

# Prusik Asia Emerging Opportunities Fund



PRUSIK

## GROWTH INVESTING IN ASIA

**30 August 2019**

### Monthly Fund Fact Sheet

#### Investment Objective

The fund aims to generate capital growth by investing in companies operating in Asia, with a specific focus on the demographic growth markets. In addition, it targets above average earnings growth and ROE for its invested companies versus local markets and Asia more broadly.

#### Fund Facts

Fund Size (USD)	32.4m
Launch date	8 February 2008
Fund Managers	Heather Manners Anna Gallagher
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD

#### Performance (%)

	A USD	C GBP	D SGD
1 Month	-4.39	-4.55	-4.48
3 Month	-1.01	-1.44	-1.23
Year to Date	6.89	5.49	6.25
Since Launch	50.40	52.04	8.41
Annualised <sup>†</sup>	3.59	3.73	0.84

Source: Morningstar.

Launch Date: A: 08.02.08, C: 25.03.08, D: 15.01.10

<sup>†</sup>Since Launch Performance

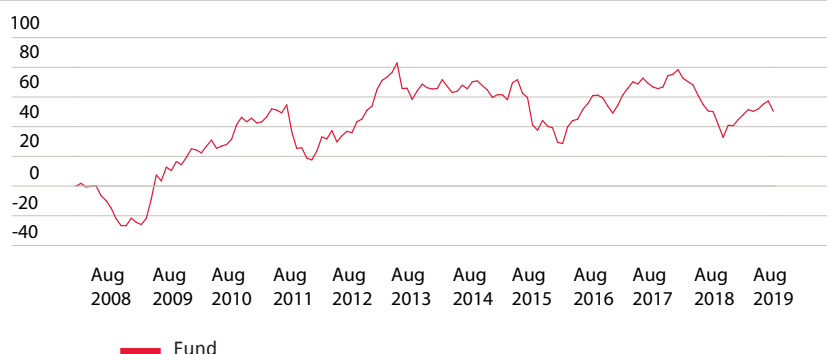
#### Investment Process

The starting point for the fund is an exclusive focus on the demographic growth markets in Asia, namely those with large, young and growing populations. Over the next few decades these countries are due to benefit from their demographic dividend, leading to GDP growth roughly double that of Asia's more economically mature nations. This backdrop provides a fertile hunting ground for companies which are able to compound their earnings over the long term. The fund combines a thematic approach with stock picking that favours market leaders with a clear, sustainable competitive edge, which helps drive above average earnings growth and ROEs over the long term.

#### Dividend Dates

Dividends paid twice annually (January and July)

#### Fund Performance - Class A USD (%)



Source: Morningstar. Total return net of fees.

#### Fund Manager Commentary

While August was a challenging month for markets it was an exciting month for Prusik with 1<sup>st</sup> August marking the official launch of the fund as the Prusik Asia Emerging Opportunities Fund (PAEOF). This came with key changes such as an ability to invest up to 25% of the NAV in large capitalisation companies (>\$10 billion market cap) and a lower fee structure, together with daily dealing. We would like to take this opportunity to thank our investors for their support with these changes.

Markets were weak across the board in August with indices for all geographies in Asia falling by 2-6%. The fund was in-step with these declines, falling by 4.4% in the month. Vietnam, where we have a c.30% weighting, was a clear bright spot with our exposures there rising by 6.5%. Leading the way was mobile, consumer electronics and grocery retailer, **Mobile World**, and software company, **FPT**. Both companies reported strong results in August with **Mobile World** announcing 48% year on year profit growth in 2Q19 and **FPT** recording 29% year on year profit growth for 1H19. Elsewhere, Jardine Cycle & Carriage who own a c.25% stake in Vietnam's **Refrigeration Electrical Engineering Corp (REE)** proposed a plan to increase their stake by c.10%, buying shares at VND 45,000 each, which represents a 23% premium to the current share price at the time of writing.

Returns across our remaining geographies were negative, in particular in Indonesia, possibly in reaction to the outbreak of violence in Papua, and India where concerns regarding the development of a vicious feedback loop rose. We took this opportunity to add 2 new positions to the fund. Firstly, we added **Maruti Suzuki**, the dominant auto OEM in India with around 50% market share. The company's competitive position is well supported by product and development support from Suzuki, excellent fuel efficiency and the best resale values in the market. Suzuki has also entered into a JV with Toyota and Denso for electric vehicle battery development in India which we believe leaves the company well positioned to manage the transition to EVs when the Indian market is ready for it. Auto sales in India have plummeted, falling c.25% year on year in recent quarters owing to a weak economy, tighter financing conditions and confusion regarding the regulations around the shift to stricter emissions standards. This has prompted an 18% year to date decline in the share price and enabled us to buy the stock just above long-term average multiples. Over the past 5 years, the company has grown its earnings at 22% cagr and generated an average ROE of 18.1%. In Indonesia we have added the banking blue chip, **BCA**, which is seeing excellent traction in online services and consumer lending in addition to a long history of excellent asset quality management. Both stocks are large capitalisation companies and represent some of the fund's first forays into this diversification.

Finally, we wish to highlight that while India continues to struggle, the government has taken a broad swipe at addressing a number of issues the economy is facing. In the last week it has announced further financial support for India's housing finance companies, accelerated financial support for the public sector banks as well as announcing a significant consolidation plan for the same, and rolled back proposed tax increases for foreign investors that had been revealed in the recent budget. Reforms are also afoot to increase more FDI into manufacturing, deepen the bond markets and crystallise a clear project pipeline for the Rs 100 billion earmarked for infrastructure investments in the country. We welcome this multi-faceted approach to reform and re-energise the economy, although markets may wait for the economic indicators to improve before rewarding the government for its actions.

All data as at 30.08.19. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asia Emerging Opportunities Fund



## Top 5 Holdings (%)

FPT Corporation	9.0
Mobile World Investment Corporation	9.0
Philippine Seven Corporation	8.3
Sea Ltd	5.0
Ace Hardware Indonesia	4.2
Total Number of Holdings	38

## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	16.4x
Predicted Return on Equity (%)	21.1
Predicted Dividend Yield (%)	2.7

## Risk Metrics

Tracking Error (% pa)	13.30
Beta	0.57
Alpha	1.32
Volatility (%)	15.26
Sharpe Ratio	0.36

## Thematic Breakdown (%)

Modern Retail	31.7	<div></div>
Emerging Technology	20.7	<div></div>
Infrastructure	14.1	<div></div>
Local Brands	11.9	<div></div>
Leisure/Tourism	11.4	<div></div>
Financialisation	6.1	<div></div>
Cash	4.1	<div></div>

## Geographical Breakdown (%)

Vietnam	30.0	<div></div>
India	27.2	<div></div>
Philippines	14.9	<div></div>
Indonesia	13.3	<div></div>
Singapore	5.0	<div></div>
Cash	4.1	<div></div>
Pakistan	3.9	<div></div>
Sri Lanka	1.6	<div></div>

All data as at 30.08.19. Source: Prusik Investment Management LLP, unless otherwise stated.

## Management Fees

### Annual Management Fee

Class A, B, C, D, U - 1.2% p.a. Paid monthly in arrears.

### Performance Fee

No performance fee.

## 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	B2PKN21	IE00B2PKN210	150.40
B USD Unhedged Distributing	B2PKN32	IE00B2PKN327	140.89
C GBP Hedged Distributing	B2PKN43	IE00B2PKN434	70.74
D SGD Hedged Distributing	B3M3HJ5	IE00B3M3HJ55	190.10

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37T7	IE00BBQ37T77	103.96
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Performance fee based on fund performance as a whole.

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