

# Prusik Asia Fund

GROWTH INVESTING IN ASIA



31 October 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)	136.6m
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	-4.98	-0.91
3 Month	-9.51	-4.13
Year to Date	6.76	10.64
Since Launch	77.89	73.35
Annualised <sup>†</sup>	9.52	9.08

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 October, the mood changed and many areas which had done well during 2019 reversed positions with stocks which have done badly all year. We saw the beginning of a recovery in value and cyclical areas and many 'growth' stocks lost some relative ground. It is a measurable and fairly regular phenomenon that the final part of the year sees some leadership change and we have also made some changes, on which more below. However, despite that, October was a disappointing month for the fund as the Asia ex Japan M2APJ index fell 0.91% whilst the Prusik Asia Fund fell 4.98%, underperforming by 4.07%.

This underperformance was specifically caused by a confluence of factors which are unrelated. Firstly, our position in India software provider, **Infosys**, was hit very hard after a whistleblower report citing bad corporate governance and misuse of funds by the CEO. Whilst little more detail has yet come to light and the shares have recovered somewhat, our zero tolerance for poor governance means we have since sold the position. This may have been timely as, at the time of writing, a second whistle-blower has come forward with fresh allegations. Secondly, our gold miners **Northern Resources** and **Newcrest Mining**, which have been strong performers all year, corrected sharply. We fully expect these to recover all their losses and more in coming months, and they are very far from fully valued, and so we have sat tight. However, they have been significant detractors to performance in recent weeks. Thirdly, Vietnam was a drag on performance in October, again after having been a positive contributor all year. We raised our weighting here after our trip to Vietnam in September and feel very confident that our new positions such as **VEA** (which owns the Toyota and Honda franchises nationally) and leading retail brand, **Mobile World Group**, have significant upside. We believe that a new ETF due to launch on the domestic stock exchange shortly could create significant demand for those stocks with full foreign ownership limits.

Whilst our additional Vietnam holdings are unabashedly growth oriented stocks (albeit without the high valuations), we have also begun to take a modest 'barbell' approach by adding a few more positions which have been very weak in the recent past and which now offer very interesting value as well as a potential recovery in growth. These include China auto brand **Geely Motor** and, following the success of China sportswear brand **Li Ning**, we added a new position in **Xtep**, a smaller sportswear brand specialising in marathon wear which has good turnaround potential. It looks as though China, at least, could be passing through the worst of its earnings downgrades (now nearly a year of downgrades) and that this could already be in prices, hence some of the transitioning towards 'value' that we have seen in market leadership in October. The key from here is whether ROE can rise to support much higher valuations. Hence, we are taking a modest approach to finding new positions which have more cyclical exposure.

The fund is now trading on a forward P/E of 12.2x verses the index P/E of 13.6x. Average ROE is 18.8% (index is 11.7%) and the fund's dividend yield is 3.1%. We see the current bout of relative weakness in the fund as a good buying opportunity given the value in the underlying portfolio and, if anything, we can see an increasing number of interesting buy opportunities opening up for any fresh money.

# Prusik Asia Fund



## Top 5 Holdings (%)

Taiwan Semiconductor	4.4
Ping An Insurance Group Co	4.0
Ping An Healthcare & Technology	3.9
Li Ning Co Ltd	3.7
Newcrest Mining Ltd	3.6

Total Number of Holdings	37
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## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	12.2x
Predicted Return on Equity (%)	18.8
Predicted Dividend Yield (%)	3.1

## Risk Metrics

Tracking Error (% pa)	6.39
Beta	0.84
Alpha	0.75
Volatility (%)	17.02
Sharpe Ratio	0.52

## Thematic Breakdown (%)

Local Brands/Modern Retail	25.4	<div></div>
Infrastructure	17.3	<div></div>
AI/Technology/Internet	16.7	<div></div>
Vietnam	16.4	<div></div>
Energy/Energy services/Shipping/Value	9.1	<div></div>
Gold	5.4	<div></div>
Financialisation	4.0	<div></div>
Property	2.6	<div></div>
Education	2.1	<div></div>
Leisure/Tourism	0.7	<div></div>
Cash	0.3	<div></div>

## Geographical Breakdown (%)

Hong Kong/China	38.2	<div></div>
Vietnam	16.4	<div></div>
India	9.3	<div></div>
Korea	8.5	<div></div>
Australia	7.3	<div></div>
Taiwan	7.0	<div></div>
Singapore	6.0	<div></div>
Philippines	4.4	<div></div>
Indonesia	2.6	<div></div>
Cash	0.3	<div></div>

All data as at 31.10.19. Source: Prusik Investment Management LLP, unless otherwise stated.

## 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	252.91
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	253.07
C GBP Hedged Distributing	B18RM25	IE00B18RM256	131.58
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	342.83

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	177.89
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Performance fee based on fund performance as a whole.

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