Glossary:

Macro – Very large in scale, scope or capability.

Annual capex projects – Capex projects might include the acquisition, maintenance or upgrade of those fixed assets.

Paying distressed multiples – Paying distressed multiples refers to investing in securities of financially troubled entities at significantly reduced prices due to high default risk. These can include common and preferred shares, bank debt, trade claims, and corporate bonds.

NPL – Non-performing loan.

P/E multiples – Price-to-Earnings is used to compare a company's market value (price) with its earnings.

Price to sales multiples – The price-to-sales ratio is a valuation ratio that compares a company's stock price to its revenues.

Hello and welcome to this programme from Baillie Gifford. The latest in a series of webinars where we talk to the managers of the business' different investment trusts. Today, we're talking to Roddy Snell, and Roddy manages the Baillie Gifford Pacific Horizon investment Trust. Welcome, Roddy, very nice to see you again. Coming off a decent year for the trust. You beat your benchmark over the past year after underperforming in the year before. So, what changed there?

Thanks, Richard. Up until the end of May, the trust's NAV was up about 15% versus 8.7% for the index. So, a reasonably good period for performance and the first reason is the markets, in general, performed better. Given our strong growth bias, it tends to be in up markets where we have most of our alpha. By country, actually India was by some margin, our best performing market and contributor. Especially in the mid-cap space, where our holdings in the real estate and industrials were very strong indeed. For example, Prestige Estates benefitted from the early stages of a property cycle turning up and rose more than three-fold. Ramkrishna Forgings rose 100%, as infrastructure spending grew.

We also saw a strong recovery in Vietnam from the lows seen in 2023. Especially our holdings in the banks and materials companies. If you look at it by sector, real estate, and materials and particularly, copper and steel in Vietnam were the main positives. We didn't get everything right. Our underweights in Taiwan, especially to tech, was the biggest detractor, while China was weak. Overall, a good period for the Pacific Horizon shareholders.

You mentioned a few of the countries there and we'll go into those separately in a few minutes. Let's start with the overview. How do you see the outlook for the region over the next four to five years?

I've been investing in Asia for over 15 years and today is certainly one of the most optimistic starting points. I'd actually highlight three reasons which I'll call the three Ms. Macro, micro and markets. So, we start with macro. Since the COVID pandemic, we've been really encouraged by the macro progress made in most Asia countries. That's despite the strongest US dollar in 40 years. Which in times gone by, would have wreaked havoc across the region, by sucking liquidity away and towards the US. That hasn't happened and that tells you that tells you that Asia is in a strong position. That's really because we have not seen the physical excesses we have in developed markets during the pandemic. Overall economic growth is generally very strong. That goes for large markets like India and China, growing 5% to 7%. Also, for those growing in importance, such as Indonesia.

At the micro level we see superior earnings growth across Asia for this year and next. More importantly, we're fortunate to be able to buy into companies really at the forefront of global trends with a growing importance. Be that AI hardware from Asia. Key minerals for the green transition or domestic champions in the largest countries in the world. Finally, for markets we simply don't think they are appreciating this potent combination of strong macro and micro nearly enough. Look at the top ten holdings. It's not hard to spot 40%-plus growth rates. $20 billion-plus annual capex projects or record levels of profitability. When I look at the portfolio in aggregate, we're really not having to pay up for great growth companies. So that all really means the backdrop is really very favourable from our perspective.

It does sound very positive, as you say. I suppose the challenge now is to get investors to believe that EMs in general, have underperformed quite badly versus developed markets over the past few years. The question you've got to answer for investors is, why should I change now? How's that going to change and why should I leave the developed markets, which have done very nicely for me thank you very much?

It's a very fair question. I think there have been two major headwinds holding Asia back. The first is the US dollar, which as I mentioned, is at its highest level in decades. That has historically been bad for Asia and emerging markets. It's sucking liquidity away and it's very hard for Asia to outperform in that scenario. Now, predicting when the dollar might turn in the short-term is really not something I can do with any confidence. However, longer-term there are certainly structural forces building up against it. Firstly, the dollar on any metric is expensive. Secondly, the US continues to issue record amounts of debt and that only seems to be accelerating from here.

The fiscal deficit is huge. It's 7% and growing and alternatives to the dollar keep opening up. So structurally, in the mid to long-term, the dollar seems challenged from here and when the dollar does turn, that'll be a huge tailwind for Asia. The second issue has really been China, which has now generated negative returns for three consecutive years. Now, we have discussed China before in our previous chats, so I'll keep it brief. In short, I'd be optimistic on the short to medium-term from here. After all, the economy is not imploding, which is what the press and valuations seem to be implying. After all, this is a 17 trillion-plus economy, growing 5%-plus.

That's not to say there aren't issues. Especially in the property sector, but the government is clearly moving to support this area with multiple measures. They're buying up $70 billion worth of unfinished inventory. Reducing downpayment requirements and lowering mortgage rates and they're moving to support the economy and the private sector more broadly. They've got lots of levers to pull if required. That's against valuations that are extreme. You're often having to pay distressed multiples for high-quality growth businesses.

Let's stay with China for a little while. It is your biggest country allocation and you've been adding there over the last six months or so. Just to drill down a bit, what opportunities are you finding there? Which sectors and which areas are you going into?

China is about 27% of the trust today, which is still a slight underweight position, but we have been adding quite significantly over the past 12 months. There are three broad areas I would highlight. First are the internet platforms, which you might recall we were quite underweight a few years ago. What's striking is that despite the very poor news flow on share prices, which have fallen anywhere from 50% to 70% over the past couple of years, operationally these companies continue to do incredibly well. For example, last year the sector recorded its highest ever profits. Revenues up about 20%. Profits up about 40% and they made huge cutbacks which will be supporting profitability going forward.

Finally, they've all started to pay out significant cash to shareholders. Most will be paying 5% in dividends or buybacks. Equal to about 50% of free cashflow. I believe that's a real floor to any valuations from here. The second area would be Chinese localization, which is really a key growth area, given China's need to become self-sufficient in critical technology. A good example being semiconductors, where we recently purchased SG Micro, one of the country's leading analogue chipmakers. Then the final area of opportunities, I would categorise is just good individual growth stocks at the wrong price. For example, we did a new holding in Luckin Coffee, China's largest coffee chain, with 16,000 stores. Recently overtook Starbucks.

It's got a fantastic new format of small stores. They're nearly all automated. You order everything on your phone, which means it can charge about half the price of Starbucks and can scale rapidly. They added about 2,500 stores last quarter alone and it's very profitable. When you consider coffee consumption in China is only four to five cups per person a year versus 400 in the west, you can appreciate the huge growth opportunity here. Yet, valuations are implying no growth. So those would be three broad areas where we've been adding to over the past 12 months in the country.

That's frightening to think of everyone suddenly ingesting another 395 a year. Goodness knows what that will do to productivity. Let's move on from China to India. You've significantly dialled back exposure there on valuation grounds, but you still have a significant chunk. Do you think the stock market party there will continue? Do you think valuations are still too high?

So, India, I would describe as having great macro, but really quite challenging valuations. So great top-down, more difficult from the bottom-up. So, on the macro front, things really haven't looked better for 15, 20 years. That's really thanks to an investment driven growth cycle with the capex cycle picking up within that. That's how we get back to 8%-plus GDP growth rates in India like the last bull market from 2002 to 2008. There are three key cycles here. The first would be the property cycle. It's worth noting that a decade or more ago, India had a big property bust. There were huge amounts of overcapacity. There was a funding crisis and various regulatory changes that effectively brought the property market down.

Affordability or wages have grown much faster than prices. So, affordability's been getting better and better. So, they're probably at their most affordable in terms of property, than we've been in the past 20 years. I don't think there's anywhere else in the world that we can say that. Inventories at their lowest levels and there's been real consolidation in the market. There are only five or six players left to really win out in this upcycle. The second is really the corporate capex cycle. Much like property, a decade ago there was huge overcapacity in steel, power, cement. Lots of companies went bust. Big bankruptcy's, lots of capacity out and again, we're now seeing shortages again and we're at the start of a new capex cycle.

If you survive that, you're generally a very good business. So, quality companies to look at in India. Then finally, those issues in the corporate and the property businesses put huge pressures on the bank. They had massive MPL issues and massive deleveraging. Corporate loans are at their lowest levels in 25 years, but that's now cleared out and the banks are able to lend again. So, thanks to the reforms of the Modi government overall, we've got a property cycle, corporate capex cycle and banks which have started to lend. So that's a very exciting environment to be in. On top of that, the vulnerabilities are much less. The issues India usually has when it grows too fast, are the capital account blowing out.

Usually because of oil and gold, but both of those are far less significant than they were previously. So overall, the macro position looks really good. The problem, as you alluded to, is really valuations. Just to give you a sense of where we are. A supermarket business like a DMart in India, they're probably growing 10% per annum in dollar terms. That would be on nearly 100 times PE multiples. An FMCG business like Hindustan Unilever, again at best, growing 10% in dollars. You're probably paying 70 or 80-times PE multiples for those. So very expensive. Then the mid-cap space, we've seen a real ramp up in share prices over the past six months. So, there are areas that are attractive, but overall, we have been reducing in part on valuation grounds.

Are you still overweight there?

Yes. We are still. So, India is roughly 25% of the portfolio, which is nearly a 4% overweight and makes India our second largest overweight after Vietnam. So, we are still very positive on the opportunities for investors. Albeit, that overweight has come down from about 8.5% 12 months ago. As I say, a large part of that is due to valuations. Especially in that small and mid-cap space, where we sold some of our industrial companies like Skipper, that had risen eight-fold since we purchased it and significantly timed other holdings like Ramkrishna Forgings. That got to nearly a 5% holding and we've taken that down to about 1% today.

We had the elections there quite recently, the first of a whole string of elections we're going to see across the world this year. Quite a surprise in that Modi was expected to sweep the board. He didn't. Was there anything there that made you reassess your investments in India?

Not really. Clearly, Modi did not win as many seats as he was expecting. At one point he was targeting 380 out of 543, but in the end, he only got 240. However, the MDS, which is Modi's coalition still has a significant majority. So, Modi, with his allies, still controls parliament. If you look at the cabinet, most major ministries are unchanged and remain with the BJP, i.e., Modi has not made to make many major concessions to coalition parties. So, Modi is still in charge. I actually think this is probably a good outcome because democracy has ultimately won, i.e., we have not ended up with a shift towards autocracy and Modi being able to do whatever he wants with a super majority.

Actually, in some areas that's probably a good thing because the BJP were running quite a divisive social agenda. Hindu nationalism. I think in the long-run, them having some more checks and balances is a good thing. On the negative side, it does probably mean that some of the reforms are harder to push through and there will be some more popularism, especially in rural areas. So overall slightly harder for reforms to come through. A bit more populism, but better for social cohesion in the country in the long-run.

Let's move further away now. Your biggest overweight you mentioned just now, Vietnam. You visited there recently. Your report was extremely effusive about what's going on there. What do you see at Vietnam's significant advantages as a place to invest?

Spoken about Vietnam a number of times. The story really remains the same. Vietnam has the best structural growth story of any country in Asia or the emerging markets. That's because it's got a great location, a young cheap workforce, about half the price of Chinese labourers. A government that can get things done and that's all come together to make Vietnam have a successful export manufacturing base. That really is the absolute key for any country to emerge. The Asian tigers, Korea, Taiwan and China now have done. They're clearly a big, big beneficiary of companies now looking to relocate out of China. It's really accelerated this story.

So, Vietnam exports to the G3 countries continue to rise and a large part of this is Chinese companies setting up in Vietnam. So that recently gives Vietnam just the best foundation you can have for growth at this stage in its development. It's probably worth mentioning that since we last spoke, there has been some volatility in the country. That's partly been down to politics. There's been quite a bit of upheaval there. We've had two Presidents in the last year and a number of senior officials leaving. The good news is that all those positions have now been filled and I'd probably highlight that we've had a constant economic policy for the past 20 years in Vietnam, despite many different party secretaries, PMs, and Presidents.

So, I'm not overly concerned on the political front. Some people have been getting a bit nervous on the currency, which has been a little weaker than expected, but ultimately, this is a country with a huge basic surplus, about 11% of GDP current account plus 6% FDI plus 5%. That is a massive number. So, I think the currency is very well backed from here. So really, as long as the country can keep that export manufacturing story on track and the key there is infrastructure. You've got to keep the infrastructure up to scratch for the multinationals to set up, then Vietnam, as I say, has this great foundation for growth and plenty of good companies to invest in.

Let's talk about some of those companies. Obviously, if Apple makes its iPhones there, that's not something you're going to invest in. What are the types of companies that you're increasing your exposure to there?

We've increased our exposure to a couple of businesses recently. The most notable would be Mobile World. So, this is the largest electronics manufacturer in the country. It's got about a 50% market share and that is a very good business. The key excitement for us is their grocery business. This was actually launched back in 2016 and they go ta lot wrong here. It's been loss-making for years, but they've spent a long time optimising the format and getting it to work in the country and it finally looks like the cracked it. The key here being smaller formats and fresh supply chain. That supply chain's the really difficult bit. They've spent a lot of time building that up with local farmers, logistics, etcetera.

So, the key is that that now looks like it's working. The business overall, the grocery business is break even and the mature stores as an indication of where we might be, are doing very well. So, we think we're buying at an inflection point in Vietnam, whereby that grocery business is going to start to turn very profitable. It should actually be really profitable. There's not much competition. There's one other state-owned grocery store that's in big trouble and one other private player called Masan, that just hasn't got everything right yet. So, my view is that actually, Mobile World could be a bit like the Walmex of Mexico, but of Vietnam with a 60% to 70% market share and very high returns.

Is that based on it improving as a company or is there a natural wealth growing in Vietnam, which consumers having more money to spend?

It's a bit of a mixture. You've got the rising middleclass. So, we're already up to about $4,000 per capita. Significantly above places like India. That's when people typically start to spend more on slightly higher-end consumer goods and move from mom & pop stores into the formal retail channel. So, it's following the well-trodden path of other emerging Asian countries before it. The rationale, why they should be very profitable here, as I say, is just because the competition is woeful and it is a difficult country to operate in. Mobile World is probably the best retail operator in the country, but it's taken them eight or nine years before they got the format right. So, I think that's a pretty powerful combination.

So, there's significant barriers to entry there.

Yes, it's certainly a difficult country to operate in, in the domestic market.

So, find the winners. Moving on from Vietnam, you've not got another off-index country position in Kazakhstan. Probably a lot of people on this call will know where Kazakhstan is, but not much more about it and why you might want to invest there. So, tell us a bit about the country and the companies that you're looking at there.

The rationale is really bottom-up. It's because of a company called Kaspi, which is now about 2.5% of the portfolio. So, this business started years ago as a bank, but under its current entrepreneurial owners, has really transformed itself into Kazakhstan's leading super-app. Where it dominates fintech, payments and lending and ecommerce. It's actually used by nearly everyone in the country, about 14 million out of 19 million people use it. 65% of those are daily active users. So, it's got substantial user engagement. It's firstly got huge amounts of growth. It's an underpenetrated market, ecommerce about 12%. Online grocery about 1% to 2%. They are really the only player in town.

They're the ones that have built out the logistical network and have the userbase. They're adding lots of new services. Only a third of users currently use ecommerce. 15% use their travel tools that they put on and they're adding more and more. The competitive advantage is huge. Scale is key and everyone uses it. In terms of finance, they're twice the size of the next largest bank and their ecosystem of loans, payments and retail really means they can capture the full value of the network and its cheap. You're paying 12 times for a 20% to 30%-plus grower over the next four to five years. So that's really the attraction because of that company, Kaspi and as I say, we've been adding quite significantly to that over the past six months.

It's a reasonably liquid stock. Traded on the local stock exchange.

Yes, it used to be quite illiquid. It was listed in London and that meant that it was actually very difficult to purchase. It was only trading tens of thousands of pounds a day. They recently listed on the US stock market and now it's actually a very liquid stock. We're stalking ten, $20 million a day and easy to buy significant holdings in. So really that new listing has transformed the business and the shareholder register.

Another significant country in your portfolio and in the region as a whole is Taiwan. You recently visited there. We all know it's a great tech power, especially in semiconductors. What was your takeaway from your visit?

I was in Taiwan back in March with one of my colleagues from the emerging markets team. Firstly, during the trip, we actually spoke to a lot of academia and government policy advisers regarding geopolitics after Taiwan's elections in January. I'd say in general, most of the locals we spoke with think the situation is more or less status quo. The chance of any cross straight military issues is still very low, which would tally with our thinking on the situation. The meetings with portfolio companies and prospects also really reconfirmed our conviction in the semi-conductor space. We've recently been adding to TSMC, which has an effective monopoly on manufacturing high-end chips.

Having spoken to a number of other semiconductor companies in Taiwan either supplying TSMC or are competitors to it, it's very clear that their position is not going to be changing in the next several years. Other holdings include Accton. That's a pureplay on growing datacentre demand. They manufacture data switches for the likes of Amazon and Google and that looks like it's going to be growing very rapidly for the next few years. Also, MediaTek, which is a leading global chip designer.

You mentioned geopolitics there. You sound sanguine, the people who spoke to sound sanguine, but China's a powerful force and they've always spoken from strongly about reunification and not if it's going to happen, but when it's going to happen. So, what makes you sound so relaxed about the prospect of an invasion or hopefully, not an invasion?

I think relaxed is the wrong word. Firstly, a lot of this is in the price. Companies like TSMC, you can compare them to the valuations of their peers like NVidia, who they make all the Chips for. Price to sales multiples, you're probably on a third. So, there's already a big discount for that. Secondly, we've done an awful lot of work on the geopolitical space, using some very high-end bespoke third-party researchers to look into this in some detail. Ultimately, from a military perspective, China just isn't in a position to carry out a military offensive across the Taiwanese straights. 100 miles of open sea into a country with US defences. The navy is not in a position to do that for at least the next five years.

I think third, you've got to remember that the entire ethos ultimately, of the Communist Party in China is really to remain in power. To an attempt an invasion into Taiwan, which is very difficult and complicated, were that to fail, that would be an existential risk to Xi and the party. Therefore, you've got to think they would have to be very, very confident in doing that before acting. Their number one priority is to make sure the CCP is around for many, many, many more years.

Let's talk about Korea briefly. You've been talking about this 'Value Up' programme. Tell us a little bit about that and what it means for investing there.

To be honest, I think it's a little bit early to say. People have got very excited about this because of what's happened in Japan where clearly, share prices have reacted very positively. The issue with Korea that share prices have traded at a big discount to other emerging markets. For several reasons, but mostly the lack of dividends and the tricky structure of the chaebols in Korea. So, this initiative is welcome, but it's not clear it's going to have the same impact that we've seen in Japan over the past year. I couple of reasons why. The first is ownership. It's very different compared to Japan.

In Korea the largest owners, families, and the chairman, frequently control 40% or 50% of these businesses, which makes progress much harder. Secondly, the issue in Korea is that the chairman and the family, they don't typically care much about the share price or dividends because of inheritance and dividend taxes. So, unless we see changes there, I don't think we're necessarily going to see much change in the way the Korean companies operate. On the flipside, if we see the government start to talk about changing the inheritance tax or dividend taxes, then this could be a much, much more interesting proposition. So that's what we're really focusing on keeping an eye on.

You've got a significant portion in Samsung Electronics. Why does the market underestimate it? It's a powerful consumer play. It's a powerful wholesale play as a chip supplier. Is it for those reasons that you mentioned, that we're not really seeing its share price be at the place it should be?

I think the performance of Samsung has been disappointing. Particularly compared to some of the other big semi players in memory. For example, Hynix and Micron, which are key competitors to Samsung. Probably a couple of reasons. The first is that Samsung has missed out in some of the new technology in NAND. So Nvidia's new chips, there's been a move towards high bandwidth NAND, which Samsung has fallen behind Hynix in. Which is quite a surprise because Samsung is the number one DRAM and NAND player globally. I think that is a short-term issue.

They would certainly be behind this generation, but they're focusing on the next generation of NAND. Typically, Korea's a very short-term market and that's what they're really focusing on at the moment. Plus, people have tended prefer Hynix, just given it's a pureplay on computer memory. Whereas Samsung is DRAM and NAND and has also invested many billions of dollars to become the second largest foundry in the world, competing with TSMC and they're also got a large consumer business, smartphones, and white goods. Our view on Samsung is very positive. We think the memory business is a fantastic long-term business, albeit cyclical. it generates very high returns and they're the leaders in that.

Their foundry business is the number two to TSMC and will benefit as people look to dual source. Finally, going back to that trip to Taiwan, one of the big themes that was clear, is that the AI story is really shifting at the moment, from purely a server story, i.e., AI in the cloud and hence really just Nvidia, to a broader consumer AI story, which will see your smartphone or your PC having AI capabilities with AI chips and applications. For example, if they get it right, your smartphone in 18 months' time will be able to perfectly translate any language you're speaking and receive and translate any language its hearing.

This could generate a huge new upgrade cycle in consumer electronics. Especially smartphones. I think if the applications are right, this could be as significant as the introduction of the iPhone and smartphones themselves 15 years ago. Samsung will be at the forefront of that. Makes the computer memory, makes the application processors and it's got a smartphone business. So, in the long-term we think it's the right place to be.

You sound very positive, but for balance, give us a few negatives. What are the biggest things that keep you up at night worrying about what might happen?

I suppose the obvious issues would first-, I'd focus on China first. So, I'm optimistic on China really on a short to medium-term view. Ultimately, I think valuations are distressed and, actually, operationally the companies are doing well and the economy is also in a reasonable position. What is unknown are two factors really. Geopolitics and more importantly, I think the direction that Xi wants to take the economy in. Geopolitics, that probably doesn't improve from here. I think whoever is President in the US will carry on ratcheting the pressure on China. The big question is what role does Xi want for the private sector in China over the next five or ten years?

Although he's very supportive now of the economy, it's that longer-term question I think is harder to answer. That's obviously key for the country in the places that you invest in. So that's probably the biggest risk. The second one, as we've touched on, is China and Taiwan. Although I say I don't think it's very likely that we see military action there, do you see something less overt? Do you start seeing blockades, barricades, cutting undersea cables that falls short of eliciting a US response, but make life very difficult for Taiwan and really, escalate those geopolitical tensions further. So those are probably the two biggest risks. Then a third one I think still would be India with its valuations. Is there something happens to Modi that causes a significant drop in the Indian market?

You've talked about the strong dollar and you said earlier that you weren't going to forecast currency movements. How do you treat currencies? Do you hedge them at all in your portfolio?

No, we don't do any hedging. That tends to be quite complicated and costly. The way we tend to do it is that we try and incorporate any macro views and currency views at the individual stock level. So, for example, if I'm looking at an Indian IT outsourcer, you've got the vast majority of revenues in US dollars and the majority of the cost-base in Indian rupee. So, a depreciating rupee is actually really beneficial to earnings growth over a five years period. I'll incorporate that view of where the currency goes, into the impact it will have on earnings over that time horizon. So do it very much at the stock level, rather than any specific form of hedging.

Glad you had that Freudian slip when you talked about the rupiah because what about Indonesia? You haven't mentioned it. Lots of investors think it's a fantastic place to invest. Does it have a role in the portfolio?

Yes. We've got reasonable holdings in Indonesia. A couple of the banks, large holding in Bank Rakyat which is arguably one of the best banking franchises in the world. A speciality in microlending and has been profitable every year since 1987, even throughout the Asian financial crisis. So has a really impressive track record on that front. We also have owned a couple of the material companies in the past, but we've recently been selling those down. Overall, actually very positive on Indonesia. Been weak recently. The RBI, central bank raised interest rates, which surprised people. Overall, this is a country, one of the largest populations in the world. Very resource rich.

It's fascinating what they've been doing in nickel. Rapidly becoming the largest nickel producer in the world and getting the Chinese to invest billions into building that up into downstream processing of nickel and increasing, batteries and raw materials, which could transform the economy. So overall, very positive on Indonesia. Has been one of our larger overweights over the past five years. Despite the recent weakness in the country, still view it as a structurally growing market with some very good businesses.

Any countries that you consciously avoid? Even though there might be great companies there, but you just think the mood music there is not conducive to investing.

We do think the macro is important. I'd describe us as an 80% bottom-up with a 20% macro-overlay because even the best investment cases can be taken out by politics or bad economic policy. In the past we have avoided countries. If you speak about Indonesia, if you go back six or seven years, we actually had nothing in the country because we were very concerned about the currency. Thought there were big imbalances and we looked at valuations in rupiah terms, they looked cheap. If you converted it into pound sterling, we thought currency could halve here, it's probably twice as expensive. So, we will go out of countries when and where.

At the moment, nothing stands out as being really completely avoidable, but it's probably noticeable that we don't have any investments currently in Thailand, Malaysia or the Philippines. I think the macro's okay in those. Probably the politics in Thailand is problematic, but it's really just not finding the right bottom-up stock ideas at the moment in those places.

The discount between the share price and the NAV. I think it's around 10% at the moment. Anything being done to look at that? Obviously, those decisions are taken by your board rather than you, yourselves, but is there anything in the ether that might be done to narrow the discount?

We do, do buybacks when we think it's appropriate to do so and have done a number over the past year. So, there is very much a willingness to do buybacks in place and we review that regularly at all board meetings.

Thank you, Roddy. That is all that we've got time for I'm afraid. It's been a great session. Thank you for your insights. We do have more sessions like this coming up. So do keep an eye out for those if you found today useful. Until the next one, good bye and thank you for joining us.

Pacific Horizon

Annual Past Performance to 31 June Each Year (Net %)

	2020	2021	2022	2023	2024
Share price	46.0	77.5	-27.9	-11.4	17.4
NAV (Cum fair)	38.4	70.3	-14.9	-10.2	18.4
MSCI All Country Asia Ex Japan Index	5.0	25.3	-14.4	-5.2	13.9

Source: Morningstar, MSCI. Total return in sterling.

Past performance is not a guide to future returns.

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- The Trust invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

- The Trust invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

- The Trust invests in China, often through contractual structures that are complex and could be open to challenge, where potential issues with market volatility, political and economic instability including the risk of market shutdown, trading, liquidity, settlement, corporate governance, regulation, legislation and taxation could arise, resulting in a negative impact on the value of your investment.

- Unlisted investments such as private companies can increase risk. These assets may be more difficult to sell, so changes in their prices may be greater.

- Share prices may either be below (at a discount) or above (at a premium) the net asset value (NAV). The Company may issue new shares when the price is at a premium which may reduce the share price. Shares bought at a premium may have a greater risk of loss than those bought at a discount.

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