The value of the trust's shares and any income from them can fall as well as rise. Capital is at risk. Past performance is not a guide to future returns.

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 are talking to Roderick Snell, manager of the Baillie Gifford Pacific Horizon Investment Trust. So, the trust returned to growth last year, but again, you did lag your benchmark index. How would you sum up the year in retrospect?

It was a very volatile year, but despite the huge amounts of negative news flow, including major Chinese macro concerns, Trump and tariffs, the US dollar rising to new highs, Asia actually performed pretty well. Not far off plus-15% in sterling terms for the whole year. Which, given these major headwinds, I think is quite impressive. That said, fortunes really were very divergent across the region, with the standout market being Taiwan, up nearly 40%, as we saw a rebound in the tech hardware cycle. Really driven to a large degree, by demand from AI, which resulted in large-cap companies like TSMC rising more than 70%. That became almost a $1 trillion company.

I think it's also worth mentioning China. Which, despite the terrible headlines, was actually also very strong, up more than 20%, outpacing countries like India. Aided by very low valuations and a significant shift by the government, to start supporting the economy. Conversely, places like South Korea had a pretty terrible year, down nearly 20% as index heavyweights like Samsung struggled to maintain their leadership in the AI space. Now, as you rightly mentioned, our performance was disappointing. We're probably about four percentage points or so, behind the index. Which was really led by our holdings in South Korea, where we were overweight and some poor stock selection in China.

So, although our longer-term numbers remain pretty good, clearly performance was unsatisfying, but we do remain focused very much on growth companies and we've been adding to growthier names in the portfolio [unclear 02:29] the year. Especially to what we tend to term as rapid growth names. In particular, internet and platform businesses. We've added a little bit of gearing, which I think is a clear sign that we are finding real value in Asia and are excited about the upcoming opportunities and outlook for the region as a whole.

All sorts going on in Asia it sounds like. We covered you underperformed a bit, but I suppose, do you see 2024 as a bit of a turning point for the trust and maybe, the wider region?

I think that's an interesting question. Timing turning points precisely is always quite risky, but yes, potentially I do see this as a turning point. As we discussed, Asia has actually performed very well in the face of some major headwinds. Not least the strongest dollar in four decades and major issues with the Chinese economy and their property market. Now, if this had happened at any other time in the past 30 years, the current dollar strength alone, would have caused a full on Asian financial crisis. Actually, there's been no crisis. Asia's actually performed okay, up about 15% last year. As we've discussed in previous webinars, this is because Asian fundamentals and the macro are actually very solid. Especially compared to the west.

They've had no inflation. We've got sensible real interest rates. No quantitative easing. Valuations at record lows with faster growth than the west. Despite these strong fundamentals, Asia has been held up by two or three major headwinds. I'd say China, global growth, and the US dollar and potentially, we're in an inflection point where for the time in years, we've started to see some tailwinds. When you think where valuations are, remember Asia's had net outflows for a decade, that could be really very exciting. Those key changers are China clearly moving to support and stimulate their economy, which is a huge shift for the region. The US is now going for growth, deregulating, and cutting rates.

Finally, the dollar remains very strong for now, but it is at the highest it has been for four decades at a time when the US was spending more. There'll be rising deficits and they want a US dollar, if they're going to reindustrialise. So potentially a lot of pressure coming for the dollar and if that were to weaken, that would be a huge catalyst for Asia. So, I'd summarise by saying that Asia has been a coiled spring for a while, waiting for some headwinds to become tailwinds. With China stimulating, the US stimulating and the potential peaking of the US dollar, this could really be Asia's growth moment and it is how we are positioned.

You mentioned some macro headwinds there, such as the very strong dollar. I suppose, what do you see as the main drivers for Pacific Horizon's underperformance specifically last year?

The biggest detractor last year, really was from our positioning between the two largest semiconductor players in Asia. TSMC, the chipmaker and Samsung Electronics, the leader in computer memory. Now, we were significantly overweight Samsung Electronics and although, adding throughout the year, underweight TSMC, which was really the wrong way on. Samsung's share price fell about 40% in dollar terms, as it struggled to catchup with its main rival in the high bandwidth memory. While TSMC had a very strong year, driven by high-end chip demand and was up about 70%. Those two companies being effectively the wrong way on, that cost us more than 400 basis points in performance.

Then finally, if we look at countries. Stock selection in China was out biggest weakness. We had been adding to China significantly over the past 18 months. However, it has mainly been in to non-state-owned technology companies. A lot of the strong performers in China last year came from the state-owned sector, including areas like the banks, where we have been significantly underweight. Really, to summarise, Samsung and TSMC led to significant underperformance in Taiwan and South Korea and by country, stocks selected in China let us down.

Quite remarkable that those-, TSMC, so important. Those two positions, getting them slightly wrong, could cost you 400 basis points of performance. A difficult environment. What about the main high points for the trust? What went well in 2024?

Starting by country, despite trimming back a lot in India, stock selection India continued to be the top contributor, with returns particularly strong in the small and mid-cap sector, which was very strong in the country. Standout performance were businesses like PB Fintech, which is the countries leading price comparison site. Where it's disrupting a lot of sectors, especially the insurance sector and the stock price was up more than 150% over the course of the year. Our Indian property names are also very strong, as the property market continues its upcycle. This meant, by sector, property was our biggest contributor to performance. Elsewhere, Vietnam, which is the trust's largest overweight position, about 10%. That was our second-best performer.

The countries macro continues to be strong, supported by exports and GDP growth of more than 70% and a rebound in the property market and the banks looking like they're better placed. So, a number of our companies, ranging from IT outsourcers to the banks in Vietnam, were very strong. Then finally, by stock, SEA was by far our best performing company, up over 160%. This is ASEAN's leading ecommerce, gaming and fintech business. It was quite a pivotal year for the company, where they really started to prove that their business model works. Ecommerce, which is the key long-term driver, has turned profitable in the key ASEAN market. That had always been our big question, they do very low-ticket items.

A typical delivery basket is less than $5 and the question had been, can they make this profitable? Yes, it appears to be. That looks like they'll be making quite significant money over the next few years, which is pretty exciting and that's one of our top five positions.

Following up on some of what you've mentioned already, you seem to be playing the AI theme strongly. You've added a lot to TSMC. You own the Korean chipmakers. Can you explain a little bit more what's behind these purchases?

I wouldn't just say it's an AI theme. AI has been a strong driver for semis, but it one of many long-term drivers from the Internet of Things, autonomous vehicles, and digitisation. All of which are driving a long-term secular growth in demand. Where we've been adding, in Korea it's been to Samsung Electronics and Hynix, which are the number one and number two computer memory makers. So, NAND and DRAM. Essentially, we see very strong demand for memory over the next decade. Combined with these being great [marker 10:00] businesses that make 20%-plus ROEs, on average, through the cycle. We added to Hynix in part, because it's taken a lead in high bandwidth memory, which is more in high-end applications, used for AI.

We also own some of it through SK Square, which is a Korean holding company, where all the value is effectively in Hynix, but it's on about a 60% or 70% discount to NAV. So, we think there's a lot of potential value there. Samsung, this is the number one player in computer memory. As mentioned, had a very bad year operationally. Fell being Hynix in high bandwidth memory. Longer-term this is the world's biggest memory company. They're able to invest $40 billion-plus, a year, in R&D capex. So, we think these issues are temporary and it will catchup. It's a rare opportunity to own this business below price to book with about a quarter of the market-cap in cash. So have been adding.

The final area has been TSMC. Obviously, we haven't owned enough of this, but it is now about 11% of the trust. This is the world's number one foundry. It's got a monopoly in high-end chips and give you an example. I was in Taiwan last year, speaking to equipment suppliers and TSMC customers. They were all very clear that TSMC's dominant position is not going to be changing for a long time. If anything, it's getting stronger. So TSMC's pricing power, margins are likely to expand and you're going to see very strong earnings growth over the next couple of years.

Semiconductors are a notoriously cyclical market. Do you see signs we might be nearing the top of the cycle?

That's an interesting question because I think you're right. Historically, this has been a very cyclical industry, but I would make a couple of observations. The first is that some companies are more cyclical than others. Actually, with the very top leading players, your TSMCs and your Samsungs, arguably the right thing to do for the past 15 years has really been to ignore the cycle and just let these compound. TSMC has compounded its share price at about 25% per annum in sterling terms over the past 15 years. Secondly, some semiconductor markets have become a lot less cyclical. For example, in DRAM, Hynix and Samsung, this has changed hugely. 15 years ago, there were a dozen players involved in the market. It was an absolute bloodbath. Nearly everyone lost money.

Now, it's consolidated down to a three-player oligopoly and there's significantly better supply discipline. Demand is still cyclical, but through the cycle, returns are much higher and the lows are lower. Finally, the long-term structural demand, I think, looks better than ever. Digitalisation is only set to continue with AI, datacentres, etcetera. Requiring ever more complex chips and that's going to raise the barriers and returns will accrue to a few winning companies. I think there are some structural issues that in a positive sense, are worth highlighting. That said, you are correct, cyclicality has not fully disappeared from this market at all, especially on the demand side, which is hard to predict.

Smartphones and PCs, demand there has been looking quite weak. So, some areas, where we have been trimming include selling some of our inspection equipment makers like Koh Young. These are often places where you first start to see orders getting cut, when people are trying to save money. Currently, very happy with what we believe are the best-in-class names in the semi space that we continue to hold.

To check tack a bit, you have a quarter of the trust in China and probably a bit more in A-shares. We had the great stimulus week in the autumn, does it seem to you to be a turning point in the government's management of the economy?

I think this is a significant change. It might not be the huge QE type stimulus that we've had in the west, but the government are clearly now focused on the economy and the market. I think we're going to see more of this throughout the year. We saw some clear indications of this from what happened when they announced the stimulus last year. Firstly, this was broad and clearly came from the very top, i.e., this is from Xi. It is the Politburo making these calls now. Secondly, it was clearly designed in part, to support the market. In terms of property, the policy has been stated as stopping the decline and return to stability and they've been removing red lines and restrictions.

They're also supporting the stock market. They're making available about 800 billion of RMB for share buybacks. Put that in perspective, that's more than all the yearly buybacks ever in China. I think that's certainly putting a floor under the market. Now, it's not to say they're completely out of the woods. The issues in the property market are ongoing. Albeit there are early signs that that is stabilising and they've started to nationalise some of the bankrupt private companies like Vanke, which I think is a promising sign. Given where valuations are, not a lot needs to happen if you want to make a lot of money from stocks in the market.

The final thing I'd highlight is that on the ground, China continues to do okay. GDP growing 5%-plus. Plenty of companies doing very well operationally. Tech platforms, they'll be growing their earnings 15% to 20% and many companies continue to lead the world in many areas like batteries, EVs, solar.

DeepSeek that we saw come out last week. So, I think there's a lot of exciting opportunities in China at the moment.

Whatever the Chinese government's stance or whatever the mood music, we do now also have the notoriously unpredictable Donald Trump factor to take into account. Do you see the new US President materially affecting the Chinese stocks you have in your portfolio?

Ultimately, yes, he and the US have the potential to impact any stock in our portfolio. Not just in China. It certainly seems clear that geopolitical tensions with the US and China will remain. I think that's the inevitable response from a superpower towards an emerging rival. That does bring risks. Saw that recently with one of our private company holdings, ByteDance which owns TikTok. Obviously, there are now questions of whether they'll be able to continue operating in the US. It does also bring opportunities is the flipside. For example, there are clear areas where China now needs to be self-sufficient. One of the most obvious being semiconductors.

Where they're putting a huge amount of resources behind. So, we've invested in companies like SG Micro and Silergy, that are the domestic leaders in analog chips, for example. Yes, they can impact our individual holdings. I think the pressure will be kept on China, but there are also opportunities for us within that.

Do you have any sense of what might happen with TikTok in the US or too early to say?

I think it's probably too early to say. From their position, I think it's interesting that Trump has come out with a delay and is looking at other solutions, from what the previous administration had. I think from our holding perspective, the one point I would make is that we really own ByteDance for their Chinese operations. That is where they make all of their profits. TikTok in the US, is actually a loss-making business. Perversely, if they got a decent valuation for that business, you might actually find that it was good for the valuations in the shorter-term. For us, the real value is in what they've got in China.

Vietnam appears to be your biggest overweight in the portfolio more or less. Is it essentially a play on companies outsourcing? Who are wanting to avoid US China trade wars and moving to Vietnam instead. Is it that simple or not?

No, I think that's not quite fair. Vietnam has certainly benefitted from companies looking to source from outside China. But it was doing very, very well even before US China tensions started to rise. This is not a short-term cyclical story of trade tensions. We invest in Vietnam because it is in our mind, the best structural growth story, probably, in all the emerging markets. Probably mentioned this quite a few times on our previous webinars. Ultimately, they have built-up a fantastic export manufacturing base, utilising their great location, young, cheap workforce. The government can get things done and they've made themselves an export powerhouse.

That is the way you go from an emerging country to a developed economy. It's what the Asian Tigers did and Vietnam is doing it. It's really become the top choice for blue chip firms like Samsung just set up their manufacturing facilities. There's a huge opportunity. China has probably got a couple of trillion dollars of low-end manufacturing that will naturally move out over the next ten to 15 years and Vietnam is likely to be the top choice. Tensions have helped accelerate some of this shift, but Vietnam is doing well really because they're doing a great job.

When you spoke to Citywire last year, you had significantly dialled back your exposure to India [marker 20:00] on valuation grounds. Is that still the same position today, is that still your stance?

Yes. We've continued to reduce India. We've taken another 3% or 4% out since the second half of last year. That really has been based on valuations. I think the macro looks broadly fine for the country, but the valuations still look stretched to us. At the same time as very lofty valuations, particularly in the small and mid-cap sector, expectations are starting to not be met. For example, if we go back to the last quarter of last year, I'd say probably about two-thirds of companies were not meeting analysts estimates. When you have small and mid-cap stocks on 70 times-plus PE multiples, if you start to slowdown and not achieve expectations, that's when you can start to lose a lot of money. Valuations still look a bit frothy to us and we've been taking a bit more out of India over the past four or five months.

You pin your colours to the five-year performance track record and indeed, the trust has markedly outperformed the benchmark since the start of 2020. Are we at the start of another golden five-year period?

As I've said for a while and we discussed at the start, I think the outlook for Asia really does look very good. The macro position is strong. The region has been unloved. We've had outflows for a decade. So, valuations are at record lows, despite strong growth and we finally have some clear catalysts of China stimulating, the US stimulating and finally, as the dollar starts to weaken, then Asia really should massively outperform most markets and our portfolio, with its growth bias, should be well positioned for that environment.

"You say you invest in growth companies, but you're also doing so at good valuations. I suppose if they are real growth stocks, why are the valuations so low?" this person asks.

It's a valid point and it's always that question of sometimes, what is the difference between value and growth because we certainly don't want to be overpaying for our growth businesses. At the moment, in Asia and I suppose, particularly in places like China, we seem to be offered growth at extremely low multiples. If you look at our portfolio, we've been adding quite a bit to rapid growth names, particularly in the tech space, where we're seeing businesses growing very fast, but we're not having to pay out too much for them. If we look at China, for example, we invest in a company called PDD, which is an ecommerce platform using social media very effectively to sell goods and targeting the lower middle-class mass consumption.

This is a business that grew revenues by about 65% year-on-year. Profits 100%. It throws off cash. Free cashflow conversion about 100%. Yet, it's on a seven times PE multiple. Those are the kinds of valuations that we're seeing in large parts of China. Not just China. If you look at our portfolio, you'll see that one of our big active positions is actually in Kazakhstan and that's through a company called Kaspi, which is a super app in the country. They dominate the payments network. They effectively control 100% of the payments network. So, everything used to pay for stuff in the country is through Kaspi. They've got 70% market share in ecommerce and they're the leading fintech business.

So, it's an incredibly powerful network that they've got across the country. Again, that's been growing earning 20% to 30% and you're paying seven or eight times multiple for that kind of business. It just looks to us, especially compared to western markets and the US, that you're paying significantly less for similar types of growth businesses at the moment across the region. Which probably tells you how unloved parts of Asia are at the moment.

You mentioned Pinduoduo, which I probably have mispronounced. One of our viewers asks, "Which other Chinese stocks do you like?"

I suppose, quite a lot of stocks. We've got just over a quarter of the portfolio in the country. I suppose, the areas that we've been adding to have been in the tech platforms over the past couple of years. That's coming from a position where we were significantly underweight if you go back more than 24 months in the country. So, it's been businesses like PED that we've been adding to and Tencent, which is the leading social media and gaming business, where we've also been adding to. I suppose the other areas we've been adding to in China would be to do with that geopolitical tension and China looking desperately to be self-sufficient in kay raw materials. So, the semiconductor side of things with businesses like Silergy or SG Micro.

Those would be the two areas where we've been adding to and we've also got a little bit in some of the material names, commodity names particularly focused on copper, which are Chinese businesses. Which is many ways are a long-term play on the green transition, where we think copper is a key material that's undervalued on a three or four year view there.

That's interesting about SG Micro. Normally people are talking about Trump and trade wars as a threat to China, but you're looking at the other side of the coin, saying which companies might benefit from that dynamic?

Yes, absolutely. You tend to find when there's bad news and people are worried, that's when you're able to find the best opportunities. Certainly, I think the trade wars that we're seeing in the country are making the Chinese state very conscious that they need to be able to supply those raw materials and equipment for decades to come. If you take a simple rule book of China in the past 20 years, one of the key ways to make money has historically been to align yourself with the state. There are certainly a number of sectors, semiconductors being on of them and advanced industrials, where we think there are very decent businesses where you can make money.

The challenge is actually, valuations. Whereas the private businesses on the tech platforms are frequently on low double-digit if not single-digit PE multiples, quite often those policy aligned businesses, now particularly those on the A-share market, the local market, those have been trading at very high multiples, 60, 70 times, albeit have come off. So, we'd like to have more in that space, but it's just trying to find the right businesses at the right prices.

Next question, we're back onto Vietnam and it's fast-growing economy. This person observes that "Vietnam's a frontier market now, but in a couple of years it might join the emerging market index, which should give it a boost. It seems to be where China was 20 or more years ago. Due to the concerns there are about China, why not reduce China and add more to Vietnam if it's such a great opportunity?"

It's a fair question. I suppose firstly, we do have a pretty big position there already. It's off index, it's not in our index. It's a 10% position for the trust. I think if you go back over the past eight or nine years, we've probably had slightly more at various points. Maybe up to 12% or 13%. I suppose the issue is, we would have more if there were more investment opportunities. One of the reasons Vietnam isn't in the emerging markets index yet, it's a frontier market, has been because of access to the market. It's typically been quite difficult to access Vietnam. Stocks haven't been very liquid and they have foreign ownership limits, which actually makes it quite tricky to buy the companies that you want to. It's getting better. The liquidity issue is no more I would say. It's as liquid, if not more than places like Thailand and Indonesia.

The foreign ownership limits are still problematic. It makes it quite difficult to access the companies. Then finally, there are some great businesses in Vietnam, but the main reason we don't have more is because there aren't more businesses that we'd like to own in the country. As the market deepens and there are more IPOs and various trading restrictions get relaxed, hopefully more opportunities will come up.

We have one question about the discount to net asset value, which the shares are trading at. It's about 14% at the moment. I suppose, what measures are being taken around the discount to potentially reduce that?

We have been actively doing share buybacks. So, we'll have bought back several million pounds over the past six or seven months. We are actively looking and the board are actively looking at the best way to bring that discount in. I suppose, compared to our peers, the Asian markets have been somewhat out of favour for a period of time. We would like to be more effective at bringing in the discount, but the market has been against us. [marker 30:00] We have been looking to bring in the discount and have been doing buybacks particularly, increasing those over the past two to three months as the discount has continued to widen.

We've got a question here, "The bias and the focus of the trust is about growth companies. Can this really be said of Samsung and TSMC at this stage?" I think what the question's getting at there is that there are absolutely giant companies. In a sense, for them to grow at the same rate has got harder. How would you respond to that?

A number of ways. You could look at TSMC and say it's actually grown very strongly, despite being a big company, over the past three or four years. If anything, I'd be saying that earnings are likely to be accelerating over the next 12 to 18 months. So, this is a large-cap business, yes, but it's going to be growing earnings, probably at 20% or so for the next couple of years at a minimum. Also, both for Samsung, but especially TSMC, these are businesses where it is all about scale. With huge barriers to entry. As the industry has got more and more technology-, well, the technology's got harder and harder. You're having to invest 30, $40 billion a year to keep up. So effectively what you've seen is all the players being forced out and the strong have got stronger.

That means more of the industry has gone towards these businesses. Actually, in these cases, where it's a winner takes all, effectively, it is the big-cap names that you want to be in. I suppose finally, because you need to put so much capital in, it's one of the few industries where you can, if you are a big player throwing off cash, you can reinvest vast quantities at very high returns. TSMC will be making ROEs of 25%, 30% and they can reinvest billions in at that rate. So, growth can be sustained and as I say, I don't think you're paying too much for that. Samsung is a slightly different beast. They haven't been growing as quickly. However, if they can sort out their semi side of the business, which I think they will in the next six to 12 months, then you should have a memory business growing at 15% to 20%.

Then they've invested over $40 billion over the past four or five years building up the number two foundry market in the world. That's currently loss-making, but if they can get that working, then that can be a huge profit centre. Combined with a consumer goods business which again, perfectly decent, throws off cash and they can use that to reinvest into the semi side of the business. The interesting thing about Samsung, is it's the only company in the world that does memory foundry and consumer electronics. If we start to see AI going onto edge computing, i.e., onto your smartphone, this is probably the one company in the world that can do all the semiconductors, all the memory and all the consumer appliances for that. I think there's a potential for some significant outsize growth at Samsung if they can get all those divisions working together.

One good follow up question on TSMC. "With it being so important to the trust, do you have concerns about China's stance towards Taiwan?"

Yes, that's always been one of the more recent issues with Taiwan and TSMC. I think that's partly in the price arguably, with TSMC. If this was a US company, I think it would probably be on at least double the multiple. So, I think there's a discount there already. Secondly, it is a threat that we take very, very seriously. I think I've discussed before, we've looked at the chances of a Chinese invasion of Taiwan. Have spoken to a lot of specialists. The intelligence community and the military community about this. A long story short, I think is a five-year view, such an act is very unlikely from China because they simply don't have the military capability to do an amphibious landing across the Taiwanese straits and it would be an existential threat to the CCP if they got it wrong.

Yes, it is a longer-term threat for the business. Arguably, over time, that will likely diminish as they build up fabs outside of Taiwan, which is what many western countries are asking them to do and giving them very favourable subsidies, etcetera, to do so. I think the black swan event of China going into Taiwan is less likely on a five-year view, and longer-term out, TSMC will be investing out with Taiwan and those risks should therefore naturally come down.

I'm really pleased we've had this topical question. "With the news this week about an apparent step change in AI capability coming from China, why do you think that hasn't been reflected in uptick in share prices in the region?

I suppose firstly, because of Chinese New Year, most of Asia's been shut since the news came out. I think that is the main reason and we'll find out more how the markets are taking that when they all reopen in a couple of weeks' time. Secondly, I think the other point is, this is all very new. It's been all over the press. We've had big moves in the markets in the US, which lots of shorts covering. I'd probably caution about some to the rhetoric. I think we do nee to see some more data about DeepSeek and verify some of the claims. For instance, it's clearly very good at certain specialised tasks like maths and decoding, but because of lack of the chips and technology they have, they've really been focusing on niche areas, but it's forfeited some of the more general tasks that you would expect AI to be good at.

When it's asked to give answers to some of the classic AI questions, it's only about 50% accurate. So, it's been described as a mixture of experts. It's really focusing on some key areas, but other areas it's not so good on. I think also, the markets probably waiting to actually get some more data and corroboration of just how it stands up to the claims that are out there so far.

Watch this space it sounds like. Another question, "To what extent do Baillie Gifford have feet on the ground in the Asia region?"

The Pacific Horizon, our Asian strategy, that's part of our emerging markets team. That's ten fulltime investors based here in Edinburgh. We are specifically covering a region across Asia and the emerging markets, which we typically rotate every two to three years between various members of the team. Obviously, I'm currently covering India, for example. So, I'll be out there three or four times over the course of the year. In addition, we've also got all of Baillie Gifford's global resources. Throughout the year, we've probably got about 70 investors in our various global teams looking at Asian companies throughout the year. All of that research is published to a central research library and gets emails out every single day. There's a lot of information there.

Then we also have a dedicated China team. That's about eight investors based in Shanghai and that was setup about four or five years ago. That is there specifically to look at the China A-share local market. That's our boots on the ground in China. Hopefully, that gives a flavour of the resources that we've got to help us cover the various Asian markets.

Given you've mentioned India, I'm going to ask a question about India I have. Equinox Developments in India is your largest active position or certainly, one of them. It's not a company I've seen other fund managers owning. What's the story there?

This is quite an interesting business. This used to be a company called Indianbulls Real Estate. If you mention that to anyone who knows about Indian companies, it will send shudders down their spines. It had terrible corporate governance and big financial difficulties. We took a holding about four years ago and that's essentially because it's become a big turnaround story. There's a very decent property developer called Embassy in India and working alongside of them, we're trying to get the promoters, the old people that owned Indianbulls out of the company and Embassy to inject their assets and actually takeover the company.

We've been working on that for about four years. It's taken a little bit longer than expected. The Indian legal system is certainly not the fastest in the world. [marker 40:00] Effectively, you've had the old promoters now completely removed from the business. We've got Embassy, who've come in. There was a big deal that we were involved with about six or seven months ago, where a significant amount of capital was raised and Blackstone were brought in as the number two shareholder. Just this week, the fill merger of Embassy into that business was completed. So, they now own about 40%. Baillie Gifford have probably got about 10% of the company. Blackstone a similar amount and we've got Embassy now in as the main promoters. I think it's a transformation story with completely new management, a whole load of new assets coming in and very much looking forward to what we and they can achieve over the next five years.

Last couple of questions. "How long to you see the political situation in South Korea affecting markets?" one viewer asks.

That was a very unexpected event.

Does it really matter to investors?

No, I don't think it probably does in the long-term. I think you'll certainly see various bits of news flow, but effectively he was a lame duck leader who was pretty ineffectual and unable to get anything done. I think reputationally, it's harmful to South Korea and certainly, be interesting to see how the US take that from a defensive or strategic perspective in the region. I think the long-term impact on markets and key companies is pretty limited.

"What is the likely impact on performance of your China investments from Trump tariffs?" is the question.

Firstly, it all depends on what Trump does. At this moment in time, that is not particularly clear. I think if he goes for all-out tariffs to China and, also, to broader Asia, that is 60% China, 10% to 20% other Asian countries, that will be a difficult environment for Asia and the emerging markets over the next 12 to 18 months. If he really goes for the extreme tariffs that he has mentioned, that is a significant headwind for the region and probably, quite a tough environment to perform in. If you look at the stock level, it's probably not where we're most exposed. Most of our companies now in China, I would say are focused more on the domestic side of the economy. Be that the internet platforms, the semiconductor names, or some of those material names.

So, at the stock level, I think we're less exposed, but from a macro perspective, it would certainly be quite difficult for Asia. I suppose, the final point to make is that I think we're someone hedged, depending what tariffs Trump did, but if you really went and hit China hard, then actually, that probably helps a number of places, particularly Vietnam. You said is that the place where everything gets filtered through? That's not the reason why we invest in Vietnam, but if you saw a scenario where big, big tariffs were slapped on to China, that would probably again, really accelerate people moving out of China and/or looking for a second source. Vietnam, providing big tariffs don't get put on Vietnam, is probably then the big beneficiary of that. So, I think we're hedged to an extent, if that answers the question.

It does, yes. Thank you very much. That's all we've got time for. Thank you, Roderick, for your time and insights and thank you for watching and for your questions today. We have more sessions like this coming up, so please do keep an eye for those if you found today useful.

Pacific Horizon

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

	2020	2021	2022	2023	2024
Share price	128.6	15.5	-32.5	-4.9	3.9
NAV (Cum fair)	86.3	20.7	-21.9	-2.4	10.7
MSCI All Country Asia Ex Japan Index	21.5	-3.6	-9.2	0.3	14.5

Source: Morningstar, MSCI. Total return in sterling.

Past performance is not a guide to future returns.

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