

ASIA EX JAPAN STRATEGY

Investment manager, Roderick Snell, discusses the Baillie Gifford Asia ex Japan Strategy and reflects on its philosophy and the exciting opportunities ahead.

Your capital is at risk.

Roderick Snell: There are over 190 countries in the world. Just two Asian countries make up around a third of that population.

There's a strong chance that having enough exposure to Asia may be the most important investment decision many of us make for the next decade and beyond. By 2030, over one billion Asians will enter the middle class. Just think about how big a tailwind that is for commerce. Rising demand for luxury goods, education and better technologies has the potential to significantly reshape global consumption patterns.

Long-term growth is what makes investors interested in Asia, but in this region news flow is ferocious and market sentiment can change weekly. These frequent fluctuations can make it difficult to remember that growth investing only works over sensible timeframes.

Over short periods, share prices bear little relation to earnings. However, over periods of five years or more, you start to see real correlation between earnings growth and returns. That is why we have put all of our effort into creating a structure that allows for patient long-term investing, where we aim to exploit three persistent market inefficiencies. We focus on companies in Asia who either grow over longer periods than expected, at faster rates than expected, or will surprise, growing when no growth is expected at all.

What makes us different from most Asia ex Japan managers is that we're one of the few managers who've been doing this for over 30 years. This period has encompassed monumental change. In the early 1990s, China barely registered as an investment opportunity, yet some cities of over 20 million people are now innovation hubs. We've endured the Asian Financial Crisis, the dotcom bust, the Global Financial Crisis and the pandemic. We can truly say this is a tried and tested approach, over many different environments.

Recently we've been thinking carefully about Asia's role in the energy transition. Many look at Asia's high emissions and are deterred, but it strikes us that the region could play a disproportionate role in solutions to our biggest problems. China in solar, India in green hydrogen, Indonesia for its materials, or Korea for its batteries. This is just one theme we're excited by, but there are countless more.

At Baillie Gifford, we think we're well placed to capitalise on the opportunities Asia offers investors. Our 30 years' experience through different market cycles, our ability to think truly



long-term and our willingness to embrace growth in all its forms, provide the required foundations for enabling long-term wealth creation.

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