

Baillie Gifford™

# Pacific Horizon Investment Trust PLC

Philosophy and Process



For professional  
use only.

## **Potential for profit and loss**

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk.

This is a marketing communication and should not be considered as advice or a recommendation to buy, sell or hold a particular investment.

This communication contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

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# Company information

Pacific Horizon Investment Trust PLC (the 'Company') is an investment trust listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. As with any investment, your clients' capital is at risk. A Key Information Document is available on request.

## Company aims

Pacific Horizon's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth.

The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio is actively managed and will normally consist principally of quoted securities although up to 15% of gross assets can be invested, measured at the time of initial investment, in unlisted investments.

As with any investment, your clients' capital is at risk.

## Company details

<b>SEDOL</b>	0666747
<b>ISIN</b>	GB0006667470
<b>AIC sector</b>	Asia Pacific
<b>Comparative index</b>	MSCI All Country Asia ex Japan Index (in sterling terms)
<b>Launch date</b>	22 September 1989
<b>Year end</b>	31 July
<b>AGM</b>	October/November
<b>Results announced</b>	March and September (Typically)
<b>Dividends paid</b>	Typically November (if any)
<b>Management details</b>	Baillie Gifford & Co Limited are appointed as investment managers and secretaries to the Company. The Managers may terminate the management agreement on six months' notice and the Company may terminate on three months' notice
<b>Annual management fee</b>	Baillie Gifford & Co Limited's annual remuneration is calculated at 0.75% on the first £50 million net assets of the Company attributable to its shareholders, the next £200m is calculated at 0.65%, thereafter 0.55%. This is calculated and payable on a quarterly basis

## Company history

The Company was launched in 1989. Its investment policy at the time was to achieve capital growth via investing in certain ‘Horizon’ economies of Asia and the Far East whose stock markets were in the process of opening up to greater inflows of foreign investment. As a consequence, investment in Japan, Australia, New Zealand, Hong Kong, Singapore and Malaysia was excluded.

In 1992, at the end of the Company’s financial year, the Board decided to widen the investment objectives so as to embrace the whole of Asia-Pacific except Japan. In addition, Baillie Gifford and Co was appointed as Managers & Secretaries, replacing Tyndall International (Asia) Limited. Consequently, management of the Company moved from Hong Kong to Edinburgh.

In 1996, following a period of strong performance and subsequent demand, the Company held a ‘C’ share issue in order to improve liquidity in the market for the Company’s shares. The amount raised was approximately £21.5m, almost doubling the Company’s assets.

In 2006, the Company’s investment remit was broadened to include the Indian Sub-continent.

In 2013, shareholders approved the implementation of a bi-annual tender mechanism, triggered if the discount averaged more than 9% during the six month periods to 31 January and 31 July. Following the Company’s 2016 AGM this tender mechanism was replaced by a commitment from the Board to implement a 25% tender in 2019, subject to shareholder approval, if the Company’s NAV, calculated at fair value cumulative income, total return failed to exceed the Company’s comparative index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis. This tender was not triggered.

The Company has a five yearly continuation vote, the next continuation vote will be in 2026.

## Asia Pacific Equities

Pacific Horizon offers straightforward, unconstrained access to equity growth in Asia ex Japan, and the Indian Sub-continent. The objective is to generate capital growth through investment in this fast-growing region, excluding Japan.

The Managers are ‘bottom-up’, active investors, investing in companies that are believed to have the best long-term growth prospects, regardless of their size, domicile or weight in any given index. Companies of interest are those that enjoy sustainable competitive advantages in expanding industries and which are believed to be able to grow their earnings faster than the market average. This is based on the Managers’ belief that share prices ultimately follow earnings and cash flow.

## Why invest in the Asia Pacific region?

The past few decades have seen Asia take centre stage as the engine of global economic growth. Characterised by developing and thriving export markets, considerable investment in fixed assets, a competitive cost base and gradual financial liberalisation, the region has experienced an extraordinary pace of change and economic growth. The Managers believe that there is more to come. Personal wealth and consumption are rising, financial markets are evolving, and transformational technology is driving innovation and productivity. While Asian countries are not immune to the political, social and economic uncertainties that affect the emerging market universe, the region is home to thriving businesses that compete on the global stage. The volatility inherent in the markets provides opportunities for the long-term investor to identify the companies that can benefit from these exciting structural changes – thorough research unearths companies with viable business models that can deliver strong, sustainable growth over the longer term.

# Philosophy

Baillie Gifford's investment philosophy is to add value through active management, whereby we identify market inefficiencies and exploit them for the benefit of our clients. Our approach to investing has been consistent throughout this strategy's history, across multiple market conditions.

We are stock pickers and our investment philosophy is highlighted by the following areas:

## Long term

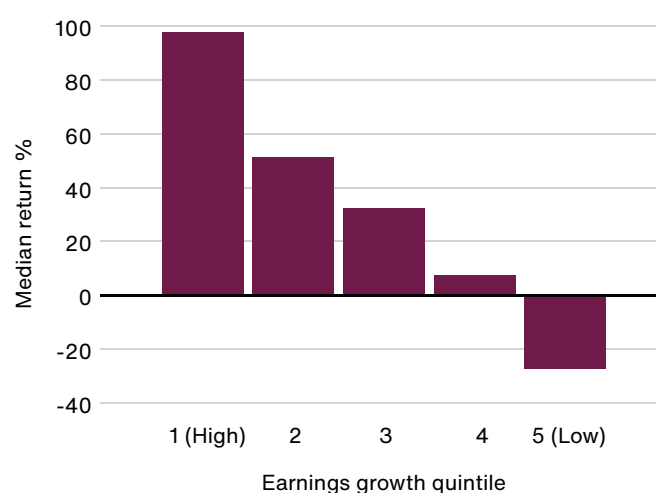
This matters. Stock prices are wildly unpredictable in the short-term. Ultimately, however, prices do reflect the earnings capability of a company. So when we find a company that has the potential to grow its profits significantly over time, we must invest with the patience that allows a good decision to prove its worth.

To this end, we ask shareholders to judge us over a five year plus time frame and similarly, investment managers' performance bonus is paid exclusively on rolling five year performance. This ensures alignment.

## Growth

We have found the most persistent source of alpha to be those companies that can grow their profits faster than the market, in hard currency terms, over the long-term. This trend persists irrespective of starting valuation. To evidence this we looked at different quintiles of earnings growth, in US dollars, over rolling five-year periods in the Asia ex Japan universe. We found that in the last 29 plus years, the top quintile of earnings growers were rewarded, on a median basis, with a near doubling in share price.

## Returns follow hard currency earnings over the long term in Asia ex Japan



Source: Baillie Gifford & Co, FactSet. Median five-year USD returns from Asia ex Japan stocks as of the end of December of each year between 1994 and 2023 and with a market capitalisation larger than time-adjusted US\$1bn.

The relationship shown in the graph above is striking. It underlines the importance of having a process with an unwavering focus on finding these companies that can grow their earnings over the long-term at double digit rates.

## Active

We would observe three particular features which emphasise the need for active management in Asia ex Japan. Firstly, roughly a quarter of the index still consists of state owned enterprise (SOE), whose interests are not always aligned with minority shareholders. Secondly, some Asian countries grow sporadically, so there will be times when we want to take advantage of the tailwind provided by economic cycles in certain countries and times when we want to limit our exposure. Lastly, positive returns in the asset class are driven by a very small number of companies that do exceptionally well. Being highly selective is imperative.

# Process

Our investment process is all about research and debate, founded on a clear idea of the market inefficiencies we can exploit for our clients. Our research framework asks investors to think creatively, beyond the constraints of traditional information sources, in order to find the best growth companies.

## Coverage

Every member of the Emerging Markets (EM) Equity Team is first and foremost an analyst and spends the majority of their time writing stock research. We allocate research responsibilities by geography. For us this makes sense as we have observed that the unique aspects of different countries typically dominate the investment case more than global sector considerations.

## Idea generation

Every member of the EM Equity Team meets with the investment partners in the team twice a year to agree on a research agenda. This provides a framework for research which covers potential new investments as well as reviews of existing holdings. Given we aim to hold companies for multi-year periods, each team member need only find a handful of new ideas in any given year. This ensures they have the freedom and time to research potential investments in great depth using a wide variety of inputs.

In addition to our Shanghai research office, research inputs include, but are not limited to, extensive investment trips to visit suppliers, customers, company management (listed and private companies), competitors, journalists, regulators and industry experts. We similarly commission independent pieces of research from academics and forensic researchers, when we believe this will help with our analysis.

We are also fortunate to work in Edinburgh with the majority of our investment colleagues, many of whom are also researching Asian companies or competitors. Our centralised research library equally ensures that there is a constant source of new ideas from colleagues on which the team can draw.

## Decision making

All investment ideas, whether existing holdings or new ideas, are discussed by the team at the weekly stock meeting. This is the opportunity to challenge and explore the research, drawing on the collective experience of the team.

Roddy Snell is the lead investment manager for the Company and Ben Durrant is deputy manager. They are both supported by the wider EM Equities Team. All team members contribute research ideas, but portfolio construction for Pacific Horizon is undertaken by the investment managers.

Stock weightings are determined by a combination of the conviction in the investment case, the scale and probability of the relative expected return and the context of the holding in relation to the rest of the portfolio.

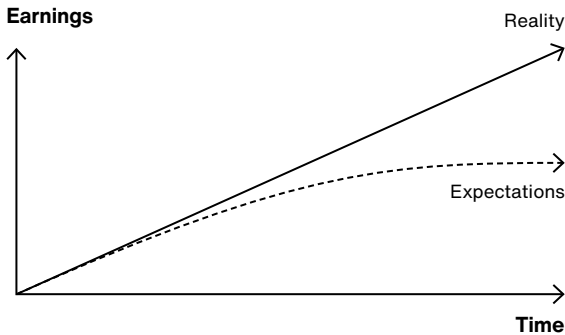
Our sell discipline is triggered if a company no longer meets our growth hurdle, if the investment case no longer stands up to scrutiny, if the valuation no longer leaves sufficient upside or if there are significantly better ideas elsewhere.

## Research focus

Our research is singularly focused on finding those companies that can double, in hard currency terms, on a five year view and we expect most of this doubling to come from earnings growth.

We are particularly interested in three specific persistent market inefficiencies, outlined on the following pages.

### 1. Under-appreciated growth duration



We believe one of the greatest market inefficiencies in Asia ex Japan is to be found in companies with excellent long-term earnings growth but where profits will be volatile from one quarter to the next, often as a result of investment or product cycles that are years in the planning.

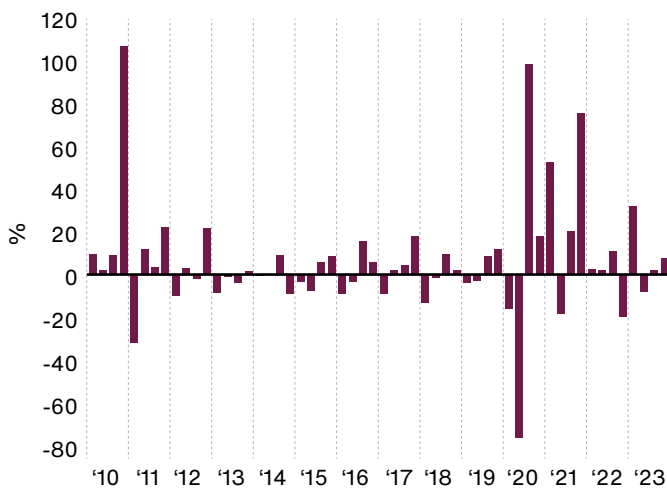
The market shows a disdain for such companies, preferring the predictability of smooth profit generation even if the long-term growth rate turns out to be a fraction of that achieved by those more willing to reinvest in their business and with greater ambition. This presents us with fantastic investment opportunities, but it requires an approach and culture that allows near-term volatility to be ignored.

Consider the holding in Bank Rakyat.

Taking our Investors to task every time quarterly estimates were missed or there was an earnings surprise would have meant ‘missing the forest for the trees’. The volatility of short-term earnings often masks a significant rise in the company earnings power over the long term. Our research focuses all its resources on trying to understand the drivers of the latter, which requires the discipline to ignore the former.

#### Bank Rakyat

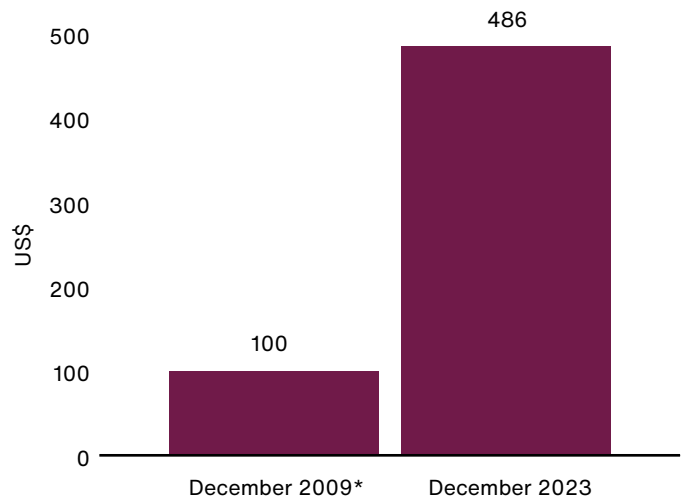
Net income (quarter on quarter change)



Source: FactSet. Data at December 2009 to 31 December 2023. US dollar. \*Rebased to \$100 as at 31 December 2009.

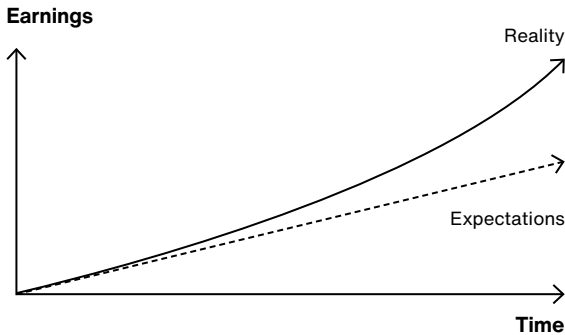
#### Bank Rakyat

Net income





## 2. Under-appreciated growth pace



The market consistently underestimates the likelihood of rapid growth. Consider the chart below which compares the average sell-side forecasts on earnings growth, to the reality.

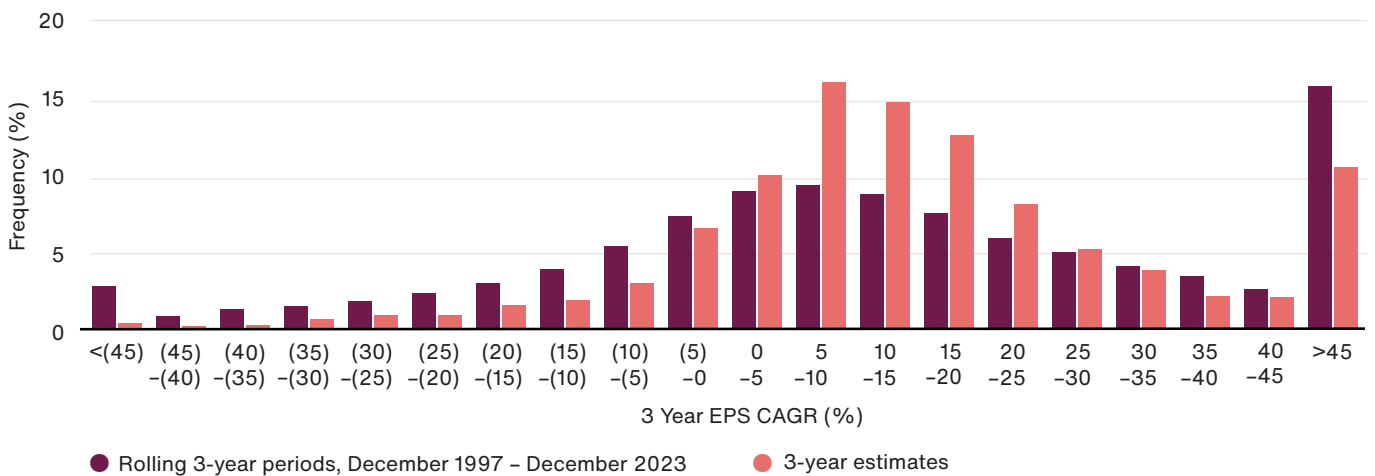
We present this, not as a dig at forecasting skills, as we would be the first to admit that forecasting precisely is impossible, but rather to illustrate that extreme growth is more common than the market appreciates. The evidence shows that most investors cluster around a narrow range of earnings growth predictions, which can in turn lead to significant mispricing of those companies with the potential to grow very rapidly. Our process is focused on finding these companies.

By looking further out and searching for low probability but high impact growth opportunities, we have been able to outperform. This requires our investors to think carefully about probabilities and possibilities, to spend more time thinking about what can go right rather than what can go wrong in any investment; as ultimately, stock markets are driven by a small handful of companies that do extremely well.

Indeed, we would argue that one of the biggest risks in investment is not holding the fastest growing companies. This is why our process focuses exclusively on investing in companies with the potential to substantially grow their profits, in hard currency terms, over five years.

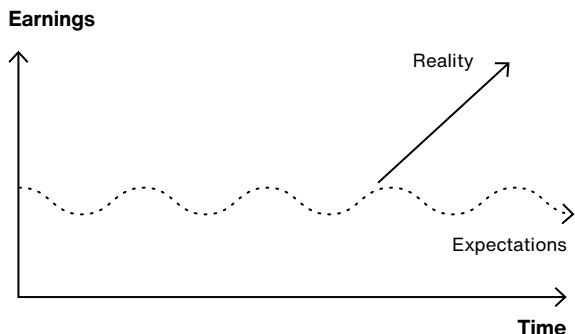
### Asia ex Japan stocks

Range of EPS 3-year compound annual growth rate (CAGR)



Source: FactSet, MSCI, FTSE. As at 31 December 2023. Based on stocks in the MSCI AC Asia ex Japan Index. US dollars.

### 3. Under-appreciated growth surprise



The final great market inefficiency in Asia ex Japan lies in the interaction between top-down and bottom-up investing.

Asia ex Japan investors do not have the luxury of ignoring macroeconomics. A purely bottom-up investment is a path to ruin in a universe where industrial and economic cycles can dominate investment returns over multi-year periods.

The long-term earnings outlook for a vast number of companies – notably in the financial, materials and industrial sectors - are determined by exogenous macro factors beyond their control. Government policy can also play a huge role in determining whether a company faces long-term tailwinds or headwinds.

Our analysis shows that while it may pay to invest in those companies that display consistently high

levels of earnings growth, the strongest returns are to be found in those companies that exceed growth expectations – a ‘growth surprise’ (i.e. those that deliver higher delivered earnings growth than is estimated).

This may seem obvious – rising levels of profit growth are normally accompanied by a re-rating, thereby providing a two-fold kicker to share price performance – but identifying the drivers behind this change is the key and has been a significant source of alpha for the portfolio.

We accept that timing these inflection points perfectly is largely impossible, but when you have an investment horizon measured over many years, successfully anticipating the future direction of travel is hugely valuable.

#### Average three year total return (% p.a.)

		Estimated Earnings Growth Quintile				
		Q1	Q2	Q3	Q4	Q5
<b>Delivered Earnings Growth Quintile</b>	Q1	16%	22%	24%	24%	28%
	Q2	8%	12%	14%	17%	21%
	Q3	2%	6%	10%	12%	15%
	Q4	-2%	1%	4%	7%	10%
	Q5	-7%	-5%	-3%	-1%	2%

Source: MSCI. Based on MSCI AC Asia ex Japan Index. Rolling quarterly three year attributions from December 2000 to March 2024. The table above evidences the opportunity of owning companies that deliver an earnings “surprise”. The data set shows our analysis of AxJ returns data from December 2000 – March 2024 and compares three-year earnings estimates at the beginning of the period, with three year delivered earnings during the period. There are two conclusions to take from this, firstly, the top quintile of delivered earnings outperformed, regardless of the starting estimate. Secondly, that companies delivering an earnings “surprise”, by delivering higher earnings than the market expected, were awarded with very strong performance.

# Risk

The portfolio contains companies which the Managers have identified as offering the potential for long term capital appreciation, irrespective of whether they comprise part of any index. The portfolio is actively managed and will normally consist principally of quoted equity securities although unlisted companies, fixed interest holdings or other non equity investments, may be held. The maximum exposure to unlisted investments is 15% of total assets, measured at time of initial investment. The company is also permitted to invest in other pooled vehicles (general, country and sector specific) that invest in the markets of the region. In constructing the equity portfolio a spread of risk is created through diversification and the portfolio will typically consist of between 40 and 120 companies. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, no maximum limits to stock or sector weights have been set by the Board except as imposed from time to time by banking covenants on borrowings.

The approach to risk is pragmatic. It seeks to ensure the portfolio is sufficiently diversified and managed in accordance with guidelines, while at the same time accurately reflecting the team's investment convictions. It is our objective to have as many idiosyncratic 'bets' in the portfolio as possible, to mitigate any systematic risk.

We believe that the risk of an investment losing money is the most important risk to any portfolio, over and above risk as defined by tracking error, volatility or credit spreads.

In addition to the aspects highlighted in the following pages, Baillie Gifford's dedicated Investment Risk, Analytics and Research Department use a range of tools and measures to analyse risk within our portfolios. These include risk models provided by APT (Advanced Portfolio Technologies), Style Research, and FactSet. The department is highly experienced in using these models and has a detailed understanding of their methodologies, as well as their limitations.

**The following are the main aspects of risk that we consider:**

### **Fundamental risk**

Our first line of defence is rigorous stock analysis. New buy ideas are subject to thorough review by the team. The investment case for all holdings is constantly re-examined, including a formal review of each holding every 18 months.

We will tolerate uncertainty in an investment case and embrace the possibility that any individual investment may have a wide range of outcomes.

### **Portfolio risk**

We seek to maintain an appropriate level of diversification at the overall portfolio level in order to mitigate analytical mistakes. The investment managers take the overall portfolio context into account when considering any buy or sell ideas that result from the weekly stock review. Our aim is to assess the real risks within the portfolio through forward-looking and open-minded debate, rather than relying solely on backward-looking risk models.

### **Liquidity risk**

We have guidelines that ensure the portfolio remains sufficiently liquid, to enable positions to be exited or client cash flows to be managed with minimal impact on the overall strategy. The key metric we use is that no more than 10% of the strategy will be invested in stocks where we hold more than ten days trading volume. This rule has served us well through periods of significant market stress.

### **Trading risk**

Baillie Gifford has a separate and dedicated centralised trading team. Our proprietary restrictions system is designed to prevent inappropriate transactions before any trading takes place.

**The Company's board considers the following as principal risks:**

### **Financial risk**

The Company's assets consist mainly of listed securities (93.6% of the investment portfolio, as at 31 July 2023) and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk.

### **Investment strategy risk**

Pursuit of an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value.

### **Political and associated economic financial risk**

The Board is of the view that political change in areas in which the Company invests or may invest may have financial consequences for the Company

### **Discount risk**

The discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company.

### **Regulatory risk**

Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains.

### **Custody and depositary risk**

Safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security.

### **Operational risk**

Failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets.

### **Leverage risk**

The Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts.

### **Climate and governance risk**

Perceived problems on environmental, social and governance ('ESG') matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Managers to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price.

### **Cyber security risk**

A cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems.

### **Emerging risk**

The Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to external and emerging threats such as escalating geopolitical tensions, cyber security risks including developing AI and quantum computing capabilities, and new coronavirus variants or similar public health threats.

**Further information can be found within the Pacific Horizon Annual Report.**

# People and responsibilities

Roddy Snell is the lead investment manager and Ben Durrant is deputy investment manager. They are both supported by the further eight members of the Emerging Markets Equities Team.

A key element of the team's success has been maintaining a stable core of investors who have worked together for many years. There are four team members who have worked together for a decade or more. They are consistently supplemented by new investors, some of whom are rotating through their graduate training. This helps to ensure a constant stream of fresh ideas and challenge.

Additional input includes our China Investment Team of nine, which contains seven investors on the ground in Shanghai. We set up our Shanghai office in 2019, primarily as a hub for China equity research. This was to complement the China equity research we do from Edinburgh and help us build strong on the ground relationships in China.

Throughout the firm we cherish breadth of perspective and diversity of thought. As such, we deliberately recruit from a wide range of academic disciplines. To outperform the market, we need to think differently from our industry peers and this approach to recruitment serves us well.

**All team members, whether investment managers or analysts, are first and foremost analysts: they spend the vast majority of their time researching companies**



**Roddy Snell\***  
Investment Manager

Roddy is an investment manager in the Emerging Markets Equity Team. He joined Baillie Gifford in 2006 and became a partner of the firm in 2023. He has managed the Baillie Gifford Pacific Fund since 2010 and Pacific Horizon Investment Trust since 2021 (having been deputy since 2013). Roddy became a member of the International Alpha Portfolio Construction Group in 2024. Prior to joining the Emerging Markets Equity Team in 2008, he also spent time in the UK and European equity teams. Roddy graduated BSc (Hons) in medical biology from the University of Edinburgh in 2006.



**Ben Durrant**  
Investment Manager

Ben is an investment manager in the Emerging Markets Equity Team. He has managed the Pacific Fund since 2021 and became deputy investment manager of Pacific Horizon Investment Trust in 2023. He joined Baillie Gifford in 2017, and has also worked in our UK, Global Discovery and Private Companies equity teams. Prior to joining the firm, he worked for RBS in their Group Strategy and Corporate Finance Team. Ben is a Chartered Accountant and a CFA Charterholder, and graduated BSc (Hons) in mathematics from the University of Edinburgh in 2012.



**Alex Blake**  
Head of Investment  
Trust Operations

Alex joined Baillie Gifford in 2014 and is head of investment trust operations. Previously, he qualified as a lawyer before joining the corporate finance department of an Investment Trust broker. Alex graduated LLB from the University of Edinburgh in 2005.



**Anzelm Cydzik**  
Client Relationship  
Director

Anzelm joined Baillie Gifford in 2000. He is part of the Investment Trust Team where he has specific client responsibility for Pacific Horizon Investment Trust PLC, Edinburgh Worldwide Investment Trust plc, Baillie Gifford UK Growth Trust plc, and Baillie Gifford Shin Nippon PLC. He is responsible for managing relationships with boards, shareholders and analysts and also helps with marketing and public relations for the Baillie Gifford Investment Trust range. Anzelm graduated BA in History & Politics.

\*Partner

# Board

**The Board has overall responsibility for the Company's affairs. A number of matters are reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy.**

**The Board currently comprises five Directors, all of whom are non-executive.**

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**Roger Yates**  
Chair

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Roger Yates was Chief Executive of Henderson Global Investors from 1999 to 2008, prior to which he had fund management roles at Invesco/LGT and Morgan Grenfell Asset Management. He is currently Senior Independent Director ('SID') of Jupiter Fund Management plc, Mitie Group plc and Chair of The Biotech Growth Trust PLC. He is the former SID of FTSE-100 St James's Place and of IG Group plc. Amongst his other roles, he is also a former Chair of Electra Private Equity plc and a former non-executive Director of JP Morgan Elect PLC.

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**Angela Lane**  
Director

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Angela Lane was appointed a Director in 2018. She is Chairman of the Audit Committee and is the Senior Independent Director. She is a qualified accountant and has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries. Previously she spent 18 years working as a private equity investor for 3i plc. She is a non-executive director and Chair of the Audit Committee of BlackRock Throgmorton Trust plc, Seraphim Space Investment Trust plc and Dunedin Enterprise Investment Trust PLC.

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**Joe Studwell**  
Director

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Richard Frank ('Joe') Studwell was appointed a Director in 2018. He has spent over 25 years working in East Asia as a journalist, independent researcher at Dragonomics and author under the name of Joe Studwell. His published works include Asian Godfathers: Money and Power in Hong Kong and South-East Asia and How Asia Works: Success and Failure in the World's Most Dynamic Region.



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**Wee-Li Hee**  
Director

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Wee-Li Hee was appointed a Director in 2020. She is an experienced Asian analyst and fund manager. Brought up in Singapore, she speaks fluent Mandarin and studied in the UK at the University of Leeds and the London School of Economics and Political Science. After graduation, in 2002 she joined First State Investments in Singapore as an analyst, subsequently moving to the firm's Edinburgh office in 2005. Having co-managed Scottish Oriental Smaller Companies Trust plc she became lead manager in 2014, stepping back as a result of family commitments to return to a co-manager role in 2017 and retiring at the end of 2019. She is a CFA Charterholder and non-executive director of Melville Paisley Investments.

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**Robert Chote**  
Director

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Sir Robert Chote was appointed a Director in 2020. He became chairman of the Northern Ireland Fiscal Council in 2021, chairman of the UK Statistic Authority in 2022 and was chairman of the Office for Budget Responsibility to 2020. He previously served as Director of the Institute for Fiscal Studies, as an advisor to the International Monetary Fund and as Economics Editor of the Financial Times. He is a senior adviser to governance reform consultancy FMA and a visiting professor at the Department of Political Economy, Kings College London. He serves on advisory boards at the Warwick Manufacturing Group and the Centre for Economic Performance of the London School of Economics.

# About Baillie Gifford

**Baillie Gifford & Co is one of the leading privately owned investment management firms in the UK. Structured as a partnership, investment management is our sole business.**

Baillie Gifford & Co is wholly owned by partners, all of whom work within the firm. We believe that the personal involvement in the business by the owners is crucial to maintaining the motivation and high standards essential to a modern investment house and maintaining a firm client focus.

A hallmark of the firm is the stability of our organisation and our commitment to continuing as an independent, private business based in Edinburgh. We are particularly proud of our low turnover of staff, both investment and administrative.

Baillie Gifford has a strong service culture. We make every effort to ensure that the service to investment trust boards and shareholders is of the highest possible standard.

Accounting and company secretarial services are provided by our in-house Investment Trust Department. This team currently provides these services to the other investment trusts managed by Baillie Gifford.

## **Investment Trusts and Investment Companies managed by Baillie Gifford**

	<b>Sector</b>
Scottish Mortgage Investment Trust PLC	Global
The Monks Investment Trust PLC	Global
Keystone Positive Change Investment Trust plc	Global
The Scottish American Investment Company P.L.C.	Global Equity Income
Edinburgh Worldwide Investment Trust plc	Global Smaller Companies
The Baillie Gifford Japan Trust PLC	Japan
Baillie Gifford Shin Nippon PLC	Japanese Smaller Companies
Pacific Horizon Investment Trust PLC	Asia Pacific
Baillie Gifford US Growth Trust plc	North America
Baillie Gifford UK Growth Trust plc	UK All Companies
Baillie Gifford European Growth Trust plc	Europe
Baillie Gifford China Growth Trust plc	China
The Schiehallion Fund	Growth Capital

## Differentiation

We believe a number of features differentiate Baillie Gifford's investment philosophy and process:

### Fundamental style

We are fundamental investors. We undertake our own research with considerable emphasis on analysing companies' financial statements and assessing management.

### Long-term investment horizon

Our aim is to select good quality stocks which will outperform over the long term. When assessing a stock, we look at a company's prospects over the next five years as opposed to the next five months.

### Active portfolios

Having identified good quality stocks, we look to hold them in sufficient size to have a meaningful, positive impact on performance. We back our judgement.

### Team-based decision making

We operate a genuine team approach. Portfolios reflect the views and contributions of each investment team.

### Stability of investment staff

Our partnership structure encourages a high degree of stability within the investment teams. All staff have the opportunity to become a Partner and this provides a major incentive. We believe this ability to own part of a successful, growing business is significantly more than just a financial incentive. In addition, even at non-partner level, profits are shared across a wide base of the employees.

### Continuity and repeatability

Our approach to investment has been established over many years. The consistent application of this successful philosophy and process explains our historic performance record and underpins our confidence that performance can be maintained into the future.

# Contact



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**Grant Walker**  
Head of Intermediary Sales

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**Samantha Crawley**  
South East

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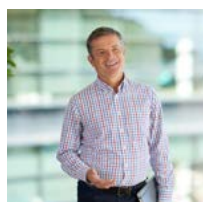


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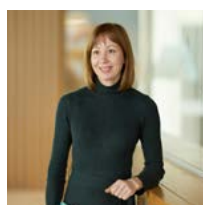


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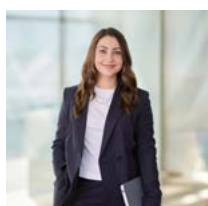


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