NAV Updates

Series	*Mar 2011*	*MTD*	*YTD*
Class A	146.55	2.35	0.59
Class B	146.57	2.36	0.59
Class C GBP	76.03	2.40	-0.52
Class D SGD	203.14	2.24	0.46

Fund Size $87m

Performance

2008	- 21.06%
2009	+59.07%
2010	+16.43%
2011 (YTD)	+0.59%

The fund was up 0.59% over the quarter.

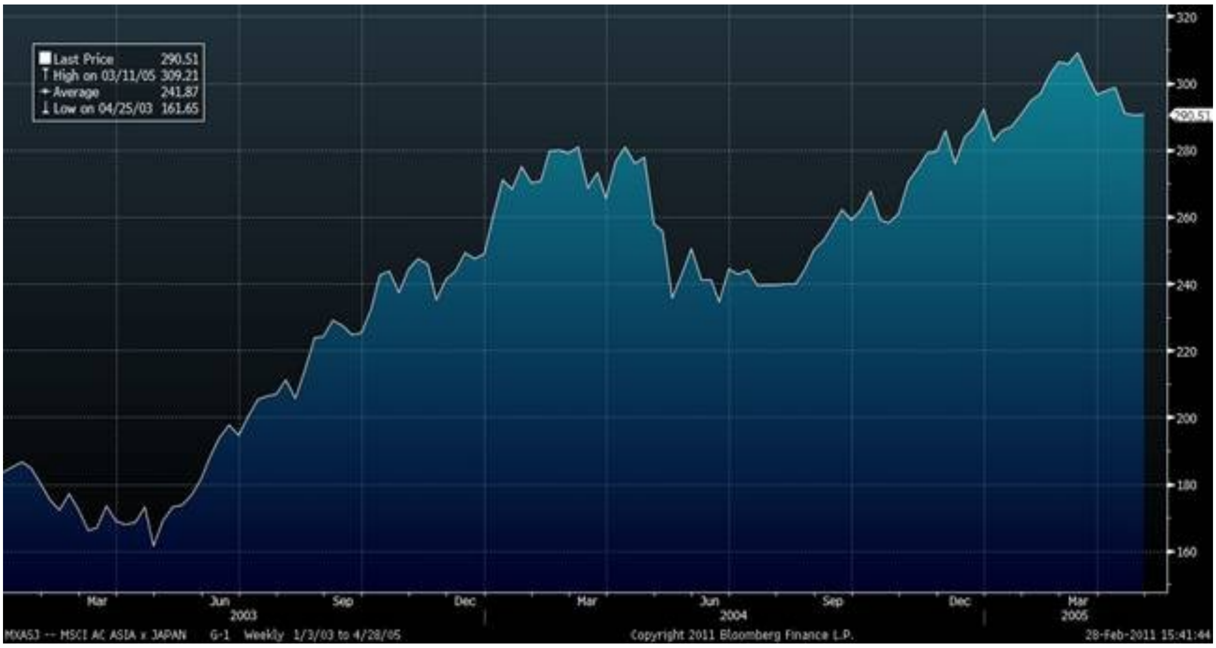
The year started badly for Asian markets as investors and the press set up a massive call to sell emerging markets and buy developed ones. This became a very successful self-fulfilling prophesy. At one point in January the Indian stock market was down around 17% year to date and at that point, the differential in performance between the US S&P 500 index and the best of Europe and the worst of the Asian markets was nearly 25%! We felt this was too much and indeed markets have rallied hard into the end of the quarter, continuing the rise into April.

Despite this rise there remains much to be concerned about; the terrible news from Japan and on top of the human tragedy, the impact on global growth and supply chains, the surge in oil prices following unrest in the Middle East and North Africa (MENA), the ongoing stress in peripheral European sovereign bonds and economies, including Ireland despite the rescue package last year, and the ongoing weird weather patterns and calamitous events which are contributing to food price increases everywhere and giving rise to the spectre of inflation.

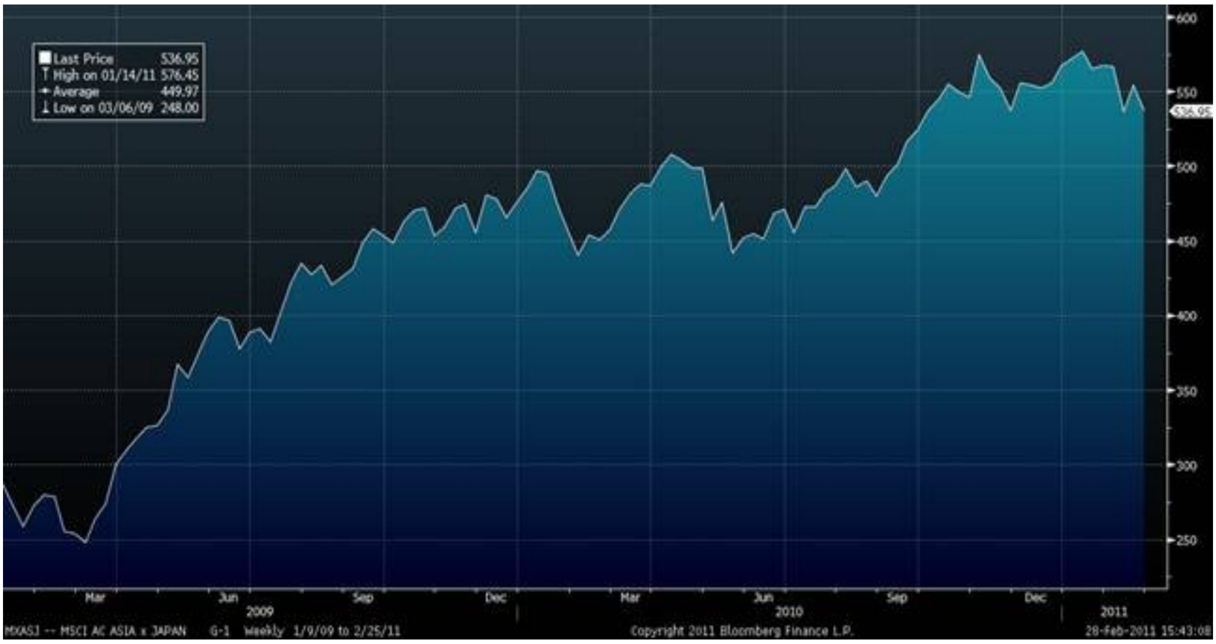
Our view at the beginning of the year was that, barring disasters and the re-emergence of the Global Financial Crisis, 2011 was likely to be a typical third year in a typical four year economic cycle. The first two years of the cycle are usually marked by low interest rates, recovery stimulus, fear of no recovery or a double dip and, simplistically, stock markets do well driven by the easy liquidity and cheap equity valuations. The final two years of the cycle come alongside a very visible economic recovery including a new lending cycle and strong demand. These factors lead eventually to higher inflation and higher interest rates. Stock markets usually do well here too, largely because, until the very end of the cycle, governments remain behind the curve in tackling inflation whilst growth, demand and corporate earnings explode to the upside.

The transfer between the two mindsets usually causes a mid-cycle correction as interest rate increases and inflation are seen as negative. The charts below of the MSCI Asia ex Japan Index (MXASJ) illustrate this well and show how the first two years of the last cycle (2003- 2004) and the two years just finished are almost mirror images of each other. This final chart shows how the full year cycle looks.

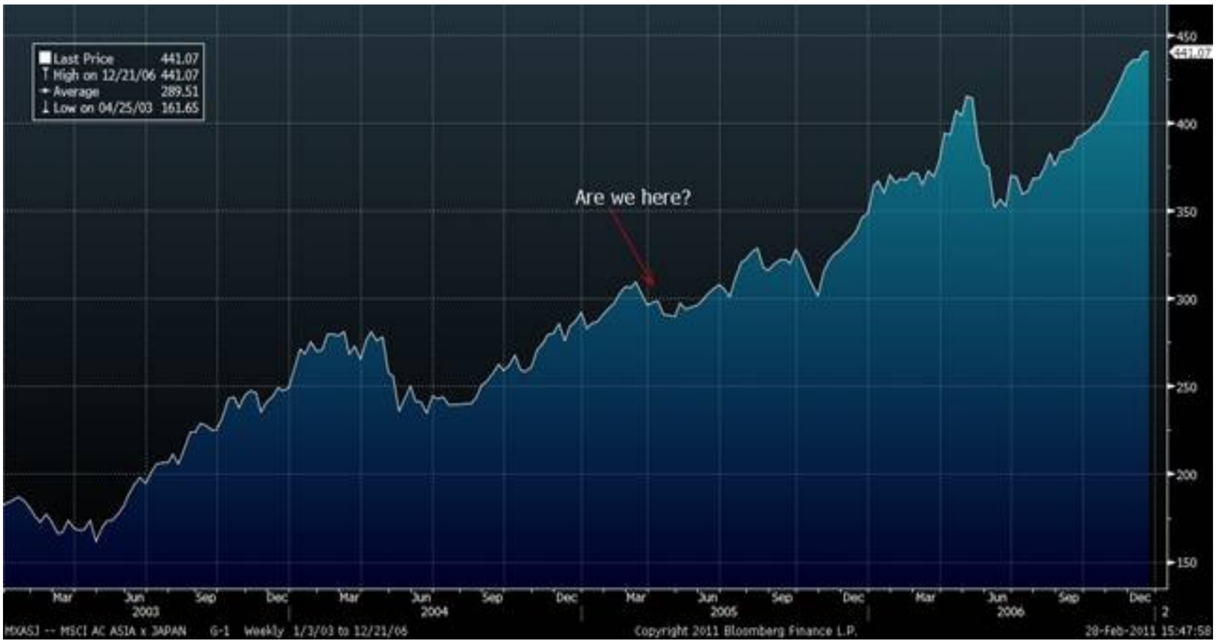
MXASJ 2003-2004



MXASJ 2009-2010



<u>MXASJ 2003-2004</u>



The Prusik team has already spent a combined 10 weeks in Asia during 1Q 2011 and we have visited companies in Hong Kong, China, Taiwan, Singapore, Thailand and India as well as attending a week long regional conference. Our conclusion at this stage is that the mid-cycle correction period, which we are now in, may be bumpier than in past cycles thanks to current events in the Middle East and the extreme nature of the last cycle's economic stimulus. However, although volatility may be greater we believe we have not YET lost the chance of another two years of growth and positive stock market performance. The news on the ground is very positive indeed and, barring small pockets of inflation here and there, both growth and liquidity are abundant.

Liquidity and Fund Flows

When we look at liquidity and fund flows we shouldn't be too surprised by the strong equity markets rallies in March and April to date. Outflows from Asian stock markets in February and most of March had been very strong, reaching nearly 0.3% of regional market capitalisation. This is quite significant as, according to Credit Suisse, 0.4% is the record in a non-recessionary correction. However, in the last 6 days of March there was a huge reversal with strong buying returning to Asia, and around US$3 billion was reported to have entered one Asian ETF alone!

Regarding liquidity, analysts from Citi recently estimated that Asian liquidity remains plentiful, with excess liquidity growth 2.9% YoY. At the same time, increases in FX reserves are running at 24% above the increase in current accounts. On top of this much of the region currently enjoys negative real short rates, so the region is not starved of liquidity which is good for stock markets.

The International response to the Japan earthquake threw additional gasoline on the fire and this unexpected injection of central bank liquidity was further rocket fuel behind the recent rally. The latest reading of the Fed's balance sheet shows that total assets have risen to US$2.6trillion, an annualised increase of 37% in the size of the central bank's balance sheet since QE2. The BoJ has pumped in the equivalent of 5.2% of GDP into the local banking system (as well as aggressive currency intervention) since the country's devastating earthquake and this has leaked into global markets as well as helping to steady the Nikkei 225.

The scale of the support explains the slightly counter intuitive exuberance in equities in the face of a very serious crisis in a major country. The huge degree of money creation also raises the question of whether these market gains will be sustained once the pace of balance-sheet expansion starts to slow, let alone reverse as it inevitably must. A number of FOMC voting members are now beginning to publicly discuss an exit strategy from the current extreme policy setting which must increase the risk of sentiment based volatility, at the very least.

Valuations and Rising Interest Rates

In Asia, valuations are the same today as during prior periods of the first Fed tightening. Whether we look at P/BV or earnings yield, valuations today are at the median levels seen during previous tightening periods.

Notably, rising real short rates in the US have historically led to *higher* not lower equity markets. Indeed, rising rates, up to a point, have historically been associated with growth; hence markets do actually perform when real rates rise. Repeating our earlier point, investors buy equities for growth, not purely because interest rates are low. This is borne out by a brief look at previous cycles where typically, three months post first the Fed's first rate hike, markets are flat but after 12 months they're up 13% on average.

This is not to say there is nothing to be concerned about. Just a short glance at the recent plunge in the Volatility index, VIX, tells you there is much complacency in equities currently which is certainly at odds with the macro economic risks we can list. Clearly the biggest issue and one we have discussed *ad nauseam* is the threat from an ending of QE2 and a rally in the US Dollar. In Asia's case a stronger US dollar usually means Asian equities are weak. The Dollar

Index, DXY, has rallied by 18% or more four times in 30 years, and four times money has been lost.

In sum, in the first quarter Asia found itself at the nexus of sudden huge global liquidity creation and relative equity value. It remains to be seen whether the sharp rally we have seen as a result can be sustained through the second quarter without some kind of correction but given that the bottom up fundamentals actually remain very good, we think the likelihood is that the markets have at least another 10 - 15% upside for the year. But it will be bumpy, perhaps as result of sentiment swings as much as anything fundamental. Government decisions (especially at the FED) will weigh more heavily than they should.

Prusik Asian Smaller Companies Fund

There was little change on the fund over the quarter, although we did employ the use of futures to protect the fund from the volatility early in January, which worked well. Elsewhere we reduced slightly our exposure to low end consumption in China/Hong Kong and plantations (Singapore and Malaysia) in favour of ASEAN linkage and Thailand (see below) and added property companies LPN and Pruska Real Estate as well as Industrial Estate operator Hemeraj Land. In Korea we added internet gaming company, Daum Communications and handset touch screen module maker ELK. The Australian portion also grew with the addition of gold miner Beadell Resources whilst the healthcare segment there continued to do well.

We have visited and spoken to most of our companies recently and remain very upbeat about the growth and value we are able to find in Asia amongst smaller companies. Many smaller stocks were badly hit in the correction in January and remain well below recent highs but with improving fundamentals. We note that our combined PE and growth forecasts for the portfolio have only been better in 2009, which bodes well for the ongoing performance this year.

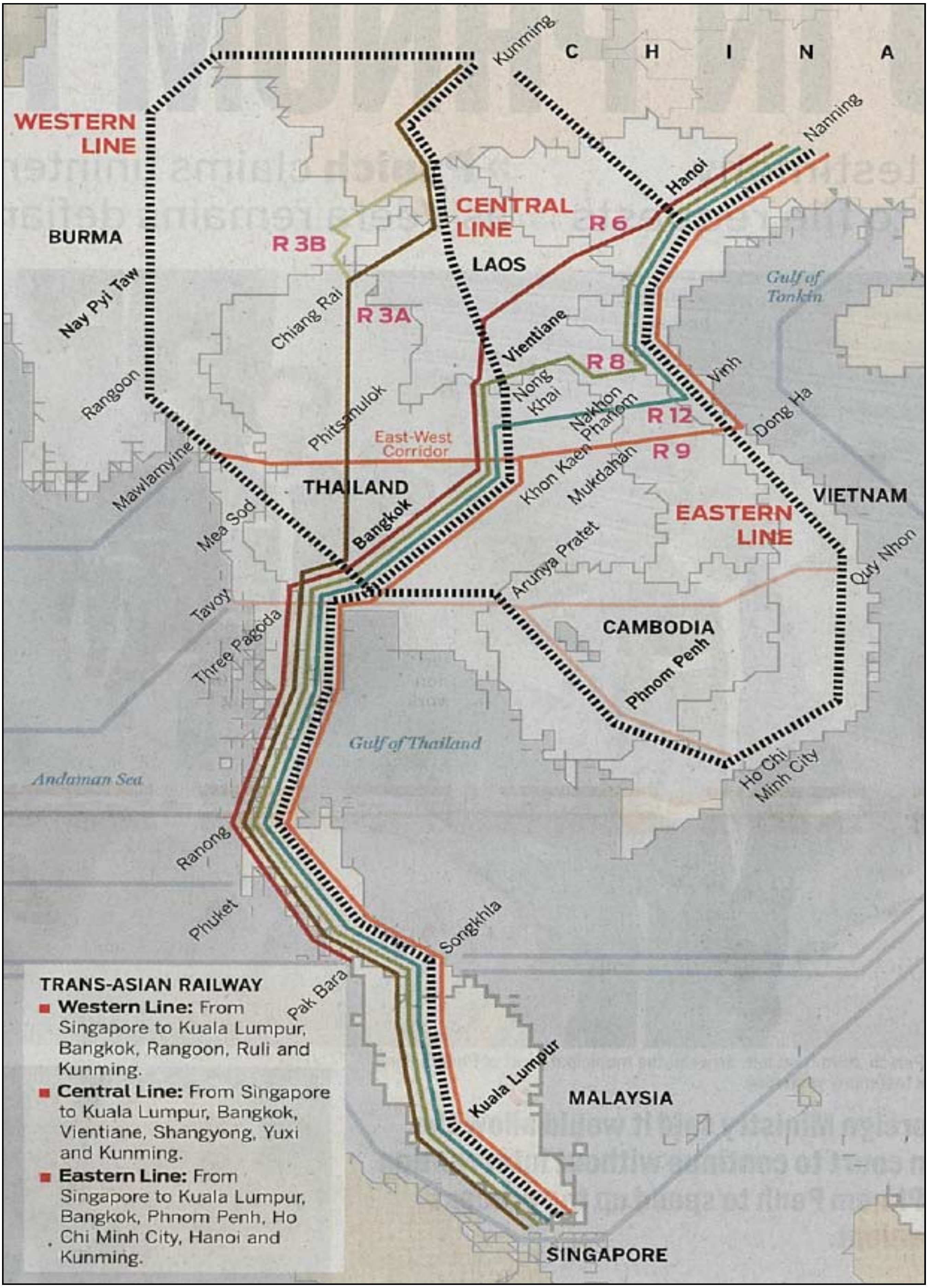
ASEAN Linkage – the emergence of Indochina

We think we have uncovered the next new 'megatrend' in Asia. In a few years it will be as important as the growth of Asia's middle class or the emergence of China. It will also turn on its head the current thinking that China cannibalises regional growth and force us all to refresh some geography!

In short, by 2015 the 10 ASEAN (Association of South East Asian Nations) countries will form a single economic community which will allow free trade of goods, services, capital and skilled labor. This does not just include the traditional ASEAN countries such as Singapore, Malaysia, Thailand, Indonesia, the Philippines and Brunei but will also change the fortunes of Vietnam, Cambodia, Laos and Burma. This latter block of countries are notably poorer than the better known ASEAN 6 but, their average growth rate is significantly higher than their wealthier neighbours and has been so every year since 2002, even averaging over 5% during the worst of the global financial crisis. Of the 10 ASEAN members, 5 have populations of over 60 million people! Together the 10 nations have a population of over 600 million people and a combined GDP of over US$1.5 trillion. The region also offers some of the best demographics in the world, a very open trade/GDP ratio of over 100% and some of the most under-penetrated consumer markets in the world from cars to electricity usage.

Amazingly half of ASEAN's export and tourism inflows are from other ASEAN countries, not Europe or China as you might expect. But the anomaly here is that whilst it is unsurprising that global auto makers are looking to set up factories away from the wage inflation nightmare in China, there are also Chinese auto makers, and other Chinese manufacturers, also looking to head out of China and set up elsewhere in the region. We heard this several times in Thailand when visiting companies running industrial parks up-country.

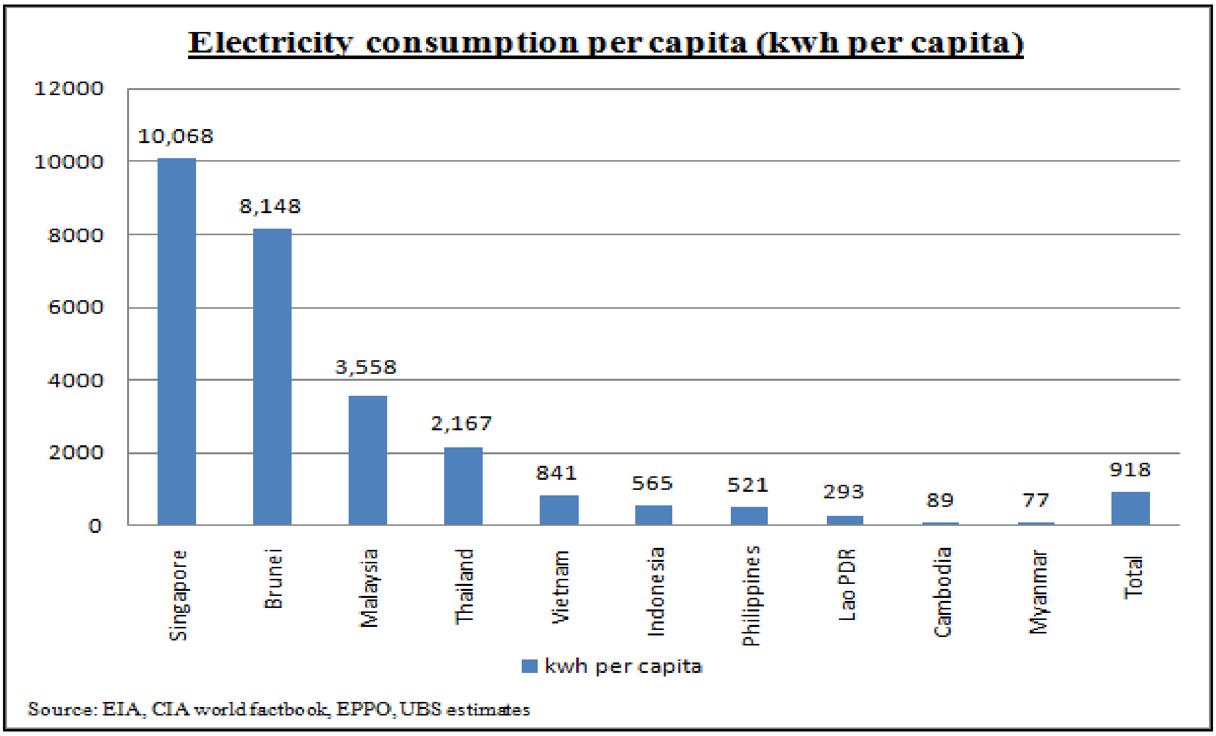
However, the really extraordinary development is the imminent building of a trans-ASEAN railway which will be able to transport you (and goods) from China to Singapore. There are to be three branches to this railway – a western line through Burma, an Eastern line down through Laos, Vietnam and Cambodia and a central line through the centre of Thailand. All three lines will meet in Bangkok, the regional hub, and will continue down through Malaysia to Singapore. The whole project will be carried out in JV with China and the high speed technology will come from China (hat tip to Japan, ahem!) as will some of the financing. Thailand's 'Nation' newspaper helpfully printed a map of the proposed routes. (Railway Map over page)


CHINA
Kunming
Nanning
WESTERN LINE
CENTRAL LINE
EASTERN LINE
BURMA
LAOS
THAILAND
VIETNAM
CAMBODIA
MALAYSIA
SINGAPORE
R 3B
R 3A
R 6
R 8
R 12
R 9
Hanoi
Nay Pyi Taw
Chiang Rai
Vientiane
Gulf of Tonkin
Rangoon
Phitsanulok
Nong Khai
Nakhon Phanom
Vinh
Dong Ha
East-West Corridor
Mawlamyine
Khon Kaen
Mukdahan
Mea Sod
Bangkok
Aranya Pratet
Quy Nhon
Tavoy
Three Pagoda
Phnom Penh
Gulf of Thailand
Ho Chi Minh City
Andaman Sea
Ranong
Phuket
Songkhla
Pak Bara
Kuala Lumpur
TRANS-ASIAN RAILWAY
Western Line: From Singapore to Kuala Lumpur, Bangkok, Rangoon, Ruli and Kunming.
Central Line: From Singapore to Kuala Lumpur, Bangkok, Vientiane, Shangyong, Yuxi and Kunming.
Eastern Line: From Singapore to Kuala Lumpur, Bangkok, Phnom Penh, Ho Chi Minh City, Hanoi and Kunming.

This is not just a pipe dream for some vague time in the future. In Thailand there was talk that the MOU with China would be signed in 2Q and building would begin before year-end whilst Laos are said to be breaking ground this April. Media reports everywhere say China is also starting to build in early 2011 and the target is for it all to be completed by 2015.

The potential benefits of this extraordinary development could be likened to those felt by the US during the building of the railroads in the 1860s. The story will be one of urbanisation and trade taking people with currently very low standards of living towards those of their richer neighbours. Thailand, with the three railways hubbing in Bangkok and connecting its larger northern conurbations stands to benefit the most.

Bizarrely, investors based in Hong Kong and Singapore seems quite agnostic about this opportunity which is usually an excellent sign of a good theme. The analogy is perhaps like telling a bunch of hardened Londoners that Wales is the next big thing. We are sure this will change as the chart below shows almost simplistically how big this investment opportunity could be.



Finally, to the skeptics who cite border issues, geopolitics and general lack of anything like this happening before as a reason the railway project may not complete, we would point out the following; while this railway will hugely benefit ASEAN, be under no illusion that the real beneficiary here, and the driver of the project, is China. China, having moved much of its manufacturing and economic prosperity to the western and central areas now needs another conduit that is not on the eastern seaboard. There is therefore, unsurprisingly, also a massive new port and industrial estate being built in Vietnam. Furthermore, and perhaps more importantly for China, the space and agriculture opportunities in ASEAN mean that China can source and bring in much needed food direct from where it is produced.

Thailand

We think that in the first instance the place where it is most easy to invest in the development of the railway and all that it encompasses is Thailand. This is because whilst the railway will be hugely important, is not the only game in town. 2011 is also an election year and the people we met in Thailand were extraordinarily calm and generally agreed that the incumbent government will be elected – most likely in the mid-year period. There have been sporadic protests since the chaos of last year but politics in Thailand had a huge moment of catharsis which in the light of a possible GDP growth rate of 8% this year, seems unlikely to be repeated. Furthermore, the current Thai government has agreed a general infrastructure program for 2010 to 2012 worth some 21% of current GDP. While some of these projects have been agreed very little money has been disbursed so far. The railway project alone is estimated to cost US$10 billion, a significant portion of which, to begin with, will be spent on land purchases. In any event it is unlikely we shall see any pernicious tightening in Thailand until well after the election is over, if at all this year.

M&A

We have also seen a significant increase in M&A in Thailand in the past year as companies are taking advantage of strong balance sheets, negative real interest rates, the strong baht and cross border opportunities. It is likely that Singapore and Malaysia will join in with looking to 'scale up' ahead of coming developments in the region.

Bank lending

Bangkok Bank's loans book grew 3.1% MoM in February, a record increase for the month since the 1997 Asian financial crisis! Corporate Thailand is borrowing term loans for the first time in 14 years and so loan growth is significantly exceeding expectations. Current typical company capacity utilisation in Thailand is now higher than the 10 year average and indeed, in our opinion, is very close to peak level. This means that corporates will have to spend on new capacity to ensure constraints don't cause a bottleneck to their growth and this will drive loan growth for the whole sector. A recent survey of 52 listed Thai corporates implies a 40% YoY increase in 2011 capital expenditure, post a 4% decline in 2010.

Upcountry

Companies in Thailand which serve the consumers in the northern cities of Thailand, such as Dynasty Ceramics who make floor tiles for houses, will be amongst those who prosper most in the coming few years. Some of these companies saw sharp corrections during the quarter which has given us a tremendous buying opportunity. We have recently visited almost all the main protagonists, and quite a number of smaller companies are well placed to do full justice to this theme.

One example is Hemaraj Land. Hemeraj operates six industrial estates in Northeastern Thailand and recently furnished us with one of our favourite anomalies regarding this ASEAN linkage theme. Hemeraj has already benefitted from the development of a significant auto manufacturing hub and its supply chain in northern Thailand and are currently experiencing a veritable stream of new companies looking to expand or relocate away from China. Amongst the bigger enquiring customers are some domestic Chinese vehicle brands wanting to manufacture overseas!

Hemeraj sells land to new arrival companies for the building of factories and then supplies them utilities and services, generating strong recurrent income. They will benefit both from the whole linkeage theme and the current new capex cycle awakening in Thailand. They also have two new significant earnings drivers in the coming two years; a burgeoning water business which should double by 2013 and a new power plant, GHECO-ONE, which when it comes on stream in early 2012 will generate equity income equal to Hemeraj's current consolidated profit! As a result, by 2013 Hemeraj's profit should jump threefold and its 2013 PE currently stands at 6x.

China -Inflation?

The key question for China is when inflation will peak. Structurally, this looks like it will be around June. CPI will likely stay around 5% for the coming few months, peaking in June at something above that, and thereafter the 2H base effect from 2010 will ensure that CPI comes to rest somewhere between 2%

and 4% depending on other factors. Food prices are seeing weekly declines and the worst of this year's wage hikes are behind us. The wild card is oil.

In past cycles, most applicably 2004, the China market troughs around 3 months ahead of inflation, when the worst hit sectors, usually property, banks and steel, begin to outperform. In this cycle the average PE sits at 11.5x, well below its historical average of 13x, giving generous room for upside.

Additional support will come in the shape of less tightening in coming months. Maybe as few as one or two more tightening episodes are likely in the coming 8 months, compared to 4 in the past 6 months. The 1 year benchmark rate is therefore likely to come to rest still below the average rate of inflation, which is not stable, but the government will not want growth to dip below 8.5%. Instead they will continue to target specific problems. To this end 60 cities have been told to continue clamping down on property. This may sound draconian still but remember this is China and therefore the same decree could have been made to 600 cities! This is good news for the majority of property companies in China.

Long term inflation in China is likely to be governed by wage increases. The government intends to allow wages to rise annually by 15% meaning that farmers will demand income growth of 10% at least and so will need to see agricultural prices up by 8% per annum to keep pace with the country averages. Core CPI in China will therefore be 1.5% at least for the foreseeable future and global food prices will be unlikely to get much respite.

Currency Internationalisation

Over the next decade, starting today, we can expect to see China preparing the RMB to become "a" reserve currency. Maybe that should be "the" reserve currency as China's trade and GDP race to overtake that of the US. Last year trade settlement in RMB doubled every 3 months! This market was US$300 billion at the end of 2010 and continues to balloon.

In the coming months we can expect further liberalisation to rules in outward investment from China. Foreign direct investment into China will also soon be able to borrow RMB in Hong Kong for remittance into China. We can also expect another QDII scheme (quota allowing Mainland individuals investing abroad) before the year is out which will benefit Hong Kong. In short, the outflow of RMB to Hong Kong via the trade channel will be huge and will quickly result in foreigners being able to access RMB deposits in Hong Kong. Indeed Deutsche Bank expects Hong Kong based RMB deposits to increase 7 fold in the coming 2- 3 years!

We can expect lending with FDI to take off and this will result in a massive RMB bond market which estimates suggest could be RMB 2 trillion in 5 years! This is big enough to accommodate global bond managers and the demand for RMB exposure will keep yields low. A recent interesting anomaly is that earlier this year two Russian corporates have raised RMB bonds in Hong Kong, saving in the process between 200 and 300 basis points on cost of funding! The currency was then swapped into Euros and US Dollar at marginal cost. Whilst those of us with memories going back to the mid-1990s Asian crisis will have paused for a sharp intake of breath at this news, the short term impact is clear: banks in Hong Kong will enjoy massive growth in business and margins but will also see ballooning costs. However, this volume growth could have an impact far wider than just bank turnover and profits which are, as yet, difficult to predict on this theme. Some estimate that a simple 10% increase in deposits calls for a 1.8% increase in manpower. Wages, property demand especially office space, consumption and the financial services sector in general in Hong Kong are all set to improve on this theme.

The next 5 year plan

Whilst the biggest news is the development of the offshore RMB market, other very important shifts have taken place in China's future direction. In particular China has pledged to focus more on domestic consumption but less on consumer goods and more on services and higher value added activities. Particular mention was made of healthcare, travel, entertainment and pensions. Services are currently only 45% of China's GDP.

Additionally, we are already seeing a massive shift towards spending on automation of factories. China's labour force will shrink by 250 million people in the coming 50 years – equivalent to twice the workforce of the USA and representing probably the biggest future demographic shock in human history. A massive public housing plan has been announced for 36 million units in 5 years which is driving a strong recovery in construction and building materials, which is likely to result in 20% per annum growth in the coming few years for certain segments of that industry.

We remain very positive for the outlook of our China theme related companies. Factory automation companies Lumax, Airtac and Chinese High Precision are doing well whilst telecom capex remains strong benefitting Comba and China All Access. We also have taken advantage of the weakness in China earlier in the quarter and added some consumer companies which operate right at the very top end of the luxury market. Bentley sold more cars in China than any other country last year and Sparkle Roll not only owns this franchise but a series of other well-known international car brands as well including Rolls Royce, Bugatti and Lamborghini. Sales should remain strong as less than 1 in 4 high net worth individuals owns a luxury car. Sparkle Roll also sells luxury branded wines, watches and jewellery.

Australian Healthcare

Australia has a good track record around successful healthcare companies and so do the Prusik team. CSL (blood products) and Cochlear (transformational hearing aids) were both under US$300 million market cap companies when we first invested in them in 1990s. Their market capitalisations have since risen 65 fold and 16 fold respectively. However, we tiptoe around the new generation of companies not for lack of upside, indeed we feel quite exceptionally excited about some of the companies we have met in the past year, but for fear of negative over reaction to the 'B' word. For the next generation of truly groundbreaking healthcare, and indeed technology companies, specialise in biotech.

Before sharing some details on what these companies are doing specifically, there are some general reasons why this sector is interesting right now. Firstly, the major US and European drugs companies are struggling to produce major new and groundbreaking drugs and their pipeline of future earnings is looking thin. We have already seen a number of acquisitions and joint venture deals being signed as the majors rush to gain exposure to new, fast growing and potential blockbuster products. As a result the successful companies are all current takeover targets. Secondly, biotech is coming of age after over a decade in the wilderness with few supporters and the breakthroughs to commercialisation are coming thick and fast. We are poised to see a change in perception as biotech solutions become commercially available and useful to the man on the street. The commercial drug companies know this; hence the M&A rush. Thirdly, the more management of the Australian healthcare sector we meet the more we realise it is a small community and everyone knows everyone else. There seems to be more mutual support and communication than one would expect, perhaps a mini silicon (biotech?) valley in the making?

An aside on R&D

To technology and pharmaceutical companies alike, R&D is the last thing they would cut but there are serious questions regarding whether targeted research is in fact productive. This is a subject recently covered by technology research newsletter "The Fifth Column".

In the 19th Century and well into the 20th Century, Great Britain produced some great scientists: Davy, Darwin, Faraday, Maxwell, Joule, Kelvin, Dirac, Turing and Crick. It was said that Trinity College in Cambridge alone had produced more Nobel Prizes than *toute la France.* One of our better known scientists, Freeman Dyson, has pointed out that the common link between all these scientists is that like him, they were not taught science at school. Instead they were taught to think and like great artists they cherished the notion that what they were doing was subversive. (Subversive in the sense that truth is subversive but not ideologically subversive like a Marxist or militant atheist). In Dyson's view it all went wrong once the good and worthy gentleman put in charge of education decided that the English needed to learn about science. Science then became a chore rather than something that super bright people with a taste for undermining the established order, could do in private. Dyson says that since the 2nd World War England has produced many good scientists but except for Hawking, not one great one. Dyson, who is emeritus professor of Physics at the Institute of Advanced Study at Princeton, "only" holds a bachelor degree in maths from Cambridge University. One of his war horses is the damage that formal education can do to an enquiring mind. He is viscerally opposed to Ph.D's, which he describes as the union card required for entry into the scientific job market.

It is interesting to note that Apple spends only 3% sales in R&D, a tiny fraction of its major competitors, but unusually Apple still bears the hallmarks and the psychology of a smaller company which is still in upwards momentum on its original big idea. Meanwhile, despite huge R&D budgets, the mature drug companies are still having to turn to acquisitions to create the earnings growth expected of them. We find we are also seeing a similar pattern in internet gaming companies. Interestingly, the most successful games company in Korea, Nexan, is unlisted to date but is expected to IPO in Japan later this year at a market cap of US$10 billion. Its secret of success has been a merciless acquisitions trail of smaller developers, eschewing in house research.

In sum, it probably does bear up to logic that one or two people with a great idea who leave their degrees or jobs to create the dream are more likely to have truly found something valuable than a salaried worker in a laboratory of 3000 technicians.

Back to Australia

We have taken a basket approach to this sector and hold a small selection of the most promising companies, and each position is modestly weighted.

Starpharma has a market capitalisation of US$320 million and specialises in the creation of man-made molecules called dendrimers. These have a number of applications including facilitating better drug delivery, animal health and agri-chemicals. Their first commercial product, Vivagel, is shown to kill both bacteria and viruses, in particular HPV (cervical cancer), HSV2 (genital herpes), Chlamydia and HIV and can be used effectively as a topical microbicide for both prevention and cure. This is a potentially huge market. In the US an estimated 16% of 14 – 49 year olds have HSV2 infection and by 2008 a staggering 45% of 15-25 year olds tested positive for Chlamydia.

Starpharma's breakthrough will come later this year when Vivagel coated condoms will be sold under the Durex brand and this alone should bring in US$30 million p.a. in royalties in the first year. Thereafter there is the chance for Starpharma to license Vivagel for separate uses in prevention and cure. Each of these markets could in itself be hugely significant.

Other products at Starpharma include those increasing the efficacy in delivery of existing drugs and these will also generate strong revenue growth from this year. These products should not be underestimated given that the drug companies, as discussed earlier, are desperate for any upgrade on their products which can extend patent life and will been therefore keen to use and pay for such solutions. The company is also working with a major agri-chemical company on improvements on delivery of pesticides.

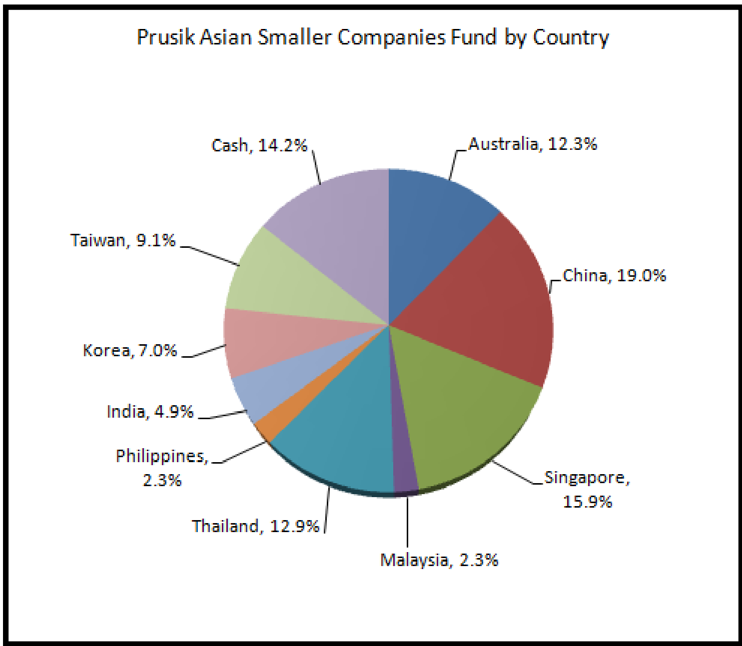
Mesoblast is another strong story but since we invested last year it has grown threefold to a size not so small! This company owns patents surrounding adult stem cell therapies and is in the final stages of Phase 2 trials of using 'off the shelf' stem cells in congestive heart failure. So far the results have been nothing short of impressive and in the following year after treatment the treated group suffered 84% less major adverse cardiac events (and no cardiac related deaths) compared to the control group. Furthermore there appeared to be no side effects and no adverse immune responses. The company is now in Phase 2 trials of treatments for orthopedic and disc repair solutions, diabetes and eye diseases. In recent months Cephalon has acquired 19.9% of Mesoblast, paying US$130 million and pledging US$1.7 billion in milestone payments for the indications under trial. This virtually assures the heart trials will be seen through to conclusion and Mesoblast retains the manufacturing rights and share of revenue. We hardly dare consider what the upside could be for this company. Obviously there are risks, not least that Cephalon itself is currently subject to a bid, but we have met with most of senior management in the past 6 months and remain comfortable with a modest weighting in the fund, despite the optimism now in the price.

Pharmaxis has a simple and elegant drug to ease the agony and daily inconvenience of living with cystic fibrosis and is the first new product for this market in 15 years. CF sufferers see an annual decline of as much as 2% of lung capacity and spend 20 minutes 3 times a day taking treatments which have little long term benefits. The seat of the suffering comes from a drying out of the lung villi which then fail to clear lungs effectively. Pharmaxis have a simple formula delivered, on the go in the same manner as an asthma inhaler, and which relubricates the villi via a powerful osmosis agent. Studies are showing that is has managed to halt any decline in lung capacity in year 1 and indeed has shown a 8% improvement in year one as well as significantly improving the quality of life in many other ways of the patients who can now take medication on the go. The current CF treatment is worth US$500million per annum in the US alone. Pharmaxis drug will be ready for commercialisation after final approvals this year in Europe and in the US next year.

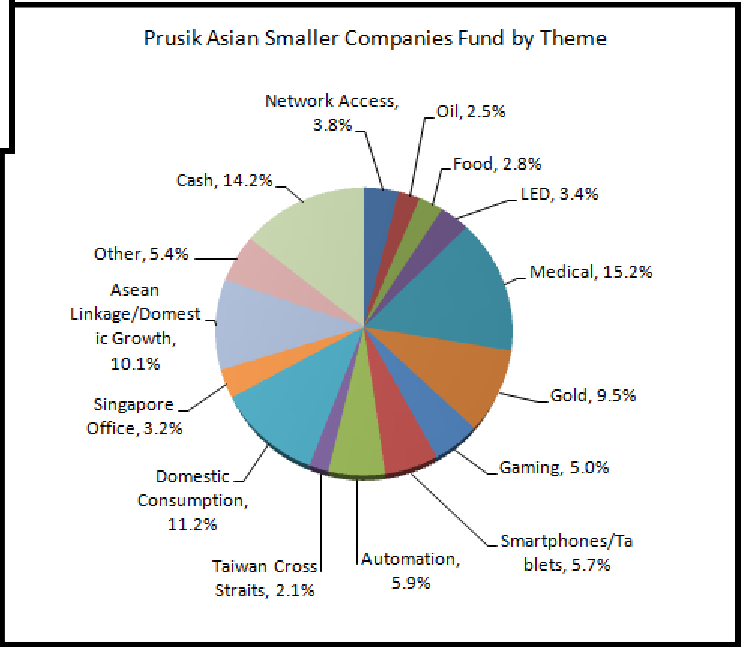
Portfolio Valuation

The current combined investments of the Prusik Asian Smaller Companies Fund are trading on a weighted average CY11E PER of 9x with 22% EPS growth forecast for 2011 generating an ROE of 20% for that year.

PRUSIK ASIA SMALLER COMPANIES FUND
TOP LINE FIGURES — MARCH 2011



Number of holdings	41
Percentage of Fund invested	85.76%



	Top 5 Holdings	%
1	ARA ASSET MANAGEMENT LTD	3.2%
2	LPN DEVELOPMENT PCL	3.1%
3	HEMARAJ LAND DEVOPMENT-NVDR	3.1%
4	ALACER GOLD CORP-CDI	3.0%
5	REXLOT HOLDINGS LTD	2.9%

Futures	%
HANG SENG IDX FUT Apr11	-3.1%
MSCI SING IX ETS Apr11	-5.6%
KOSPI2 INX FUT Jun11	-2.6%
MSCI TAIWAN INDEX Apr11	-4.2%

PASCF Monthly Performance

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2008	-	-	-2.44	0.52	0.26	-6.71	-3.49	-5.53	-8.52	-5.94	0.05	6.87	-21.6
2009	-3.6	-2.1	5.6	16.7	17.7	-3.7	8.9	-2.01	5.48	-2.16	4.42	4.81	59.7
2010	-0.7	-1.52	3.68	3.23	-4.23	1.20	0.83	2.74	7.45	3.62	-2.11	1.67	16.43
2011	-2.15	0.43	2.35										0.59

Key Parties to Fund

Investment Manager	Prusik Investment Management LLP
Administrator	Citi Hedge Fund Services (Dublin)
Custodian	Brown Brothers Harriman (Dublin)
Auditor	Ernst & Young
Legal Advisors	Dillon Eustace (Dublin) Simmons & Simmons (London)

Key Terms

Denomination	USD
Dealing Day	Weekly (Friday)
Minimum Subscription	USD100,000
Min Subsequent Subscription	USD10,000
Subscription Notice Period	2 business days
Redemption Notice Period	2 business days
Dividends	
Class A	$ Non distributing
Class B	$ Distributing
Class C	£ Hedged Distributing
Class D	SGD Hedged Distributing

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Manager Fees

Management Fee	1.5% p.a. paid monthly in arrears.
Performance Fee	10% of NAV appreciation. With a 6% hurdle.

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