

Prusik Asia Fund

GROWTH INVESTING IN ASIA



31 August 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)	160.3m
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	3.38	1.79
3 Month	9.53	12.04
Year to Date	15.61	4.25
2019	7.07	14.87
Since Launch	106.25	87.62
Annualised†	10.63	9.18

Source: Morningstar.

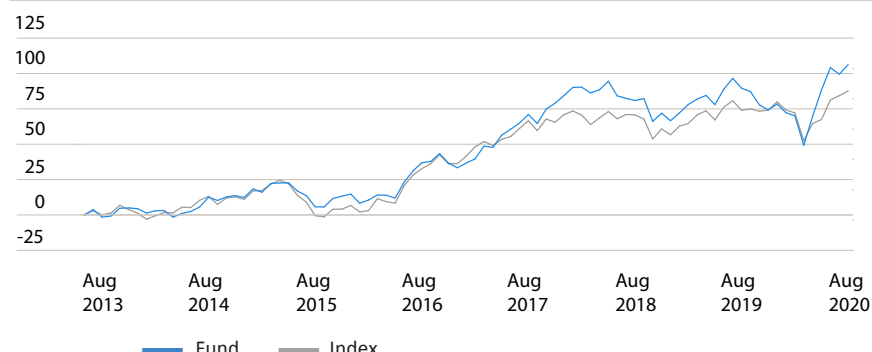
Launch Date: U: 01.07.13

†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

In August, in Sterling terms, the MSCI AC Asia Pacific Ex Japan Index rose 1.79% whilst the Prusik Asia Fund rose 3.38%, outperforming by 1.59%. The best performing stocks were, once again, the usual internet suspects, **Alibaba**, **Sea Ltd** and **JD.com** as well as EV battery companies **Samsung SDI** and **LG Chem**. This month, however, these top contributors were accompanied by some of our newer positions, **Naver** (a Korean internet conglomerate), **AIA** (insurance) and **Suofeiya Home** (fitted furniture in China in the working from home theme). Negative contributors included the gold mining companies but, here we still see huge operational gearing and supernormal margins which we think are not yet fully factored in. We thus see this month's relative weakness as temporary.

We are watching stock market records being broken and seeing anomalies in every direction and, in particular, that these are mostly emanating from the US. Most notable among the many eye-popping statistics for investors in Asia are the current extreme bearish positioning in the US dollar (and consequently a rarely stronger Euro) and the record breaking valuations in the technology sector vs everything else. We are also noting that the current relative underperformance, in magnitude and duration, of Value vs Growth has only been seen before once, briefly, in 1999-2000. As a result of these observations we have begun to 'weed the garden', gently adjusting the portfolio by both taking profits in or selling out of our more expensive positions and those with parabolic rises and replacing them with 'bulbs' of more attractively valued companies, which we believe have at once both defensive qualities and growth opportunities. These include the China telcos (5G brings much potential and these companies are offering rare value), healthcare and wellbeing (such as dental implants, where demand is pent up and the longer term opportunities in Asia remain huge) and smart infrastructure in China (taking into account some positive policy tailwinds). The net effect this month has been that we have more than kept up with the index but most probably have given up some performance in favour of a more balanced risk profile. This seems an appropriate way to tackle the clear risk presented in stock markets at this time. As a result, the portfolio now trades at almost the exact same PE ratio as the index (16.8x) whilst offering a return on equity of 19.7% versus the index which offers return on equity of just 10.5%.

Lastly, we do remain quite biased towards China and North Asia. If the dollar weakness persists this is very positive for Asia overall but a reversal would be worse for ASEAN markets in the shorter term. Furthermore, the 2020 interim reports of China A-share companies exceeded expectations on the whole, especially in the second quarter as compared to the first quarter, and the earnings of leading stocks were outstanding. According to Jefferies the net profit growth year-on-year of all A-shares rose from minus 29.7% in the first quarter to minus 4.3% in the second quarter, and that of non-financial sectors rose from minus 46.4% to 4.3%. The CSI300 is now trading at a 14x forward P/E ratio, which is still attractive in such a low interest rate environment globally.

All data as at 31.08.20. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asia Fund



Top 5 Holdings (%)

Alibaba Group Holding Ltd	7.0
Ping An Insurance Group Co	4.9
Samsung Electronics Co Ltd	3.9
Naver Corporation	3.5
Poya International Co Ltd	3.2
Total Number of Holdings	37

Portfolio Financial Ratios

Price/Earnings Ratio	16.8x
Predicted Return on Equity (%)	19.7
Predicted Dividend Yield (%)	2.2

Risk Metrics

Tracking Error (% pa)	7.93
Beta	0.90
Alpha	1.38
Volatility (%)	18.16
Sharpe Ratio	0.61

Thematic Breakdown (%)

Ecommerce/Gaming/Entertainment	17.8	
Smart Infrastructure/Property	17.0	
Gold/Resources/Portfolio Insurance	12.2	
Tech Hardware/IOT/5G	9.2	
Wellbeing	8.9	
Local Brands	8.8	
Cash	8.7	
Financialisation	7.9	
Working from home	6.2	
Value Recovery	3.4	

Geographical Breakdown (%)

China	48.1	
Australia	9.9	
Korea	9.9	
Cash	8.7	
Vietnam	7.5	
Taiwan	5.0	
India	3.3	
Singapore	2.9	
Indonesia	2.7	
Hong Kong	1.9	

All data as at 31.08.20. Source: Prusik Investment Management LLP, unless otherwise stated.

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	297.63
B USD Unhedged Distributing	B0M9LL2	IE00B0M9LL22	297.82
C GBP Hedged Distributing	B18RM25	IE00B18RM256	152.74
D SGD Hedged Distributing	B3LYLK8	IE00B3LYLK86	401.08

Performance fee based on individual investor's holding.

U GBP Unhedged Distributing	BBQ37S6	IE00BBQ37S60	206.25
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Performance fee based on fund performance as a whole.

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