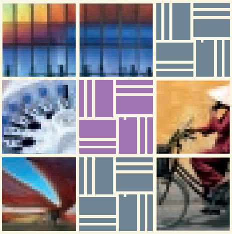
PACIFIC HORIZON INVESTMENT TRUST PLC

Interim Financial Report
31 January 2017

BAILLIE GIFFORD



Investment Objective

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 will normally consist entirely of quoted securities.

Summary of Unaudited Results*

	31 January 2017	31 July 2016 (audited)	% change
Total assets	£142.7m	£132.7m	
Borrowings	£10.0m	£5.0m	
Shareholders' funds	£132.7m	£127.7m	
Net asset value per ordinary share (NAV)	244.64p	223.58p	9.4
Share price	216.75p	201.00p	7.8
MSCI All Country Asia ex Japan Index (in sterling terms)†	434.1	396.8	9.4
Discount	11.4%	10.1%	
Active share	80%	81%	

	Six months to 31 January 2017	Year to 31 July 2016
Total return (%)#		
Net asset value per ordinary share	9.7	13.3
Share price	8.0	10.9
MSCI All Country Asia ex Japan Index (in sterling terms)†	10.4	16.2

	Six months to 31 January 2017	Six months to 31 January 2016	% change
Revenue earnings per ordinary share	(0.55p)	(0.34p)	(61.8)

	Six months to 31 January 2017		Year to 31 July 2016	
Period's high and low	**High**	**Low**	**High**	**Low**
Share price	240.00p	201.00p	201.00p	143.25p
Net asset value per ordinary share	259.76p	221.22p	227.16p	161.16p
Discount	4.6%	15.4%	5.2%	14.6%

* For definition of terms see Glossary of Terms on page 17.

† The principal index against which performance is measured is the MSCI All Country Asia ex Japan Index (in sterling terms).

\# Source: Morningstar.

Past performance is not a guide to future performance.

Interim Management Report

Results

In the six months to 31 January 2017, Pacific Horizon's net asset value (NAV) per share total return was 9.7%. The share price total return was 8.0% as the discount widened from 10.1% to 11.4%. Over the same period the MSCI All Country Asia ex Japan Index's total return was 10.4% in sterling terms. In capital only terms, the relative performance of the Company's NAV versus the comparative index* was similar over the period at 9.4%.

In summary, portfolio gains in Hong Kong and China were partly offset by losses in South Korea. A number of our high conviction positions recorded significant share price increases, but the relative and absolute share price performance of many of our smaller companies, especially in the biotechnology sector, was weak; the relative underweight position in Samsung Electronics also detracted from returns.

Performance

Our Indian investments, which accounted for 17.0% of the Company's total assets at the end of January 2017, were a significant drag on relative and absolute performance, with the index rising only 2.7% in sterling terms. In absolute terms, the Philippines was the worst performing market in the region, down 9.3% in sterling terms, followed by Malaysia, which ended 1.9% lower in sterling terms. Both suffered from a strengthening US dollar. We had, and continue to have, no direct listed exposure to either country. Hong Kong and China performed well as the market reacted positively to signs of an improving domestic Chinese economy. The best performing market was Taiwan, driven by Taiwan Semiconductor Manufacturing (TSMC), a portfolio holding, and the banking sector where, in contrast, we have little exposure.

In China, Geely Automotive rose 91% after announcing that sales had doubled over the year; the company is incorporating technology and manufacturing process from its Volvo acquisition, propelling its strategy of transformation from being a low end domestic Chinese car company to a global automotive brand. Sunny Optical rose 56%. It is the world leader in automotive cameras, a market which is growing at 30% per annum and where we see it gaining market share from its current mid 30%.

It was disappointing to see some of our smaller South Korean biotechnology stocks fell between 30–40%, driven by a number of external factors. First, a large South Korean biotechnology company, which we did not own and which had previously been awarded two international contracts in 2014, stopped clinical trials. Second, the impeachment saga of the South Korean President dramatically reduced investor confidence, notably among domestic retail investors who subsequently sold smaller South Korean companies aggressively. For all our South Korean biotechnology holdings, the news from the companies continued to be encouraging. We remain holders and continue to have a positive view on their long-term outlook, despite their current share price volatility.

Investment Backdrop

Globally, value investing performed well relative to growth as the global economic cycle, which has been muted for several years, shows nascent signs of life. We see this as both a threat and an opportunity. Poorer quality value companies often temporarily outperform growth stocks when an economic cycle turns positive. In these circumstances, companies that had exhibited earnings certainty and been rewarded in share price terms can tend to look expensive by comparison and run the risk of being de-rated. We foresee acceleration in the growth outlook for a number of our larger economically-sensitive holdings and feel this acceleration will also have a positive impact on our portfolio, given our bias to smaller companies.

The global investment climate has changed over the last six months. The election of Donald Trump as President of the United States is creating a schism between an old and new political order. The consequences of change are still unknown but are sure to reverberate in world markets for some time to come. Put simply, globalisation is slowing; the new economic order is changing to one of more limited international intervention and integration, with a greater focus on internal domestic issues than

* MSCI All Country Asia ex Japan Index (in sterling terms).

Past performance is not a guide to future performance.

external foreign ones, especially in North America. Technological change, in the form of automation and artificial intelligence, and demographic change in the form of ageing populations and less immigration, has been a precursor to these political changes and will continue to drive global economies in the future. The ramifications for Asian economies are still uncertain. The most likely outcome is that China and eventually India will rise to fill the global power vacuum and continue to support a form of nation-first globalisation; we heard this from the Chinese President who delivered the most pro-globalisation speech yet at Davos this year.

In India, Narendra Modi is cementing his position as an authoritarian populist leader following his successful demonetisation of large denomination notes. We continue to believe that India, under Modi, is adopting the Asian Tiger model of economic growth which is likely to ensure increasing and sustainable economic activity. In our opinion, the high cost of capital within the domestic market, together with the large number of quality companies, justifies our notable Indian weighting. Over the last six months we have been reducing our holdings in IT outsourcing companies and focusing on companies that benefit from domestic demand, especially banks, as we believe loan growth is at an inflection point. Having spent almost a decade with credit growth growing in line with GDP, we expect an acceleration in the near future.

Vietnam, at around 4.8% of the Company's total assets, has been a significant focus for us. We believe this frontier market country, with 90 million young, educated people, should no longer be overlooked. A combination of economic reforms, foreign direct investment flows, market gains from China and a cheap stock market is likely to lead to significant economic growth and stock market outperformance.

Positioning

The portfolio is focused on taking advantage of the value creating effect of technological change on economies and existing businesses. In this period of disinflationary growth, our investment focus is on companies which generate 'ideas' rather than 'things', companies that are asset light rather than asset heavy and that have output that is scalable rather than bespoke. Our philosophy is that 'innovation' beats 'stability' and 'new' businesses have the advantage over 'old'. The portfolio is positioned to reflect the underlying disinflationary forces that are affecting the world today and is likely to remain positioned this way over the coming years.

At 49.3% of total assets, technology companies continue to account for the largest proportion of the stocks held. A number of these companies have great potential to benefit from economic advances expected in developed markets. Good examples are global technology leaders, TSMC, Hon Hai Precision Industries and SK Hynix (which rose around 60% in the period). These are all companies which benefit from the smartphone and automation revolutions, either directly, by producing hardware, or indirectly, by managing the software that allows companies to harness these new business techniques.

We believe that artificial intelligence and a rapid increase in computing power will drive company fortunes over the coming years. A combination of big data, analytics and deep learning will allow huge costs to be removed from the economic system and significantly greater profits to be made. The spread and sophistication of e-commerce – particularly as ease of use improves – is going to dramatically reduce the cost base of companies undertaking business online, giving an even greater comparative cost advantage versus brick and mortar businesses. We believe this cost advantage will propel growth of those companies who have the ability and the determination to adopt these new approaches to doing business into the high 20% area for many years, allowing significant comparative economies of scale to be derived.

As a result of the growth of an ageing population and the arrival of new regenerative medicines, healthcare demand is, and will continue to be, a key growth sector globally. We have 5.7% of total assets invested in South Korean biotechnology stocks which we believe can make a substantial improvement to the quality of people's lives via regenerative and personalised medicine. We see this as a growing area of South Korea's new competitive edge.

In terms of concentration, the top 10 holdings account for 40.4% of the Company's total assets and the top 30 account for 73.2%. The portfolio also has a bias to mid and smaller companies when measured against the comparative index and the majority of immediate peer trusts. The Company has potential gearing of 7.5% of assets and is fully invested at present.

Prospects

Asia ex Japan stands out as a region with high positive real economic growth in an otherwise slow growth world. India is likely to grow at an annual rate of 6%–9% due to its demographics, a rising middle class and the absence of an overhanging debt burden. Chinese growth is stabilising at around 4%–5% and Vietnam has the potential to grow at 6%–7% year on year. It is our contention that the best way to generate long-term absolute and relative returns is to invest in growth companies in growth regions. Once near-term uncertainties are removed, the premium paid for this rapid growth will increase given its relative scarcity.

In line with our long-term investment philosophy, we believe that the investments held represent attractive opportunities which have the potential to create future value and to generate superior returns for shareholders over the next few years.

Management Fee

On 18 January 2017 the Company announced a change in the calculation of the annual management fee payable to Baillie Gifford & Co Limited, with the introduction of a third tier of 0.55% at £250 million of net assets. With effect from 1 January 2017, the annual management fee will be charged at a rate of 0.95% on the first £50 million of net assets, at 0.65% on the next £200 million of net assets and at 0.55% on the net assets beyond £250 million. The fee will continue to be calculated and paid on a quarterly basis.

Appointment of New Director

Since the period end, the Company has announced the appointment of Mr Angus Macpherson as a non-executive Director of the Company with effect from 28 February 2017. Mr Macpherson is Chief Executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is currently chairman of JP Morgan Elect PLC and of Henderson Diversified Income Limited. He is also a member of the Scottish Government's Financial Services Advisory Board. He was based in Asia between 1995 and 2004, working in Singapore and Hong Kong, latterly as Head of Capital Markets and Financing (Asia) for Merrill Lynch.

The principal risks and uncertainties facing the Company are set out on page 15.

Baillie Gifford & Co Limited
Managers and Secretaries

For definition of terms see Glossary of Terms on page 17.

Thirty Largest Equity Holdings at 31 January 2017 (unaudited)

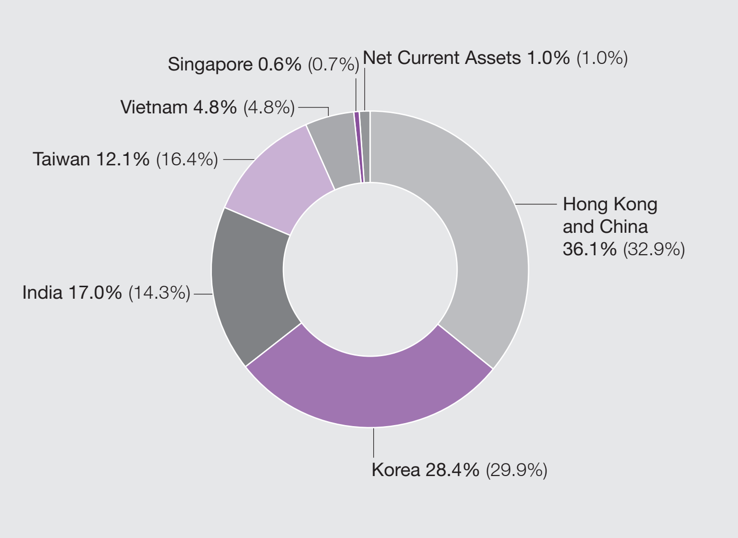
Name	Country	Business	Value £'000	% of total assets *
Tencent Holdings	Hong Kong/China	Online gaming and social networking	8,828	6.2
Alibaba Group ADR	Hong Kong/China	Online and mobile commerce	8,180	5.7
JD.com	Hong Kong/China	Online mobile commerce	6,551	4.6
NAVER	Korea	Online search and messaging	5,692	4.0
Geely Automobile	Hong Kong/China	Automobile manufacturer	5,630	3.9
Baidu ADR	Hong Kong/China	Internet search engine	5,442	3.8
Sunny Optical Technology	Hong Kong/China	Small optical lenses manufacturer	5,089	3.6
Hon Hai Precision Industries	Taiwan	Electronic manufacturing	4,195	2.9
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	4,084	2.9
SK Hynix	Korea	Electronic component and device manufacturer	4,016	2.8
China Life Insurance (Taiwan)	Taiwan	Life insurance provider	3,341	2.3
Advantech	Taiwan	Computer manufacturer	2,932	2.1
Indusind Bank	India	Commercial bank focusing on consumer lending	2,931	2.1
Koh Young Technology	Korea	3D inspection machine manufacturer	2,723	1.9
Reliance Industries	India	Indian petrochemical conglomerate	2,703	1.9
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor foundry	2,665	1.9
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	2,475	1.7
CJ E&M	Korea	Media and entertainment creator and supplier	2,415	1.7
Samsung SDI	Korea	Lithium-ion batteries manufacturer	2,375	1.7
Ctrip.com International ADR	Hong Kong/China	Chinese online travel agency	2,357	1.7
ICICI Bank	India	Retail and corporate bank	2,335	1.6
Mahindra & Mahindra	India	Tractor and SUV manufacturer	2,292	1.6
Kingdee International Software	Hong Kong/China	Enterprise management software distributor	2,086	1.5
Samsung Fire & Marine Insurance	Korea	Non-life insurance provider	1,985	1.4
Arvind	India	Consumer textile brand owner and manufacturer	1,907	1.3
Infosys	India	Outsourced software developer	1,883	1.3
China Harmony New Energy Auto	Hong Kong/China	Luxury car dealership	1,849	1.3
WH Group	Hong Kong/China	Pork processor and distributor	1,845	1.3
Finetex EnE	Korea	Nano-technology material manufacturer	1,818	1.3
NCSOFT	Korea	Online games developer	1,728	1.2
			104,352	**73.2**

Hong Kong/China denotes Hong Kong and China.

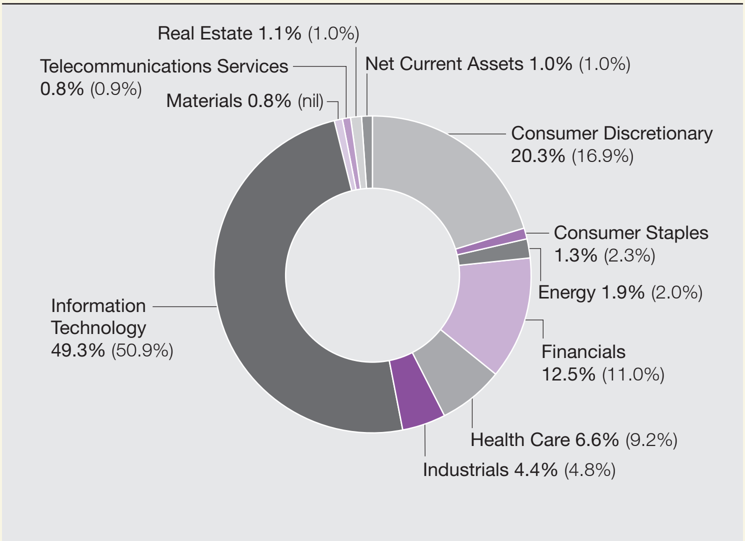
* Total assets less current liabilities, before deduction of borrowings.

Distribution of Total Assets* (unaudited)

Geographical Analysis at 31 January 2017
(31 July 2016)



Sectoral Analysis at 31 January 2017
(31 July 2016)



* Total assets less current liabilities, before deduction of borrowings.

Income Statement (unaudited)

	For the six months ended 31 January 2017			For the six months ended 31 January 2016			For the year ended 31 July 2016 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on sales of investments	–	7,382	**7,382**	–	(1,236)	**(1,236)**	–	(2,839)	**(2,839)**
Changes in investment holding gains and losses	–	5,405	**5,405**	–	(6,685)	**(6,685)**	–	16,253	**16,253**
Currency (losses)/gains	–	(20)	**(20)**	–	615	**615**	–	1,140	**1,140**
Income from investments and interest receivable	547	–	**547**	541	–	**541**	1,331	–	**1,331**
Investment management fee (note 3)	(513)	–	**(513)**	(440)	–	**(440)**	(899)	–	**(899)**
Other administrative expenses	(227)	–	**(227)**	(192)	–	**(192)**	(389)	–	**(389)**
Net return before finance costs and taxation	(193)	12,767	**12,574**	(91)	(7,306)	**(7,397)**	43	14,554	**14,597**
Finance costs of borrowings	(52)	–	**(52)**	(66)	–	**(66)**	(127)	–	**(127)**
Net return on ordinary activities before taxation	(245)	12,767	**12,522**	(157)	(7,306)	**(7,463)**	(84)	14,554	**14,470**
Tax on ordinary activities	(64)	–	**(64)**	(53)	–	**(53)**	(98)	–	**(98)**
Net return on ordinary activities after taxation	**(309)**	**12,767**	**12,458**	**(210)**	**(7,306)**	**(7,516)**	**(182)**	**14,554**	**14,372**
Net return per ordinary share (note 4)	**(0.55p)**	**22.95p**	**22.40p**	**(0.34p)**	**(11.85p)**	**(12.19p)**	**(0.30p)**	**24.25p**	**23.95p**
Note: **Dividend paid and proposed per ordinary share** (note 5)	**–**			**–**			**0.35p**		

The total column of this statement is the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in the above statement derive from continuing operations.

A Statement of Comprehensive Income is not required as there is no other comprehensive income.

Balance Sheet (unaudited)

	At 31 January 2017 £'000	At 31 July 2016 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	141,341	131,417
Current assets		
Debtors	265	359
Cash and cash equivalents	1,422	1,323
	1,687	1,682
Creditors		
Amounts falling due within one year:		
Bank loan (note 7)	(9,965)	(5,000)
Other creditors	(316)	(397)
	(10,281)	(5,397)
Net current liabilities	(8,594)	(3,715)
Net assets	**132,747**	**127,702**
Capital and reserves		
Called up share capital	5,426	5,712
Share premium account	3,166	3,166
Capital redemption reserve	20,367	20,081
Capital reserve	99,931	94,377
Revenue reserve	3,857	4,366
Shareholders' funds	**132,747**	**127,702**
Net asset value per ordinary share	**244.64p**	**223.58p**
Ordinary shares in issue (note 8)	**54,262,282**	**57,118,191**

Statement of Changes in Equity (unaudited)

For the six months ended 31 January 2017

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2016	5,712	3,166	20,081	94,377	4,366	**127,702**
Net return on ordinary activities after taxation	–	–	–	12,767	(309)	**12,458**
Shares purchased for cancellation (note 8)	(286)	–	286	(7,213)	–	**(7,213)**
Dividends paid during the period (note 5)	–	–	–	–	(200)	**(200)**
Shareholders' funds at 31 January 2017	**5,426**	**3,166**	**20,367**	**99,931**	**3,857**	**132,747**

For the six months ended 31 January 2016

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2015	6,329	3,166	19,464	91,441	4,770	**125,170**
Net return on ordinary activities after taxation	–	–	–	(7,306)	(210)	**(7,516)**
Shares purchased for cancellation	(316)	–	316	(5,819)	–	**(5,819)**
Dividends paid during the period (note 5)	–	–	–	–	(222)	**(222)**
Shareholders' funds at 31 January 2016	**6,013**	**3,166**	**19,780**	**78,316**	**4,338**	**111,613**

* The Capital Reserve balance at 31 January 2017 includes investment holding gains on fixed asset investments of £44,213,000 (31 January 2016 – gains of £15,870,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 January 2017 £'000	Six months to 31 January 2016 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation*	12,522	(7,463)
Net (gains)/losses on investments	(12,787)	7,921
Currency losses/(gains)	20	(615)
Finance costs of borrowings	52	66
Overseas tax incurred	(52)	(38)
Changes in debtors and creditors	70	37
Cash from operations	(175)	(92)
Interest paid	(37)	(64)
Net cash outflow from operating activities	(212)	(156)
Net cash inflow from investing activities	2,779	14,899
Equity dividends paid (note 5)	(200)	(222)
Shares bought back (note 8)	(7,213)	(5,819)
Net cash inflow/(outflow) from bank loans (note 7)	4,771	(124)
Net cash outflow from financing activities	(2,642)	(6,165)
(Decrease)/increase in cash and cash equivalents	(75)	8,578
Exchange movements	174	956
Cash and cash equivalents at start of period	1,323	4,061
Cash and cash equivalents at end of period†	**1,422**	**13,595**

* Dividends received in the period amounted to £645,000 (31 January 2016 – £600,000).

† Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

Notes to the Condensed Financial Statements (unaudited)

1 The condensed Financial Statements for the six months to 31 January 2017 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 to 14. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 January 2017 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 July 2016 which included the early adoption of Amendments to FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland – fair value hierarchy disclosures'.

Going Concern

Having considered the nature of the Company's assets, its liabilities, projected income and expenditure together with the Company's investment objectives and principal risks and uncertainties, as set out on page 15, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. In accordance with the Company's Articles of Association, the shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2021. The Directors have no reason to believe that the continuation resolution will not be passed at that Annual General Meeting. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 July 2016 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified and did not contain statements under sections 498(2), (3) or (4) of the Companies Act 2006.

3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated the investment management services to Baillie Gifford & Co. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. With effect from 1 January 2017 the annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. Prior to 1 January 2017 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 January 2017 £'000	Six months to 31 January 2016 £'000	Year to 31 July 2016 (audited) £'000
4 Net return per ordinary share			
Revenue return on ordinary activities after taxation	(309)	(210)	(182)
Capital return on ordinary activities after taxation	12,767	(7,306)	14,554
Total net return	**12,458**	**(7,516)**	**14,372**
Weighted average number of ordinary shares in issue	**55,643,673**	**61,672,236**	**60,007,258**

The net return per ordinary share figures are based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 January 2017 £'000	Six months to 31 January 2016 £'000	Year to 31 July 2016 (audited) £'000
5 Dividends			
Amounts recognised as distributions in the period:			
Previous year's final dividend of 0.35p (2015 – 0.35p) paid 11 November 2016	**200**	**222**	**222**

No interim dividend has been declared.

6 Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit and loss account are measured is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety.

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

The Company's investments are financial assets held at fair value through profit or loss. An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

Investments held at fair value through profit or loss

As at 31 January 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	141,341	–	–	**141,341**
Unlisted equities	–	–	–	**–**
Total financial asset investments	**141,341**	**–**	**–**	**141,341**

As at 31 July 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	131,417	–	–	**131,417**
Unlisted equities	–	–	–	**–**
Total financial asset investments	**131,417**	**–**	**–**	**131,417**

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid price or, in the case of FTSE 100 constituents or holdings on certain recognised overseas exchanges, last traded price. Listed Investments are categorised as level 1 if they are valued using unadjusted quoted prices for identical instruments in an active market and as level 2 if they do not meet all these criteria but are, nonetheless, valued using market data. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (price of recent investment, multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The Company's holdings in unlisted investments are categorised as level 3 as unobservable data is a significant input to their fair value measurements. The Company's one unlisted investment, Philtown Properties, which is valued at £nil at 31 January 2017 and 31 July 2016 arose from a distribution by its parent company RFM Corporation.

Notes to the Condensed Financial Statements (unaudited)

7 The Company has a one year £10 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc (31 July 2016 – one year £10 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc and a £10 million one year uncommitted, unsecured floating rate revolving credit facility with The Bank of New York Mellon). At 31 January 2017 there were outstanding drawings of £5,000,000 and US$6,246,500 at interest rates of 0.84221% and 1.33403% under The Royal Bank of Scotland facility (31 July 2016 – £5,000,000 at an interest rate of 1.02906%, there were no drawings under The Bank of New York Mellon facility).

8 The Company has authority to buy back up to 14.99% of its shares on an ad hoc basis and had authority to implement, at the Board's discretion, bi-annual tender offers for up to 5% of its shares at a 2% discount to net asset value, less costs, in the event that the discount averaged more than 9% during the six months periods to 31 January and 31 July in the years 2014, 2015 and 2016. In the six months to 31 January 2017 the Company bought back a total of 2,855,909 ordinary shares at a total cost of £7,213,000 through the exercise of a tender offer in October 2016 (31 July 2016 – 6,170,662 ordinary shares at a total cost of £11,618,000). The nominal value of these shares was £286,000 and represented 5.0% of the issued share capital at 31 July 2016. At 31 January 2017 the Company had authority to buy back a further 8,133,916 ordinary shares.

Following consultation with a number of shareholders, the Board did not seek authority at the Annual General Meeting on 9 November 2016 for the existing bi-annual 5% tenders to be continued for a period of at least the next three years. Instead, the Board proposed a tender that will be triggered if the Company's net asset value, calculated at fair value cum income, total return fails 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. If this performance target is not met, it is the intention that the Directors will propose a 25% tender of the Company's issued share capital at the time of calculation. The tender would be at a 2% discount to net asset value less costs. This would be subject to shareholders' approval of the tender authority that will be put to shareholders at the 2018 Annual General Meeting.

The Company also has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the six months to 31 January 2017 and the year to 31 July 2016 no shares were issued.

9 During the period, transaction costs on purchases amounted to £24,000 (31 January 2016 – £18,000; 31 July 2016 – £46,000) and transaction costs on sales amounted to £52,000 (31 January 2016 – £56,000; 31 July 2016 – £133,000).

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Comparative Index

The principal index against which performance is measured is the MSCI All Country Asia ex Japan Index (in sterling terms).

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, regulatory risk, custody and depositary risk, operational risk, discount/premium volatility, leverage risk and political and associated economic risk. An explanation of these risks and how they are managed is set out on pages 7 and 8 of the Company's Annual Report and Financial Statements for the year to 31 July 2016 which is available on the Company's website: **www.pacifichorizon.co.uk**. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';

b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and

c) the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board
Jean Matterson
Chairman
28 February 2017

Further Shareholder Information

Pacific Horizon's shares are traded on the London Stock Exchange. They can be bought through a stockbroker, by asking a professional adviser to do so, or through the Baillie Gifford savings vehicles.

Baillie Gifford's Investment Trust Share Plan

You can invest a minimum of £250 or from £30 per month. The plan is designed to be a cost-effective way of saving on a lump sum or regular basis.

Baillie Gifford's Investment Trust ISA

You can invest in a tax efficient way by investing a minimum of £2,000 or from £100 per month or by transferring an ISA with a value of at least £2,000 from your existing manager.

Baillie Gifford's Children's Savings Plan

A cost-effective plan tailored especially to meet the requirements to save for children. You can invest a minimum of £100 or from £25 per month.

Online Management Service

You can also open and manage your Share Plan, Children's Savings Plan* and/or ISA online, through our secure Online Management Service ('OMS') which can be accessed through the Baillie Gifford website at **www.bailliegifford.com/oms**. As well as being able to view the details of your plan online, the service also allows you to:

— obtain current valuations;
— make lump sum investments, except where there is more than one holder;
— sell part or all of your holdings, except where there is more than one holder;
— switch between investment trusts, except where there is more than one holder; and
— update certain personal details e.g. address and telephone number.

* Please note that a Bare Trust cannot be opened via OMS. A Bare Trust application form must be completed.

The information about the ISA, Share Plan and Children's Savings Plan has been approved by Baillie Gifford Savings Management Limited ('BGSM').

BGSM is the ISA Manager and is the Manager of the Baillie Gifford Investment Trust Share Plan and Children's Savings Plan. BGSM is wholly owned by Baillie Gifford & Co. Both are authorised and regulated by the Financial Conduct Authority and both are based at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. Baillie Gifford only provides information about its products and does not provide investment advice.

Further Shareholder Information

Automatic Exchange of Information

In order to fulfil its obligations under UK tax legislation relating to the automatic exchange of information, Pacific Horizon Investment Trust PLC is required to collect and report certain information about certain shareholders.

The legislation requires investment trust companies to provide personal information to HMRC on certain investors who purchase shares in investment trusts. Accordingly, Pacific Horizon Investment Trust PLC will have to provide information annually to the local tax authority on the tax residencies of a number of non-UK based certificated shareholders and corporate entities.

All new shareholders, excluding those whose shares are held in CREST, who come on to the share register with effect from 1 January 2016 will be sent a certification form for the purposes of collecting this information.

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders **https://www.gov.uk/government/publications/exchange-of-information-account-holders**.

Risk Warnings

Past performance is not a guide to future performance.

Pacific Horizon is a listed UK Company. The value of its shares, and any income from them, can fall as well as rise and you may not get back the amount invested.

Pacific Horizon invests in overseas securities, 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.

Pacific Horizon invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

Pacific Horizon can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Pacific Horizon can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

Market values of securities which have become difficult to trade may not be readily available and there can be no assurance that any value assigned to such securities will accurately reflect the price the Company might receive upon their sale.

Pacific Horizon can make use of derivatives which may impact on its performance.

Charges are deducted from income. Where income is low the expenses may be greater than the total income received meaning Pacific Horizon may not pay a dividend and the capital value would be reduced.

The aim of Pacific Horizon is to achieve capital growth. You should not expect a significant, or steady, annual income from the Company.

Shareholders in Pacific Horizon have the right to vote every five years on whether to continue the Company or wind it up. If the shareholders decide to wind Pacific Horizon up, the assets will be sold and shareholders will receive a cash sum in relation to their shareholding. The next vote will be held at the Annual General Meeting in 2021.

You should note that tax rates and reliefs may change at any time and their value depends on your circumstances.

Pacific Horizon is a UK public listed company and as such complies with the requirements of the UK Listing Authority and is not authorised or regulated by the Financial Conduct Authority.

The information and opinions expressed within this Interim Financial Report are subject to change without notice.

This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Details of other risks that apply to investment in the savings vehicles on page 15 are contained in the product brochures. Further details of the risks associated with investing in the Company, including how charges are applied, can be found at **www.pacifichorizon.co.uk**, or by calling Baillie Gifford on 0800 917 2112.

The staff of Baillie Gifford & Co and Pacific Horizon's Directors may hold shares in Pacific Horizon and may buy or sell such shares from time to time.

Glossary of Terms

Total Assets
Total assets less current liabilities, before deduction of all borrowings.

Net Asset Value
Also described as shareholders' funds, Net Asset Value (NAV) is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue.

Discount/Premium
As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, this situation is called a premium.

Total Return
The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend.

Ongoing Charges
The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value (with debt at fair value).

Active Share
Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Gearing
At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Gearing represents borrowings at par less cash and cash equivalents expressed as a percentage of shareholders' funds.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Equity gearing is the Company's borrowings adjusted for cash and bonds expressed as a percentage of shareholders' funds.

Leverage
For the purposes of the Alternative Investment Fund Managers Directive, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives. It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Directors

Chairman:
JGK Matterson

EG Creasy
RA Macpherson
DCP McDougall OBE
EC Scott

Registered Office

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Company Details

www.pacifichorizon.co.uk

Company Registration No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI

Legal Entity Identifier: VLGEI9B8R0REWKB0LN95

Further Information

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