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Pacific Assets Trust PLC
30 April 2025

Pacific Assets (PAC)

30/04/2025

Results analysis from Kepler Trust Intelligence

Pacific Assets (PAC) has released its financial results for the year ending 31/01/2025. Over the year, the trust saw its NAV increase by 9.7% on a total return basis, which compares a return of 22.3% for the trust's comparator benchmark, and 15.6% for the average of the peer group. PAC also beat its alternative performance measure, UK CPI +6%, which rose 8.8% in the same period.

As a result, the trust has now delivered positive absolute returns in eight of the past nine financial years. This has contributed to strong long-term cumulative outperformance, with PAC having returned 52.1% over five years to 31/01/2025, versus the benchmark return of 27%.

This track record reflects managers', Doug Ledingham and David Gait's, strong focus on risk. However, this can lead to the trust lagging in market rallies. In the financial year, relative performance was primarily driven by the overweight to India and underweight to China allocations.

Doug and David added to their China allocation during the year which had been less than 1% in previous years. This consists of eight high quality companies. Economic exposure to the country is much higher across the portfolio. As a result, turnover increased by circa a third as the managers found several new, long-term opportunities.

PAC's average share price discount over the year was 11.5%, wider than any average of the past five years. The board began buying back shares in the second half of the year and have continued since.

The trust's revenue rose in the year enabling an increase in the dividend.

The managers will be swapping roles effective 01/07/2025, as part of a natural evolution.

Chairman Andrew Impey reflected on the market background, stating the managers' "approach is well-suited to delivering sustainable value for shareholders, even in a more complex and fast-evolving regional landscape".

Kepler View

These results mark a return to strong absolute returns for Pacific Assets (PAC). Whilst relative performance is behind the benchmark, the trust did outperform its alternative inflation goal (as measured by CPI +6%), and is cumulatively ahead of both comparators over the long-term. We believe this risk-managed approach could offer interest amongst the current geopolitical issues, by providing investors a way to manage potential volatility whilst offering exposure to the Asian growth story.

This opportunity is enhanced by the current discount in our view. The trust traded at a wide average discount during the year, and since, which we believe reflects broader sentiment towards the region, and doesn't account for the trust's risk-focussed approach. Furthermore, much of the negativity surrounding Asia is arguably priced into markets, therefore - and with the proviso that nothing is guaranteed and this is a volatile market - the trust could easily surprise to the upside from here.

Doug and David's recent additions could support this recovery. They have added to China over the year, capitalising on depressed valuations to purchase high-quality companies at attractive valuations. We believe this demonstrates their willingness to look at all opportunities, so long as they pass their strict quality criteria, and it adds a bit more balance to the portfolio. China has performed well in the past few months which could support PAC's absolute returns should this continue in 2025.

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