

# Prusik Asian Smaller Companies 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 primarily in Small Cap companies in Asia Pacific ex-Japan, whilst maintaining portfolio volatility significantly below the peer group.

## Fund Facts

|                 |                      |
|-----------------|----------------------|
| Fund size (USD) | 45.1m                |
| Launch date     | 8 February 2008      |
| Fund Manager    | Heather Manners      |
| Fund Structure  | UCITS III            |
| Domicile        | Dublin               |
| Currencies      | USD (base), GBP, SGD |

## Performance (%)

|                         | A USD | C GBP | D SGD |
|-------------------------|-------|-------|-------|
| 1 Month                 | -3.04 | -3.08 | -3.01 |
| 3 Month                 | -7.48 | -7.39 | -7.35 |
| 2016                    | 7.14  | 7.32  | 7.06  |
| Since Launch            | 49.15 | 58.08 | 10.12 |
| Annualised <sup>†</sup> | 4.60  | 5.36  | 1.40  |

Source: Morningstar.

Launch Date: A: 08.02.08, C: 25.03.08, D: 15.01.10

<sup>†</sup>Since Launch Performance

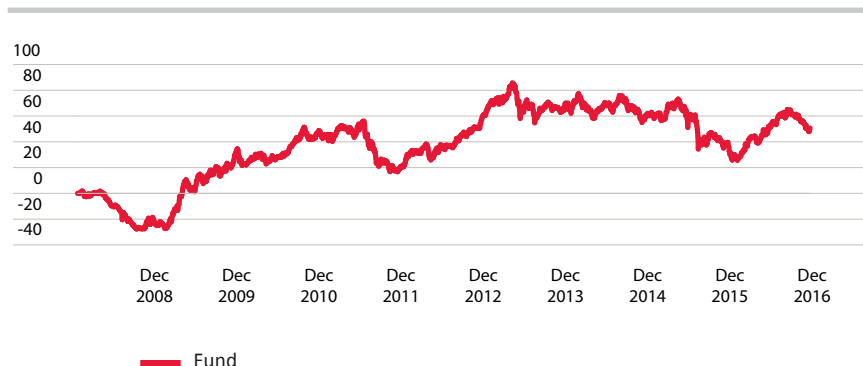
## Investment Process

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.

## Dividend Dates

Dividends paid twice annually (January and July)

## Fund Performance - Class A USD (%)



Source: Morningstar. Total return net of fees.

## Fund Manager Commentary

In December, the Prusik Asian Smaller Companies Fund fell 3.0% while the M2APJ index fell 1.1%. 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 cyclical nature and the fact that they are mostly large caps.

At stock level two of our Hong Kong listed companies **Tongda** (handset casings) and **Li Ning** (Chinese sportswear brand) were the biggest negative contributors. **Tongda** had performed extremely well in 2016, returning 49.6%, and it may have suffered from profit taking into the year end. We expect both companies to perform operationally well in 2017 and both have cheap valuations. On the positive side, all three of our recently added Pakistan holdings topped the outperformers list in December.

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. In short, after over 5 years of mid-single digit annualised returns from 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 Asian Smaller Companies 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 is likely to come from the higher ROE companies that are growing anyway but which have not already been awarded expensive multiples by the market. We would also add to this that smaller companies generally have a great outlook if the growth recovery stays on course.

To this end, we have begun to sweep out the last few stocks not sold in November which were richly valued in favour of more attractively valued growth companies with a little more cyclical flavour, such as infrastructure companies. This has led us, for example, to sell Malaysian convenience store **7-Eleven Malaysia** (25x P/E) and to buy Vietnamese steel company **Hoa Sen Group** (5.7x P/E). We expect to make a few further changes in this vein in the coming weeks in order to maximise the growth recovery that may be coming, whilst not betting entirely on cyclical growth. In the meantime, the portfolio already stands at an average P/E of 11.6x, ROE of 23.2% and a dividend yield of 3.1% which gives scope for plenty of upside.

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

# Prusik Asian Smaller Companies Fund



## Top 5 Holdings (%)

|                                     |     |
|-------------------------------------|-----|
| Mobile World Investment Corporation | 7.7 |
| Philippine Seven Corporation        | 7.2 |
| FPT Corporation                     | 5.7 |
| Syarikat Takaful Malaysia Berhad    | 4.5 |
| Li Ning Co                          | 4.3 |
| Total Number of Holdings            | 30  |

## Portfolio Financial Ratios

|                                |       |
|--------------------------------|-------|
| Predicted Price/Earnings Ratio | 11.5x |
| Predicted Return on Equity (%) | 23.2  |
| Predicted Dividend Yield (%)   | 3.1   |

## Risk Metrics

|   |       |
|---|-------|
| Tracking Error (% pa)                                     | 13.87 |
| Beta  | 0.58  |
| Alpha   | 3.23  |
| Volatility (%)  | 16.15 |
| Sharpe ratio  | 0.46  |
| % of the portfolio which could be sold in 2 business days | 76.52 |

## Thematic Breakdown (%)

|                  |      |  |
|------------------|------|--|
| Local Brands     | 26.4 |  |
| Vietnam          | 20.7 |  |
| Infrastructure   | 13.0 |  |
| Sensors          | 8.4  |  |
| Cash             | 7.6  |  |
| Smart Textiles   | 6.7  |  |
| Leisure/Tourism  | 5.9  |  |
| Clean Energy     | 4.5  |  |
| Financialisation | 4.5  |  |
| E-Commerce       | 2.3  |  |

## Geographical Breakdown (%)

|                 |      |  |
|-----------------|------|--|
| Vietnam         | 22.9 |  |
| Taiwan          | 14.2 |  |
| Hong Kong/China | 12.3 |  |
| Philippines     | 11.3 |  |
| Malaysia        | 7.8  |  |
| Pakistan        | 7.6  |  |
| Cash            | 7.6  |  |
| Sri Lanka       | 5.4  |  |
| India           | 5.2  |  |
| Korea           | 3.1  |  |
| Singapore       | 2.7  |  |

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## Management Fees

### Annual Management Fee

1.5% p.a. Paid monthly in arrears

### Performance Fee

All Classes except Class U: 10% NAV appreciation with a 6% hurdle annually

Class U: 10% NAV appreciation with a 1.5% hurdle, quarterly

## Dealing

|                           |                                  |
|---------------------------|----------------------------------|
| Dealing Line              | +353 1 603 6490                  |
| Administrator             | Brown Brothers Harriman (Dublin) |
| Dealing Frequency         | Weekly, Friday                   |
| Min. Initial Subscription | USD 10,000                       |
| Subscription Notice       | 2 business days                  |
| Redemption Notice         | 2 business days                  |

## Share Class Details

| Share Class                     | Sedol   | ISIN         | Month-end NAV |
|---------------------------------|---------|--------------|---------------|
| A USD Unhedged Non distributing | B2PKN21 | IE00B2PKN210 | 149.15        |
| B USD Unhedged Distributing     | B2PKN32 | IE00B2PKN327 | 147.84        |
| C GBP Hedged Distributing       | B2PKN43 | IE00B2PKN434 | 77.96         |
| D SGD Hedged Distributing       | B3M3HJ5 | IE00B3M3HJ55 | 204.53        |

Performance fee based on individual investor's holding.

|                             |         |              |        |
|-----------------------------|---------|--------------|--------|
| U GBP Unhedged Distributing | BBQ37T7 | IE00BBQ37T77 | 108.20 |
|-----------------------------|---------|--------------|--------|

Performance fee based on fund performance as a whole.

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