PACIFIC HORIZON INVESTMENT TRUST – MANAGER INSIGHTS

Roderick Snell, manager of the Pacific Horizon Investment Trust, gives an update on the portfolio and the outlook for Asian companies against the current economic backdrop.

As with any investment, capital is at risk.

This communication was produced and approved in November 2022 and has not been updated subsequently. It represents views held at the time and may not reflect current thinking.

For a Key Information Document for the Pacific Horizon Investment Trust PLC, please visit our website at ***www.bailliegifford.com***

Roderick Snell: Hello everyone, I am Roderick Snell, Manager of the Pacific Horizon Investment Trust.

Now it's certainly been a challenging year for investors across nearly all asset classes, and Asia has unfortunately been no different, and the Trust has faced a number of headwinds over the period.

However, we believe the outlook for the region still looks extremely promising, and we continue to look for the best and fastest-growing companies across the region.

So, what are the reasons for optimism?

Firstly, Asia looks very well placed from a macro perspective. For instance, if we compare the region to most western developed markets, Asian finances are in much better health, as Asia has not been printing money or stimulating excessively during covid.

Secondly, most Asian countries have had sensible real interest rates for many years, compared to zero or even negative rates in the west.

It's actually Asia that has behaved sensibly economically, and it is the west that has behaved more like an emerging market.

And of course, in the long term, where is there going to be growth in the world? Well, that is likely to be Asia. So you have a much better financial position, with better growth, yet Asia trades at a discount to developed markets. And that to us is an exciting opportunity.

So how is the portfolio positioned to benefit from this?

Well, as always, Pacific Horizon wants to be invested in the fastest-growing companies we can find in the region.

But we are happy to embrace growth in all of its forms, so our holdings range from rapidly growing technology companies such as Coupang, South Korea's leading ecommerce company, to more cyclical growth.

For example, our largest sector overweight in the portfolio is materials, in particular copper and nickel, which are crucial commodities for the green transition.

We have also been making some changes over the year.

Firstly, we have been reducing India, albeit it still remains our largest overweight country position, and that was partly on valuation grounds, but mostly to fund new ideas elsewhere, in particular China and Indonesia.

In China, we believe it is always important to be aligned with the long-term policies of the government, and we have been finding a number of companies in key policy areas - including environmental, advanced manufacturing and semiconductors – to invest in, many of which are in the local A-share market. For example, LONGi Green Energy, the largest solar panel maker in the world.

Now, China is not without its challenges, and we continue to be cautious regarding a number of sectors, including housing – where we have no direct exposure – and state-owned companies.

More broadly, geopolitical tensions with the US and the west continue to rise, and this may have significant implications for China and Asia over the coming years, and we continue to monitor these extremely carefully.

Outside of China, we have also been adding to domestically focused companies in Indonesia. The macro-outlook for Indonesia looks very good, supported by rising commodity prices, and that should support the domestic economy.

So we have made new purchases in Astra International, the leading automotive distributor in the country, and Bank Rakyat, which is arguably the best lender of microloans anywhere Asia.

To conclude, from a macro perspective Asia looks better placed than it has for many years, while the rise of the Asian middle class, accelerated by technology and innovation, has the potential to underpin growth in the region for decades to come.

It has been a tougher year for performance, but we are confident the best way to invest in this rapidly changing market is to find Asia's best long-term growth companies.

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Annual Past Performance to 30 September Each Year (Net %)

	2018	2019	2020	2021	2022
Baillie Gifford Pacific Horizon Investment Trust PLC	12.2	-4.1	85.0	51.3	-32.8
MSCI AC Asia ex Japan Index	4.7	2.5	12.6	10.0	-13.6

Morningstar and underlying index provider. Share price, total return in sterling.
Past performance is not a guide to future returns.

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