

Prusik Asia Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

PRUSIK

30 December 2016

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)	56.0m
Launch date	7 October 2005
Fund Manager	Heather Manners
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD

Performance (%)

	A USD	U GBP
1 Month	-3.47	-2.42
3 Month	-8.08	-3.24
2016	-3.98	16.21
Since Launch	87.85	33.36
Annualised [†]	5.77	8.57

Source: Morningstar.

Launch Date: A: 07.10.05, U: 13.07.13

[†]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 A USD (%)



Source: Morningstar. Total return net of fees.

Fund Manager Commentary

In December the Prusik Asia Fund fell 3.5% while the M2APJ index fell 1.1%, representing underperformance of 2.4%. The underperformance was down to several factors. Firstly, we are underweight Australia which performed well, rising 2.5% over the month and contributing a significant portion of the index move and secondly, the stock markets were led strongly in December by energy and materials stocks, which we have very little exposure to owing to their cyclicality.

Additionally, within the portfolio we had some disappointing moves from **Sina** (China internet), **Vinamilk** (Vietnam consumer brand) and **Ping An** (China insurance), although in all three cases positive returns have so far been recorded in 2017. **Sina**, for example, at the time of writing is up over 10% year to date. **Sina** and **Ping An** are both extremely attractively valued within their sectors, whilst **Vinamilk** is very cheap on a regional basis. In the case of the latter some recent large IPOs in the consumer brand space have diluted **Vinamilk's** position as the only large-cap blue chip in this sector. However, the underlying quality of the business and huge opportunity for dairy products in Vietnam, where **Vinamilk** dominates heavily, still remains and we believe this indigestion will pass.

After six years of downgrades, Asia is poised to deliver double-digit earnings growth as revisions turn positive in 2017. After the 4Q16 correction, the MSCI Emerging Market index is now at a 19% discount to its Developed Market peers, even after adjusting for its adverse sector exposure. Also, according to CLSA, a simple historical price to book based valuation study shows that Asia could deliver 25% returns this year and there is a very high probability that returns this year could be higher than in recent years. In short, after over 5 years of mid-single digit annualised returns for Asia's headline indices, 2017 could be a much stronger year than most expect.

It is challenging for a growth fund such as the Prusik Asia Fund at times like this when the stocks which are performing best are the deep cyclicals, such as resources or shipping companies, usually with low ROEs, lower long-term growth prospects and poor recent track records, albeit with cheap valuations. However, we feel strongly that these low quality cyclicals could correct and if economies have a strong year or two, and inflation picks up, that in the medium term the more sustainable performance will come from the higher ROE companies that are growing anyway but which have not already been awarded expensive multiples by the market. To this end, we have begun to sweep out the last few stocks not sold in November, which have expensive valuations, in favour of more attractively valued growth companies with a little more cyclical flavour, such as infrastructure companies. This has led us to add a little further to Pakistan via **Lucky Cement** which is on 11.4x P/E, buy infrastructure focused **Macquarie Group** in Australia which is on 14.0x PE and Vietnamese steel maker **Hoa Phat Group** which is on 6.2x P/E, all of which are earning at a least a mid-teens ROE or higher.

All data as at 30.12.16. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Samsung Electronics Co Ltd	7.3
Vietnam Dairy Products	5.4
Tencent Holdings Limited	4.7
Sino-Thai Engineering & Construction	4.3
Ping An Insurance Group	3.7
Total Number of Holdings	32

Portfolio Financial Ratios

Predicted Price/Earnings Ratio	13.8x
Predicted Return on Equity (%)	19.4

Risk Metrics

Tracking Error (% pa)	12.47
Beta	0.59
Alpha	1.25
Volatility (%)	16.39
Sharpe ratio	0.48
% of the portfolio which could be sold in 2 business days	99.00

Thematic Breakdown (%)

Financialisation	19.3	
Vietnam	18.2	
Artificial Intelligence/Virtual Reality	16.0	
Internet	12.6	
Infrastructure/Logistics/Property	11.5	
Local Brands	7.9	
Clean Energy	7.2	
Cash	4.4	
Leisure/Tourism	2.9	

Geographical Breakdown (%)

Hong Kong/China	39.7	
Vietnam	20.3	
Korea	10.2	
Taiwan	8.2	
Pakistan	5.5	
Australia	5.1	
Cash	4.4	
Thailand	4.3	
India	2.3	

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Management Fees

Annual Management Fee

1.5% p.a. Paid monthly in arrears
Class U - 1% p.a. Paid monthly in arrears

Performance Fee

All Classes except Class U: 10% NAV appreciation with a 6% hurdle annually
Class U: 10% of the net out-performance of the MSCI Asia Pacific ex-Japan Index, with a high-water mark paid quarterly

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	187.85
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	187.97
C GBP Hedged Distributing	B18RM25	IE00B18RM256	103.65
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	261.97

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	133.36
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Performance fee based on fund performance as a whole.

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