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# *PACIFIC HORIZON INVESTMENT TRUST – MANAGER INSIGHTS*

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Roderick Snell, investment manager of the Pacific Horizon Investment Trust PLC, gives an update on the portfolio, discusses post-pandemic trends, and tells us what excites him most about the future of the region.

*The value of your investment and any income from it is not guaranteed and may go down as well as up and as a result your capital may be at risk.*

*This film was produced and approved in November 2021 and has not been updated subsequently. It represents views held at the time of recording and may not reflect current thinking.*

*For a Key Information Document for the Pacific Horizon Investment Trust PLC, please visit our website at [www.baillieghifford.com](http://www.baillieghifford.com)*

**Roderick Snell:** Hello, I'm Roderick Snell, manager of the Pacific Horizon Investment Trust, and in this webcast, I would like to give a brief review of what has happened over the past year, including why the Trust performed strongly, the changes we made to the portfolio and our outlook for the Asia ex-Japan region.

Now let's start with a reminder of our core philosophy. What defines us is growth. We believe Asia ex-Japan could be one of the fastest growing regions over the coming decades, and we strive to be invested in its fastest growing companies. Its growth multiplied by growth, or as we like to call it, growth squared.

Now, such an investment style was richly rewarded over the year as the Covid-19 pandemic spurred the rapid acceleration of technological adoption and unprecedented levels of economic stimulus globally.

This is combined with large parts of Asia handling the crisis relatively well, allowing their economies to reopen quickly and growth to rebound sharply.

This, however, was not a time to stand still. The extreme dislocations in markets afforded investors a once in a decade opportunity to buy high quality growth businesses at extremely attractive valuations.

This is especially so in more cyclical industries, where the Trust's exposure had been increasing for the past couple of years, but this accelerated significantly over the past year.

And the result is a portfolio today that might surprise some. In absolute terms, our largest exposures remain focused on the key themes of the rising middle class, technology, and innovation.

However, we now have significant exposures to more cyclical industries, including materials, industrials and energy, that are among the largest relative positions within the portfolio.



There does remain, however, one commonality among all the companies held: growth. So using Pacific Horizon's largest relative sector position - materials - as an example, holdings here are predominantly concentrated in companies exposed to just two commodities, nickel and copper, both of which lie at the core of the green revolution.

Copper, as the most cost-effective conductor or conductive material, sits at the heart of capturing, storing and transporting new energy sources, and demand from green sources could easily grow tenfold by 2030.

Nickel, on the other hand, is a core material in electric vehicle batteries, where demand across Asia will be driven by China's intention to have electric vehicles account for a quarter of all automotive sales within the next few years.

By country, the most notable changes for the Trust have been a substantial increase in India, which is now the largest country overweight. And we're particularly excited by what one might term, 'New India'.

You see, for many years, India has had some of the most attractive companies across Asia, but often this has had more to do with the lack of competition they face, rather than any great innovation or technological edge.

But, catalysed by the roll out of the world's second largest 4G mobile network, allowing many Indians to access the internet for the first time, things are changing fast. And, just as we experienced in China more than a decade ago, a new breed of exciting and innovative technology focused companies is emerging across the country.

Now many of these prize businesses, however, remain private, and Pacific Horizon's ability to invest into unlisted companies has been extremely beneficial.

We made several investments or new investments into private Indian companies, including Delhivery, the country's leading delivery and e-commerce logistics business, Daily Hunt, a leader in short form video apps and potentially the next TikTok of India, and Starhealth, India's largest private health provider.

Now a significant portion of funding for Indian companies came from the sale of our Chinese names.

Noticeable reductions taking place to a number of the large technology companies where we had concerns over competition and increasing regulation. So the Trust's position in Alibaba was reduced and positions in Tencent and Meituan exited.

And our timing proved to be prescient. The demolition of the private education sector, where we had no exposure, a crackdown on the monopolistic practices of internet giants and enhanced rules on data ownership and security, led to significant falls in many leading Chinese companies.



As to our long-term outlook for the region, it remains extremely positive. The rise of the Asian middle class, accelerated by technology and innovation, continues to be one of the most powerful investment opportunities of the coming decade.

And as active managers with long-term time horizons we're enthused by the number of exciting growth companies we can buy that should benefit from these economic, social, and technological changes across the region.

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

	2016	2017	2018	2019	2020
Baillie Gifford Pacific Horizon Investment Trust PLC	34.9	12.2	-4.1	85.0	51.3
MSCI AC Asia ex Japan Index	19.1	4.7	2.5	12.6	10.0

Source: Morningstar and underlying index provider. Share price, total return in sterling.

Past performance is not a guide to future results.

*This film was recorded with Roderick Snell, investment manager for the Pacific Horizon Investment Trust PLC.*

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