Prusik Asia Fund

GROWTH INVESTING IN ASIA

PRUSIK

31 December 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)	140.1m
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 (%)

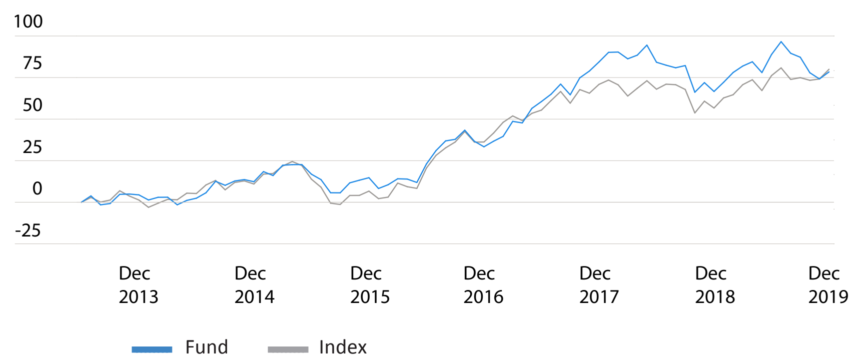
	U (GBP)	Index (GBP)
1 Month	2.43	3.35
3 Month	-4.71	2.88
2019	7.07	14.87
Since Launch	78.40	79.97
Annualised†	9.31	9.46

Source: Morningstar.
Launch Date: U: 01.07.13
†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

December saw the M2APJ index rally 3.3% as the Fed continued to increase liquidity and stage one of a solution to the trade war added an air of optimism. The fund rose 2.43%, concluding a disappointing quarter of underperformance. This month the relative underperformance was almost entirely accounted for by a regulatory change against water concessions in the Philippines, instigated by the President and which affected a number of companies including our infrastructure conglomerate, **Metro Pacific Investments**. The longevity of certain contracts is still open to question, although a resolution is expected soon. The shares fell 27% on the news.

December thus brings to a close a rough quarter and therefore a disappointing year. We are aware that our best investments over the year (in the top five were Chinese sportswear brand, **Li Ning**, Korean sportswear brand, **Fila Korea**, and AI healthcare disruptor, **Ping An Healthcare**) are not the larger index constituents but, in turn, the larger detractors were also companies off the beaten track, such as internet content provider, **Yeah1**, in Vietnam and **Metro Pacific** in the Philippines. We can also add that our larger weighting in Vietnam – c.15% – which is also not an index constituent, dragged performance in the recent quarter. More on this below.

The key question going forward and, given the above, is whether we feel we have the right portfolio and if not do we need to change anything. On this we can say we feel very heartened by the recent performance of the rest of the portfolio as we move into 2020. Approximately a third of the fund is in the consumer/local brands theme and especially emerging middle-class beneficiaries. These are growth companies but not, in the main, expensively priced ones. Amongst these, for example, is our new holding in bespoke fitted furniture designer, **Suofeiya,** which we added last month and which was our best performer in December. A further 20% of the fund is in technology (mainly semiconductors and software) and healthcare. This segment did well this year and we are confident that 2020 will be another good year for these companies.

The themes which did less well in 2019, however, look very promising for the coming year in our opinion. These are infrastructure, which comprises approximately 12% of the fund and which has started to perform better. Amongst these there is also extraordinary value, especially in the Chinese companies. Additionally, we have around 19% of the fund in themes which we look at as driven by 'shortages' - areas such as gold, copper, shipping, steel and energy. These are all areas which have seen significant under-investment in recent years and where demand is still robust and, in many cases, picking up. 2020 could be a year where we begin to see shortages or tighter supply lead to better pricing and, possibly, even some inflation. This segment of the portfolio has begun to rise in unison in the past two months and, of course, valuations are very low.

As an example of what is happening on the ground, **HPG,** our Vietnamese steel company (7.5x P/E and dividend yield of 8.5%), just announced December sales volumes up 34.7%, citing both higher domestic demand and export orders. As stated before, Vietnam generally has been a drag overall on the fund, performing especially poorly in this most recent quarter. However, we believe that our Vietnamese companies, despite a difficult fourth quarter, offer some of the largest upside in the entire portfolio. We have in past years waited patiently for Vietnam to fulfil its potential and we have been rewarded. We view this period of relative underperformance as temporary and no exception.

In summary, we see opportunity and upside in that the portfolio is trading on just 13x forward earnings but has an average ROE of nearly double that of the index at 20%. Indications are also good that our companies are continuing to generate earnings growth significantly above that of the index, following on from the 23% average EPS growth for the portfolio in 1H19.

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

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Prusik Asia Fund

Top 5 Holdings (%)

Taiwan Semiconductor	4.8
Ping An Healthcare & Technology	4.0
Sea Ltd	3.9
Ping An Insurance Group Co	3.8
Xinyi Glass Holdings Ltd	3.8
Total Number of Holdings	37

Portfolio Financial Ratios

Price/Earnings Ratio	13.3x
Predicted Return on Equity (%)	20.0
Predicted Dividend Yield (%)	3.1

Risk Metrics

Tracking Error (% pa)	6.41
Beta	0.84
Alpha	0.27
Volatility (%)	16.95
Sharpe Ratio	0.54
Price/Earnings Ratio	

Thematic Breakdown (%)

Consumption/Brands	25.6
Infrastructure/Property	17.8
5G/AI/Software/Healthcare	16.1
Financial	7.0
Consumption/Ecommerce	6.9
Shortages/Value - Shipping	5.9
Shortages/Value - Gold	5.5
Shortages/Value - Steel	5.3
Shortages/Value - Copper	4.6
Shortages/Value - Oil	3.1
Education	2.0
Cash	0.2

Geographical Breakdown (%)

China	32.4
Vietnam	15.6
Australia	13.0
India	9.4
Korea	8.8
Taiwan	7.4
Singapore	6.8
Hong Kong	2.7
Indonesia	2.5
Philippines	1.2
Cash	0.2

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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	257.89
B	USD	Unhedged	Distributing	B0M9LL2	IE00B0M9LL22	258.05
C	GBP	Hedged	Distributing	B18RM25	IE00B18RM256	133.90
D	SGD	Hedged	Distributing	B3LYLK8	IE00B3LYLK86	349.24

Performance fee based on individual investor's holding.

Share Class				Sedol	ISIN	Month-end NAV
U	GBP	Unhedged	Distributing	BBQ37S6	IE00BBQ37S60	178.40

Performance fee based on fund performance as a whole.