.92	12.84
2016	10.36	7.06
2015	3.17	-9.12
2014	16.79	3.09
2013	13.45	3.65
2012	45.77	22.63
Since Launch+	142.69	21.74
Annualised since Inception	15.25	3.20

* Class 1 shares were closed to further investment on 30th November 2012
**MSCI Asia Pacific ex Japan
\+ Launch date: B 31.12.2010,

Fund Performance - Class B USD (%)



Source: Morningstar. Total return net income reinvested.

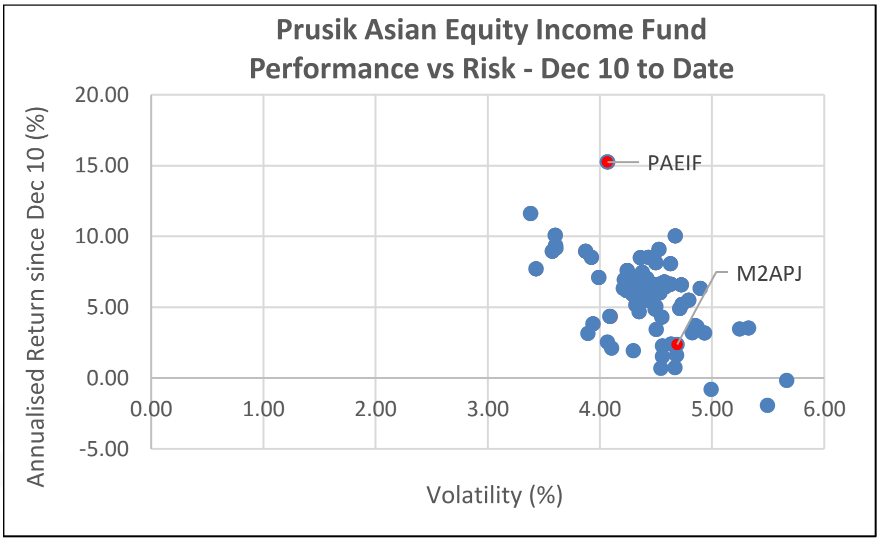
Class 1 B, USD Monthly Performance Summary (%)

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
2017	5.49	4.77	3.98										14.92
2016	-6.04	-0.37	10.28	0.95	-0.38	2.46	7.56	1.20	0.54	-1.43	-0.68	-3.16	10.36
2015	4.35	1.41	-0.70	6.01	-1.69	-1.97	-1.63	-6.01	-0.70	7.04	-1.91	-0.33	3.17
2014	-4.34	4.03	1.50	1.58	4.63	2.14	3.50	1.24	-2.54	2.31	2.00	-0.05	16.79
2013	3.93	1.78	0.35	4.57	-0.53	-4.95	1.87	-2.24	5.07	4.15	-0.56	-0.25	13.45
2012	8.12	6.54	1.92	3.20	-7.67	3.84	6.72	1.92	6.36	1.97	2.76	3.63	45.77
2011	-2.68	-1.46	2.55	3.90	2.58	-0.60	3.56	-6.06	-12.80	10.62	-3.52	1.79	-3.96

RISK ANALYSIS

Risk Metrics	Fund (%)
Tracking Error (% pa)	9.68
Beta	0.79
Alpha (%)	11.84
Volatility (%)	14.08

Source: Morningstar
Since inception: B 31.12.2010



Source: Morningstar

THEMATIC & GEOGRAPHICAL BREAKDOWN

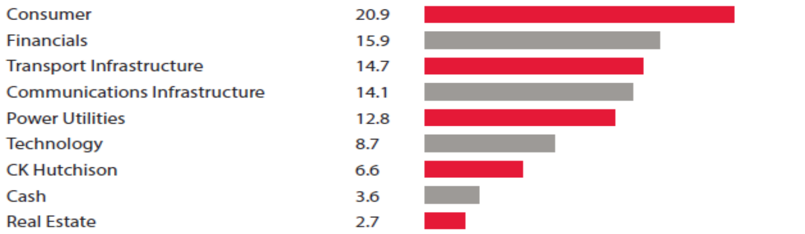
Top 5 Holdings (%)

Samsung Electronics Co Ltd	7.3
CK Hutchinson Holdings Ltd	6.6
Indiabulls Housing Finance Ltd	5.7
AIA Group Ltd	5.4
Power Grid Corporation of India	4.5
Total Number of Holdings	34

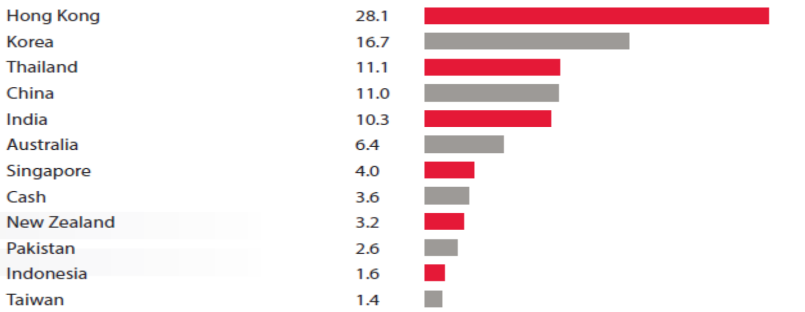
Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.0x
Predicted Return on Equity (%)	15.6
Predicted Dividend Yield (%)	4.3

Thematic Breakdown (%)



Geographical Breakdown (%)



All data as at 31.03.17. Source: Prusik Investment Management LLP, unless otherwise stated.

FUND PARTICULARS

Fund Facts

Fund Size USD	869m
Launch Date	31st December 2010
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GDP, SGD

Share Class Details

Class 1*			SEDOL	ISIN	Month end NAV
A USD	Unhedged	Non Distributing	B4MK5Q6	IE00B4MK5Q67	249.65
B USD	Unhedged	Distributing	B4QVD94	IE00B4QVD949	189.08
C GBP	Hedged	Distributing	B4Q6DB1	IE00B4Q6DB12	189.63
D SGD	Hedged	Distributing	B4NFJT1	IE00B4NFJT16	182.91

*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	169.07
Y GBP	Hedged	Distributing	B4TRL17	IE00B4TRL175	170.24
Z SGD	Hedged	Distributing	B6WDYZ1	IE00B6WDYZ18	169.91

* 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	171.26

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

Management Fees

Annual Management Fee
1% 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.
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

Dividend Dates

Dividends paid twice annually (January and July)

Fund Manager

Tom Naughton
Tel: +44 (0)20 7493 1331
Email: tom.naughton@prusikim.com

Sales & Marketing

Mark Dwerryhouse
Tel: +44 (0)20 7297 6854
Mob: +44 (0)7831 856 066
Email: mark.dwerryhouse@prusikim.com

Jack Barham
Tel: +44 (0)20 7297 6858
Fax: +44 (0)20 7493 1770
Email: jack.barham@prusikim.com

Prusik Investment Management LLP
6th Floor
15–16 Brook's Mews
London W1K 4DS

Web: www.prusikim.co.uk
Email: enquiries@prusikim.com