

# Prusik Asian Equity Income Fund

LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA



31 March 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)	566.4m
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	-19.60	-14.01
3 Month	-27.83	-20.69
Year to Date	-27.83	-20.69
Since Launch	103.72	21.18
Annualised <sup>†</sup>	8.00	2.10

Source: Morningstar.

Launch Date: B: 31.12.10

<sup>†</sup>Since Launch Performance

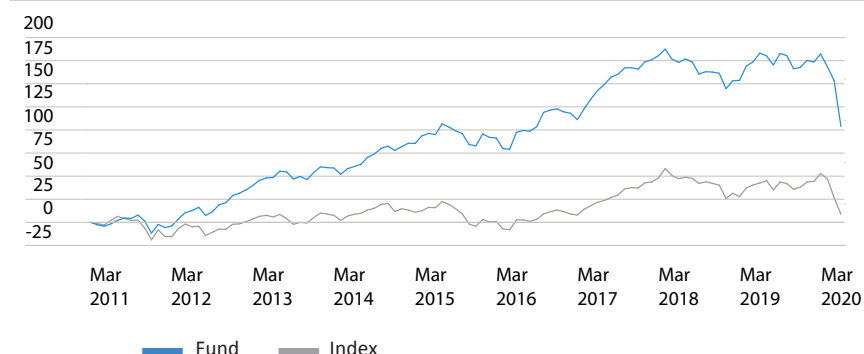
### Investment Process

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

March was an extremely poor month for the fund from both an absolute and relative perspective for which our apologies. In "normal" times we would expect the fund to typically have 50 to 80% participation in a significant down month but, this time, the fund fell by more than the market despite owning stocks that, in "normal" times, have lower fundamental volatility. The reason that the current situation is not "normal" is because many businesses which are typically defensive in downturns (toll roads, retail shopping malls), are not defensive during complete lockdowns.

In addition, we have very minimal exposure to the "virtual" stocks (e.g. China internet companies), which have not been affected by this and have thus outperformed in the past month. As a result of the negativity on physical businesses, our portfolio has been de-rated by more than the market with the average forward P/E for our holdings declining by 15% during the month compared to the MXAPJ which de-rated by 9%. At the same time, the betas of some of these previously low risk stocks have increased dramatically as investors' uncertainty and fear shoots up. For example, the beta of **Scentre Group** (Westfield Australia) to the MXAPJ was 0.51x from 2015 to 2019 but, so far this year, has been 2.06x. The beta of **CK Hutchison** has increased from 0.79 to 1.1x over the same period. On the other hand, **Tencent**, which is perceived to have lower risk from Covid-19, has seen its beta fall from 1.37x to 0.77x.

Our portfolio already is pricing in a 40% decline in dividends (assuming a "fair" dividend yield is the 10-year average) which we think is unlikely (although of course not impossible). Dividends for the MXAPJ fell by 31% during the global financial crisis and 37% during the Asian crisis and we believe that our portfolio still has lower fundamental risk than the market. Our belief is that Covid-19 will pass and that companies with balance sheet strength will see businesses return to some sort of normality after this – even if revenues do not return to their 2019 levels for several years. Because we believe the valuations are extremely attractive at these levels, together with the other factors linked to our internal traffic light system, we have decided to remove the front-end charge from the fund with effect 1st April. This is not to say that we think markets have bottomed or that we will see a swift resolution to Covid-19. However, by the time we can definitely say that the virus is over, valuations are unlikely to be as attractive.

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

# Prusik Asian Equity Income Fund



## Top 5 Holdings (%)

Samsung Electronics Co Ltd - Pref	7.6
CK Hutchison Holdings Ltd	7.2
Power Grid Corporation of India	6.7
CK Asset Holdings Ltd	6.1
ITC Ltd	5.2

Total Number of Holdings	37
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## Portfolio Financial Ratios

Price/Earnings Ratio	8.7x
Predicted Dividend Yield (%)	6.8

## Risk Metrics

Tracking Error (% pa)	9.41
Beta	0.83
Alpha	6.10
Volatility (%)	15.40
Sharpe Ratio	0.74

## Thematic Breakdown (%)

Consumer	18.6	
Real Estate	18.4	
Communications Infrastructure	16.8	
Technology	14.9	
Power Utilities	14.8	
Transport Infrastructure	8.7	
Financials	4.6	
Cheung Kong / Hutchison	3.1	
Cash	0.1	

## Geographical Breakdown (%)

Hong Kong	34.5	
India	16.6	
China	11.1	
Korea	7.6	
Indonesia	7.5	
Macau	7.3	
Thailand	4.5	
Australia	3.8	
Philippines	3.6	
Singapore	3.3	
Cash	0.1	

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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:

As of 01 April 2020 we are removing the front end charge to 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	209.57
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	140.76
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	131.01
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	132.04

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	125.74
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	117.55
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	122.50

Class 2 shares are open to current investors only and were 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	128.22

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

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