

Prusik Asian Equity Income Fund



LONG ONLY ABSOLUTE RETURN INVESTING IN ASIA

31 December 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)	711.2m
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	2.50	6.69
3 Month	17.11	19.21
Year to Date	-4.96	22.75
Since Launch	168.28	87.55
Annualised [†]	10.37	6.49

Source: Morningstar.

Launch Date: B: 31.12.10

[†]Since Launch Performance

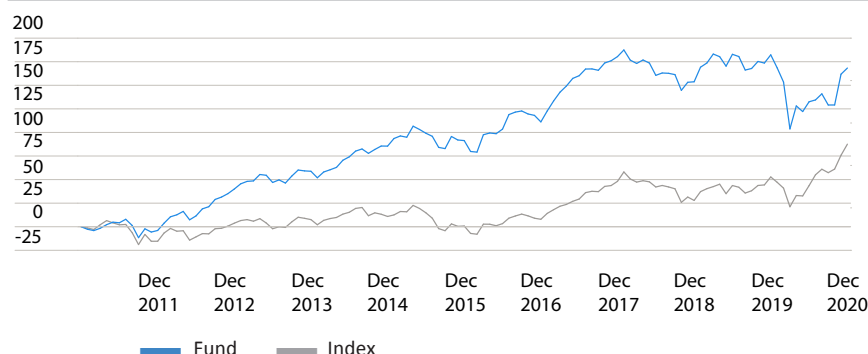
Investment Process

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

The full year dividend paid by the fund fell 7% in 2020 compared to a 24% fall for the MSCI AC Asia Pacific Ex Japan Index (MXAPJ) and a 36% cut for the FTSE All Share. Whilst down, this is somewhat better than the worst-case scenario when we stress tested the portfolio in March last year which pointed at a 20% cut and better than the 10% cut that we were forecasting in Q320 as more dividends came through. It highlights the relative resilience of our portfolio when compared to the overall market.

Since the launch of the fund a decade ago, the dividend has increased by 66% compared to the MXAPJ dividend which has fallen by 15%. On an annualised basis this means the dividend for PAEIF has increased at 5.8% a year compared to the MXAPJ which has fallen by -1.7% a year. Although this is below our target of 7-8%, there are three reasons to believe that the next decade will be better. Firstly, 2020 was an unusually difficult year for owners of companies that depend on physical movement of people to operate and significant portions of our portfolio fall into this category. The roll out of a vaccine is likely (but of course not guaranteed) to reverse this trend. Secondly, return on equity in Asia is at all-time lows and is likely to improve from these levels on a cyclical basis, which should finally lead to dividends increasing at a faster rate than nominal GDP growth (as opposed to a discount). And thirdly, the pay-out ratio for our portfolio has fallen from the "low 60s" to the "mid 50s" and this is likely to increase as confidence in the recovery takes hold.

Discussing the fundamentals of the portfolio is one thing but of course we also need to address the poor relative performance of the fund in 2020. This was due to our lack of exposure to the technology sector which, in general, does not pay attractive dividends and does not, in our view, offer a compelling risk/reward proposition. The underperformance was due entirely to a de-rating of our fund and, at the time of writing, our portfolio trades on around half the market multiple (9.6x vs 17.1x) on a forward P/E basis despite an outlook which appears relatively promising. We would like to thank our investors for their support during this difficult period and look forward to updating you with more positive news in the year ahead.

All data as at 31.12.20. Source: Prusik Investment Management LLP, unless otherwise stated.

Prusik Asian Equity Income Fund



Top 5 Holdings (%)

Power Grid Corporation of India Ltd	6.2
CK Hutchison Holdings Ltd	6.1
ITC Ltd	5.6
Zhejiang Expressway Co	5.0
China Mobile Ltd	4.4
Total Number of Holdings	40

Portfolio Financial Ratios

Price/Earnings Ratio	9.4x
Predicted Dividend Yield (%)	5.7

Risk Metrics

Tracking Error (% pa)	9.76
Beta	0.83
Alpha	4.84
Volatility (%)	15.88
Sharpe Ratio	0.93

Thematic Breakdown (%)

Consumer	25.9	
Power Utilities & Energy	18.2	
Real Estate	16.7	
Communications Infrastructure	15.3	
Transport Infrastructure	11.4	
Financials	6.9	
Cash	3.0	
Technology	2.5	

Geographical Breakdown (%)

Hong Kong	33.5	
India	19.9	
China	11.4	
Thailand	6.5	
Indonesia	6.3	
Korea	4.5	
Macau	4.0	
Singapore	3.2	
Philippines	3.1	
Cash	3.0	
Vietnam	2.2	
Malaysia	1.5	
Australia	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.

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	275.98
B USD Unhedged Distributing	B4QVD94	IE00B4QVD949	180.13
C GBP Hedged Distributing	B4Q6DB1	IE00B4Q6DB12	166.13
D SGD Hedged Distributing	B4NFJT1	IE00B4NFJT16	167.99

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	160.92
Y GBP Hedged Distributing	B4TRL17	IE00B4TRL175	149.04
Z SGD Hedged Distributing	B6WDYZ1	IE00B6WDYZ18	155.85

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	148.24

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

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