Baillie Gifford™

Upfront: episode five

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Financial journalist Cherry Reynard, intermediary client manager Megan Rooney, and investment managers Linda Lin and Roderick Snell explore what qualities enable companies to bounce back from major drawdowns, how Pinduoduo is combining ecommerce with social networks, and opportunities and challenges for investors in China.

Your capital is at risk. Past performance is not a guide to future returns.

Cherry Reynard (CR): Good morning. I'm Cherry Reynard, your host for Upfront, where we bring you the latest insights on Baillie Gifford's UK funds. Today, I'm speaking with Roderick Snell, co-manager of the Pacific Fund. Roderick will be answering your questions live, so do send them in by clicking on the dropdown menu on your screen.

Before Roderick, we have investment manager Linda Lin talking on Pinduoduo, which has cleverly combined ecommerce with social networks to create the ultimate digital shopping experience. But first, client relationship manager Megan Rooney is here to talk about the latest news. Welcome to Upfront.

Welcome back, Megan. We're here for the first live programme of 2024, so let's start by looking at which of the big topics of 2023 have carried through over into this year.

Megan Rooney (MR): Hi. Good morning. It's great to be back. So there's a few different things that have carried through. But what I'm going to talk about this morning is Consumer Duty. So it's been a headwind for lots of clients last year, and we're starting to see the ramifications of that feed through into the wider industry.

One of the most evident things of that, I think, is the race to the bottom with fees that we're currently witnessing. Clients are very eager to demonstrate value to the regulator, and one of the easier ways to do that is to move into passive investments, which typically have lower charges on them. And we're starting to see that in portfolio construction. There's been lots of surveys out that have indicated that passive investments are at their highest use for some time in the industry now.

Now, we can get into the back and forth of active versus passive. I think, over the last year, it's demonstrated that passive investments can have concentration issues, they can have volatility issues, which means they're not as diversified as they once were. But that's not the real issue here. I

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think the real issue is that cost is now the prevailing factor, and if we have thousands of model portfolios that are all the same baskets of ETFs or passives, I think that's quite detrimental to the industry. And how do you add that extra value for your clients?

CR: And what's your solution to that? How do you combat that as an active manager?

MR: Well, for us as active managers, it's about having low turnover. It's about having a differentiated basket of stocks in comparison to [the] index, and doing that with low costs. We've done that for our history at Baillie Gifford. We've cut fees across our range of funds. The audience might remember we've done that several times for Scottish Mortgage. And that's because we actually think that's the right thing to do, not because the regulator has told us to do that.

But that being said, there are some extortionately priced active management funds in the industry. If you've got a manager who's churning the portfolio, turnovers up at 80-90 per cent, make no mistake, that'll be eroding your clients' returns. So I think that what the regulator is trying to do is right, it's admirable. We all want to do what's best for our clients. And I've not spoken to anyone who disagrees with that, but I do think it's quite short-sighted, and I think it will be potentially quite detrimental to fund selectors going forward. So I think that's a huge thing to watch out for.

CR: Okay. And turning to the portfolio range, what are you expecting from markets in the year ahead?

MR: We get asked this question every year, and sometimes clients get frustrated at how we skirt around it. And it's not because we're dismissive of it or we think we're above it. It's simply because we don't feel like we can add a huge amount of value to the argument. That being said, I think this year is very much going to be about the central banks moving from rate hiking to rate cutting. I think AI's another massive thematic impact that'll continue to go through our portfolios.

But the big debates, macroeconomic debates, whether or not we have a soft landing or a hard landing, if central banks have been too restrictive for too long, because we still have to see that impact from policy from last year, and also what rate those rates come down at, we're not taking those big macroeconomic calls. That's not what we're doing.

And one of the main reasons for that is that lots of very smart people do this, and they get it wrong. So I've got a question for you and for the audience as well. So, last year, Bloomberg polled economists on whether or not they thought the US would enter a recession. Would you like to guess how many economists got it wrong, percentage-wise?

CR: I don't know, but I'm guessing a lot.

MR: A lot. 70 per cent. And that's quite appalling, actually. This time last year, it was pretty certain for them that the US would enter into recession. It didn't. It ended the year very strongly. It had one of its strongest periods since the post-war period. And then if we cast our minds back to 2021, we were told that inflation wouldn't be around for long, and then we saw the term 'transitory' get

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dropped, and we all know how the last 18 months have played out. So for us, it's very much like betting on red or black. We find it quite redundant, and it begs the question, should we be really paying attention to a lot of these predictions?

CR: Yes, absolutely. So if we ignore the market noise and any shaky predictions from economists, what is making you optimistic about the year ahead?

MR: Quite simply, growth. And that's because we know that we need growth to drive returns for clients, and we know that the last 18 months have been rocky, performance-wise. So we've been doing a lot of work on recoveries and drawdowns to understand where we go from here on out.

So one of the things we got to do, is we got our Risk team to analyse companies going back to 1999 who had drawdowns of up to 50 per cent of their share price. That exercise identified 3,000 companies who had such drawdowns. So the next point was to understand, did any of these companies recover or surpass their peak within a five-year time period? The good news is some did. A lot didn't, 2,000 didn't, but a third did.

So when you look at those companies that recovered, what they were displaying was growth. So on average, they were growing their earnings at 10 per cent per annum and revenues at 6 per cent per annum. And the good news is, when we extrapolated that out to our portfolios and our companies, the companies we hold in aggregate are displaying those robust forecasted earnings growth that we know from that research now will power future growth and will rebound. So that's really positive.

And one of my colleagues sums this up really nicely actually. Better, faster, stronger. So what does that mean? Better in the sense that our companies have got enduring competitive advantages and long-term potential compared to their peers. Faster in that they are growing their revenues and earnings faster than the index, which we know from that research is really important. And stronger, they've got stronger balance sheets, they've got less debt on their balance sheets in comparison to the index. So even if those central bank rates come down slower, they're much better positioned, going forward.

So better, faster, stronger, it sounds like a really cheesy party political campaign, but that's what we're excited about. And we saw some phenomenal results last week with the likes of Meta and strong results from Amazon. So that's what we're excited about.

CR: Okay, great. Now, a question we had on social media ahead of the programme was about this being a big election year, which I guess nobody will have missed. Now, you touched on that a bit already, but is it being factored in?

MR: We're thinking about it, don't get us wrong, because 2024 is going to be fascinating in the sense that half of the world is going to the polls. So that could potentially change the geopolitical landscape quite considerably. But I think, again, we can put sometimes too much pressure on a binary outcome of an election.

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If you cast your mind back to 2017, when Trump took office, everyone thought markets were going to slide. They dipped for a day, and then they recovered. So again, it's not something that's hugely

important for us. There might be something that fundamentally moves the dial, so we have to keep our eyes on that, but in general, no.

CR: And what about closer to home? Any impact from the UK election?

MR: No. So I read a story that Keir Starmer was promoting a teeth brushing campaign. I don't think that's what's going to move the dial in terms of our investment philosophy at all. But I think what political experts are saying is that if you look at Starmer's government, it's a very stable government. It's filled with ex-civil servants, and what they know is they know how to pull the operational levers in government. So I think it'll be quite stable. But no, nothing that's going to change our investment theses, not unless we go into dental companies.

CR: Yes. The UK market has really lost its allure for investors over the past few years. And partly, that's been the unexciting economic performance. But even if the elections don't move the dial on that, are you still finding pockets of innovation within the UK economy?

MR: Yes, I think the UK sometimes feels like the unloved child of global equities. It gets a lot of criticism. It's boring, it's dull, it's filled with big, dirty energy companies. And it is, if you're buying the index. But we still think there's some great little businesses in the UK which are displaying innovation.

So the first one I would say would be Marks & Spencer. Now, the immediate thought there is UK retail, the high street, is on its deathbed. Many retailers are struggling, but M&S is having somewhat of a turnaround. Their shares have doubled in the last year. And that clothing business, which has typically bothered them for a long time, has rebounded. It's actually now the number one retailer for women's wear in the UK.

CR: This I can believe, because my teenage daughters are now very pro-M&S. They say it's cool.

MR: Well, incidentally, I am almost head to toe in M&S today. So I don't know if that makes me older or young. But it has pan-generational appeal, and that is something that other brands would bite its hand off for. Aside from clothing being up, food's up, homeware's up, and against everyone else, they're investing in their stores. They're making it a really pleasurable shopping experience. So it's a really great turnaround story.

CR: Okay. Anything else? Anything else that you'd highlight?

MR: Another one would be – perhaps your daughter might be familiar with this company too – is Games Workshop. So they are the little tabletop figurines that you paint. They're known for the Warhammer franchise. If you don't know it, you're about to find out about it. It has got a full multiverse worth of intellectual property. They've just tied up with Amazon, so it'll be hitting our

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screens soon. And if you go on the internet, it has its fanbase incredibly excited. Henry Cavill, the actor, is a producer of the show and directing it. So that's something I think we're all going to become more and more familiar with.
And then just to end on, I would end on Howdens Joinery. Again, a very different business, known for its kitchen cabinets. Iain McCombie in our UK team loves it. It's got a really entrenched competitive advantage. Instead of going direct to consumers, it's made really strong relationships with tradesmen. It's in key locations, 800 locations across the UK, and it really takes out a lot of the friction for them. You build things ready-made, you stick it on a wall. It's a great business, expanding into Europe.

CR: Okay, great. So a lot happening already, and we're not even at the end of the first quarter yet.

MR: Yes.

CR: Absolutely. So thanks for joining us again today, Megan. It's been a pleasure to have you.

So for those of you watching live, if you have any questions, simply click on the Ask-a-Question tab. Now, as part of each programme, we'll be featuring an in-depth look at some of the transformational companies Baillie Gifford invests in. Today, we're learning about Pinduoduo, one of China's fastest growing ecommerce companies.

Linda Lin (LL): China is one of the most populous nations in the world, and it is rapidly digitising. But China's 'lower-tier' cities, home to large, lower-income populations, have been largely ignored by ecommerce businesses. We believe that these users are the incremental growth engine in China.

Pinduoduo is a company that has spotted a unique opportunity to serve China's untapped population in the lower-tier cities. It provides buyers with value-for-money merchandise and fun, interactive shopping experiences. Instead of searching for products, you can discover items by chance on your newsfeed, driven by powerful algorithms. The shopping experience is like an online version of a night market. It's an exciting, engaging, and highly social experience, encouraging you to make team purchases with your family and friends.

The business also helps local communities and small businesses to benefit from the productivity gains brought by the digital economy. China leads the world when it comes to spending on its online retail and digital infrastructure, including 5G, digital payments, and social networks. More people are shopping online, and Pinduoduo is taking a larger chunk of that overall market.

Pinduoduo has cracked the power of social recommendations and it is exploiting this on an unimaginable scale. This innovative business model was created by the founder Colin Huang, an ex-Google engineer and game entrepreneur. From the company's inception, Colin and his team had an ambitious long-term vision to use mobile technology to transform the manufacturing model in China. The platform uses data to understand the consumer's preferences, matching demand directly with suppliers from farms and factories across the country. It is now applying the same model to global markets and is seeing rapid growth in its international app, Temu.

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Despite being founded just eight years ago, Pinduoduo is currently valued at $190bn and boasts over 900 million users – a milestone that took industry giant Alibaba two decades to achieve. This means we are now more confident, given its current scale and strengthening competitive advantages. And with ecommerce currently only accounting for 30 per cent of the total retail sales in China, the room for growth is enormous.

Pinduoduo still has vast room to evolve from here. The growing ecommerce landscape in China, combined with the ambitions of Pinduoduo's young management team, could make this company one of the most innovative technology leaders globally over the next decade.

CR: Pinduoduo is one of China's largest ecommerce companies and still has plenty more room to grow. Could it be the next Amazon? Watch this space. So next up, we have Roderick Snell for a fund update.

So, welcome, Roderick. Now, you joined Baillie Gifford in 2006, and you're a partner in the firm and have managed the Baillie Gifford Pacific Fund since 2010. Now, we just heard from Linda Lin there, who leads your China Equity desk. There's obviously been a lot of unease about China over the past year or so. I wanted to get your view on whether the negative sentiment in China has gone too far, or whether you can still find opportunities amid the problems.

Roderick Snell (RS): Sure. I think the short- to mid-term actually looks really interesting in China at the moment. The longer-term outlook, China has two key challenges, really. Firstly, geopolitics, and secondly, the ultimate direction that Xi in China wants to take the economy.

But if we start with the immediate outlook, I think it looks really good at the moment. Firstly, if we take valuations, they just look extreme. I was reading my valuations yesterday. The price-to-earnings on the Chinese index is currently lower than the price-to-book of the Nasdaq. That's an extraordinary situation. People have just been pulling money out of the county.

But despite that, the macro situation doesn't really reflect what we're seeing in those kind of valuations. Where else in the world can you find a $17tn economy growing 5 per cent per annum? And that, Cherry, that's before they really started to support the economy. And they're just starting to do that now. And they've got a lot of firepower if they need it. Let's not forget, China hasn't done any quantitive easing. It's had sensible real interest rates for many years. So it's been run in a very orthodox manner. So they have a lot of levers to pull if they need to.

So I think fears of a hard landing are overdone. I think that's a very unlikely scenario. And we're finding really good opportunities at the moment. The index is down nearly 60 per cent. There are a lot of world-class growth businesses on low single-digit P/E multiples. There's actually quite a lot trading below the value of the cash on their balance sheet. So a lot of opportunities. And on a one- to three-year view, yes, very optimistic on the opportunities that we're seeing.

CR: Okay. And sorry to have to put the Eeyore side of it, but talk me through some of the

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challenges.

RS: Yes. So I think those two key challenges I mentioned earlier are the areas to focus on. So that's the geopolitics. And to be honest, all the research I've done and the contacts we've spoken to, that suggests the geopolitical situation isn't probably going to improve from here. That's going to remain a headwind. And that's really actually irrelevant of what China does. It's the direction of US policy, which is really like a giant oil tanker, and it's just not going to change direction, whoever's President, and that's going to be a headwind for the next several years.

And then secondly, what direction does China want to take the economy over the next decade? And specifically, what role does it want the private sector to play? And to be honest, that isn't clear at the moment. And that makes long-term forecasting actually quite difficult.

CR: Okay. And a lot of investors have turned to India instead, and that's been seen in the astonishing performance of the Indian market over the last 12 months. But that's left valuations looking quite stretched. What are your thoughts on that comparison?

RS: Yes. So we like India. And actually, if you look at the reforms the Modi government has put through, combined with the very positive demographics of India, it has, along with Vietnam, probably the best potential of any country in all the emerging markets. And there are two areas at the moment that we're finding particularly exciting.

The first would be that, really for the first time, we're seeing genuine, mass-scale innovation in India. It's really being catalysed by the 4G networks that have been put into the country that have brought the internet to the masses. And that means we're seeing ecommerce taking off rapidly in the country, a number of world-class companies, like Dailyhunt, which is a social media business like TikTok, starting to sprout up.

And that means that, first, I think growth could actually surprise a lot over the next five to ten years, given all that innovation. And it also provides us with a lot of really interesting ideas and places to invest. For example, we own Dailyhunt, sorry, Delhivery, which is the largest private logistics company in the country. It's got a 50 per cent market share of ecommerce deliveries and is a big beneficiary of that shift to the online marketplace.

And then the second key change that we're seeing is that, finally, India is starting to build up an export manufacturing base. This is what it should've done 10, 20, 30 years ago. And we're starting to see early signs that it's doing it. Apple, for example, are starting to set up manufacturing bases in the country. Now, it's not definite that they're going to make this work. As I say, they failed previously. But if they can, this could make India the next manufacturing powerhouse, like China's been for the past 10 and 20 years.

CR: Okay. And what about that valuation issue?

RS: Sure. So certainly, India's done very well, and there are areas of the market that we do find very

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expensive, for example, the small and mid-cap space and quite a lot of the consumer-related companies. But there are other areas, when you look hard, that still look very attractive to us. So,

for example, we've got quite large holdings, perhaps 6 or 7 per cent of the portfolio, in Indian real estate.

Now, property prices in India haven't actually really gone anywhere for a decade, while wages have gone up a lot over that period. So affordability has actually never looked better in the past 20 or 30 years in terms of property. You've had a big consolidation in industry. A lot of players went bust over the past five or six years, so there's just a handful of players to take advantage of the boom that we're seeing at the moment.

We've also got a lot in the private banks, which are competing against very poor state-owned enterprises. And finally, a few individual holdings like Reliance, the energy company, but they've actually really digitalised India and are also the largest retailer in the country. So a lot of overpriced stuff that we're avoiding but [we] are finding pockets of really interesting businesses in India.

CR: Okay. So something to like in both India and China. Have you got equivalent portfolio positions in both countries?

RS: There or thereabouts. China would be about 26 per cent of the portfolio at the moment, which would be a slight underweight. And that's predominantly on private companies, listed companies but private in that they're not run by the state, focused on technology. Also got quite a lot in energy companies, like CNOOC, and finally, a few copper companies, which is really our play on the green transition in China. And then in India, that would be about 23 [or] 24 per cent of the portfolio, which would be a slight overweight versus the index. And that's in those areas that we just discussed.

CR: Now, you mentioned Vietnam just then. You've got quite a substantial allocation in the portfolio versus the index. Can you talk a bit about that and what kind of opportunities you're seeing there?

RS: Sure. So we've been invested in India for... Oh, sorry, Vietnam, for quite a few years now. And the story hasn't really changed much. Ultimately, this is arguably the best structural growth story of any country in all of the emerging markets.

And the reason for that is because they've got great geography in terms of location, a young, cheap workforce about a third of the price of China, and a government that can get things done. And that's all come together to make Vietnam have a successful export manufacturing base. As I say, it's what India's trying to do now, but Vietnam's made it work. And that is absolutely crucial. Because, do you know the sad truth, Cherry, about most emerging markets?

CR: No. Tell me.

RS: It's that most never actually emerge.

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CR: Yes.

RS: The only ones that have, Japan, Korea, Taiwan, arguably China, it's because they've had a successful export manufacturing base at the start of their development. And really, it's only Vietnam that's doing that of any scale at the moment across Asia and the broader emerging markets. And it's a big beneficiary of what's going on in China.

A lot of people, post-Covid, have looked to dual-source, and a lot are actually just trying to get out of China altogether. And the big long-term story is that China's probably got $2 trillion worth of low-end manufacturing that it wants to move away from anyway. And a lot of that, I'd say the lion's share, is likely to end up in Vietnam.

CR: And so is that where you're focusing, on that manufacturing base, or are you looking to other areas of the economy?

RS: Yes. So in terms of the opportunities for us, there aren't actually that many exporters, direct exporters, you can invest in. Most of those are actually multinational companies like Samsung, which would be the biggest foreign investor in the country. So the vast majority of our holdings are actually in the domestic Vietnam. So we're in a lot of the country's leading banks, and we've got a number of consumer names.

For example, we've just started buying a company called Mobile World in the [Pacific Horizon] Investment Trust, which is the leading consumer business in the country. It's got 50 per cent market share in electronics, and it's building out the largest grocery retail channel across the country. So a broad mix, but focused on the domestic story.

CR: Okay. Interesting. And then on the flip side, you've sold out of some of your nickel and mining names recently. Why was that?

RS: Sure. Well, firstly, it's because the investment case had started to, or had worked out, and we'd made a lot of money on those stocks. So you might recall we started investing in nickel actually about five years ago. It really is a play on electric vehicle demand in China going up, and nickel would be needed in those batteries. Now, we had to wait a few years, but EV penetration in China went from 3 or 4 per cent to nearly 30 per cent today. The nickel price did very well, and we made three or four times our money out of those stocks.

And then secondly, the supply side, which was also part of the investment case, has actually changed a bit. The Chinese have been putting tens of billions of dollars into specifically Indonesia to increase nickel supply. But more crucially, it looks like they've cracked a technology called HPAL, which is high-pressure acid leaching. And that's used to convert non-battery-grade nickel into battery-grade nickel. And it looks like they've got it to work, which is actually a great surprise to us. But that could really transform the supply of nickel, battery-grade nickel, over the coming five years.

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And then finally, there are some question marks on actually the demand for nickel. The Chinese, for example, they make a battery called LFP, which doesn't require nickel. Now, the view was that this

wasn't such a high-quality battery and wouldn't be used outside the emerging markets. But actually, a lot of Western manufacturers are saying, actually, these LFP batteries, they're good enough.

CR: Yes.

RS: And they're starting to use them. So a question mark of actually the long-term demand for nickel if batteries don't really require it in the future.

CR: Okay. And just one final question, before we move to the Q&A, on semiconductors. Now, they've obviously become very strategically important across the globe and something of a geopolitical football. Some of your top holdings are in the semiconductor value chain. I wonder if you can talk us through the sector's risks and opportunities.

RS: Yes. Well, you've probably heard a few people describe semiconductors or chips as the new oil. It's what is needed to fuel the digital revolution. And I think that's completely correct. And actually, with AI, ChatGPT, I think these are revolutionary changes on par with the PC computer coming in, the smartphone. I think this is a seminal moment that is really going to structurally lead to greater demand over the coming decade. So we're invested in several areas.

Overall, semiconductors would probably be about a quarter of the portfolio today. A large portion of that is in memory, so DRAM and NAND, which is really the key, one of the absolute key areas for computer and computer processing. Now, DRAM, for example, used to be a terrible industry. You had about 10-12 players a decade ago. It was a bloodbath. No one made any money. It's now a really cosy oligopoly, with three players, Samsung and Hynix being the number one and two players. So we own both of those in fairly large quantities.

And then we've got quite a few individual companies involved in the various manufacturing processes. A really interesting one that we've been adding to is EO TECHNICS. This makes lasers for the manufacturing of semiconductors. And what's really interesting here is that quite a lot of the processes today are still quite old-school, if you like. Cutting and drilling, for example, uses ceramic blades.

But as semiconductors get more and more complicated and smaller and smaller, at some point, you're going to have to start using lasers instead. So over the next three, four years, there's going to be an inflection point, and we think EO TECHNICS's lasers are going to be at the forefront of that, and we could see revenues grow tenfold when that happens.

CR: Great. Okay, thanks, Roderick. We're going to turn to the Q&A now.

Okay. So questions through from the audience. First one, what is the impact of a strengthening dollar, and does that worry you as an EM investor?

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RS: That's a great question. And typically, a rising dollar has been bad for Asia and the emerging markets. It sucks liquidity away from the region. But what I think is interesting this time around is that we've actually had the strongest dollar in 40 years. And do you know what's happened across Asia?

CR: No, I don't.

RS: Nothing.

CR: Yes.

RS: We haven't had any crisis. If this had happened at any other time in history, the past 20-30 years, you would have had a massive emerging markets crisis. Yet they've seemingly sailed through. And I think that tells you the strength of where Asia is at the moment. Its macro position is just much better compared to developed markets than it's really ever been.

And that's because they've been run very sensibly. There hasn't been any quantitive easing, money printing during Covid. They've had sensible real interest rates. Inflows into the region, well, there have actually been net outflows for the past decade, so there's not huge amounts of hot money in the region.

And you combine that with the greater growth that we're going to see over the next five years, then it seems anomalous, actually, that Asia is on a discount to developed markets. So I'd be actually very optimistic. And if the dollar starts to weaken, that will be a major, major tailwind for the region.

CR: Okay. Another one on Pinduoduo, which was the stock story. Are you comfortable with the company's ESG practices?

RS: Yes, that's obviously an area that we've looked at in a lot of detail before taking a holding. We're actually very lucky we've got a very large ESG team at Baillie Gifford, coming up to 30 people, and our own ESG analysts actually integrated into the Emerging Markets team, where we run the Asian portfolios.

So it's an area we've done a lot of work on, particularly the supply chain and where the materials are coming from, with a lot of engagement from the, with the company. So it probably took us 6 to 12 months of investigating before we were happy with that and took a holding for some of the Asian funds. So yes, but it's certainly one that we researched in detail before getting to that comfortable position.

CR: Okay. And then just finally, are you concerned about an escalation between China and Taiwan?

RS: Concerned in the sense that if it happened, it would be a very serious event in the region and globally. It would not be good for the region. It's a low probability but high impact event, so it's one

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we've done a lot of research and thinking about and commissioned a lot of various reports on. But ultimately, we think any major escalation, an invasion being the ultimate event, is actually very unlikely over the next five years.

There are quite a few reasons for that, but two probably most obvious. Firstly, the military capabilities of China just probably aren't up to an amphibious assault across the Taiwanese Straits, which has a very sophisticated military capability. So we think that's very unlikely. And secondly, you've got to remember the view of the CCP. If they failed in any form with Taiwan, that would be a systemic risk to their survival.

So I think, for those two reasons, a major escalation is unlikely at this stage. But certainly, tensions will most likely rumble on over the next few years. But I'd say that's more than taken into account the share prices we're seeing in Taiwan, which still look really very attractive to us.

CR: Okay, great. Right, we're out of time. But thank you so much for joining us today, Roderick. It's been lots of insights.

And thank you all for joining us as well. To find out more about the topics we've discussed on the programme, please do go to the website, **bailliegifford.com**. The UK Intermediaries team are here to help, so get in touch if you have any questions. Until next time, goodbye.

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Annual past performance to 31 December each year (%)

	2019	2020	2021	2022	2023
Baillie Gifford Pacific Fund - Class B-Acc	25.0	60.4	6.5	-20.2	0.8
MSCI AC Asia ex Japan Index	13.9	21.5	-3.6	-9.2	0.3
Target*	16.2	23.9	-1.7	-7.4	2.4
Sector Average**	15.8	20.0	1.5	-6.9	-1.0

* MSCI AC Asia ex Japan Index (in sterling) plus at least 2% per annum over rolling five-year periods.

** IA Asia Pacific Excluding Japan Sector.

Source: FE, Revolution, MSCI. Total return net of charges, in sterling.

Past performance is not a guide to future returns.

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