

# Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

31 December 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)	879.5m
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	3.19	5.84
3 Month	5.41	10.59
2019	11.26	19.48
Since Launch	182.29	52.79
Annualised <sup>†</sup>	12.22	4.82

Source: Morningstar.

Launch Date: B: 31.12.10

<sup>†</sup>Since Launch Performance

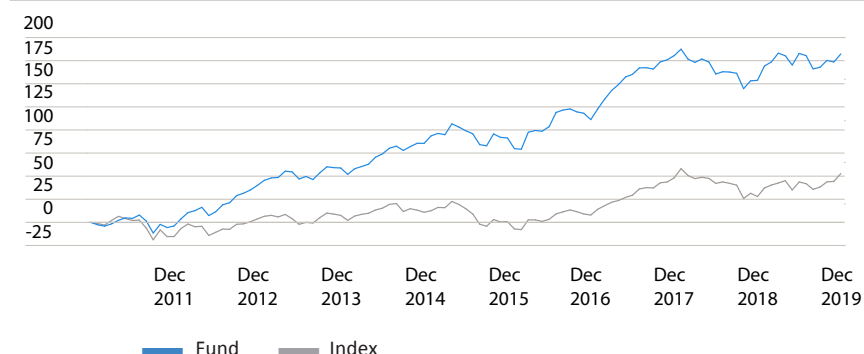
## Investment Process

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 bought a new position in **ITC**, India's dominant tobacco company. 30% owned by British American Tobacco, it dominates the Indian cigarette market with a 70% market share. Due to a slowdown in volume growth together with fears over higher government taxes on tobacco, the stock price has de-rated from a P/E of 30x in mid-2018 to a P/E of 17x today (with a 3.5% dividend yield). We believe that these fears are overstated and that the company will be able to generate close to 10% sales growth in its core cigarette business over the next several years. **ITC** has also been investing into the food and personal care business over the last decade and has now built a significant market position in several sectors including noodles and biscuits. Although these businesses account for almost 20% of revenues they are only 3% of profits as margins have, up until now, remained very low as the company was in the investment phase. However, we believe that over the next several years margins will increase as the company finishes its capital expenditure in this area. The average operating margin for the sector is approximately 15% whereas **ITC** earns just a 3% margin. If this increases to 5-10% then the upside potential for profit growth is substantial. An increase in the pay-out ratio (and special dividends) are also potential catalysts for the shares.

Although 2019 was a good year for the fundamentals of our portfolio with our earnings and dividends growing (in contrast to the fall in earnings for the index), we underperformed due to the relative de-rating of our portfolio during the year. The full year dividend for the fund in 2019 was up 3% versus 2018 (compared to a 2% fall for the index) and is 79% higher than the first dividend paid in 2011 (the MXAPJ dividend has grown just 20% over the same period). Looking forward to 2020 we will continue to focus on looking after the fundamentals, namely buying companies that can sustain and grow their dividends and which trade at attractive valuations. We continue to believe that this will lead to strong absolute and relative returns over the long-term.

All data as at 31.12.19. Source: Prusik Investment Management LLP, unless otherwise stated.

# Prusik Asian Equity Income Fund



## Top 5 Holdings (%)

Samsung Electronics Co Ltd - Pref	7.5
CK Hutchison Holdings Ltd	6.5
Power Grid Corporation of India	6.2
Zhejiang Expressway Co	5.2
CK Asset Holdings Ltd	5.1

Total Number of Holdings	29
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## Portfolio Financial Ratios

Price/Earnings Ratio	10.5x
Predicted Dividend Yield (%)	5.5

## Risk Metrics

Tracking Error (% pa)	9.15
Beta	0.76
Alpha	7.94
Volatility (%)	13.46
Sharpe Ratio	1.24

## Thematic Breakdown (%)

Communications Infrastructure	19.4	<div></div>
Real Estate	16.4	<div></div>
Financials	14.2	<div></div>
Consumer	12.4	<div></div>
Power Utilities	11.8	<div></div>
Transport Infrastructure	8.6	<div></div>
Technology	7.5	<div></div>
Cheung Kong / Hutchison	6.5	<div></div>
Cash	3.2	<div></div>

## Geographical Breakdown (%)

Hong Kong	32.7	<div></div>
China	11.0	<div></div>
India	10.7	<div></div>
Singapore	9.6	<div></div>
Korea	7.5	<div></div>
Macau	7.2	<div></div>
Indonesia	6.4	<div></div>
Thailand	4.9	<div></div>
Australia	4.4	<div></div>
Cash	3.2	<div></div>
Philippines	2.4	<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	290.39
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	198.13
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	187.94
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	187.02

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	177.00
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	168.36
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	173.51

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	169.30

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

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