
SHIN NIPPON MANAGER UPDATE

Praveen Kumar, investment manager of Baillie Gifford Shin Nippon PLC gives an update on the performance of Shin Nippon over the past year and shares the team's views on the long-term outlook for Japanese smaller companies.

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 May 2022 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 Shin Nippon PLC, please visit our website at www.baillieghifford.com

Past performance is not a guide to future results.

Praveen Kumar (PV): Hello, my name is Praveen Kumar, and I am the lead manager of Baillie Gifford Shin Nippon.

The past year has been tough for high growth stocks globally and Japanese small caps haven't been immune to this. Currently, high growth stocks face numerous headwinds: rising inflation, lingering effects of the pandemic on global supply chains, especially semiconductors, and an unstable geopolitical situation.

All these macro factors are creating a negative feedback loop, reinforcing market weakness.

As patient long-term growth investors, the current sell-off doesn't strike us as being unusual at all. In fact, what we believe has been unusual is the extremely long period of a benign and supportive environment for growth stocks that we have had since the Global Financial Crisis.

Therefore, the extent of the current reversal in fortunes for growth stocks doesn't really surprise us.

Despite all the negativity around growth stocks, we think there is much to be encouraged, and indeed, be excited about.

Firstly, we believe the current sell-off is driven more by sentiment rather than fundamentals. Despite what their share price might be telling us, the reality is that a majority of Shin Nippon's holdings are continuing to show excellent operational progress.

Many of our disruptive online holdings are successfully scaling their businesses and strengthening their competitive position in the process.

Online real estate company GA Tech, online food ordering and delivery company Demae Can, and online legal portal and digital contracts company Bengo4.com are all growing at over 30%. In Demae Can's case, recent sales growth was over 100%.

These exceptional growth rates aren't limited to online businesses. A number of Shin Nippon's non-internet holdings are also continuing to generate strong growth.



High-end outdoor camping equipment brand Snow Peak, premium helmet manufacturer Shoei, and staffing company TechnoPro are all continuing to report very strong growth numbers despite the perceived headwinds.

All of this is an indication of the diversity of high growth ideas that are held in Shin Nippon.

Secondly, the sharp sell-off over the past year has meant that valuations across Shin Nippon's portfolio of high growth small caps stocks now look very attractive.

Notwithstanding the current weak environment, staying true to our long-term and high growth investment philosophy and by focussing on the fundamentals, we give ourselves the best chance of generating attractive returns for shareholders in the long run.

We believe that a highly attractive growth profile exposed to some structural, long-term trends in Japan, and the current low valuations, make Japanese small caps a very attractive proposition for investors. The key to realizing significant upside from here is being patient.

Given these attractions and the increasing number of high growth, small cap ideas that have become available to us, we remain very excited by the long-term growth and returns prospects of Shin Nippon.

Thank you very much for listening.

Annual Past Performance to 31 March Each Year (net %)

	2018	2019	2020	2021	2022
Baillie Gifford Shin Nippon PLC	43.9	-5.0	-21.2	68.8	-25.2
MSCI Japan Small Cap	12.2	-4.8	-6.2	24.4	-7.7

Source: FE, share price, total return. Sterling.

Past performance is not a guide to future results.

The views expressed are those of the speaker, are not statements of fact, and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. No reliance should be placed on these views when making investment decisions.

This recording does not constitute, and is not subject to the protections afforded to, independent research. Baillie Gifford and its staff may have dealt in the investments concerned. Baillie Gifford Shin Nippon PLC invest in overseas securities and changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up. The trust's exposure to a single market and currency may increase risk.

Investment in smaller companies is generally considered higher risk as changes in their share prices may be greater and the shares may be harder to sell. Smaller companies may do less well in periods of unfavourable economic conditions.

Baillie Gifford & Co Limited is authorised and regulated by the Financial Conduct Authority (FCA). The investment trusts managed by Baillie Gifford & Co Limited are listed UK companies. Shin Nippon PLC is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority.

