

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

28 February 2020

Monthly Fund Fact Sheet

Investment Objective

To select a portfolio of equity investments in the Asia Pacific ex-Japan region with above average dividend yields and which have the ability to grow their dividends over time. The fund aims to outperform the MSCI AC Asia Pacific Ex Japan Gross Return Index (USD) by 5-10% annually whilst growing its dividend over time.

Fund Facts

Fund Size (USD)	757.7m
Launch Date	31 December 2010
Fund Manager	Tom Naughton
Fund Structure	UCITS III
Domicile	Dublin
Currencies	USD (base), GBP, SGD
Index	MSCI AC Asia Pacific Ex Japan Gross Return Index (USD)

Performance - Class B USD (%)

	Fund	Index
1 Month	-5.63	-4.22
3 Month	-7.38	-2.38
Year to Date	-10.24	-7.77
Since Launch	153.38	40.92
Annualised [†]	10.68	3.81

Source: Morningstar.

Launch Date: B: 31.12.10

[†]Since Launch Performance

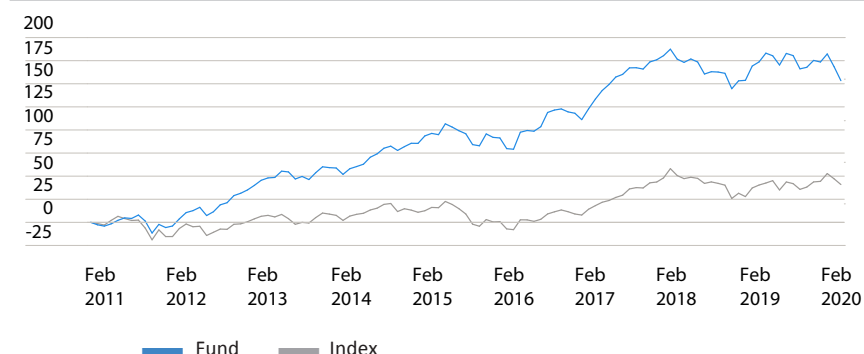
Investment Process

The process is both quantitative and qualitative with the latter dominating. The universe is screened for those high dividend stocks which have the greatest ability to sustain and grow their dividends over time. A particular emphasis is placed on identifying those companies with exceptional franchises, annuity like cash flows and pricing power which are trading at significant discounts to intrinsic value.

Dividend Dates

Dividends paid twice annually (January and July)

Fund Performance - Class B USD (%)



Source: Morningstar. Total return net income reinvested.

Fund Manager Commentary

We have been asked by several of our investors what the implications of the recent market volatility (caused by the spread of Covid-19) are for the fund. The simple answer is that it has very little impact on our investment process and how we make decisions. Because we attempt to build a portfolio that can deal with a large variety of economic situations and focus on buying stocks that can sustain and grow dividends even during challenging times, the fact that there is currently an economic dislocation caused by the Covid-19 panic changes very little. Although we have no way of knowing how long the impact of the virus will last, our belief is that life will, at some point, return to normal and owning a portfolio of companies with strong business models and healthy balance sheets means we maximise our chances of dealing with a tougher period in the meantime. Our focus remains on thinking about the longer-term outlook for profits as opposed to worrying about the next few months.

At the margin of course, we will be selling some stocks that have outperformed in this environment and therefore look relatively less attractive to other stocks that have been hit hard. For instance, this month we purchased shares in **Qantas** after the stock fell 30% from its recent high as a result of the concern that the Coronavirus will cause global air travel to grind to halt.

Although one would not normally think of an airline as a defensive investment, **Qantas** is unique for several reasons. Firstly, 20% of their profits are derived from their loyalty business which has an annuity-like income stream which is unrelated to the airline cycle. The revenues are derived from selling airmiles to partners (e.g. banks and retailers) who then give them to their customers as part of their customer loyalty programmes. From a cash flow perspective, this business is extremely attractive as the miles are paid for today, but it can be many months (or sometimes years) before they are "spent" by the underlying customer. Secondly, they have 63% of the domestic market and 80% of the business market which allows them to achieve a high degree of pricing power. Finally, they have de-risked the volatile international segment, which accounts for around 15% of profits, by using a joint venture strategy to avoid tying up capital for non-core routes. Trading at just 4.5x EV/EBITDA and offering a 5% dividend yield, we believe it is attractively valued despite the current dip in travel demand.

All data as at 28.02.20. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

CK Hutchison Holdings Ltd	6.9
Power Grid Corporation of India	6.7
Samsung Electronics Co Ltd - Pref	6.4
CK Asset Holdings Ltd	5.1
Zhejiang Expressway Co	5.0

Total Number of Holdings	29
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Portfolio Financial Ratios

Price/Earnings Ratio	9.7x
Predicted Dividend Yield (%)	5.9

Risk Metrics

Tracking Error (% pa)	9.11
Beta	0.77
Alpha	7.25
Volatility (%)	13.54
Sharpe Ratio	1.08

Thematic Breakdown (%)

Consumer	18.8	
Real Estate	18.3	
Communications Infrastructure	14.8	
Financials	13.7	
Power Utilities	12.3	
Transport Infrastructure	7.7	
Cheung Kong / Hutchison	6.9	
Technology	6.4	
Cash	1.0	

Geographical Breakdown (%)

Hong Kong	35.3	
India	12.9	
China	10.4	
Singapore	9.8	
Macau	7.4	
Korea	6.4	
Indonesia	5.3	
Australia	5.2	
Thailand	3.6	
Philippines	2.6	
Cash	1.0	

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Management Fees

Annual Management Fee

1.0% p.a. Paid monthly in arrears

Performance Fee

Class 1: None

Class 2 and 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.

Temporary Front End Charge:

3% introduced on 2nd December 2013 paid to the benefit of the fund.

Dealing

Dealing Line	+353 1 603 6490
Administrator	Brown Brothers Harriman (Dublin)
Dealing Frequency	Daily
Valuation Point	11am UK time
Dealing Cut-off	5pm UK time
Min. Initial Subscription	USD 10,000
Min. Subsequent Subscription	USD 5,000

Share Class Details

Class 1	Sedol	ISIN	Month-end NAV
A USD Unhedged Non distributing	B4MK5Q6	IE00B4MK5Q67	260.65
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	175.07
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	165.82
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	165.13

Class 1 shares were closed to further investment on 30th November 2012.

Class 2	Sedol	ISIN	Month-end NAV
X USD Unhedged Distributing	B4PYCL9	IE00B4PYCL99	156.40
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	148.65
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	153.20

Class 2 shares were soft closed to new investors as of 30th November 2012. Performance fee based on individual investor's holding.

Class U	Sedol	ISIN	Month-end NAV
U GBP Unhedged Distributing	BBP6LK6	IE00BBP6LK66	152.94

Class U shares are open to current investors only. Performance fee based on fund performance as a whole.

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