

# Prusik Asia Fund

GROWTH INVESTING IN ASIA



PRUSIK

31 July 2019

## Monthly Fund Fact Sheet

### Investment Objective

To preserve capital and generate absolute returns over a full economic cycle by investing in listed equities in Asia Pacific ex-Japan, whilst maintaining portfolio volatility significantly below the peer group.

### Fund Facts

Fund Size (USD)	142.5m
Launch Date	7 October 2005
Fund Manager	Heather Manners
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD
Index	MSCI Asia Pacific ex Japan Index

### Performance (%)

	U (GBP)	Index (GBP)
1 Month	4.09	2.63
3 Month	6.56	4.11
Year to Date	17.99	15.41
Since Launch	96.59	80.82
Annualised <sup>†</sup>	11.76	10.23

Source: Morningstar.

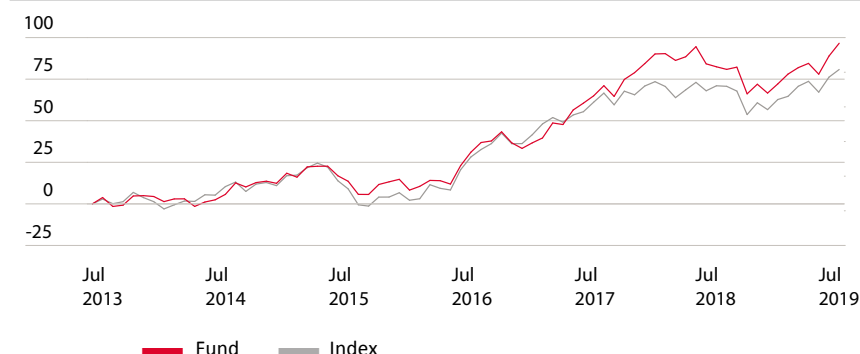
Launch Date: U: 01.07.13

<sup>†</sup>Since Launch Performance

### Investment Process

With anomalies as a start point, the investment process seeks to identify and invest in key 'themes' in the Pacific region. Our themes are driven by factors outside of the normal economic cycle and are not yet discounted by the market. Companies are identified and chosen via rigorous bottom-up analysis with emphasis on traditional value and high ROCE. Cash and Index Futures are used when opportunities are few and to reduce portfolio volatility.

### Fund Performance - Class U GBP (%)



Source: Morningstar. Total return net of fees.

Performance since launch of Class U GBP share class - 01.07.13

### Fund Manager Commentary

In July, the M2APJ Asia ex-Japan index rose 2.63% in sterling terms whilst the Prusik Asia Fund rose 4.09%, outperforming by 1.46%. The fund saw especially positive returns from Australia, Vietnam and Indonesia, whilst Hong Kong and China contributed less positively.

Most notable stock performers were the fund's two Australian gold mining stocks, **Newcrest Mining** and **Northern Star Resources**. Conversely our general resources blue chip, **Rio Tinto**, was weaker over the month following a strong run all year. We note, via research from 13D, that gold has now broken out to a new high in seventy three currencies and the technical breakout for the US gold miners versus the Dow Jones suggests that this relative strength could be sustained for a while to come, albeit with the usual corrections along the way. The entire global value of gold that has been mined is roughly \$10 trillion at today's prices. This pales into insignificance when compared to the value of all bonds and equities in issuance, which are estimated to total around \$165 trillion. However, it does imply that gold could move a lot higher if the trend to sell equities and bonds in favour of a traditional source of value intensifies. Our Hong Kong casino operator, **Melco**, also did well in July and we have sold the position into this strength.

Meanwhile, in Vietnam and after a long period of consolidation, our branded jewellery retailer **PNJ** had a very positive July despite some modest 2Q19 results. This may be because the company now trades on only 13.5x 2019 earnings and 11.9x 2020 earnings, which is very cheap, regionally, for a retail brand. Additionally, the company has recently introduced a new ERP system which should help improve margins. Vietnam itself is growing very fast, driven by huge inward investment by global manufacturing looking for a way to expand outside of China. In the first half of the year, the government granted 1,720 new manufacturing licences, up 26% year-on-year, and the economy is set to grow at 6.8%, one of the fastest growth rates anywhere in the world. As a result, Vietnam's population of 96 million has a burgeoning middle-class which is changing its consumption habits towards more branded retail and luxury items, such as jewellery. Nonetheless, this success all comes with the risk that the US turns its attention to Vietnam's growing trade deficit with itself.

At the time of writing, the fund has just under 10% cash, the largest cash position we have had in years. This reflects our concern short-term, that Asia may see a further correction from here. Assuming that we do not have another crisis, we could expect the MXAPJ to trade down to 1.4x P/B, a historical support, which implies another 7% downside from here.

Currently the fund trades on a P/E of 12.8x, well below the index average of 13.6x, thus offering some valuation support.

All data as at 31.07.19. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Fund



## Top 5 Holdings (%)

Newcrest Mining Ltd	4.4
Li Ning Co Ltd	4.3
Ping An Insurance Group Co	3.9
Infosys Ltd	3.4
Northern Star Resources Ltd	3.2

Total Number of Holdings	38
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## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.8x
Predicted Return on Equity (%)	16.8
Predicted Dividend Yield (%)	3.0

## Risk Metrics

Tracking Error (% pa)	6.21
Beta	0.85
Alpha	1.69
Volatility (%)	17.13
Sharpe Ratio	0.60

## Thematic Breakdown (%)

Financialisation	20.7	
Infrastructure/Logistics/Property	18.9	
Energy/Energy Services/Resources	17.6	
Local Brands	12.4	
Vietnam	9.5	
AI/Technology/Internet	7.1	
Leisure/Tourism	5.4	
Cash	3.6	
Misc	2.6	
Education	2.1	

## Geographical Breakdown (%)

Hong Kong/China	39.1	
Australia	12.1	
Vietnam	9.5	
Indonesia	8.0	
Philippines	7.0	
Singapore	6.3	
India	6.1	
Cash	3.6	
Korea	3.6	
Thailand	2.6	
Taiwan	2.1	

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## Management Fees

### Annual Management Fee

Class U: 1% p.a. Paid monthly in arrears

All Share Classes except Class U: 1.5% p.a. Paid monthly in arrears

### Performance Fee

Class U: 10% of the net out-performance of the MSCI Asia Pacific ex-Japan Index, with a high-water mark paid quarterly

All Share Classes except Class U: 10% NAV appreciation with a 6% hurdle annually

## Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Daily
Min. Initial Subscription	USD 10,000
Subscription Notice	1 business day
Redemption Notice	1 business day

## Share Class Details

Share Class	Sedol	ISIN	Month-end NAV
A USD Unhedged Non distributing	B0MDR72	IE00B0M9LK15	263.05
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	263.22
C GBP Hedged Distributing	B18RM25	IE00B18RM256	137.79
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	357.39

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	196.59
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Performance fee based on fund performance as a whole.

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