

Prusik Asia Fund

GROWTH INVESTING IN ASIA



31 March 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)	90.3m
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	-12.30	-11.42
3 Month	-16.35	-15.26
Year to Date	-16.35	-15.26
2019	7.07	14.87
Since Launch	49.23	52.50
Annualised [†]	6.11	6.45

Source: Morningstar.

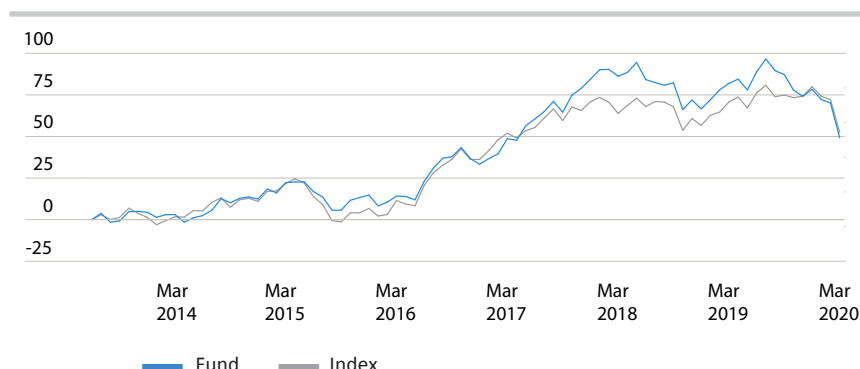
Launch Date: U: 01.07.13

[†]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.

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

March has been an extraordinary month in human history. In the course of the past few weeks, COVID-19 has spread to 203 countries and territories, a third of the world's population has been put under lockdown and, at the time of writing, reported global infections are poised to breach 1 million. Markets across the globe have corrected, in many instances sharply. We hope this note finds you well and safe and adapting to the new measures that so many of us are living under. Although Asia was the first into the crisis, that didn't spare the region's stock markets during March. The MSCI AC Asia Pacific Ex-Japan Index fell 11.42% in sterling terms but the variation of declines was huge, with only China, Hong Kong and, remarkably, the Korean smaller companies' Kosdaq Index keeping declines in single digits, while Indonesia, Australia and India were all down around 23-26% with much of the damage coming from currencies. The Prusik Asia Fund fell 12.3%.

Notably this quarter, some of our more recently acquired new economy holdings were the best performers. These included a number of A-shares, **Yonghui Superstores** (supermarkets/home delivery), **Proya** (a colour cosmetics brand with burgeoning online sales) and **Mango Excellent Media** (purveyor of reality TV shows). **Kingdee** (cloud software) **JD.com** (Ecommerce), **Tencent** (gaming) and **SEA Ltd** (gaming and Ecommerce in South East Asia) as well as **Meituan** (Deliveroo-style home delivery) were all amongst our best performers. The common factor here is that these are all companies operating in business models involved in relatively new areas of business whose popularity has got greater or more necessary as the C19 crisis has evolved, a factor which we had deliberately set out to increase exposure to. Moreover, we believe these new habits (e.g. home delivery, use of cloud-based software) will remain and continue to grow once the immediate crisis subsides.

Amongst the detractors to this month's performance were property (which we have now sold out of) and retail (very much reduced but we still have exposure in Vietnam, about which we will write more in the quarterly).

At the time of writing we have sold almost all our economically sensitive companies. We have taken what we believe to be a very proactive approach and added some new positions which are predictable and robust and seeing growth even in the current situation. At the time of writing we have 5% cash. We view the portfolio as divided into four groups of companies, all of which we believe will serve well in the coming few months, as the grave extent of the economic damage of the virus is fully understood and discounted. These can be described as follows:

1. Firstly, those companies which are actually benefitting from the current environment in some way, or whose business model is being more rapidly adopted than before. These are companies we see as both survivors and winners for the duration of the crisis and beyond, and for whom it is possible to make reasonably accurate forecasts. Examples include online healthcare (such as **Ping An Good Doctor** or **Alibaba Health**), online entertainment and services, Ecommerce and home delivery (such as **JD.com**, **Tencent** and **Meituan**) or companies benefitting from the rapid adoption of cloud services (such as **Kingdee**). Additionally, we see companies with new policy tailwinds also in this category such as the Chinese construction companies. We have about 45% of the fund in this category, currently, and these companies are performing well with quite a few in positive territory during March.
2. Secondly, companies whose businesses are broadly unaffected, or affected to a lesser degree, but where we see ongoing demand or even shortages in the future. These include semi-conductors manufacturing, such as **Samsung**, and server demand as well as networking (servers, cloud services), 5G buildout and telecoms. We also include Taiwanese convenience retailer, **Poya**. These companies make up another 20% of the fund.
3. Thirdly, companies who are affected short-term, but whose robust cash positions and market share allocation means that their competitive position will improve significantly after the crisis, and/or they are in areas of strong future demand (examples are EV battery companies and Vietnam retail blue chip **Mobile World Group**). These companies are trading exceptionally cheaply versus the opportunity and thus should deliver above average performance once the market starts to discount recovery. We have about 17% of the fund in this category.
4. Finally, portfolio insurance. These are the gold miners who currently trade very cheaply in relation to gold and which have burgeoning free cash flows. We have 9% here.

This leaves 4% in positions which are still being reviewed. Our intention is to keep a slightly higher level of cash than normal (5-10%) in order to be able to take full advantage of opportunities as they come up.

We believe that this crisis is unlikely to end quickly and that, over time, we will see active management outperform ETFs as certain new business models will thrive in coming months and years and grow despite the terrible economic backdrop. We saw this happen in 1997-1998 during the Asian Financial Crisis and benefited hugely from non-index-oriented stock picking at that time. Asia was first into this crisis, globally, so it should be recovering soonest also. Its companies have more cash on the balance sheet, on average, than any other geographical area and many are still paying high – and crucially – secure dividends. So Asian corporates have survival power, generate reliable income and many are beginning to offer considerable value. Asia is beginning to outperform the Western markets in this global reset and, we believe, with good reason.

All data as at 31.03.20. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Taiwan Semiconductor Manufacturing Co Ltd	6.1
Tencent Holdings Ltd	5.9
Sea Ltd	4.9
China Railway Construction	4.4
Samsung Electronics Co Ltd	4.3
Total Number of Holdings	33

Portfolio Financial Ratios

Price/Earnings Ratio	14.2x
Predicted Return on Equity (%)	18.4
Predicted Dividend Yield (%)	2.8

Risk Metrics

Tracking Error (% pa)	6.41
Beta	0.88
Alpha	-0.97
Volatility (%)	17.97
Sharpe Ratio	0.20

Thematic Breakdown (%)

5G/AI/Software/Healthcare	22.4	<div></div>
Ecommerce/Gaming/Entertainment	21.0	<div></div>
Brands	19.7	<div></div>
Infrastructure/Property	11.2	<div></div>
Gold	8.8	<div></div>
EV/Battery	7.4	<div></div>
Shortages/Value	6.0	<div></div>
Financialisation	3.5	<div></div>
Cash	0.0	<div></div>

Geographical Breakdown (%)

China	38.7	<div></div>
Australia	13.7	<div></div>
Korea	11.0	<div></div>
Taiwan	10.2	<div></div>
Singapore	9.6	<div></div>
Vietnam	8.5	<div></div>
India	7.3	<div></div>
Indonesia	1.0	<div></div>
Cash	0.0	<div></div>

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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	202.07
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	202.20
C GBP Hedged Distributing	B18RM25	IE00B18RM256	103.55
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	272.49

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	149.23
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Performance fee based on fund performance as a whole.

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