
FINDING EXPLOSIVE GROWTH IN ASIA

Investment managers Roderick Snell and Ewan Markson-Brown believe that Asia is going to be one of the fastest-growing regions over the coming decades. They argue that the best way to unleash this potential in your portfolio is by buying growth companies in that growth region. They call this ‘Growth Squared’.

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

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Ewan Markson-Brown (EMB): Asia is going through a period of unparalleled economic and political change, driven by the rise of the middle class, urbanisation, and rapid technological improvement. However, this is only part of the story. We are looking for the best growth companies, within this growth region, for your portfolio.

Roderick Snell (RS): And that’s what our fund is all about. We call it ‘Growth Squared’. So, how do we deliver this? Returns in Asia tend to be concentrated in just a handful of big winning growth companies. They give you multiple returns. So, the key for us is finding these companies. And to do that, we’ve actually kept things pretty simple.

EMB: We are using our knowledge and our foresight to work out which companies are most likely to deliver exceptional growth in the longer term. Companies that can, at a minimum, double their earnings over the next five years.

RS: We’re genuinely long term. And in one of the shortest-term markets in the world, that’s a huge advantage because we can be patient and invest in companies before the investment case has really started to become well known by the market. And it means we can invest and hold onto some of the best growth stocks in Asia through inevitable periods of short-term volatility.

EMB: And, lastly, we embrace uncertainty. Many investors avoid risk. We embrace change. We accept that the world is uncertain, and by doing so, we can pick inflection points and benefit from exponential growth. This delivers a portfolio, where we believe that growth is underappreciated by the market. How do we find these companies? We are able to invest in a diverse number of countries and sectors. We invest in great technology companies in South Korea, China, Taiwan. We can go down to Indonesia and find fantastic commodity investment. Real estate in Vietnam. And wonderful consumer stocks in India.

RS: But if you’re going to take advantage of this diversity, you have to embrace growth in all its forms. So, there are three key types of underappreciated growth that we focus on.

EMB: Firstly, growth duration. This is where the duration of the earnings growth tends to continue for much, much longer than the market expects. Great growth business models.



RS: Secondly, pace. Asian investors typically cluster around the idea that most companies grow between 5 per cent and 20 per cent in Asia. But, in reality, the outcomes are usually far more extreme, and there are many companies that grow a lot faster than that and offer very substantial rewards if you can find them.

EMB: And, thirdly, surprise. This is where market participants see no growth. But, actually, if you take a longer-term view, you're seeing an inflection point, where growth surprises rapidly.

RS: In our opinion, Asia is going to be one of the fastest-growing regions over the coming decades. And the best way to unleash that growth potential in your portfolio is by buying growth companies.

EMB: And this is what our fund is all about.

The following film has been recorded with Roderick Snell and Ewan Markson-Brown, investment managers for the Pacific Fund and the Pacific Horizon Investment Trust PLC.

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