

Prusik Asian Equity Income Fund



PRUSIK

LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

30 September 2019

Monthly Fund Fact Sheet

Investment Objective

To select a portfolio of equity investments in the Asia Pacific ex-Japan region with above average dividend yields and which have the ability to grow their dividends over time. The fund aims to outperform the MSCI Asia Pacific ex-Japan index by 5-10% annually whilst growing its dividend over time.

Fund Facts

| | |
|-----------------|----------------------------------|
| Fund Size (USD) | 832.9m |
| Launch Date | 31 December 2010 |
| Fund Manager | Tom Naughton |
| Fund Structure | UCITS III |
| Domicile | Dublin |
| Currencies | USD (base), GBP, SGD |
| Index | MSCI Asia Pacific ex Japan Index |

Performance - Class B USD (%)

| | Fund | Index |
|-------------------------|--------|-------|
| 1 Month | 0.62 | 1.81 |
| 3 Month | -5.32 | -3.86 |
| Year to Date | 5.55 | 8.04 |
| Since Launch | 167.81 | 38.15 |
| Annualised [†] | 11.92 | 3.76 |

Source: Morningstar.

Launch Date: B: 31.12.10

[†]Since Launch Performance

Investment Process

The process is both quantitative and qualitative with the latter dominating. The universe is screened for those high dividend stocks which have the greatest ability to sustain and grow their dividends over time. A particular emphasis is placed on identifying those companies with exceptional franchises, annuity like cash flows and pricing power which are trading at significant discounts to intrinsic value.

Dividend Dates

Dividends paid twice annually (January and July)

Fund Performance - Class B USD (%)



Source: Morningstar. Total return net income reinvested.

Fund Manager Commentary

Mr Market continues to bid up the valuations of safe, low uncertainty stocks and mark down the price of value stocks which provides opportunities for investors that are willing to tolerate uncertainty. This month we bought a new position in **Bangkok Bank**, one of Thailand's oldest and most conservative financial institutions. Despite a 17% tier 1 capital ratio and a 9% ROE, the bank trades at a 25% discount to book value and offers a 4.3% dividend yield. Assuming book value grows in the mid-single digit range, the stock should generate an annualised return in the high single digits even assuming the valuation doesn't improve. If it re-rates closer to theoretical value then this would result in a mid-teens annualised return. At the same time, we exited **Indiabulls Housing Finance** as the weakness in the financial sector has significantly reduced the business opportunity for wholesale funded institutions in that market and, as a result, the upside potential is no longer worth the downside risk. We will write in more detail about this in the upcoming quarterly.

Our portfolio currently trades at a 23% PE discount to the market versus the 10-year average discount of 0%. Whereas the MXAPJ trades at 1 standard deviation above its 10-year average P/E, more than half of our portfolio trades at more than 1 standard deviation below its 10-year average P/E. We believe investors are underestimating "right tail" risks in the market (i.e. the risk that "the world doesn't end") and, as a result, are over valuing defensive versus value stocks. We believe that it is less risky to own stocks that have some degree of uncertainty but are being priced for a very negative scenario than it is to own stocks that have very low risk earnings but are priced for perfection.

All data as at 30.09.19. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

| | |
|-----------------------------------|-----|
| Samsung Electronics Co Ltd - Pref | 6.7 |
| CK Hutchison Holdings Ltd | 6.3 |
| Power Grid Corporation of India | 5.7 |
| Zhejiang Expressway | 5.2 |
| CK Asset Holdings Ltd | 5.1 |

| | |
|--------------------------|----|
| Total Number of Holdings | 30 |
|--------------------------|----|

Portfolio Financial Ratios

| | |
|--------------------------------|-------|
| Predicted Price/Earnings Ratio | 10.2x |
| Predicted Dividend Yield (%) | 5.5 |

Risk Metrics

| | |
|-----------------------|-------|
| Tracking Error (% pa) | 9.19 |
| Beta | 0.77 |
| Alpha | 8.43 |
| Volatility (%) | 13.50 |
| Sharpe Ratio | 1.21 |

Thematic Breakdown (%)

| | | |
|-------------------------------|------|--|
| Real Estate | 18.8 | |
| Communications Infrastructure | 18.1 | |
| Financials | 16.7 | |
| Power Utilities | 13.0 | |
| Consumer | 9.2 | |
| Transport Infrastructure | 9.1 | |
| Technology | 6.7 | |
| Cheung Kong / Hutchison | 6.3 | |
| Cash | 2.1 | |

Geographical Breakdown (%)

| | | |
|-------------|------|--|
| Hong Kong | 33.1 | |
| India | 12.3 | |
| China | 10.6 | |
| Singapore | 9.9 | |
| Korea | 6.7 | |
| Indonesia | 6.2 | |
| Macau | 5.7 | |
| Thailand | 5.4 | |
| Australia | 4.6 | |
| Philippines | 3.5 | |
| Cash | 2.1 | |

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Management Fees

Annual Management Fee

1.0% p.a. Paid monthly in arrears

Performance Fee

Class 1: None

Class 2 and Class U: 10% of the net out-performance of the MSCI Asia Pacific ex-Japan Index, with a high-water mark paid quarterly.

Temporary Front End Charge:

3% introduced on 2nd December 2013 paid to the benefit of the fund.

Dealing

| | |
|------------------------------|----------------------------------|
| Dealing Line | +353 1 603 6490 |
| Administrator | Brown Brothers Harriman (Dublin) |
| Dealing Frequency | Daily |
| Valuation Point | 11am UK time |
| Dealing Cut-off | 5pm UK time |
| Min. Initial Subscription | USD 10,000 |
| Min. Subsequent Subscription | USD 5,000 |

Share Class Details

| Class 1 | Sedol | ISIN | Month-end NAV |
|---------------------------------|---------|--------------|---------------|
| A USD Unhedged Non distributing | B4MK5Q6 | IE00B4MK5Q67 | 275.49 |
| B USD Unhedged Distributing | B4QVD94 | IE00B4QVD949 | 187.97 |
| C GBP Hedged Distributing | B4Q6DB1 | IE00B4Q6DB12 | 179.13 |
| D SGD Hedged Distributing | B4NFJT1 | IE00B4NFJT16 | 177.69 |

Class 1 shares were closed to further investment on 30th November 2012.

| Class 2 | Sedol | ISIN | Month-end NAV |
|-----------------------------|---------|--------------|---------------|
| X USD Unhedged Distributing | B4PYCL9 | IE00B4PYCL99 | 167.92 |
| Y GBP Hedged Distributing | B4TRL17 | IE00B4TRL175 | 160.45 |
| Z SGD Hedged Distributing | B6WDYZ1 | IE00B6WDYZ18 | 164.86 |

Class 2 shares were soft closed to new investors as of 30th November 2012. Performance fee based on individual investor's holding.

| Class U | Sedol | ISIN | Month-end NAV |
|-----------------------------|---------|--------------|---------------|
| U GBP Unhedged Distributing | BBP6LK6 | IE00BBP6LK66 | 171.94 |

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

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