

# Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

29 November 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)	852.4m
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	0.42
3 Month	2.78	6.38
Year to Date	7.82	12.89
Since Launch	173.57	44.36
Annualised <sup>†</sup>	11.95	4.20

Source: Morningstar.

Launch Date: B: 31.12.10

<sup>†</sup>Since Launch Performance

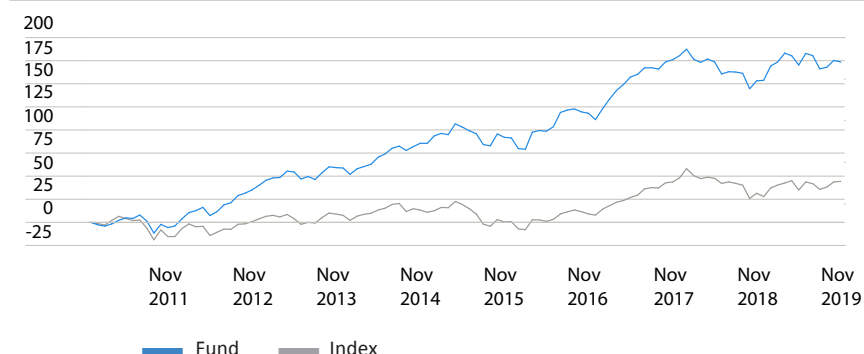
### Investment Process

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

This month we added to our position in **Power Grid**, the dominant provider of power transmission in India. The company earns a minimum regulated return on equity of 15.5% on its regulated business and it can increase that to 16-17% by meeting certain operational targets. It has a "cost-plus" tariff which means that the cash flows are relatively secure, albeit subject to a regulatory review every five years. Currently earning a 16.5% ROE, we believe that the stock should trade closer to 2x book value compared to the current level of 1.5x – a valuation which implies zero future growth. The stock generates a dividend yield of 5.0% which is growing at approximately 10% per year as the company builds out more capacity.

We are admirers of the **Embassy Office Parks'** management team; however, we have sold our holding in this newly listed Indian REIT as the valuation has reached a level which no longer provides a reasonable margin of safety. After a 50% total return since listing in April this year, the stock is trading at a dividend yield of just 5.7% (compared to its cost of debt of 9%) and a Price to Book ratio of 1.5x. Although this valuation appears to be very similar to **Power Grid**, **Embassy Office Parks** pays out substantially all its cash flows as dividends and so has very limited ability to grow organically, which means it places a cap on the valuation which doesn't apply to **Power Grid**.

Following a trip to Hong Kong and Macau earlier in the month, we remain of the view that Hong Kong's resilience and importance to China are important factors when thinking about analysing companies that are exposed to the region. In general, companies in Hong Kong are always prepared for economic volatility and have strong balance sheets and flexible cost structures and we were impressed by the efforts taken to cope with the current economic downturn. Even though our total exposure to Hong Kong is around 30% of NAV, we calculate that our underlying exposure to the parts of the economy affected by the protests is approximately 7% of NAV (largely through our holdings in **Swire Pacific**, **CK Assets** and **AIA**). Most of our other holdings have either minimal exposure to Hong Kong (**CK Hutchison**, **CK Infrastructure** and **First Pacific**) or are telecom operators that are relatively unaffected by the current unrest (**PCCW** and **Hong Kong Broadband Networks**).

All data as at 29.11.19. Source: Prusik Investment Management LLP, unless otherwise stated.

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## Top 5 Holdings (%)

Samsung Electronics Co Ltd - Pref	6.9
CK Hutchison Holdings Ltd	6.4
Power Grid Corporation of India	5.8
Zhejiang Expressway	5.1
Jasmine Broadband Internet Infrastructure	5.0

Total Number of Holdings	30
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## Portfolio Financial Ratios

Predicted Price/Earnings Ratio	10.1x
Predicted Dividend Yield (%)	5.5

## Risk Metrics

Tracking Error (% pa)	9.13
Beta	0.76
Alpha	8.13
Volatility (%)	13.46
Sharpe Ratio	1.22

## Thematic Breakdown (%)

Communications Infrastructure	20.0	<div></div>
Financials	17.2	<div></div>
Real Estate	16.2	<div></div>
Power Utilities	12.1	<div></div>
Consumer	9.9	<div></div>
Transport Infrastructure	8.5	<div></div>
Technology	6.9	<div></div>
Cheung Kong / Hutchison	6.4	<div></div>
Cash	2.8	<div></div>

## Geographical Breakdown (%)

Hong Kong	32.9	<div></div>
China	10.9	<div></div>
Singapore	9.7	<div></div>
India	9.4	<div></div>
Thailand	7.6	<div></div>
Korea	6.9	<div></div>
Indonesia	6.3	<div></div>
Macau	6.0	<div></div>
Australia	4.5	<div></div>
Philippines	3.0	<div></div>
Cash	2.8	<div></div>

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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	281.42
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	192.01
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	182.39
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	181.32

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	171.53
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	163.40
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	168.23

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	167.64

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

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