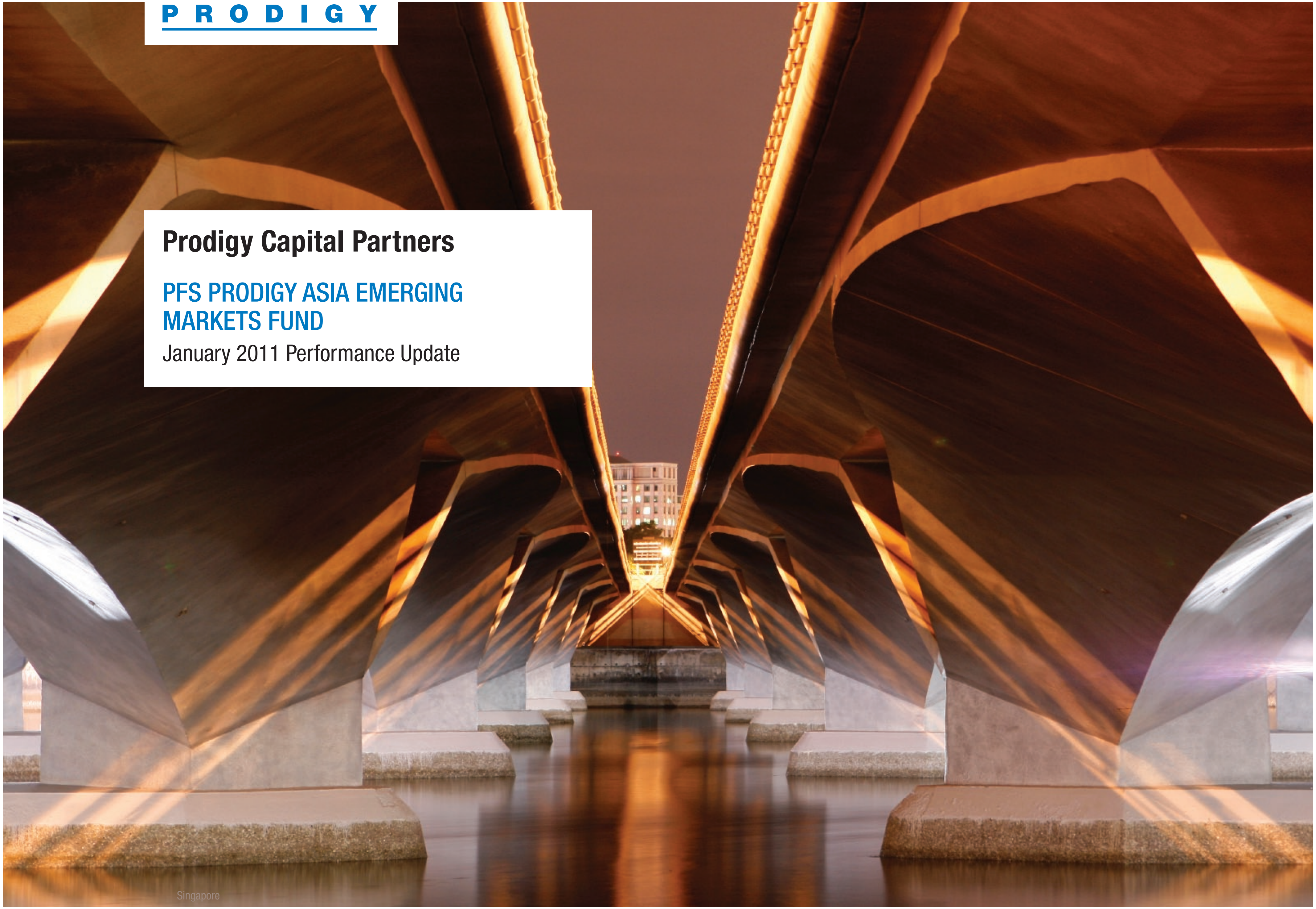
PRODIGY

Prodigy Capital Partners

PFS PRODIGY ASIA EMERGING MARKETS FUND

January 2011 Performance Update



Singapore

JANUARY 2011 SUMMARY

The NAV of the Fund fell in January against a backdrop of severe weakness in emerging markets and a strengthening GBP against EM currencies (the emerging markets ETF was down nearly 7% in the month in sterling). The portfolio has recovered some of the lost ground in February.

It is clear that the mood has turned decisively against investment in the developing world. Money is flowing out of emerging market funds and the headlines are filled with warnings of further trouble to come as governments from China to Brazil struggle to contain inflation pressure.

The mood has not been helped by the eruption of street protests in Tunisia and Egypt, catalysed by simple cost of living issues. The street vendor who (literally) sparked Tunisia's Jasmine revolution by self immolating was a fruit and vegetable seller forced to live off a contracting margin between rising food costs and consumers reluctant to pay. The rural areas, where the food is grown, has remained remarkably quiescent.

10 LARGEST POSITIONS (% OF NAV)

1	Avocet Mining Plc	5.1%
2	Samsung Electric GDR	2.6%
3	Raffles Medical Group	2.5%
4	Banpu Public Co Ltd	2.5%
5	Cheung Kong Holdings Ltd	2.5%
6	Bhp Billiton Ltd-Spon Adr CFD	2.5%
7	Corning Inc CFD	2.5%
8	Kasikornbank PCL - NVDR	2.4%
9	Ioi Corporation Bhd	2.4%
10	Coca-Cola Co/The	2.3%

FUND DETAILS

NAV Per Share	10.61
Net Exposure	83.1%
Gross Equity Long Exp	83.1%
Net Derivatives	0.0%
Fund Manager	David Robinson
Fund Launch	05/08/2009
Tenure	Since Launch
Fund Type	OEIC
Units	Acc
Retail/Institutional	Both
Benchmark	World AC Local
IMA Sector	Active Managed
Minimum Investment-R	£2,500
Subsequent Investments	£2,500
Sedol	B3XH6D3
ISIN	GB00B3XH6D38
Initial Charge	Up to 4.00%
Annual Charge	Up to 1.50%
Exit	Nil
Performance Fee	10%
Performance Benchmark	Libor + AMC
High Water Mark	Yes

PERFORMANCE

PFS Prodigy Asia Emerging Mkts Fnd A Acc (Symbol: PAEMAACC)

Year	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2006	3.53%	-0.81%	2.83%	4.75%	-5.62%	-4.18%	0.14%	0.06%	1.30%	2.30%	3.54%	1.62%	9.3%
2007	-3.85%	0.62%	3.01%	5.51%	7.66%	4.05%	4.84%	-3.94%	8.62%	7.14%	-4.15%	-0.10%	32.2%
2008	-5.67%	0.83%	-7.05%	1.52%	-1.80%	-7.84%	0.94%	-4.93%	-2.65%	-0.89%	-1.75%	-0.85%	-26.7%
2009	-2.95%	-2.47%	0.52%	0.76%	4.01%	-1.64%	10.11%	-0.60%	-0.47%	0.94%	0.23%	2.68%	11.0%
2010	-9.86%	2.99%	8.50%	1.39%	-7.74%	-2.37%	0.53%	0.74%	7.31%	2.04%	0.48%	4.93%	7.6%
2011	-4.07%												-4.1%

*Performance data for January 2006 to July 2009 incl. is for the Prodigy Asia and Emerging Markets Fund, a Cayman-incorporated open-ended investment vehicle managed by Prodigy Capital Partners LLP, using the same investment objectives, restrictions and approach as the PFS Prodigy Emerging Markets Fund, the PFS Prodigy Emerging Markets Fund. The figures are included as an indication of how the PFS Prodigy Emerging Markets Fund might have performed over the same period.

Images of civil unrest will have bolstered the case of policy makers in developing nations advocating early pre-emptive action against inflation. It is no accident that interest rates have risen in the last week in both China and Indonesia. The Chinese move, occurring immediately after Chinese New Year, is extremely unusual, and a measure of the concern at the highest levels of government.

On the face of it, this is bad news for the emerging market asset class. But the fact that the news is now so visible, that investors and commentary are already so gloomy, and that many markets have already fallen so far suggest that a great deal of bad news has already been reflected in stock prices.

Ever since investment in emerging markets has been possible, it has paid to buy into dips. The structural advantages of emerging markets are well known but often obscured by the noise in corrections. The time to buy is when stocks start to react positively to bad news. We are not there yet, but we are monitoring the markets closely.

Some of the emerging markets have already become attractively valued. China H shares now trade at 10X current year earnings (compared to 7X at the low in 2008 and a recent peak of 15X in 2009). India is on 15X (the low was 9X, the peak 26X). Brazil is on 10 also (Vs 8X at the low and a recent high of 17X).

These are not demanding valuations (even allowing for some EPS slippage) and a return to the lows is only probable if the worst-case scenarios predicted by bears materialise (like Jim Chenos on China). We do not believe these scenarios are likely in the foreseeable future and view the correction as a mid-cycle wobble rather than the beginning of something more prolonged and ominous.

In China particularly, the pessimists are seriously underestimating the resources at the disposal of the central government, the willingness to use those resources and the control of the government at key stress points. Years of excessive investment has certainly led to the construction of too much high end real estate and large holes in balance sheets in the "shadow" banking system.

But the authorities do not hesitate to take possession of troubled financial institutions and recapitalise if there is a systemic threat. They did it in 2004, using the country's foreign exchange reserves to recapitalise the large banks which were then burdened with non performing policy loans; and they can do it again with the trusts and special funding vehicles set up in recent years by banks and local authorities to circumvent lending controls.

The flip side of the investment boom in China is that the country now has abundant high quality infrastructure that will support growth for decades.

On the inflation threat, the main issue is commodity prices and food in particular. Core inflation remains low in almost every country in the world including China. Soft commodity prices are notoriously volatile, and (inherently unpredictable) weather patterns are a significant factor determining short term supply. In the longer term there is scope to increase production through the conversion of land and productivity enhancements. As recently as 2008, far from shortages there were fears of structural oversupply of wheat!

If food prices were to start falling later in the year, the negative sentiment towards emerging markets would quickly disappear and the markets would probably resume a vigorous uptrend.

Given the near term momentum and headwinds, however, we will continue to be positioned defensively with 20% of NAV in cash. Our portfolio contains stocks which we believe

ATTRIBUTION BY STOCK

Assets	Total
Corning Inc CFD	0.32%
Cheung Kong Holdings Ltd	0.12%
HSBC Holdings (London Listing)	0.10%
Jardine Matheson Hldgs Ltd	0.08%
Samsung Electric GDR CFD	0.05%
Philips Electronics CFD	0.03%
Vale SA ADR	0.03%
Samsung Electric GDR	0.02%
Ocean Wilsons Holdings LTD	0.01%
Sri Trang Agro-Industry	-0.03%
Anheuser-Busch Inbev ADR CFD	-0.07%
Ioi Corporation Bhd	-0.08%
Universal Robina Corp	-0.08%
Posco-Adr CFD	-0.09%
China Construction Bank-H	-0.10%
Standard Chartered Plc (London Listing) CFD	-0.11%
Cafe De Coral Holdings Ltd	-0.12%
Coca-Cola Co/The	-0.12%
Singapore Airlines Ltd	-0.12%

Assets	Total
Bhp Billiton Ltd-Spon Adr CFD	-0.12%
Unilever NV CFD	-0.13%
Want Want China Holdings	-0.16%
Perusahaan Gas Negara Pt	-0.16%
Singapore Technologies Eng	-0.17%
China Resources Gas	-0.17%
China Metal Resources Holdings Limited	-0.21%
Itau Unibanco Holding SA ADR	-0.23%
Bank Rakyat Indonesia	-0.23%
Raffles Medical Group	-0.32%
Banpu Public Co Ltd	-0.33%
Kasikornbank PCL - NVDR	-0.35%
Kingsrose Mining Ltd	-0.38%
Sino Prosper State Gold Resources	-0.39%
Avocet Mining Plc	-0.54%
Total Equities	**-4.05%**
Others	**-0.05%**
UCITS Total	**-4.10%**

will rise in any circumstances or long term positions which have already corrected and may have little downside.

Thematically we are still concentrated in the consumer sector (including consumer focused banks) accounting for 31% of total exposure.

Geographically, the portfolio is well diversified and includes several positions in stocks listed in developed markets, which derive a meaningful proportion of sales or operating profits from emerging markets. Together these account for 21% of the long equity exposure, and this is likely to rise.

Our developed market stocks (particularly Unilever) were held back in 2010 by slower than expected growth and limited pricing power in their Western operations, even as growth accelerated in the emerging markets.

These may therefore be leveraged plays on any recovery of growth in the US and Europe, and of a return to inflation from deflation that central bankers are desperate to engineer.

The branded consumer companies like Unilever and Coca-Cola have demonstrated an ability to expand market share in emerging markets. With scale, they can leverage existing distribution infrastructure to roll out new brands; and use global R&D capabilities to adapt existing products for new markets, a strategy they call "filling in the white spaces". The company has already established leadership in 98% of the products it has launched in Vietnam, a market it entered only in 2005.

Unilever's core strength is in detergents and household and personal care products (like Dove). The key insight is that entry level demand for these products starts at a lower income threshold ($350 per capita) than for processed foods where rivals like Nestle have an advantage. There will be hundreds of millions of new consumers reaching this income threshold in the next ten years.

We are also adding positions in small and mid cap European and US companies with an emerging markets focus.

We could not find a better play on emerging consumer demand than Dufry (DUFRY SW), the Swiss duty free shop operator which has 60% of its 1,200 concession shops in airport terminals in the emerging world including Brazil.

Air travel is exploding in Asia and South America, helped by rising incomes and strengthening emerging exchange rates which make the cost of air travel, typically priced in US dollars, more affordable in local currency terms. Passenger numbers are growing at 4% globally and by 6% to 7% in emerging markets. Duty free products also are priced in dollars and become cheaper for local consumers if their currencies appreciate. In Brazil the price of goods in duty free shops is 40% lower than the high street.

Like all retailing, the duty free business has economies of scale, mainly arising from the ability to drive a harder bargain with suppliers. This gives Dufry a 5% cost advantage over smaller regional operators and has allowed the company to expand gross margins by 10% since 2003.

The Brazil operations account for 25% of sales and grew by 40% in 2010. This exposure is sure to attract the attention of investors, as Brazil expands its air transportation infrastructure ahead of the World Cup in 2014 and the Olympic games in 2016.

If management can execute their plans, the company will grow earnings by 20% for the next three years. And there is excellent medium term potential given the structural growth in air travel in South America, Africa and Asia.

The company is enormously free cash flow generative, with a FCF yield over 20% for 2008 and 2009. Similar consumer companies listed in emerging markets trade at over 20X while Dufry is on just 15X current year earnings.

The next few months could be bumpy. There are any number of risks from rising bond yields, to the possibility of adjustments being made to super-accommodative monetary policy and the growing possibility that unrest in the Middle East starts to spread.

However, we have learned that trying to be too precise with timing is a mistake, especially when the bad news is in the face of investors; and that employing hedges tends to be costly when corrections are already well advanced.

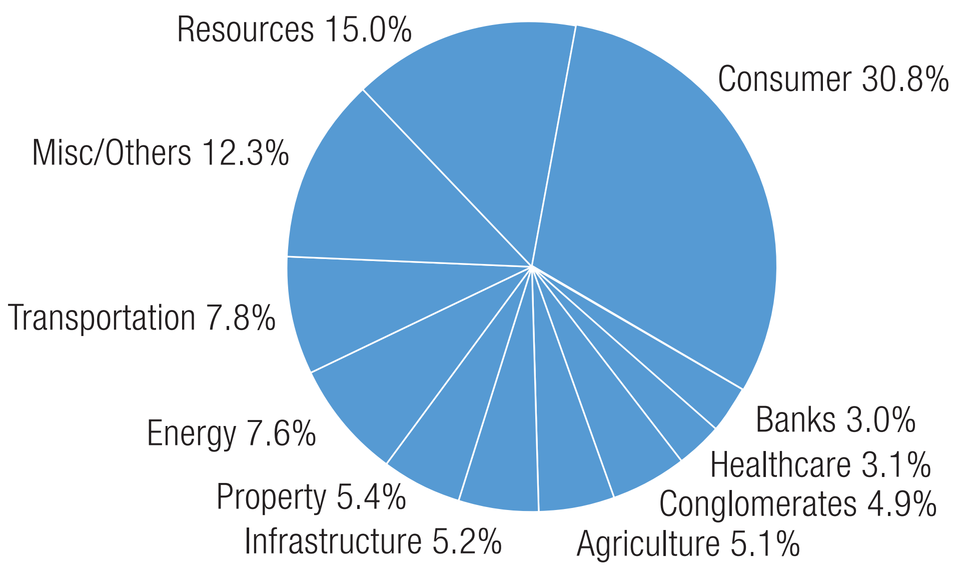
The greater risk is a lack of courage, and being paralysed into inaction when the corrections occur. The structural story behind emerging markets is still a very strong one and the price we are now paying for the growth ahead is not demanding. The old cliché that it is darkest before dawn really does apply to emerging markets.

To sum up, we believe we are taking the right approach by holding our nerves, and sticking with positions in stocks in which we have strong conviction. We will keep our cash in reserve to buy when opportunities present themselves.

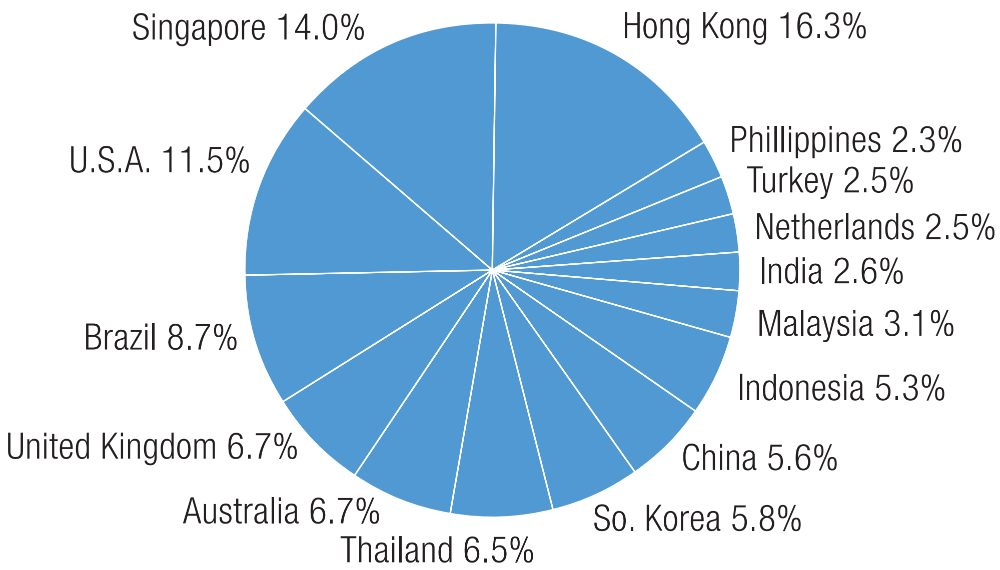
ATTRIBUTION BY THEME

Theme	Total
Conglomerates	0.11%
Property	0.01%
Misc/Others	-0.01%
Infrastructure	-0.06%
Currencies	-0.08%
Agriculture	-0.10%
Transportation	-0.28%
Healthcare	-0.32%
Banks	-0.35%
Consumer	-0.72%
Energy	-1.05%
Resources	-1.25%
UCITS Total	**-4.10%**

LONG EQUITY EXPOSURE BY THEME



LONG EQUITY EXPOSURE BY COUNTRY



ATTRIBUTION BY COUNTRY

Country	Total
Eurozone	0.98%
Japan	0.03%
South Korea	-0.02%
Malaysia	-0.08%
Philippines	-0.08%
Netherlands	-0.13%
Brazil	-0.18%
Turkey	-0.19%
India	-0.28%
Indonesia	-0.40%
China	-0.43%
U.S.A.	-0.50%
Australia	-0.51%
United Kingdom	-0.54%
Hong Kong	-0.57%
Thailand	-0.59%
Singapore	-0.61%
UCITS Total	**-4.10%**

PRODIGY

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