

Prusik Asia Fund

GROWTH INVESTING IN ASIA



31 January 2020

Monthly Fund Fact Sheet

Investment Objective

The Fund aims to achieve capital growth by investing in listed equities in the Asia Pacific region excluding Japan.

Fund Facts

Fund Size (USD)	133.3m
Launch Date	7 October 2005
Fund Manager	Heather Manners
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD
Index	MSCI AC Asia Pacific Ex Japan Gross Return Index (USD)

Performance (%)

	U (GBP)	Index (GBP)
1 Month	-3.44	-3.22
3 Month	-3.16	0.48
Year to Date	-3.44	-3.22
Since Launch	72.27	74.18
Annualised†	8.61	8.79

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

2020 started with a good rally and then a swan dive in Asian markets, with Chinese New Year broadly dividing the two. The upshot was a net fall of 3.2% on the index and a fall of 3.4% for the Prusik Asia Fund, but this does not tell the full story of the volatility seen in recent weeks. For example, the Hong Kong Hang Seng Index fell 9.4% intra month from its high on 17th January.

The month started with genuine optimism as stage 1 of the trade 'agreement' between China and the US was apparently settled. This positive response can be seen in the light of the renewed pulse of additional liquidity brought about both from Fed actions in the REPO market and China's own raft of reforms. Many of these were laid out during the Christmas break, most of which are efforts to reduce borrowing costs and increase credit availability. More recently, of course, markets fell as the severity of the coronavirus outbreak in China was revealed and the subsequent 'lockdown' of major cities unfolded, with all its potential to derail what was already a fairly fragile but, nonetheless, potential economic recovery.

Whilst the virus, at the time of writing, appears to be spreading at a slightly slower rate in recent days, it is still too soon to assess how long such a significant number of businesses in China will be at standstill. For example, we are hearing from some technology companies that their Chinese New Year holiday has been extended again until 17th February. History has shown us that, assuming this virus follows previous patterns which we hope it does, by the summer the worst will be behind us. Markets will discount ahead the poor quarter or two, and this will provide an excellent buying opportunity for those prepared to take the view that very little, if any, of this will have the slightest bearing on valuations by 2021.

This month we have taken the opportunity to change a few positions in the portfolio. Early on, and after a strong rally, we sold our oil companies, **CNOOC** and **Petrochina**. Happily, our timing was good and both companies rank in the top six best contributors to performance this month, despite oil's recent plunge and rumours that China's oil consumption has fallen 20%. We have bought instead, China A-share, **Wuxi Lead**, which supplies equipment to the EV battery makers and gaming giant, **Tencent**, which lagged much of last year but will also benefit from the flu crisis and lockdown. Other strong performers this month include the online GP, **Ping An Healthcare**, a beneficiary of the flu crisis and burgeoning South East Asia based ecommerce and gaming company, **SEA Ltd**. On the negative side were some of our more cyclical positions including, **Korea Shipbuilding**, although it has just produced some 4Q19 numbers which beat everyone's estimates, as it is clearly benefitting from the environment-driven new regulations on engine emissions from ships.

Given the knock the economies are taking as a result of the coronavirus, we have reduced our more cyclical consumption exposure to below 10%, in favour of buying attractively priced growth into the weakness we have seen. We expect more gyrations before this episode is out, and expect this to be somewhat of a balance between sentiment and liquidity factors. We have some cash available for any more buying opportunities that come along.

All data as at 31.01.20. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Ping An Healthcare & Technology	5.0
Taiwan Semiconductor	4.8
Sea Ltd	4.8
Tencent Holdings Ltd	3.9
Samsung Electronics Co Ltd	3.5
Total Number of Holdings	38

Portfolio Financial Ratios

Price/Earnings Ratio	14.5x
Predicted Return on Equity (%)	19.7
Predicted Dividend Yield (%)	2.7

Risk Metrics

Tracking Error (% pa)	6.37
Beta	0.84
Alpha	0.22
Volatility (%)	17.01
Sharpe Ratio	0.48

Thematic Breakdown (%)

Brands	25.0	
5G/AI/Software/Healthcare	18.7	
Ecommerce/Gaming	13.7	
Infrastructure/Property	13.6	
Shortages/Value	12.9	
Financialisation	6.2	
Gold	5.6	
EV/Battery	2.0	
Cash	1.2	
Education	1.0	

Geographical Breakdown (%)

Hong Kong/China	34.6	
Vietnam	15.5	
Australia	13.3	
India	9.5	
Korea	8.5	
Taiwan	7.6	
Singapore	7.4	
Indonesia	2.3	
Cash	1.2	
Philippines	0.1	

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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 AC Asia Pacific Ex Japan Gross Return Index (USD), 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	247.55
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	247.71
C GBP Hedged Distributing	B18RM25	IE00B18RM256	128.44
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	335.06

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	172.27
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Performance fee based on fund performance as a whole.

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