

## **PRUSIK UMBRELLA UCITS FUND PLC**

(An open-ended investment company with variable capital established as an umbrella fund with segregated liability between sub-funds and established as a UCITS under the law of Ireland)

### **Prusik Asian Equity Income Fund**

#### **Condensed Semi-Annual Report and Unaudited Financial Statements For the Period Ended 30 June, 2013**

**TABLE OF CONTENTS**

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	<b>Page</b>
GENERAL INFORMATION	2
INVESTMENT MANAGER'S REPORT	4
SCHEDULE OF INVESTMENTS	9
BALANCE SHEET	13
PROFIT AND LOSS ACCOUNT	15
STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES	16
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	17
NOTES TO THE FINANCIAL STATEMENTS	21
STATEMENT OF CHANGES IN THE COMPOSITION OF PORTFOLIO	29
MANAGEMENT AND ADMINISTRATION	31

## **GENERAL INFORMATION**

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Prusik Umbrella UCITS Fund plc (the “Company”) is an open-ended umbrella investment company with variable capital and segregated liability between sub-funds, incorporated on 5 November 2010 in Ireland pursuant to the Companies Acts, 1963 to 2012 and authorised by the Central Bank of Ireland (the “Central Bank”), as an investment company pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) (the “UCITS Regulations”).

Except where the context otherwise requires, defined terms shall bear the meaning given to them in the Prospectus of the Company.

The Company, with the prior approval of the Central Bank, may create additional Share Classes as the Directors may deem appropriate.

There is one fund in existence as at 30 June 2013, the Prusik Asian Equity Income Fund (the “Fund”) which was launched on 22 December 2010 as a sub-fund of the Company.

There are nine share classes available to investors of the Company:

- Class 2 X USD Distributing Class (first issued on 30 March 2012)
- Class 2 Y Sterling Distributing Class (first issued on 30 March 2012)
- Class 2 Z Singapore Distributing Class (first issued on 30 March 2012)
- Class A US Dollar Non-Distributing Class (first issued on 25 March 2012)
- Class B US Dollar Distributing Class (first issued on 31 December 2010)
- Class C Sterling Distributing Class (first issued on 21 January 2011)
- Class D Singapore Dollar Distributing Class (31 December 2010)
- Class E Singapore Dollar Distributing Class (first issued on 23 September 2011)
- Class U Sterling (Unhedged) Distributing Class (first issued on 1 July 2013)

Brown Brothers Harriman Fund Administration Services (Ireland), Limited (the “Administrator”) determines the Net Asset Value (“NAV”) per Share of each Class of the Company daily (“Dealing Day”) provided that Dealing Day is a business day, or if such day is not a business day, on the following business day. The valuation point is 11.00 am (Irish time) on each Dealing Day.

The most recent Prospectus of the Company is dated 19 September 2011.

### **Investment Objective**

The investment objective of the Fund is to generate a combination of income and capital growth primarily by investing in equities and other securities of companies operating in, and governmental issuers located in the Asian region and elsewhere.

In pursuit of its investment objective the Fund invests in companies operating in Asia including Australia, New Zealand, Hong Kong, Taiwan, South Korea, China, India, Sri Lanka, Pakistan, Thailand, Indonesia, Malaysia, Singapore and the Philippines and generally seeks to invest in companies that can be bought at an attractive discount to their intrinsic value and generate income above average dividend yields. The Fund pursues its investment objective primarily by taking long positions in publicly traded common stocks and other equity securities of Asian issuers.

The Fund has the ability to hold up to 100% of the NAV in cash for any period of time Prusik Investment Management LLP (the “Investment Manager”) deems this prudent. The Fund limits its investment in other collective investment schemes to a maximum of 10% of its NAV.

The Fund may invest in American depository receipts and global depository receipts and other equity related securities and instruments, which may be over-the-counter (“OTC”) or listed, including convertible bonds, depository receipts and warrants as well as other securities such as bonds and preference shares issued by corporate and governmental issuers (and which may be fixed or floating, and of both investment grade (BB- or higher) or non-investment grade).

The Fund may invest in both short and long term Asian and foreign debt securities (such as fixed and/or floating rate bonds, notes and convertible bonds) of corporate issuers and government entities. The debt and other fixed income securities in which the Fund may invest will be of investment grade.

**GENERAL INFORMATION (CONTINUED)**

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**Investment Objective (continued)**

The Fund may utilise techniques for efficient portfolio management and/or to protect against exchange risks, subject to the conditions and within the limits laid down by the Central Bank. These techniques and instruments include but are not limited to futures, options, forward foreign exchange contracts, interest and exchange rate swap contracts, stock lending and repurchase and reverse repurchase agreements.

Pending investment of the proceeds of a placing or offer of Shares or where market or other factors so warrant, the Fund's assets may be invested in money market instruments, including but not limited to certificates of deposit, floating rate notes and fixed or variable rate commercial paper listed or traded on Recognised Markets and in cash deposits.

The annual report and audited financial statements, and unaudited half-yearly financial statements are available to the public at the registered office of the Company and are sent to shareholders.

## INVESTMENT MANAGERS' REPORT

## Half year 2013 Review and Outlook

The Fund returned +5.0% in the first half compared to -5.6% return for the market. Whether this performance is repeatable or not remains to be seen but it is pleasing to generate good performance in what was a challenging period for income fund portfolios. And although we often discuss the disadvantages of running a larger asset base, one of the advantages from a risk perspective is that we have a smaller percentage of the portfolio in small cap stocks which also helped mitigate the fall. The second quarter of 2013 marked the 9<sup>th</sup> consecutive period of outperformance versus the index. Although the consistency of the outperformance is of course pleasing, it would be unwise to expect it to continue. Given the tracking error of the fund and the concentrated portfolio that we run, it is virtually certain that we will underperform the market in future quarters.

## Quarterly returns for Prusik Asian Equity Income Fund ("PAEIF") and the MSCI Asia Pacific ex-Japan index (MXAPJ)

	PAEIF	MXAPJ		Outperformance	"Alpha" <sup>1</sup>
Quarter 1 2011	-1.7%	2.0%		-3.7%	-3.3%
Quarter 2 2011	+5.9%	+0.1%		+5.9%	+5.9%
Quarter 3 2011	-15.2%	-20.3%		+5.1%	+1.1%
Quarter 4 2011	+8.6%	+4.7%		+4.0%	+4.9%
Quarter 1 2012	+16.6%	+12.5%		+4.1%	+6.6%
Quarter 2 2012	-1.1%	-6.3%		+5.2%	+4.0%
Quarter 3 2012	+15.4%	+9.8%		+5.6%	+7.5%
Quarter 4 2012	+8.6%	+6.2%		+2.4%	+3.6%
Quarter 1 2013	+6.0%	+2.0%		+4.0%	+4.4%
Quarter 2 2013	-1.1%	-7.4%		+6.3%	+4.8%
			Average	+3.9%	+4.0%

## Income Fund bubble

This is a topic we first addressed in the quarter three 2012 investor report and think it will continue to be an issue as long as real rates stay at low levels and investors seek income safety in equity markets. We stand by all of the comments made there and don't think much has changed since then.

If there is one part of it that is worth repeating it is this...

"It is important to remember that dividend investing has two aspects –a safety/bond like characteristic and the valuation/contrarian characteristic. It is important to combine the two as neither aspect works well in isolation all the time. At the moment investors are tending to overpay for obviously safe, secure, high payout ratio stocks and stocks that do not fulfil those criteria trade at much more attractive multiples. We are not looking to buy what the market considers to be safe stocks today, we are looking for what the market will think are safe stocks in several years time. This involves selectively taking on risk but also limits our downside as we are not paying up for security."

Remember we are not trying to buy stocks that people think are safe today. We are looking for stocks where the dividend paying potential is undervalued and underestimated. Then, once the market has "discovered" these stocks, they are generally sold and the capital recycled into better ideas. So there is a natural tendency to avoid owning overvalued stocks built into the process. But the last time I studied this issue, the analysis was largely qualitative. This time a bit more analytical rigour has been added to the process and analyse if high yield stocks are indeed in a bubble.

First, let's consider what the statement "Asian income stocks are in a bubble" means. Many of the criteria are difficult to measure (e.g. sentiment, leverage) but there is one key criteria for a bubble which we can analyse – valuation. I believe that if Asian income stocks are in a bubble then it is a necessary condition that they are overvalued. So are they?

<sup>1</sup> We have assumed a constant beta of 0.8

## INVESTMENT MANAGERS' REPORT (CONTINUED)

## Valuation

Let us consider how Asian yield stocks are valued compared to the overall market. We have considered all stocks listed in Asia excluding Japan (including Australia but excluding China A shares) that have market caps of more than US\$500m. The dividend universe is then defined as the top quartile of this universe when ranked by historic dividend yield. We have looked at the median stock to reduce the impact of outliers. There are 2,054 stocks in the universe and 514 stocks in the top quartile.

	Dividend universe Median	Overall Universe Median
Price earnings ratio	13.4x	15.8x
Dividend yield	4.9%	2.5%
Price to book	1.62x	1.81x
Net Debt to Equity	24%	24%
Return on Equity	13.6%	13.3%

This suggests that dividend stocks are in fact cheaper than the overall universe – trading on average at a 10-15% valuation discount to the average stock and with almost double the dividend yield. The Return on Equity and net debt to equity figures are similar to the overall universe suggesting, on a very simplistic basis, that these stocks are not lower quality.

## Historical Analysis

Let's also look at the valuation of this dividend universe over time. Let's look at the valuation of the median stock in this group over time.

	Price Earnings	Dividend Yield	Price to book
2013 <sup>2</sup>	13.4	4.9%	1.62x
2012	12.0	6.2%	1.43x
2011	12.0	5.2%	1.64x
2010	12.6x	5.2%	1.60x

This shows that dividend stocks are slightly more expensive than they were a few years ago but not substantially so. There is no obvious evidence of a bubble.

Remember that yield investing is by definition a mean reverting, value biased strategy. Even though it may seem that anecdotally there are more overvalued stocks, these stocks fall out of the universe and are replaced by other cheaper stocks. So although it may seem that there are a lot of overvalued yield stocks, there are always examples of stocks that get too popular but then they fall out of the universe and are replaced by cheaper stocks. It is possible that the reason there is so much panic about high yields stocks is due to a well known cognitive bias known as the *availability heuristic*<sup>3</sup>. Investors remember the obvious examples of overvalued stocks or poor quality IPOs with manufactured yields as they are well publicised and stir up emotions. But no one talks about the stocks that are unpopular, unloved and trading at high dividend yields as they lack a "story".

Of course, it is true that there are elements of truth to fears that income stocks are too expensive. There are several stocks in the universe which have low volatility and therefore have been bid up by "bond refugees" who only focus on dividend yield and ignore the fundamental valuation metrics. Companies that operate in industries or countries with low volatility (e.g. the consumer sector or the Australian market) often have low capital spending requirements and enough visibility to mean that they can operate at high payout ratios. In a market fixated with dividend yield, this means that these stocks often trade at very high valuation levels as long as they can generate an attractive dividend yield.

<sup>2</sup> Data as 30<sup>th</sup> June each year

<sup>3</sup> The availability heuristic is a mental shortcut that occurs when people make judgments about the probability of events by how easy it is to think of examples ([http://en.wikipedia.org/wiki/Availability\\_heuristic](http://en.wikipedia.org/wiki/Availability_heuristic))

## INVESTMENT MANAGERS' REPORT (CONTINUED)

## Historical Analysis (continued)

As an exercise, we looked at the historical valuations of “quality” stocks in Asia. The table below shows how the top decile of “quality” stocks (defined as those with the least risky operating profit growth over the past 5 years) have been valued on a Price to book basis relative to overall market. The current premium is a record high 46% compared to an average premium of 26%. This implies that stocks with low volatility are very expensive compared to history. In absolute terms, the valuation of these stocks is also at an all time high<sup>4</sup>. This would indicate that extreme caution should be taken when buying stocks with low volatility to avoid overpaying.

Year <sup>5</sup>	Top decile P/BK	Median P/BK	Premium
<b>2013</b>	<b>2.52</b>	<b>1.72</b>	<b>46%</b>
2012	2.31	1.61	43%
2011	2.15	1.86	16%
2010	2.35	1.80	31%
2009	2.06	1.56	32%
2008	2.33	1.99	17%
2007	2.72	2.67	2%
2006	2.35	1.83	28%
2005	2.35	1.94	21%
2004	2.05	1.72	19%
<b>Average</b>	<b>2.32</b>	<b>1.87</b>	<b>26%</b>

Fundamentally we believe that we are still in an uncertain world and that it is important not to be too dogmatic about what will happen to bond yields over the next several years. It is possible that rates stay extremely low (the “Japan” scenario) in which case these high quality stocks will trade to even higher valuations. Rates could “normalise” over the next few years back to 3% fed fund rate and 5-6% 10 year yields (in line with nominal Gross Domestic Product (“GDP”) growth) or rates could spike even higher as inflation fears return. We believe our portfolio needs to be able to cope with any of these scenarios. All we can do is attempt to put together a portfolio which has the best risk/reward characteristics regardless of where bond yields settle. When the market panics about higher bond yields this means that some of the more “safe” stocks become more attractive again. When the market panics that global growth will collapse and bond yields will head back towards 1-1.5% it means that some of the more cyclical stocks become attractive.

## Changes to the portfolio

Over the half-year, the biggest change has been the increase of the Hong Kong & China portfolios and the decrease of the Korean, Thai and Singapore portfolios. This is largely due to the relative performance of those portfolios and markets.

China is a market that is under a high degree of stress which is concerning investors. Although in many ways it is an extremely complex situation, it can be simplified into one main issue: debt. China has borrowed too much money in the last several years and there is a high degree of scepticism that this money has been well spent or indeed can be paid back. It is almost certain (and, can be argued, priced in) that China will undergo some degree of banking crisis over the next several years. The only questions are “When?” and “How much will it cost?”.

<sup>4</sup> Incidentally, the Chinese banks are all in the top decile as they have had very low volatility in underlying earnings since listing. This goes to show the dangers of relying exclusively on historic financial information in Asia

<sup>5</sup> Data as of 30<sup>th</sup> June

## INVESTMENT MANAGERS' REPORT (CONTINUED)

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### Changes to the portfolio (continued)

We have increased our China exposure to 12% of the Fund but do not expect it to grow substantially from here. We have a very strict criteria for the type of position we would consider and do not see many more potential candidates that past these tests. Several investors have wondered why we have increased our China exposure given the huge risks that the economy faces. The answer is that many of the stocks there are trading at levels which already discount a high degree of bearishness about the future path of economic growth and therefore the risk/reward is becoming increasingly attractive. It is important to note that we remain very bearish on some aspects of the Chinese economy (fixed asset investment, resource demand) but relatively sanguine about others (consumer demand over the medium term). The Chinese economy is making a transition from a high growth, capital intensive, debt driven economy to a low to medium growth, consumer focused, cash return focused economy. Although this transition is unlikely to be painless and there is no guarantee that they will be successful in achieving it I believe it is not impossible to achieve. China has realised that it has enough capital stock and, given that the labour force is no longer growing, they are focusing on improving income growth per capita rather than just attempting to create as many jobs as possible. Corporates are now focusing on improving returns on existing capital rather than just adding as much investment as they could afford. The central government is focusing on reducing pollution, improving the social safety net and making the transition from a poor to a middle income country. Although the transition might be rocky, the ultimate aim is of course extremely sensible. China wants to transition to an economy that can grow at 4-5%, has a reduced dependence on resource availability and can move up the value added curve with regards to economic output.

So what stocks would one want to own in such an environment? Banking, property, cement, resource and many cyclical stocks are unattractive as demand will collapse and debt levels will shrink. Consumer stocks are attractive but they generally trade at high valuation levels. We believe that core infrastructure stocks in the power, airport, rail and road sectors are attractive as they have the following characteristics:

- Relatively non-cyclical demand so they will not be as affected by the slowdown in growth
- High margins (on average our portfolio has cash flow margins of 50%) so that even if demand slows, profits should be less affected
- Strong balance sheets with limited need for external financing (as the banking sector shrinks)
- Trading at distressed valuations (so that even if we are wrong then our downside is limited)
- Paying high dividends (as we want to focus on companies that are improving returns on existing capital rather than ploughing more capital into their business)

This is by no means a risk free investment. There are indeed several ways that we may be proved wrong. Some of these include:

- Our holdings may decide to invest money (voluntarily or otherwise) in non-core projects
- The government may change regulations to socialise the profits of these companies
- China may have a full scale, disorderly banking crisis in which even the most pessimistic assumptions about demand growth prove to be wildly optimistic

We can attempt to mitigate these risks by making sure that we, as minority investors, are aligned with the management and the majority owners of the company but we can never eliminate them.

If it is clear that our thesis on China is incorrect then we will aim to reduce our exposure. But the market bearishness on China is at fairly extreme levels. As long as there is no systemic breakdown in the financial system (which, given the fact that China runs large surpluses and has a closed financial system their need not be) then these stocks are very attractive.



**INVESTMENT MANAGERS' REPORT (CONTINUED)**

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**Conclusion**

We believe that, after the current hysteria about “tapering” ends, investors will be faced with the same problem. How to preserve the real value of the capital and generate an income in the face of very low government bond yields, a weak global economy and a financial system that is still in critical condition with most of the western world reliant on zero interest rates to survive. Our strategy for selecting stocks is not particularly dependent on any one world view – we need an “all weather” portfolio that is as suited to a robust global economy with higher interest rates as we do to a weak or unstable economy with low rates. We continue to rotate capital as the market shifts to try and ensure that we minimise our risks and maximise our potential return. This will mean that often our portfolio is invested in areas that are unpopular but we believe that we are not exposing the fund to unnecessary risk.

**Prusik Investment Management LLP**  
**July 2013**

## Prusik Umbrella UCITS Fund plc

### SCHEDULE OF INVESTMENTS

Country	Holding	Security Description	Cost USD	Value USD	% of Net Assets
<b>Common Stock - 83.02% (31 December 2012: 85.74%)</b>					
<b>Australia - 1.60% (31 December 2012: 0.00%)</b>					
	6,578,166	Seven West Media Ltd.	13,731,491	11,527,585	1.60%
			13,731,491	11,527,585	1.60%
<b>Britain - 9.06% (31 December 2012: 8.50%)</b>					
	3,310,000	HSBC Holdings PLC	33,239,719	34,647,846	4.81%
	1,390,000	Standard Chartered PLC	33,031,795	30,569,338	4.25%
			66,271,514	65,217,184	9.06%
<b>China - 10.19% (31 December 2012: 8.51%)</b>					
	10,526,000	Anhui Expressway Co.	5,867,571	5,007,050	0.70%
	26,604,000	Beijing Capital International Airport Co. Ltd.	18,456,799	17,387,899	2.41%
	20,834,000	Huaneng Power International, Inc.	19,874,161	20,599,669	2.86%
	11,636,000	Jiangsu Expressway Co. Ltd.	10,524,832	11,985,129	1.66%
	22,824,000	Zhejiang Expressway Co. Ltd.	17,814,045	18,448,094	2.56%
			72,537,408	73,427,841	10.19%
<b>Hong Kong - 24.63% (31 December 2012: 19.35%)</b>					
	2,730,000	Cheung Kong Holdings Ltd.	40,281,571	36,917,335	5.13%
	2,696,000	Cheung Kong Infrastructure Holdings Ltd.	16,446,267	17,950,743	2.49%
	32,202,000	CITIC Telecom International Holdings Ltd.	9,104,067	9,630,815	1.34%
	14,150,000	Hutchison Telecommunications Hong Kong Holdings Ltd.	6,359,100	7,424,087	1.03%
	2,470,000	Hutchison Whampoa Ltd.	24,152,079	25,918,721	3.60%
	13,306,000	Midland Holdings Ltd.	6,908,209	4,957,213	0.69%
	12,320,000	NWS Holdings Ltd.	19,298,743	18,804,190	2.61%
	44,992,000	PCCW Ltd.	18,502,057	20,879,977	2.90%
	1,060,000	Sun Hung Kai Properties Ltd.	13,461,805	13,623,642	1.89%
	3,070,000	Television Broadcasts Ltd.	22,380,771	21,252,248	2.95%
			176,894,669	177,358,971	24.63%
<b>Indonesia - 3.95% (31 December 2012: 3.79%)</b>					
	25,419,500	Telekomunikasi Indonesia Persero Tbk PT	25,438,142	28,428,861	3.95%
			25,438,142	28,428,861	3.95%
<b>Macau - 2.16% (31 December 2012: 0.00%)</b>					
	5,827,600	MGM China Holdings Ltd.	13,070,781	15,550,784	2.16%
			13,070,781	15,550,784	2.16%
<b>Malaysia - 5.16% (31 December 2012: 3.92%)</b>					
	7,860,000	Berjaya Sports Toto Bhd.	10,959,507	10,697,262	1.49%
	4,591,000	Media Prima Bhd.	3,683,612	4,010,495	0.56%
	4,002,850	MPHB Capital Bhd.	3,725,174	1,735,687	0.24%
	9,497,000	Multi-Purpose Holdings Bhd.	8,349,595	10,851,138	1.51%
	9,238,300	SP Setia Bhd.	8,975,432	9,795,317	1.36%
			35,693,320	37,089,899	5.16%

## Prusik Umbrella UCITS Fund plc

### SCHEDULE OF INVESTMENTS (CONTINUED)

Country	Holding	Security Description	Cost USD	Value USD	% of Net Assets
<b>Common Stock - 83.02% (31 December 2012: 85.74%) (continued)</b>					
<b>Singapore - 1.36% (31 December 2012: 2.51%)</b>					
	6,360,000	OSIM International Ltd.	8,175,379	9,806,278	1.36%
			8,175,379	9,806,278	1.36%
<b>South Korea - 12.69% (31 December 2012: 17.44%)</b>					
	249,970	Grand Korea Leisure Co. Ltd.	6,547,662	7,586,061	1.05%
	526,930	Halla Visteon Climate Control Corp.	11,163,813	16,475,793	2.29%
	1,599,183	KT Corp.	26,447,612	24,659,402	3.42%
	249,136	KT&G Corp.	19,080,501	16,168,878	2.25%
	1,353,014	SK Telecom Co. Ltd.	22,357,467	26,532,605	3.68%
			85,597,055	91,422,739	12.69%
<b>Taiwan - 1.18% (31 December 2012: 4.60%)</b>					
	1,794,000	Makalot Industrial Co. Ltd.	7,852,181	8,519,876	1.18%
			7,852,181	8,519,876	1.18%
<b>Thailand - 11.04% (31 December 2012: 15.98%)</b>					
	3,130,000	Bangkok Bank PCL - NVDR	19,771,191	20,580,822	2.86%
	15,592,400	Bank of Ayudhya PCL - Foreign	13,170,482	17,715,781	2.46%
	1,600,000	Bank of Ayudhya PCL - NVDR	5,325,461	1,817,889	0.25%
	5,728,900	Glow Energy PCL -Foreign	13,388,106	13,018,129	1.81%
	2,654,600	Glow Energy PCL -NVDR	6,239,285	6,032,210	0.84%
	10,612,800	Thai Vegetable Oil PCL	9,131,542	6,294,134	0.87%
	9,634,150	Tisco Financial Group PCL - Foreign	13,159,571	12,731,673	1.77%
	1,000,000	Tisco Financial Group PCL - NVDR	1,744,059	1,321,515	0.18%
			81,929,697	79,512,153	11.04%
<b>Total Common Stock</b>			<b>587,191,637</b>	<b>597,862,171</b>	<b>83.02%</b>
<b>Real Estate Investment Trusts - 7.47% (31 December 2012: 8.74%)</b>					
<b>Australia - 1.13% (31 December 2012: 0.00%)</b>					
	2,852,386	Westfield Retail Trust	9,313,831	8,150,628	1.13%
			9,313,831	8,150,628	1.13%
<b>China - 0.98% (31 December 2012: 1.10%)</b>					
	11,000,000	Hui Xian Real Estate Investment Trust	7,331,402	7,030,244	0.98%
			7,331,402	7,030,244	0.98%
<b>Singapore - 5.36% (31 December 2012: 7.16%)</b>					
	16,544,000	Ascendas India Trust	10,886,206	9,156,954	1.27%
	7,900,000	CapitaMall Trust	13,148,989	12,430,616	1.73%
	11,403,000	Fortune Real Estate Investment Trust (Hong Kong)	9,643,355	10,363,357	1.44%
	493,000	Fortune Real Estate Investment Trust (Singapore)	423,720	448,688	0.06%

## Prusik Umbrella UCITS Fund plc

### SCHEDULE OF INVESTMENTS (CONTINUED)

Country	Holding	Security Description	Cost USD	Value USD	% of Net Assets		
Real Estate Investment Trusts - 7.47% (31 December 2012: 8.74%) (continued)							
Singapore - 5.36% (31 December 2012: 7.16%) (continued)							
	6,811,000	Sabana Shari'ah Compliant Industrial Real Estate Investment Trust	6,265,030	6,220,214	0.86%		
			40,367,300	38,619,829	5.36%		
		Total Real Estate Investment Trusts	57,012,533	53,800,701	7.47%		
Warrant - 4.97% (31 December 2012: 2.41%)							
China - 1.05% (31 December 2012: 0.00%)							
	7,764,711	Daqin Railway Co. Ltd. 28/02/2014	9,811,210	7,514,765	1.05%		
			9,811,210	7,514,765	1.05%		
India - 3.92% (31 December 2012: 2.41%)							
	3,000,000	Tata Motors Ltd. 14/02/2014	16,975,427	14,631,450	2.03%		
	5,750,000	Tata Motors Ltd. 09/12/2013	17,228,724	13,627,845	1.89%		
			34,204,151	28,259,295	3.92%		
		Total Warrants	44,015,361	35,774,060	4.97%		
		Total Fair Value of Investments	688,219,531	687,436,932	95.46%		
Forward Foreign Currency Contracts - (0.69%) (31 December 2012: 0.16%)							
Currency Bought	Amount Bought	Currency Sold	Amount Sold	Maturity Date	Counterparty	Unrealised Gain/(Loss)	% of Net Assets
USD	3,092,988	GBP	(2,010,000)	22/07/2013	Brown Brothers Harriman	28,066	0.01%
USD	9,986,812	GBP	(6,490,000)	22/07/2013	Brown Brothers Harriman	90,623	0.01%
					Total unrealized gain on Forward Foreign Currency Contracts	118,689	0.02%
					Total Financial Assets at Fair Value through Profit or Loss	687,555,621	95.48%
GBP	96,478,873	USD	(150,700,000)	22/07/2013	Brown Brothers Harriman	(3,585,489)	(0.50%)
GBP	39,564,661	USD	(61,800,000)	22/07/2013	Brown Brothers Harriman	(1,470,360)	(0.20%)
GBP	8,236,834	USD	(12,590,000)	22/07/2013	Brown Brothers Harriman	(30,175)	(0.01%)
SGD	12,866,280	USD	(10,200,000)	22/07/2013	Brown Brothers Harriman	(26,189)	0.00%
GBP	2,584,233	USD	(3,950,000)	22/07/2013	Brown Brothers Harriman	(9,467)	0.00%
SGD	3,910,340	USD	(3,100,000)	22/07/2013	Brown Brothers Harriman	(7,959)	0.00%
USD	438,940	SGD	(560,000)	22/07/2013	Brown Brothers Harriman	(3,871)	0.00%
USD	141,088	SGD	(180,000)	22/07/2013	Brown Brothers Harriman	(1,244)	0.00%
USD	212,531	SGD	(270,000)	22/07/2013	Brown Brothers Harriman	(967)	0.00%
USD	94,458	SGD	(120,000)	22/07/2013	Brown Brothers Harriman	(430)	0.00%
SGD	126,450	USD	(100,000)	22/07/2013	Brown Brothers Harriman	(11)	0.00%
SGD	50,580	USD	(40,000)	22/07/2013	Brown Brothers Harriman	(5)	0.00%
					Total unrealized loss on Forward Foreign Currency Contracts	(5,136,167)	(0.71%)
					Total Financial Liabilities at Fair Value through Profit or Loss	(5,136,167)	(0.71%)

**Prusik Umbrella UCITS Fund plc**

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**SCHEDULE OF INVESTMENTS (CONTINUED)**

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	<b>Value USD</b>	<b>% of Net Assets</b>
Cash	38,110,999	5.29%
Other Net Liabilities	(410,751)	(0.06%)
<b>Net Assets Attributable to Holders of Redeemable Participating Shares</b>	<b>720,119,702</b>	<b>100.00%</b>

# BALANCE SHEET

	Notes	As at 30 June 2013 USD	As at 31 December 2012 USD
<b>Assets</b>			
Financial assets, at cost		688,219,531	471,382,279
Financial assets at fair value through profit or loss			
- Transferable securities		597,862,171	449,066,706
- Collective investment schemes		53,800,701	45,809,910
- Warrants		35,774,060	12,639,640
- Financial derivative instruments		118,689	816,053
Cash		39,490,786	5,465,881
Receivable for investments sold		7,434,670	12,267,527
Dividends receivable		2,905,060	3,168,042
Subscriptions receivable		10,051,381	1,405,000
Other assets		39,798	48,061
<b>Total assets</b>		<b>747,477,316</b>	<b>530,686,820</b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss			
- Financial derivative instruments		5,136,167	30,627
Bank overdraft		1,379,787	–
Payable for investments purchased		16,910,613	4,835,355
Redemptions payable		309,634	830,223
Investment management fees	2	547,205	423,095
Administration fees	3	63,020	61,361
Custody fees	4	49,502	36,139
Trustee fees	4	23,313	18,939
Directors' fees	5	8,102	–
Audit fees		20,762	38,462
Performance fees	2	2,833,620	553,572
Professional fees		53,401	37,955
Organisational expenses		10,888	10,888
Other liabilities		11,600	28,927
<b>Total liabilities</b>		<b>27,357,614</b>	<b>6,905,543</b>
<b>Net Assets Attributable to Holders of Redeemable Participating Shares (for financial statement purposes)</b>			
		<b>720,119,702</b>	<b>523,781,277</b>

The accompanying notes form an integral part of these financial statements.

**BALANCE SHEET (CONTINUED)**

	Notes	As at 30 June 2013	As at 31 December 2012
<b>Class 2 X US Dollar Distributing Class</b>			
Net Assets (for financial statement purposes)		USD376,417,929	USD220,029,967
Outstanding Redeemable Participating Shares	1	3,059,745	1,804,666
Net Asset Value per Share		USD123.02	USD121.92
<b>Class 2 Y Sterling Distributing Class</b>			
Net Assets (for financial statement purposes)		GBP48,708,028	GBP9,856,881
Outstanding Redeemable Participating Shares	1	391,657	80,240
Net Asset Value per Share		GBP124.36	GBP122.84
<b>Class 2 Z Singapore Distributing Class</b>			
Net Assets (for financial statement purposes)		SGD3,812,660	SGD1,954,867
Outstanding Redeemable Participating Shares	1	31,002	16,088
Net Asset Value per Share		SGD122.98	SGD121.52
<b>Class A US Dollar Non-Distributing Class</b>			
Net Assets (for financial statement purposes)		USD16,140,742	USD22,895,245
Outstanding Redeemable Participating Shares	1	107,242	159,358
Net Asset Value per Share		USD150.51	USD143.67
<b>Class B US Dollar Distributing Class</b>			
Net Assets (for financial statement purposes)		USD84,711,141	USD86,511,709
Outstanding Redeemable Participating Shares	1	632,858	663,500
Net Asset Value per Share		USD133.85	USD130.39
<b>Class C Sterling Distributing Class</b>			
Net Assets (for financial statement purposes)		GBP98,548,400	GBP99,629,140
Outstanding Redeemable Participating Shares	1	732,430	765,494
Net Asset Value per Share		GBP134.55	GBP130.15
<b>Class D Singapore Dollar Distributing Class</b>			
Net Assets (for financial statement purposes)		SGD12,701,891	SGD13,998,789
Outstanding Redeemable Participating Shares	1	98,585	111,684
Net Asset Value per Share		SGD128.84	SGD125.35
<b>Class E Singapore Dollar Distributing Class</b>			
Net Assets (for financial statement purposes)		SGD6,599,712	SGD5,142,250
Outstanding Redeemable Participating Shares	1	41,528	34,567
Net Asset Value per Share		SGD158.92	SGD148.76

The accompanying notes form an integral part of these financial statements.

**PROFIT AND LOSS ACCOUNT**

	Notes	For the period ended 30 June 2013 USD	For the year ended 31 December 2012 USD	For the period ended 30 June 2012 USD
<b>Investment income</b>				
Dividend income		14,555,685	8,417,163	1,819,508
Interest income		3,878	1,656	278
Other income		–	63,692	–
Net realised gain on financial assets and liabilities at fair value through profit or loss		48,822,548	22,073,268	2,608,129
Movement in net unrealised (loss)/gain on financial assets and liabilities at fair value through profit or loss		(42,888,462)	37,811,880	1,762,736
<b>Total income</b>		<b>20,493,649</b>	<b>68,367,659</b>	<b>6,190,651</b>
<b>Expenses</b>				
Investment management fees	2	3,214,465	1,629,291	315,193
Administration fees	3	282,287	210,644	58,926
Custody fees	4	165,115	63,968	8,983
Trustee fees	4	68,423	35,785	6,869
Directors' fees	5	20,692	41,419	6,635
Audit fees		26,434	41,792	16,764
Professional fees		98,450	155,084	33,581
Performance fees	2	4,813,662	759,199	34,321
Transaction costs		2,654,598	505,627	461,248
Other expenses		37,784	39,287	3,406
<b>Total expenses</b>		<b>11,381,910</b>	<b>3,482,096</b>	<b>945,926</b>
<b>Net income before finance costs</b>		<b>9,111,739</b>	<b>64,885,563</b>	<b>5,244,725</b>
<b>Finance costs</b>				
Overdraft interest		(282)	(10,291)	(5,644)
Distributions paid		(11,714,597)	(3,558,703)	(1,411,798)
<b>Total finance costs</b>		<b>(11,714,879)</b>	<b>(3,568,994)</b>	<b>(1,417,442)</b>
Withholding tax on dividends		(1,276,494)	(686,911)	(105,816)
<b>Change in Net Assets Attributable to Holders of Redeemable Participating Shares from Operations</b>		<b>(3,879,634)</b>	<b>60,629,658</b>	<b>3,721,467</b>

Gains and losses arise solely from continuing operations. There were no recognised gains or losses other than those reflected above and therefore, no statement of total recognised gains and losses has been presented.



**STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE PARTICIPATING SHARES**

		<b>For the period ended 30 June 2013 USD</b>	<b>For the year ended 31 December 2012 USD</b>	<b>For the period ended 30 June 2012 USD</b>
Change in Net Assets Attributable to Holders of Redeemable Participating Shares from Operations		(3,879,634)	60,629,658	3,721,467
<b>Capital Share Transactions of Redeemable Participating Shares</b>				
Proceeds from issuance of Redeemable Participating Shares	1	252,584,348	446,320,599	95,471,957
Payments on redemption of Redeemable Participating Shares	1	(52,623,827)	(15,968,397)	(6,306,701)
Recontribution due to additional performance fee	2	257,538	–	–
Net increase from Capital Share Transactions of Redeemable Participating Shares		200,218,059	430,352,202	89,165,256
Change in Net Assets Attributable to Holders of Redeemable Participating Shares		196,338,425	490,981,860	92,886,723
Net Assets Attributable to Holders of Redeemable Participating Shares at the beginning of the period		523,781,277	32,799,417	32,799,417
<b>Net Assets Attributable to Holders of Redeemable Participating Shares at the end of the period</b>		<b>720,119,702</b>	<b>523,781,277</b>	<b>125,686,140</b>

The accompanying notes form an integral part of these financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The significant accounting policies and estimation techniques adopted by the Company are as follows:

### **Basis of Preparation of Financial Statements**

The financial statements have been prepared in accordance with accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2012 and the UCITS Regulations. The financial statements are prepared in accordance with generally accepted accounting principles under the historical cost convention, as modified by the reduction of financial assets and financial liabilities at fair value through profit or loss and comply with accounting standards issued by the Financial Reporting Council, as promulgated by the Institute of Chartered Accountants in Ireland.

The information required by FRS 3: “Reporting Financial Performance”, to be included in a statement of total recognised gains and losses and a reconciliation of movement in Shareholders’ funds, is in the opinion of the Directors contained in the Profit and Loss Account and Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares on pages 15 and 16.

The Company has availed of the exemption available to open-ended investment funds under FRS 1 “Cash Flow Statements”, not to prepare a cash flow statement.

### **Financial Assets and Financial Liabilities at Fair Value through Profit or Loss**

#### *(i) Classification*

In accordance with FRS 26 “Financial Instruments: Recognition and Measurement”(“FRS 26”), the Company designated all its assets and liabilities as Financial Assets and Financial Liabilities at fair value through profit or loss. The category of Financial Assets and Financial Liabilities at fair value through profit or loss is further subdivided into:

#### *Financial assets and financial liabilities held for trading*

These include equities and forward foreign currency contracts held by the Company. These instruments are acquired or incurred principally for the purpose of generating a profit from short-term fluctuation in price. All the Company’s assets and liabilities are held for the purpose of being traded or are expected to be realised within one year.

#### *Financial instruments designated as at fair value through profit or loss upon initial recognition*

These include Financial Assets or Financial Liabilities that are not held for trading. These financial instruments are designated on the basis that their fair value can be reliably measured and their performance has been evaluated on a fair value basis in accordance with the risk management and/or investment strategy as set out in the Company’s Prospectus. There were no such financial instruments designated as at fair value through profit or loss upon initial recognition held by the Company at the period end.

#### *(ii) Recognition*

All regular purchases and sales of financial instruments are recognised on the trade date, subject to receipt before agreed cut-off time, which is the date that the Company commits to purchase or sell an asset. Regular way purchases or sales are purchases or sales of financial instruments that require delivery of assets within the period generally established by regulation or convention in the market place.

Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss are included in the Profit and Loss Account in the period which they arise. Dividends are credited to the Profit and Loss Account on the dates on which the relevant securities are listed as “ex-dividend”.

#### *(iii) Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of group of similar assets) is derecognised where

- The rights to receive cash flows from the assets have expired; or
- The Company transferred its rights to receive cash flows from the assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party under “pass through” arrangements; or
- Either (a) the Company has transferred substantially all the risks and rewards of the assets, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Financial Assets and Financial Liabilities at Fair Value through Profit or Loss (continued)

#### *(iii) Derecognition (continued)*

When the Company has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

The Company derecognises a financial liability when the obligation specified in the contract is discharged, cancelled or expires.

#### *(iv) Initial Measurement*

Financial instruments categorised at fair value through profit or loss are measured initially at fair value, with transaction costs for such instruments being recognised directly in the Profit and Loss Account.

Financial liabilities, other than those classified as at fair value through profit and loss are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or issue.

Components of hybrid financial instruments are measured in accordance with the above policies based on their classification.

#### *(v) Subsequent Measurement*

After initial measurement, the Fund measures financial instruments classified as financial assets at fair value through profit or loss at their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Securities which are quoted, listed or traded on a Recognised Exchange will be valued at last bid prices at the Valuation Point. The value of any security which is not quoted, listed or dealt in on a Recognised Exchange or which is so quoted, listed or dealt but for which no such quotation or value is available or the available quotation or value is not representative of the fair market value shall be the probable realisation value as estimated with care and good faith by the Directors or by a competent person, firm or corporation appointed for such purpose by the Custodian.

#### *Cash and other Liquid Assets*

Cash comprises current deposits with banks. Cash and other liquid assets will be valued at their face value with accrued interest on interest bearing accounts as at the close of business on each valuation date.

#### *Derivative Instruments*

Derivative instruments traded on a regulated market shall be valued at the settlement price as determined by the market. If the settlement price is not available, the value shall be the probable realisation value estimated with care and in good faith by (i) the Directors or the Investment Manager or (ii) a competent person, firm or corporation selected by the Directors and approved for the purpose by the Custodian or (iii) any other means provided that the value is approved by a competent person (such competent person having been approved for the purpose by the Custodian). Derivative contracts which are not traded on a regulated market including without limitation swap contracts will be valued on the basis of a quotation provided daily by the relevant counterparty and verified or approved at least weekly by a party independent of the counterparty, including the Investment Manager, or another independent party which is approved for such purpose by the Custodian. Apart from forward foreign currency contracts as at 30 June 2013 and 31 December 2012 the Company did not hold any derivative instruments.

#### *Forward Foreign Currency Contracts*

Forward foreign currency contracts shall be valued in the same manner as derivatives contracts which are not traded in a regulated market or by reference to the price at the Valuation Point at which new forward contract of the same size and maturity could be undertaken. The forward foreign currency contracts held by the Company as at 30 June 2013 are included in the Schedule of Investments.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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### Financial Assets and Financial Liabilities at Fair Value through Profit or Loss (continued)

#### *Real Estate Investment Trusts*

Units in real estate investment trusts shall be valued at the latest available net asset value per unit or bid price as published by the relevant real estate investment trusts or, if listed or traded on a Recognised Exchange, in accordance with listed securities above. The real estate investment trusts held by the Company as at 30 June 2013 are included in the Schedule of Investments.

#### *Warrants*

The Company may invest in warrants. Warrants which are fully paid up and have a zero strike price exhibit the identical risk and return characteristics as in the case where the Company had acquired the underlying equity directly. Such warrants are valued at the last bid price for the underlying equity quoted on the stock exchange or principal market on which it is listed or, if the bid price is unavailable or unrepresentative, the last available mid price on such stock exchange or market. The warrants held by the Company as at 30 June 2013 are included in the Schedule of Investments.

### Distributions Payable to Holders of Redeemable Participating Shares

The Company received reporting fund status from HMRC with effect from 31 December 2010. In the event that a distribution is paid it will be paid out of the net investment income and/or net realised and unrealised capital gains (i.e. realised and unrealised gains net of realised and unrealised losses) of the Fund. The Directors have discretion from time to time to declare such dividends as may appear to them to be justified out of the net income accruing to the Fund in respect of each class of Shares of the Fund. As a consequence of the investment management fees being charged to the capital of the Fund, the capital may be eroded and the income of the Fund shall be achieved by foregoing the potential of future capital growth. Distributions made during the life of the Fund must therefore be understood as a type of capital reimbursement.

### Foreign Exchange Translation

#### *Functional and Presentation Currency*

Items included in the Company's financial statements are measured using the currency in which Shareholder transactions take place (the "functional currency") which is US Dollars ("USD"). The Fund's reporting currency is also USD.

#### *Transactions and Balances*

Assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the balance sheet date. Transactions in currencies other than the functional currency are translated into the functional currency at the exchange rates ruling at the dates of the transactions. Gains and losses on foreign exchange transactions are recognised in the Profit and Loss Account in determining the result for the period.

### Investment Transactions and Investment Income

Investment transactions are accounted for as at the date purchased or sold. Gains and losses arising from changes in the fair value of the Financial Assets at fair value through profit or loss are included in the Profit and Loss account in the period in which they arise.

### Interest Income and Interest Expenses

Interest income and interest expenses are recognised on an accruals basis in line with the contractual terms. Interest is accrued on a daily basis.

### Dividend Income

Dividends are credited to the Profit and Loss Account on the dates on which the relevant securities are listed as "ex-dividend". Income is shown gross of any non-recoverable withholding taxes and net of any tax credits. Withholding tax is shown as a finance cost in the Profit and Loss Account.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Financial Assets and Financial Liabilities at Fair Value through Profit or Loss (continued)**

**Transaction Costs**

Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs. Transaction costs are recognised in the Profit and Loss Account as an expense.

**Expenses**

Expenses are recognised in the Profit and Loss Account on an accruals basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Share Capital

#### *Authorised*

The authorised capital of the Company is Euro ("EUR") 300,000 divided into 300,000 redeemable non-participating Shares of EUR1 each and 500 billion Redeemable Participating Shares of no par value.

#### *Non-Participating Shares*

There are currently 300,000 redeemable non-participating Shares authorised, with two in issue. The redeemable non-participating Shares do not form part of the NAV of the Company and are thus disclosed in the financial statements by way of this note only. In the opinion of the Directors, this disclosure reflects the nature of the Company's business as an investment fund.

#### *Redeemable Participating Shares*

The net assets attributable to holders of Redeemable Participating Shares are at all times equal to the NAV of the Company. Redeemable Participating Shares are redeemable at the Shareholder's option and are classified as Financial Liabilities under FRS 25 "Financial Instruments: Disclosure and Presentation" ("FRS 25") as they can be redeemed at the option of the Shareholder. Net Assets Attributable to Holders of Redeemable Participating Shares represent a liability in the Balance Sheet, carried at the redemption amount that would be payable at the balance sheet date if a Shareholder exercised the right to redeem. Consequently the differences adjust the carrying amount of Net Assets Attributable to Holders of Redeemable Participating Shares and are recognised in the Profit and Loss Account.

The movement in the number of redeemable participating shares for period ended 30 June 2013 is as follows:

	<b>Class 2 X US Dollar Distributing Class Shares</b>	<b>Class 2 Y Sterling Distributing Class Shares</b>	<b>Class 2 Z Singapore Distributing Class Shares</b>
At the beginning of the period	1,804,666	80,240	16,088
Redeemable Participating Shares issued	1,416,460	369,241	14,914
Redeemable Participating Shares redeemed	(161,381)	(57,824)	–
At the end of the period	3,059,745	391,657	31,002

	<b>Class A US Dollar Non-Distributing Class Shares</b>	<b>Class B US Dollar Distributing Class Shares</b>	<b>Class C Sterling Distributing Class Shares</b>
At the beginning of the period	159,358	663,500	765,494
Redeemable Participating Shares issued	–	1,708	460
Redeemable Participating Shares redeemed	(52,116)	(32,350)	(33,524)
At the end of the period	107,242	632,858	732,430

	<b>Class D Singapore Dollar Distributing Class Shares</b>	<b>Class E Singapore Dollar Distributing Class Shares</b>
At the beginning of the period	111,684	34,567
Redeemable Participating Shares issued	1,031	6,961
Redeemable Participating Shares redeemed	(14,130)	–
At the end of the period	98,585	41,528

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1. Share Capital (continued)

The movement in the number of redeemable participating shares for the year ended 31 December 2012 is as follows:

	<b>Class 2 X USD Distributing Class Shares</b>	<b>Class 2 Y Sterling Distributing Class Shares</b>	<b>Class 2 Z Singapore Distributing Class Shares</b>
At the beginning of the year	–	–	–
Redeemable Participating Shares issued	1,815,297	80,552	16,289
Redeemable Participating Shares redeemed	(10,631)	(312)	(201)
At the end of the year	1,804,666	80,240	16,088

  

	<b>Class A US Dollar Non-Distributing Class Shares</b>	<b>Class B US Dollar Distributing Class Shares</b>	<b>Class C Sterling Distributing Class Shares</b>
At the beginning of the year	30,720	82,491	108,116
Redeemable Participating Shares issued	130,203	604,999	718,954
Redeemable Participating Shares redeemed	(1,565)	(23,990)	(61,576)
At the end of the year	159,358	663,500	765,494

  

	<b>Class D Singapore Dollar Distributing Class Shares</b>	<b>Class E Singapore Dollar Distributing Class Shares</b>
At the beginning of the year	49,267	28,992
Redeemable Participating Shares issued	67,903	5,575
Redeemable Participating Shares redeemed	(5,486)	–
At the end of the year	111,684	34,567

The movement in the number of redeemable participating shares for the period ended 30 June 2012 is as follows:

	<b>Class 2 X USD Distributing Class Shares</b>	<b>Class 2 Y Sterling Distributing Class Shares</b>	<b>Class 2 Z Singapore Distributing Class Shares</b>
At the beginning of the period	–	–	–
Redeemable Participating Shares issued	4,919	25,036	3,602
Redeemable Participating Shares redeemed	–	–	–
At the end of the period	4,919	25,036	3,602

  

	<b>Class A US Dollar Non-Distributing Class Shares</b>	<b>Class B US Dollar Distributing Class Shares</b>	<b>Class C Sterling Distributing Class Shares</b>
At the beginning of the period	30,720	82,491	108,116
Redeemable Participating Shares issued	89,562	230,340	318,230
Redeemable Participating Shares redeemed	–	(645)	(37,361)
At the end of the period	120,282	312,186	388,985

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Share Capital (continued)

The movement in the number of redeemable participating shares for the period ended 30 June 2012 is as follows (continued):

	<b>Class D Singapore Dollar Distributing Class Shares</b>	<b>Class E Singapore Dollar Distributing Class Shares</b>
At the beginning of the period	49,267	28,992
Redeemable Participating Shares issued	39,994	666
Redeemable Participating Shares redeemed	–	–
At the end of the period	<u>89,261</u>	<u>29,658</u>

Application for redemption of Redeemable Participating Shares may be submitted prior to 5.00pm Irish time one calendar day before any Dealing Day (the “dealing deadline”) or such other time as the Board of Directors may determine, provided that the dealing deadline is no later than the valuation point for the Company. Shares will be issued at the NAV per Share based on last traded prices.

Holders of the Distributing Classes are entitled to receive all dividends declared and paid to the Company. Upon winding up, the holders are entitled to a return of capital based on the NAV per share of the Company.

### 2. Investment Management Fees

The Company has entered into an Investment Management Agreement with Prusik Investment Management LLP (the “Investment Manager”) pursuant to which the Investment Manager manages the Company’s investments on a discretionary basis.

The Investment Manager receives from the Company a fee in relation to the Fund of 1% per annum of the NAV of the Fund together with Value Added Tax (“VAT”), if any on such fee. The Investment Manager may charge up to 1.5% per annum. Fees payable to the Investment Manager shall be accrued at each Valuation Point and shall be payable monthly in arrears. The Company shall bear the cost of any VAT applicable to any fees or other amounts payable to or by such nominee in the performance of their respective duties.

The Investment Manager earned a fee of USD3,214,465 during the period ended 30 June 2013 (USD1,629,291: 31 December 2012, USD315,193: 30 June 2012), of which USD547,205 is outstanding at the period end (USD423,095: 31 December 2012).

#### *Performance fee and equalization*

For further details on the Performance Fee calculations and Equalisation Credits please refer to the Prospectus. The Investment Manager may, at its sole discretion, agree with any Shareholder, to rebate, return and or remit any part of the Management and Performance Fee which are paid or payable to the Investment Manager. Details of the Performance fees and Equalisation fees charged to the Company and payable at the end of the year are included in the Profit and Loss Account and Balance Sheet, respectively.

The Investment Manager will also be entitled to receive a performance fee (the “Performance Fee”) out of the assets of the Fund as set forth below. The Performance Fee will be calculated in respect of each calendar quarter (a “Calculation Period”).

The Performance Fee in respect of each Calculation Period will be calculated by reference to the Net Asset Value before deduction for any accrued Performance Fee. The Performance Fee will normally be payable to the Investment Manager in arrears within 14 days of the end of each Calculation Period. However, in the case of Shares redeemed during a Calculation Period, the accrued Performance Fee in respect of those Shares will be payable within 14 days after the date of redemption.

If the Investment Management Agreement is terminated during a Calculation Period, the Performance Fee in respect of the current Calculation Period will be calculated and paid as though the date of termination were the end of the relevant Calculation Period. The Performance Fee will be calculated on a Share-by-Share basis so that each Share is charged a Performance Fee which equates precisely with that Share’s performance.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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### 2. Investment Management Fees (continued)

A Performance Fee of USD4,813,662 was earned during the period ended 30 June 2013 (USD759,199: 31 December 2012, USD34,321: 30 June 2012), which includes USD257,538 of recontribution due to additional performance fees (USDNil: 31 December 2012). The performance fee outstanding at the end of the period was USD2,833,620 (USD553,572: 31 December 2012) which includes USD257,538 of an additional performance fee (USDNil: 31 December 2012).

### 3. Administration Fees

The Company pays Brown Brothers Harriman Fund Administration Services (Ireland) Limited (the “Administrator”) in the amount of 0.04% of the NAV of the Company if the NAV is less than USD200,000,000, 0.03% of any increment greater than USD200,000,000 and less than USD400,000,000, and 0.02% of any increment greater than USD400,000,000 (plus VAT, if any), subject to a minimum monthly charge of USD4,000. The Administrator is also entitled to receive registration fees and transaction and reporting charges at normal commercial rates which shall accrue daily and be paid monthly in arrears.

The Administrator is also entitled to be repaid out of the assets of the Company all of its reasonable out-of-pocket expenses incurred on behalf of the Company which shall include legal fees, couriers’ fees and telecommunication costs and expenses together with VAT, if any, thereon.

The Administrator earned a fee of USD282,287 during the period ended 30 June 2013 (USD210,644: 31 December 2012, USD58,926: 30 June 2012) of which USD63,020 is outstanding at the period end (USD61,361: 31 December 2012).

### 4. Custodian Fees

The Company pays Brown Brothers Harriman Trustee Services (Ireland) Limited (the “Custodian”) a trustee fee of 0.02% of the NAV of the Fund. The Custodian also receives a custody fee ranging from 0.01% to 0.09% of the NAV of the investments that the each fund makes in each relevant market. The Custodian fees are payable monthly in arrears, subject to a minimum charge of USD36,000 per Fund per annum.

The Custodian shall also be entitled to be repaid all of its disbursements out of the assets of the Company, including legal fees, couriers’ fees and telecommunication costs and expenses and the fees, transaction charges and expenses of any sub-custodian appointed by it which shall be at normal commercial rates together with VAT, if any, thereon.

The Custodian earned a fee of USD165,115 during the period ended 30 June 2013 (USD63,968: 31 December 2012, USD8,983: 30 June 2012), of which USD49,502 is outstanding at the period end (USD36,139: 31 December 2012).

The Trustee earned a fee of USD68,423 during the period ended 30 June 2013 (USD35,785: 31 December 2012, USD6,869: 30 June 2012), of which USD23,313 is outstanding at the period end (USD18,939: 31 December 2012).

### 5. Directors’ Fees

The Directors of the Company are entitled to a fee in remuneration for their services of EUR15,000 each (plus VAT, if any) per annum. In addition the Directors are entitled to special remuneration if called upon to perform any special or extra services to the Company. All Directors are entitled to reimbursement by the Company of expenses properly incurred in connection with the business of the Company or the discharge of their duties.

The Directors earned a fee of USD20,692 for the period ended 30 June 2013 (USD41,419: 31 December 2012, USD6,635: 30 June 2012), of which USD8,102 is outstanding at the period end (USDNil: 31 December 2012).

### 6. Related Parties

#### *Directors*

Heather Manners is Chief Investment Officer of the Investment Manager and has waived her fees for the period ended 30 June 2013.

Anthony Morris (an alternate Director) is Chief Operating Officer and Head of Trading of the Investment Manager and has waived his fees for the period ended 30 June 2013.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**6. Related Parties (continued)**

David Hammond is a Director of Bridge Consulting, a financial services consultancy and business advisory firm which provided services relating to the Company's governance requirements under the UCITS Regulations. Bridge Consulting earned a fee of USD15,394 for the period ended 30 June 2013 (USD27,804: 31 December 2012, USD33,581: 30 June 2012), none of which is outstanding at the period end (USDNil: 31 December 2012).

The following Directors and related parties held Shares in the Company as at 30 June 2013:

<b>Related Party</b>	<b>Shares held</b>	<b>Share Class</b>
Thomas Naughton (Partner of the Investment Manager)	35,117	Class E Singapore Dollar Distributing Class
Heather Manners	2,187	Class B US Dollar Distributing Class
Anthony Morris (alternate Director)	5,904	Class E Singapore Dollar Distributing Class
Prusik Investment Management Singapore PTE Ltd	85	Class E Singapore Dollar Distributing Class

The following Directors and related parties held Shares in the Company as at 31 December 2012:

<b>Related Party</b>	<b>Shares held</b>	<b>Share Class</b>
Thomas Naughton (Partner of the Investment Manager)	28,654	Class E Singapore Dollar Distributing Class
Heather Manners (Director)	2,187	Class C Sterling Distributing Class
Richard Hayes (Director)	1,212	Class B US Dollar Distributing Class
Anthony Morris (alternate Director)	1,169	Class E Singapore Dollar Distributing Class
Richard Atkinson (Chairman of the Investment Manager)	280	Class C Sterling Distributing Class
Prusik Investment Management Singapore PTE Ltd	548	Class E Singapore Dollar Distributing Class

**7. Taxation**

The Company qualifies as an investment undertaking as defined in Section 739B of the Taxes Consolidation Act, 1997 (as amended). It is not chargeable to Irish tax on its income and gains.

Tax may arise on the happening of a chargeable event. A chargeable event includes any distribution payments to Shareholders or any encashment, redemption or transfer of Shares. No tax will arise on the Company in respect of chargeable events in respect of:

- a Shareholder who is not Irish resident and not ordinarily resident in Ireland at the time of the chargeable event, provided the necessary signed statutory declarations are held by the Company; and
- certain exempted Irish tax Shareholders investors who have provided the Company with the necessary signed statutory declarations.

Dividend income and interest received by the Company may be subject to non-recoverable withholding tax in the countries of origin.

Following legislative changes in the Finance Act 2006, the holding of Shares at the end of a Relevant Period will, in respect of Irish Resident investors, also constitute a chargeable event. To the extent that any tax issues arise on such a chargeable event, such tax will be allowed as a credit against any tax payable on the subsequent encashment, redemption, cancellation or transfer of the relevant Shares.

Relevant Period is defined as a period of eight periods beginning with the acquisition of a Share by a Shareholder at each subsequent period of eight periods beginning immediately after the preceding relevant period.

**8. Soft Commission Agreements**

During the period ended 30 June 2013, the Investment Manager entered into soft commission arrangements with brokers/dealers in respect of which certain goods and services used to support the investment decision process were received. The Investment Manager does not make direct payment for these services but does transact an agreed amount of business with the brokers on behalf of the Company and commission is paid on these transactions.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. Soft Commission Agreements (continued)

The goods and services utilised for the Company include computer hardware and software used for economic and political analysis, portfolio analysis including valuation and performance measurement, market analysis, data and quotation services and investment related publications.

The Investment Manager considers these arrangements are to the benefit of the Company and has satisfied itself that it obtains best execution on behalf of the Company and the brokerage rates are not in excess of the customary institutional full service brokerage rates.

These arrangements do not affect a broker's duty to provide best execution.

### 9. Efficient Portfolio Management

The Company may employ techniques and instruments relating to transferable securities and money market instruments, for the purposes of efficient portfolio management including but not limited to futures, options, swaps, warrants, and forward foreign currency contracts. Such techniques and instruments may include foreign exchange transactions which alter the currency characteristics of transferable securities held by the Company. The Company may also employ techniques and instruments intended to provide protection against exchange risk in the context of the management of its assets and liabilities. As at 30 June 2013 and 31 December 2012, the Company did not hold any such instruments for the purposes of efficient portfolio management.

Forward foreign currency contracts entered into by the Company represent a firm commitment to buy or sell an underlying asset, or currency at a specified value and point in time based upon an agreed or contracted quantity. The realised/unrealised gain or loss is equal to the difference between the value of the contract at the onset and the value of the contract at settlement date and is included in the Profit and Loss Account.

### 10. Exchange Rates

The following exchange rates have been used to translate assets and liabilities in currencies other than USD:

	30 June 2013	31 December 2012
Australian Dollar	1.0814	0.9635
British Pound Sterling	0.6557	0.6183
Chinese Yuan	6.1335	6.2226
Euro	0.7659	0.7581
Hong Kong Dollar	7.7573	7.7506
Indian Rupee	59.2700	54.7900
Indonesian Rupiah	9,925.0000	9,637.5000
Macau Pataca	7.8390	7.9800
Malaysian Ringgit	3.1595	3.0580
New Zealand Dollar	1.2816	1.2160
Philippine Peso	43.1500	41.0050
Singapore Dollar	1.2647	1.2214
South Korean Won	1,141.7600	1,063.6400
Taiwan Dollar	30.1110	29.0490
Thai Baht	31.0250	30.5600

### 11. Net Asset Comparison

In accordance with the provisions of the Company's Prospectus, marketable investment securities are valued at last traded prices at the valuation point. Marketable investment securities for financial reporting purposes are required by FRS 26, (Financial Instruments: recognition and measurement) to be valued based on last bid prices at the valuation point. The difference between the two valuation methods may result in a difference between the NAV per Share shown in the financial statements and the NAV per Share at which Redeemable Participating Shares are issued and redeemed.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. Net Asset Comparison (continued)

As at 30 June 2013 and 31 December 2012, the difference between the NAV for financial reporting purposes as required by FRS 26 and the NAV at which Redeemable Participating Shares are issued and redeemed is detailed in the table below.

Net Asset Value reconciliation	30 June 2013 USD
Net Asset attributable to holders of redeemable participating shares (for shareholder dealing purposes)	723,125,116
Adjustment for bid and offer pricing	(3,005,414)
Net Asset attributable to holders of redeemable participating shares (for financial reporting purposes)	720,119,702

Net Assets and NAV per share for dealing purposes	30 June 2013 Net Assets	30 June 2013 NAV per Share
Class 2 X USD Distributing Class	USD 377,988,906	USD 123.54
Class 2 Y Sterling Distributing Class	GBP 48,911,310	GBP 124.88
Class 2 Z Singapore Distributing Class	SGD 3,828,572	SGD 123.49
Class A US Dollar Non-Distributing Class	USD 16,208,105	USD 151.14
Class B US Dollar Distributing Class	USD 85,064,682	USD 134.41
Class C Sterling Distributing Class	GBP 98,959,691	GBP 135.11
Class D Singapore Dollar Distributing Class	SGD 12,754,902	SGD 129.38
Class E Singapore Dollar Distributing Class	SGD 6,627,256	SGD 159.58

Net Asset Value reconciliation	31 December 2012 USD
Net Asset attributable to holders of redeemable participating shares (for shareholder dealing purposes)	525,515,711
Adjustment for bid and offer pricing	(1,734,434)
Net Asset attributable to holders of redeemable participating shares (for financial reporting purposes)	523,781,277

Net Assets and NAV per share for dealing purposes	31 December 2012 Net Assets	31 December 2012 NAV per Share
Class 2 X USD Distributing Class	USD 220,758,568	USD 122.33
Class 2 Y Sterling Distributing Class	GBP 9,889,289	GBP 123.25
Class 2 Z Singapore Distributing Class	SGD 1,961,421	SGD 121.92
Class A US Dollar Non-Distributing Class	USD 22,971,060	USD 144.15
Class B US Dollar Distributing Class	USD 86,798,181	USD 130.82
Class C Sterling Distributing Class	GBP 99,956,709	GBP 130.58
Class D Singapore Dollar Distributing Class	SGD 14,045,720	SGD 125.76
Class E Singapore Dollar Distributing Class	SGD 5,159,489	SGD 149.26

### 12. Comparatives

The comparative figures are for the year ended 31 December 2012 and the six months ended 30 June 2012 for the Condensed Profit and Loss account and the Condensed Statement of Changes in Net Assets Attributable to Holders of Redeemable Participating Shares and as at 31 December 2012 for the Condensed Balance Sheet.

### 13. Significant Events during the Period

There were no events during the period that had a material effect on the unaudited condensed financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**14. Events since the Period End**

A second addendum to the Prospectus was noted on 28 June 2013 and a revised second addendum was noted on 12 July 2013 by the Central Bank to incorporate the launch of the Class U Sterling (Unhedged) Distributing Share Class.

**15. Approval of Financial Statements**

The report and unaudited condensed financial statements were approved by the Directors on 22 August 2013.

## STATEMENT OF CHANGES IN THE COMPOSITION OF PORTFOLIO

In accordance with the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 (as amended) a statement of changes in the composition of the portfolio during the reporting period is provided to ensure that Shareholders can identify changes in the investments held by the Company. These statements present the aggregate purchases and sales of transferable securities exceeding 1% of the total value of purchases and sales for the period. At a minimum the largest 20 purchases and 20 sales must be given.

### Major Purchases for the period ended 30 June 2013

Security Description	Acquisitions Nominal	Cost USD
Cheung Kong Holdings Ltd.	2,730,000	40,155,365
Seven West Media Ltd.	8,854,094	19,110,909
Beijing Capital International Airport Co. Ltd.	26,604,000	18,387,649
Grand Korea Leisure Co. Ltd.	644,000	17,459,593
Glow Energy PCL - NVDR	7,249,300	16,969,345
MGM China Holdings Ltd.	7,625,200	16,959,783
Huaneng Power International, Inc.	17,198,000	16,696,242
Television Broadcasts Ltd.	2,113,000	15,544,798
Standard Chartered PLC	641,000	15,330,451
Makalot Industrial Co. Ltd.	3,514,000	14,161,063
Sun Hung Kai Properties Ltd.	1,060,000	13,422,501
HSBC Holdings PLC	1,216,000	13,172,703
Westfield Retail Trust	4,000,000	13,129,666
Telekomunikasi Indonesia Persero Tbk PT	11,700,000	11,935,883
Ascendas India Trust	16,544,000	10,855,574
SK Telecom Co. Ltd.	534,521	9,548,257
CITIC Telecom International Holdings Ltd.	32,202,000	9,076,112
SP Setia Bhd.	9,238,300	8,935,254
Lend Lease Group	888,894	8,618,782
Thai Vegetable Oil PCL	10,000,000	8,558,895
Zhejiang Expressway Co. Ltd.	10,174,000	8,091,041
Pos Malaysia Bhd.	6,515,300	7,549,148
Bangkok Bank Public PCL - NVDR	1,027,000	7,139,357
Coway Co. Ltd.	160,000	6,846,870
NWS Holdings Ltd.	4,221,000	6,779,170
Television Broadcasts Ltd.	957,000	6,759,423
KT Corp.	400,000	6,509,710
PCCW Ltd.	13,000,000	5,966,956
Cheung Kong Infrastructure Holdings Ltd.	846,000	5,364,644
Hutchison Whampoa Ltd.	480,000	5,139,318
Fortune Real Estate Investment Trust (Singapore)	5,630,000	4,887,676
Bank of Ayudhya PCL - NVDR	4,120,000	4,653,821
SOHO China Ltd.	5,628,000	4,459,142
Hutchison Telecommunications Hong Kong Holdings Ltd.	9,774,000	4,416,197
Halla Visteon Climate Control Corp.	190,000	4,315,388

## STATEMENT OF CHANGES IN THE COMPOSITION OF PORTFOLIO (CONTINUED)

## Major Sales for the period ended 30 June 2013

Security Description	Disposals Nominal	Proceeds USD
Chipbond Technology Corp.	8,668,000	19,267,133
Hyundai Motor Co.	199,121	16,693,727
Bangkok Expressway PCL -Foreign	12,605,000	15,901,426
Sun Hung Kai Properties Ltd.	920,000	14,616,720
Glow Energy PCL -Foreign	4,605,000	12,487,111
Grand Korea Leisure Co. Ltd.	394,030	12,453,644
Advantech Co. Ltd.	2,642,300	12,251,993
SOHO China Ltd.	14,828,500	12,151,404
SK Telecom Co. Ltd.	561,507	12,007,825
Cache Logistics Trust	10,190,000	11,502,247
Hutchison Telecommunications Hong Kong Holdings Ltd.	21,570,000	11,326,074
Halla Climate Control Corp.	343,070	10,262,424
Telekomunikasi Indonesia Persero Tbk PT	7,780,500	9,243,594
Cheung Kong Infrastructure Holdings Ltd.	1,250,000	8,760,519
Huaneng Power International, Inc.	8,164,000	8,679,307
Pos Malaysia Bhd.	6,515,300	8,627,397
Makalot Industrial Co. Ltd.	1,720,000	7,673,852
Coway Co. Ltd.	160,000	7,438,405
Lend Lease Group	888,894	7,166,300
NagaCorp Ltd.	9,854,000	7,061,053
KT&G Corp.	98,864	6,940,754
ARAR Asset Management Ltd.	4,382,660	6,582,986
Bank of Ayudhya PCL - NVDR	5,500,000	6,199,115
BTS Group Holdings PCL	22,500,000	5,601,487
Seven West Media Ltd.	2,275,928	5,390,076
MGM China Holdings Ltd.	1,797,600	4,314,625
HSBC Holdings PLC	350,000	3,971,269
Sabana Shari'ah Compliant Industrial Real Estate Investment Trust	3,409,000	3,736,200
Cleanaway Co. Ltd.	446,000	3,574,267
PCCW Ltd.	6,990,000	3,393,834
Westfield Retail Trust	1,147,614	3,143,475

## MANAGEMENT AND ADMINISTRATION

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### BOARD OF DIRECTORS

David Hammond\* (Irish)  
Heather Manners (British)  
Anthony Morris (British)(Alternate Director)  
Richard Hayes\* (Irish)  
\*Independent of the Investment Manager

### PROMOTER , INVESTMENT MANAGER AND DISTRIBUTOR

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

### INDEPENDENT AUDITOR

Ernst & Young  
Harcourt Street  
Dublin 2  
Ireland

### LEGAL ADVISERS UNITED KINGDOM

Simmons & Simmons  
One Ropemaker Street  
London EC2Y 9SS  
United Kingdom

### COMPANY SECRETARY

Tudor Trust Limited  
33 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### COMPANY NAME AND REGISTERED OFFICE

Prusik Asian Smaller Companies Fund plc  
33 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### ADMINISTRATOR

Brown Brothers Harriman Fund Administration  
Services (Ireland) Limited  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

### CUSTODIAN

Brown Brothers Harriman Trustee  
Services (Ireland) Limited  
Styne House  
Upper Hatch Street  
Dublin 2  
Ireland

### LEGAL ADVISERS IRELAND

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33 Sir John Rogerson's Quay  
Dublin 2  
Ireland

### GOVERNANCE SERVICES PROVIDER

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33 Sir John Rogerson's Quay  
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Ireland