RNS Announcement: PHI Results

Pacific Horizon Investment Trust PLC ('PHI')

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Results for the year to 31 July 2022

The following is the results announcement for the year to 31 July 2022 which was approved by the Board on 15 September 2022.

Chairman's Statement

Performance

I commented in my report last year that investors should expect that neither the Company's absolute, nor relative, returns would be consistent. Sadly, this cautionary note proved more prescient than I might have wished. In the year to 31 July 2022, the Company's net asset value per share (NAV) declined by 14.5% compared to a negative total return of 8.2%* from the MSCI All Country Asia ex Japan Index in sterling terms. The share price total return for the year was a negative 19.3%, resulting in the shares ending the period at a 2.7% discount to the NAV per share having been at a 3.2% premium a year earlier.

While this loss is disappointing, the causes of the weakness of Asian markets are well understood: inflation, US dollar interest rate increases and continued lockdowns in China have all led to market weakness. This does not however explain the significant relative underperformance of the portfolio.

Your Board believes the interests of shareholders are best served through having an actively managed portfolio. We believe the performance of the Company supports this view. The underperformance of the Company in the short term is significantly less than its outperformance in the longer term. The volatility of performance, like the management fees, is a price to be paid for the Company being managed on an active basis. Over the course of the last ten years, shareholders have enjoyed approximately 6.7 percentage points a year of excess returns above the comparative index†. Over the full period, this equates to an aggregate of 174 percentage points of excess total return over a passive investment strategy represented by the comparative index†.

The strategy that has achieved this outperformance is investment in high growth companies that have the potential to make exceptional returns over the long term. Growth investing has not been rewarded recently, in part because of higher interest rates which growth companies can be particularly sensitive to.

Volatility may continue and further significant losses cannot be ruled out; only an optimist would consider we are out of the woods yet. As you will see in the Managers' Report below, it is their intention to continue to focus on growth companies in the future. The Board believes that this strategy has the potential to continue to serve shareholders well and that the Managers have clearly demonstrated their ability as a growth investor in both the period under review and over the long term.

Gearing

The Board continues to set and regularly review the gearing parameters within which the portfolio manager is permitted to operate. At present, the agreed range of equity gearing is minus 15% (holding net cash) to plus 15%. As at 31 July 2022, invested gearing was minus 1% compared to 4% at the start of the Company's financial year, reflecting Mr Snell's current caution.

Gearing is achieved through the use of bank borrowings. At present the Company has a three year multi-currency revolving credit facility with The Royal Bank of Scotland International Limited for up to £100 million, which provides at present for potential invested gearing of 15.5%.

Earnings and Dividend

Earnings per share increased to a positive 4.21p per share compared to a deficit of 0.51p per share last year, resulting in the Company being in a position to pay a final dividend. The Board is therefore recommending that a final dividend of 3.00p should be paid, subject to shareholder approval at the Annual General Meeting ('AGM'). As highlighted in past reports, investors should not consider investing in this

Company if they require income from their investment as the Company typically invests in high growth stocks with little or no yield.

Issuance, Share Buy-backs and Treasury

Over the twelve months to 31 July 2022, the Company issued 3,645,257 shares at a premium to NAV, being 4.1% of the shares in issue at the start of the Company's financial year, and also bought back for treasury a total of 214,000 shares. All of the issuance occurred in 2021 and all of the buy-backs in 2022.

At the forthcoming AGM in November, the Board will be seeking 10% non pre-emptive issuance authority. Issuance will continue to be undertaken only at a premium to the NAV per share, thereby avoiding dilution for existing investors. When the authority is utilised in this manner, it enhances NAV per share, improving liquidity in the Company's shares and spreading the operating expenses of the Company across a wider base, thus reducing costs to each shareholder; ongoing charges for the year were 0.74% compared to 0.78% in the prior year.

As part of this year's AGM business, the Board will also be asking shareholders to renew the authority to repurchase up to 14.99% of the outstanding shares on an *ad hoc* basis, either for cancellation or to be held in treasury, and also to permit the re-issuance of any shares held in treasury at a premium to the NAV per share. The Board intends to use the buy-back authority opportunistically, taking into consideration not only the level of any discount but also the underlying liquidity and trading volumes in the Company's shares. This allows the Board to address any imbalance between the supply and demand in the Company's shares that results in a large discount to the NAV per share. The Board remains cognisant that current and potential shareholders have expressed a desire for continuing liquidity.

The Board believes that the Company benefits from holding any shares that are bought back in treasury, so that it has the ability to re-issue these shares in the circumstances described above; 431,726 shares are held in treasury at present.

Private Company Investments

Last year, shareholders approved a change in the Company's Investment Policy which increased the maximum permissible investment in private companies from 10% to 15% (such percentage being measured at the point of initial investment). As at 31 July 2022, the Company had 6.1% of its total assets invested in 5 private companies compared to 7.2% and 7 private companies a year earlier, Star Health & Allied Insurance Co having listed in December 2021 and Delhivery in May 2022.

Details on the process and quantum of private company valuations undertaken over the year can be found immediately after the Managers' Review.

Governance and Stewardship

The Board has agreed with the Managers that they will consider Environmental, Social and Governance ('ESG') factors as part of the investment process. Baillie Gifford advised the Board that it aims to adopt a position of supportive and constructive engagement without prescriptive policies or rules, assessing matters on a case-by-case basis. Although Baillie Gifford has clearly articulated ESG principles and a detailed policy framework, the Board accepts that their application, particularly in some of the developing nations of Asia, and in often quite complex situations, is necessarily subjective. Some examples of such engagement can be found below. The Board reviews and challenges the Managers' performance in meeting this ESG objective at each Board meeting and also covers ESG matters with the Managers as part of an annual strategy session.

A document outlining Baillie Gifford's Governance and Sustainability principles can be found on the Baillie Gifford website at **bailliegifford.com** and the Company's voting record can be found at page 37 of the Annual Report and Financial Statements. Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 17 of the Annual Report and Financial Statements.

Annual General Meeting

This year's AGM will take place on 24 November 2022 at the offices of Baillie Gifford & Co in Edinburgh at 11.00am and shareholders are encouraged to attend. If doing so, please endeavour to arrive by 10.50am to allow time to register. There will be a presentation from Mr Snell who, along with the Directors, will answer questions from shareholders. I hope to see many of you there.

Should the situation change, further information will be made available through the Company's website at **pacifichorizon.co.uk** and the London Stock Exchange regulatory news service.

Outlook

This is not an easy investment environment. The immediate future is one of elevated inflation levels, higher borrowing costs and likely tempered consumption. It is therefore important that the Managers remain alert to new investment opportunities, threats to existing holdings and maintain a close scrutiny of firms' operational performance and financial resilience.

Further underperformance cannot be ruled out. However, a portfolio containing both structural and cyclical growth companies seems prudent at present. Patient investors could be rewarded with significant returns once stock specific fundamentals reassert themselves.

Angus Macpherson
Chairman
15 September 2022

[*] Calculated on a total return basis. Source: Baillie Gifford/Refinitiv and relevant underlying index providers.
[†] The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured. See Disclaimer at the end of this announcement.
For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Past performance is not a guide to future performance.

Managers' Review

Overview

Over the coming decades we believe Asia will be one of the world's fastest growing regions and we strive to be invested in its fastest growing companies. It is growth multiplied by growth or, as we like to call it, 'Growth^2'.

Our investment philosophy has added significant value for shareholders over the long term. However, by running a differentiated, high conviction portfolio, there will inevitably be short periods of time when we are out of favour with the market, and this has been one such year.

Surging global inflation, exacerbated by events such as war in Ukraine and continued lockdowns in China, led to rising interest rates, significantly tighter global monetary conditions and volatile markets. Such an environment has been a headwind for our growth-oriented investment style.

Consequently, after several years of extremely strong performance, this year saw the Company's NAV and share price decreasing by 14.5% and 19.3% respectively. This is compared to the comparative index, the MSCI All Country Asia ex Japan Index, in sterling terms, which had a negative total return of 8.2%. Longer term performance remains strong; the Company's NAV having outperformed the comparative index by 12.8 percentage points per annum over the past 5 years.

Although the shorter-term outlook for Asian markets is uncertain, we remain optimistic. Following the significant falls in share prices across the region, valuations appear even more attractive, and we continue to have confidence in the outlook for the companies in the portfolio. It is noteworthy that over the next year our holdings on average are valued at nearly the same price to earnings multiple as that of the comparative index (12.6 vs. 12.2), yet they are expected to grow their earnings at a faster rate (14.7% vs. 9.1%).

The broad overall shape of the portfolio remains similar to last year, with significant exposure to both cyclical growth, particularly materials and energy, and secular growth, including technology and consumer, companies. However, notable changes have included a significant reduction in India, which funded increases in exposure to China, where we have been significantly underweight for some time, and Indonesia.

Gearing was reduced from 4% to zero over the period, and the unlisted portion of the portfolio decreased from 7.2% to 6.1% as two of our private companies listed on public markets.

Our long-term enthusiasm for the region remains strong. The risks and opportunities from increased disruption are here to stay. In our view, the market's focus on geopolitics and capital flows misses the bigger picture: that of a global rise in digital penetration, technological change and the growth of the Asian middle class. These fundamentals will underpin development in the region for decades to come. We believe that the best way to invest in this rapidly changing growth market is to find its best long-term growth companies.

Pacific Horizon Investment Trust PLC

Philosophy

We are growth investors endeavouring to invest in the top twenty percent of the fastest growing companies in the region. We are patient and seek out companies whose business models and management teams are likely to fulfil their ambitions. We look for areas where our ideas give us an edge over the market over a long timeframe.

Across the region we have found the most persistent source of outperformance 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 valuations. Consequently, our research is singularly focused on finding those companies whose share prices can at least double, in sterling 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 and persistent inefficiencies:

1) **Underappreciated growth duration**
   We believe one of the greatest investment inefficiencies in Asia (excluding Japan) is to be found in companies with excellent long-term earnings growth where profits are volatile from one quarter to the next. The market typically shows an aversion to 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 firms more willing to reinvest in their business and with greater ambition. This presents us with exciting investment opportunities, but it requires an approach that allows near-term volatility to be ignored.

2) **Underappreciated growth pace**
   The market consistently underestimates the likelihood of rapid growth. 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 endeavour to outperform the broader market. This requires us 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.

3) **Underappreciated growth surprise**
   The final significant inefficiency in Asia (excluding Japan) lies in the interaction between top-down and bottom-up investing. Asia (excluding Japan) investors do not have the luxury of ignoring macroeconomics. 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 for a vast number of companies – notably in the financial, materials and industrial sectors – are determined by exogenous macro factors beyond their control. This also provides opportunities.

Our analysis shows that while it may pay to invest in those companies that display consistently high levels of profitability, the strongest returns are to be found in those companies that transition from poor levels of profitability to high – a ‘growth surprise’.

This may seem obvious – rising levels of profitability 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 outperformance for Pacific Horizon. We accept that timing these inflection points perfectly is impossible, but when you have an investment horizon measured over many years, successfully anticipating the future direction of travel is hugely valuable.

Importantly, we are agnostic as to the type of growth inefficiency we are exploiting and will invest wherever we are finding the best opportunities. At times this will lead to a concentration in particular sectors or countries, and at others to a much broader, flatter portfolio, but growth will always be the common theme.

	Pacific Horizon	MSCI AC Asia ex Japan Index
Historic earnings growth (5 years trailing compound annual growth to 31 July 2022)	20.1%	10.5%
One year forecast earnings growth (to 31 July 2023)	14.7%	9.1%
Estimated p/e ratio for the current year (to 31 July 2022)	12.6x	12.2x
Percentage in under £1bn market cap companies	16.1%	0.1%
Percentage in under £5bn market cap companies	48.8%	10.7%
Active share	83.3%	n/a
Portfolio turnover	16.0%	n/a

Data as at 31 July 2022, source: Baillie Gifford, UBS PAS, APT, MSCI (see disclaimer at the end of this announcement).

As highlighted in the table above, the growth characteristics of the current portfolio remain strong, with historic earnings growth and one-year forecast earnings growth higher than the comparative index equivalents. The portfolio's estimated price-to-earnings ratio for the current year is 12.6 versus 12.2 for the comparative index. Over the longer term, we believe the higher growth potential of our holdings more than justifies this multiple.

Portfolio Overview

By sector, the shape of the portfolio remains similar to the start of the period. In absolute terms, our largest exposures remain focused on the key themes of the rising middle class, technology and innovation. However, we also have significant exposures to more cyclical industries including materials, industrials and energy that respectively make up the first, second and fourth largest relative positions, versus the comparative index, within the portfolio. The portfolio's distribution of assets by geography and sector are shown below.

There have, however, been notable reductions to some of our cyclical holdings, in particular materials. Our exposure here can be divided into two – those materials that are exposed to the green transition, such as nickel and copper, and those that are not. It is in the latter where we have been reducing most significantly with complete sales of companies including Tata Steel and Jindal Steel & Power (both India steel companies), Vedanta (iron ore, zinc, aluminium) and RUSAL (aluminium). Most of these positions were taken during the Covid-19 pandemic when valuations reached extremely depressed levels despite sound and growing operations. However, with share prices of companies such as Vedanta having peaked at more than 500% from its Covid trough, we struggle to make a case for doubling our money over the next five years.

Our remaining materials exposure is predominantly to those metals at the core of the green revolution, copper and nickel. Copper, as the most cost-effective conductive material, is critical to capturing, storing and transporting new energy sources, and demand from green sources could easily grow ten-fold by 2030. To put that into perspective, green demand could match and quickly surpass the incremental demand China generated during the 2000s which created the last commodity super cycle. Nickel is a critical material in electric vehicle batteries, and demand will likely significantly outstrip supply as electric vehicle demand continues to grow exponentially.

By country there have been three noticeable changes.

The first is a reduction to our Indian exposure from a 28.9% absolute position to 24.2% being a 10 percentage point relative overweight position to the 14.2% of the comparative index. This reflects a mixture of macroeconomic factors and valuations, albeit we remain enthused by the country's long-term prospects as demonstrated by India still being the largest country overweight in the portfolio.

The key issue for the country is rising energy prices. India is arguably the most sensitive, large Asian country to high oil prices which will increasingly strain the current account, currency and growth. This is against a backdrop of rising domestic inflation, slowing domestic growth and already high valuations.

Fortunately, this is unlikely to lead to a crisis of old, as India enters this challenging period in reasonably sound financial strength with foreign exchange reserves of nearly $600bn (roughly double 2012 when the country last faced similar headwinds), decent import cover and a domestically focused economy less exposed to the slowing global economy.

Sales were predominantly in 'old economy' sectors including, as mentioned, materials and also housing (DLF) and banking (IDFC Bank). We are increasingly enthused by the 'new economy', in which 4G mobile networks have brought the internet to the masses and are catalysing the emergence of a new and exciting breed of innovative technology focused companies. Our largest holding in this new economy is Delhivery, the country's leading enabler of pan Indian e-commerce logistics. This was a privately held investment that listed over the period and now accounts for 5.5% of the portfolio. Other notable new economy companies include Dailyhunt (private company, 4.1%) and Zomato (1.3%).

As noted earlier, reductions in India were used to fund opportunities in both Indonesia and China. The macro-economic situation in Indonesia looks increasingly favourable. The country is one of the biggest beneficiaries of rising raw material prices across the region with significant exports of coal, palm oil and nickel (the latter potentially making Indonesia a regional hub for electric vehicle components). These exports will support a strong current account, (which is likely to be in a surplus of c.$50bn by the end the of the year), and the rupiah. Combined with an underleveraged banking system we believe the domestic economy looks better placed than it has for many years. During the period we purchased PT Astra International, Indonesia's leading automotive distributor and Bank Rakyat, arguably the best micro finance company in Asia.

Looking to North Asia, it has been a torrid time for investors in China. Regulatory clampdowns on the private sector, increasing geopolitical tensions, Covid-19 lockdowns and problems in the property market have led to a collapse in investor sentiment: the MSCI China index is down nearly 50% since its 2021 peak, while many Chinese companies listed in the USA have fallen more than 70%.

Whilst we acknowledge many of these issues are serious, we believe investors have become too pessimistic and significant long-term value may be emerging. In the technology space in particular, valuations appear extremely compelling (the core e-commerce business of Alibaba Group for instance trades on <5x P/E multiples), and in the long term many of the technology regulations, such as those combating monopoly practices in the internet sector, appear broadly sensible and arguably put China at the forefront of internet regulations globally.

We made significant additions to China taking it from a 18.1% position to 24.7%, making it the largest absolute country exposure in the portfolio (albeit still a 5.2 percentage point relative underweight). The most notable purchases were in the internet sector where new purchases were made in Baidu.com, Meituan and Alibaba Group, whilst we also added to a number of existing holdings including JD.com. Exposure to the Chinese consumer was increased with new holdings in Midea and Zhejiang Supor Co, and we added to our green technology holdings including LONGi Green Energy and Wuxi Lead Intelligent Equipment Co.

Finally, we have been watching geopolitical developments in Taiwan extremely closely, and it is perhaps here where the biggest risks to the region and our portfolio lie. It seems inevitable that China's position on Taiwan will become an ever more divisive topic with the West. China's ambitions for Taiwan are clear – reunification by 2049, but president Xi desires it much sooner.

Whilst military action is likely unviable within the next five years, increased non-military coercion appears likely to ratchet over the coming years. This comes at a time of already increased tensions between China and the West, and it is notable that an increasingly hawkish stance against China is the one topic American politicians appear to agree on. The result is likely to be rising Chinese and American tensions, and the world increasingly splitting into two spheres of political, technological and economic influences. We are considering the implications of such an eventuality carefully.

Performance

We are long-term investors, running a high conviction growth portfolio that is index agnostic. Performance will be volatile and there will be short term periods when we underperform. It is pleasing that over the past 5 years, the timescale on which we believe our performance should be judged, the portfolio has generated significant value for shareholders. However, against an extremely challenging global backdrop, performance over the past year, both in absolute and relative terms, was weak.

Soaring inflation and rising interest rates were major headwinds for our growth-oriented investment style. This was particularly pronounced in many of our higher growth companies, where the net present value of the businesses lies in cash flows far into the future and is greatly diminished by rising discount rates.

In the previous year our performance was helped significantly by our broadening of the portfolio into more cyclical growth companies. Unfortunately, as the likelihood of a global recession increased during the year, compounded by numerous world events including war in Ukraine, a European energy crisis, Chinese lockdowns and increasing tensions over Taiwan, our cyclical holdings were unable to offset the weakness elsewhere in the portfolio.

By sector, the largest positive contributors to performance were Consumer Discretionary, Energy and Industrials in that order. Consumer Discretionary was led by Tata Motors (Indian automotive company that owns the Jaguar Land Rover Brand) which was also the single largest stock contributor to returns. The company continues to see a strong turnaround in its domestic automotive business, with passenger vehicle market shares now nearing 15%, and commercial vehicles sales improving. Longer term, it is the company's investment in electric vehicles that could be most valuable. The company has approximately 90% market share of the domestic electric passenger car market, a strong EV pipeline and is working with other Tata Group companies, including Tata Power, Tata Chemicals, Tata Auto Components, to build an EV ecosystem called the 'Tata UniEVerse'.

Elsewhere in the Consumer Discretionary sector, it was what we did not own that had the most positive impact on our relative performance. In particular, a significant underweight position in Alibaba Group and not holding Tencent were both top five stock contributors relative to the index. These companies continued to be impacted in the first half of the period by the continued regulatory clampdowns in China and broader negative investor sentiment towards the country. After a very challenging few years, we are starting to see opportunities emerge in China, and towards the end of the period started to buy back into the Chinese internet companies.

Energy was our second-best performing sector, led by the oil and gas company, Jadestone Energy, which benefitted significantly from the rising oil price while continuing to operate its assets extremely efficiently. Industrials were led by Delhivery, which listed at a premium to its unlisted valuation.

By country, Indonesia was our best performing market, led by our material holdings including Merdeka Copper Gold and Nickel Mines. This was followed by Russia, where our sole exposure was RUSAL, the aluminium producer listed in Hong Kong (now sold), and South Korea.

By some margin Singapore was our largest detractor. This was almost entirely due to the poor performance of Sea Limited, which fell 75.5% over the period and accounted for roughly half of the portfolio's entire underperformance. Operationally there were some moderate setbacks. The company's hit game, Free Fire, appears to be reaching peak user numbers, and the company exited India (having launched its e-commerce operations in August 2021) as it focused more on profitability.

However, Sea Limited appears to be part of a broader trend of sentiment turning against rapidly growing, loss making technology companies, especially those in emerging markets listed in the United States. While many of these share price corrections may be warranted, we believe the indiscriminate selling across the sector has failed to discriminate between genuinely strong long term business models and weaker players. With continued market share gains across its key ASEAN markets and weakened competition, we continue to believe Sea Limited is the best consumer play across the south east Asian region.

China was the other key detractor to performance led by technology companies Dada Nexus and Kingsoft Cloud. Unlike Sea Limited, operational deterioration was more prominent, especially at Kingsoft Cloud Holdings where the company has been losing market share and moves by the government to establish its own cloud infrastructure suggest the market will become significantly more competitive. This led to the holding being sold.

Our Korea and Taiwan exposure also underperformed, the former as a number of our industrial cyclicals came under pressure, such as Koh Young Technology, while Taiwan was the result of our underweight in TSMC.

By sector, the biggest detractor to our performance was Financials, which was the best performing sector in the index (and along with Utilities the only sector to produce positive absolute returns), but the largest underweight position in the portfolio. There was also notable weakness in the Information Technology and Communication Services for reasons already discussed.

Environmental, Social and Governance Considerations

As growth investors, we are attracted to companies whose products will benefit from strong future demand. These companies not only have to produce better and cheaper products and services than their competitors, but they must also be alert for changes in the outlooks and attitudes of the societies of which they are part.

Companies that fail to keep pace in this way tend to fail, either because of falling consumer demand for their products or because of government intervention in their activities. When taking investment decisions, we consider the potential positive and negative impact on society that companies may have, and how their commercial activities may be perceived by external stakeholders in the future.

For our long-term investments to be successful, the companies in which we invest must add value to society. This can be achieved in various ways. For example, the products of our regenerative biotech company, L&C Bio, may allow many to benefit from otherwise unachievable medical cures, our internet companies provide goods and services at prices and in quantities previously beyond the reach of many, while our technology holdings are enabling the fastest increase in human connectivity and information on record.

Lastly, it is very important to us that the interests of minority shareholders are upheld. We remain careful to make sure our investments are aligned with those of majority shareholders and owners.

Outlook

We remain extremely positive on the long-term outlook for the region. The rise of the Asian middle class, accelerated by technology and innovation, continues to be one of the most powerful investment opportunities of the coming decade. We are enthused by the number of exciting growth companies we can buy that are exposed to these themes, many of which are now trading on historically low valuations.

Against this long-term positive backdrop for Asia, we would however note that shorter term there are many challenges facing global markets and rarely has it been harder to predict outcomes. Our advantage in such a scenario is our long-term investment approach, ignoring volatility and focusing on finding great companies that will be winners in Asia over the coming decades.

We also see reasons for optimism. Many of the inflationary causes effecting the world are likely to subside with the ending of lockdowns and related monetary stimulus. Such a scenario would be extremely beneficial to the global economy and very supportive to growth companies more generally. Asia itself looks well placed, having run far more prudent fiscal and monetary policies over the Covid crisis compared to the profligacy of many developed countries. Over the coming years, the decent growth rates, sensible interest rates and limited balance sheet expansion across much of Asia, is likely to compare very favourably to other markets. The future is to the east.

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer at the end of this announcement. For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement. Past performance is not a guide to future performance.

Valuing Private Companies

We aim to hold our private company investments at 'fair value' i.e., the price that would be paid in an open - market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations committee at Baillie Gifford which takes advice from an independent third party (S&P Global). The portfolio managers feed into the process, but the valuations committee owns the process and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For investment trusts, the prices are also reviewed twice per year by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering (IPO); or changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published NAV. There is no delay.

The valuations committee also monitors relevant market indices on a weekly basis and update valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team undertake these checks daily.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Pacific Horizon Investment Trust	
Instruments (lines of stock reviewed)*	6
Quantum of individual (lines of stock) reviewed	27
Quantum of revaluations post review	25
Percentage of portfolio revalued 2+ times	100%
Percentage of portfolio revalued 5+ times	50%

*Excludes Delhivery and Star Health & Allied Insurance Co which listed in the period

Year to date, most revaluations have been decreases. A handful of companies have raised capital at an increased valuation. The average movement in both valuation and share price for those which have decreased in value is shown below.

	Average movement in company valuation*	Average movement in share price
Pacific Horizon †	(14.70%)	(19.31%)

*Excludes Dailyhunt (VerSe Innovation) following fund raise at a notably higher valuation. Average movement in company value including Dailyhunt results in (2%) compared to (14.7%) shown in table.

† Data reflecting period 1 August 2021 – 31 July 2022 to align with the Trust's reporting period end

Share prices have decreased less than headline valuations because Baillie Gifford typically holds preference stock, which provides downside protection.

The share price movement reflects a probability weighted average of both the regular valuation, which would be realised in an IPO, and the downside protected valuation, which would be normally be triggered in the event of a corporate sale or liquidation.

Baillie Gifford Statement on Stewardship

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of Long-term Value Creation

We encourage our holdings to be ambitious and focus their investments on long-term value creation. We understand that it is easy to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes. We regard it as our responsibility to steer holdings away from destructive financial engineering towards activities that create genuine economic and stakeholder value over the long run. We are happy that our value will often be in supporting management when others don't.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of all capital providers. There is no fixed formula, but it is our expectation that boards have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation able to assist, advise and constructively challenge the thinking of management.

Long-term Focused Remuneration with Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create genuine long-term alignment with external capital providers. We are accepting of significant payouts to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair Treatment of Stakeholders

We believe it is in the long-term interests of all enterprises to maintain strong relationships with all stakeholders – employees, customers, suppliers, regulators and the communities they exist within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and respect should be prioritised at all times.

Sustainable Business Practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly, and encourage the development of thoughtful environmental practices and 'net-zero' aligned climate strategies as a matter of priority. Climate change, environmental impact, social inclusion, tax and fair treatment of employees should be addressed at board level, with appropriately stretching policies and targets focused on the relevant material dimensions. Boards and senior management should understand, regularly review and disclose information relevant to such targets publicly, alongside plans for ongoing improvement.

Environmental, Social and Governance Engagement

By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The three examples below demonstrate our stewardship approach through constructive, ongoing engagement.

LONGi Green Energy

LONGi Green Energy is a China-based semi-conductor company mainly engaged in the production of solar panels.

We engaged with LONGi Green Energy to address specific aspects of its supply chain oversight process. The supply chain for LONGi Green Energy is complex and extends into higher-risk countries and regions where monitoring can be restricted. Our direct engagement with company management provided the answers we required on on-site inspection, auditing and ongoing monitoring and mitigation steps if breaches are discovered.

We also engaged with LONGi Green Energy to understand the company's efforts on recycling and what factors hinder LONGi Green Energy from embracing a carbon neutrality goal at present. From the conversation, we know that LONGi Green Energy has recently formed a specialised team for recycling nearly retired solar modules. LONGi Green Energy's latest ESG report and White Paper on Climate Action detail the company's emission reduction targets. Based on a 2020 baseline, by 2030 carbon emissions within the scope of operations will be reduced by 60 per cent and the carbon emissions intensity per ton of silicon material, per watt of cell and per ton of glass will be reduced by 20 per cent.

The company is a pioneer in setting a concrete fi rm-wide climate action plan, joining various climate-related initiatives, and constructing its first net-zero factory. We value the efforts and contributions of LONGi Green Energy to China's wider decarbonisation and green transition.

Samsung Electronics

Samsung Electronics Co Ltd is a Korea-based company principally engaged in the manufacture and distribution of memory chips, phones and electronic components.

While Samsung discloses its carbon emissions, it is yet to disclose updated carbon reduction targets. Through discussion with the company's sustainability team, they recognised the importance of having carbon reduction targets and explained that the process of defining and setting targets is under w ay. We strongly encouraged these targets to be set in line with science-based projections.

Following up on the progress Samsung Electronics was making towards implementing its ESG strategy, we heard that Samsung has become a signatory to the United Nations Global Compact earlier this year. In addition, the number of employees working in the central ESG team has quadrupled in the past 12 months and is continuing to grow - emphasising the investment Samsung is making to embed its sustainability strategy.

Li Ning

Li Ning is the leading domestic branded sportswear retailer in China. It is in the midst of a turnaround where the company's sales are playing catch-up to its strong brand image. The Chinese brand is attracting the younger market and is driving a significant increase in sales.

In April, we met with the CEO on a range of issues. One of the areas we wanted to learn more about was its approach to upholding international labour standards in its sourcing practices and supply chains. Li Ning confirmed that it does not use forced labour and provided more details on its supply chain due diligence. Li Ning reaffirmed its commitment to zero forced labour and supplier sourcing practices. We have encouraged further transparency in this area and are following up with the company to learn more about its plans.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2022 is given below.

Delhivery

Delhivery is an Indian logistics company, and the leading independent provider of end-to-end delivery services, with a national network used by all ecommerce players. The scale and modernity of its network has allowed it to deliver both the lowest costs and a reliable delivery experience, making it one of the best-placed operators to benefit from the continued growth of Indian ecommerce. This was previously a private company investment.

Geography	India
Valuation	£33,717,000
% of total assets*	5.5%
(Valuation at 31 July 2021	£19,501,000)
(% of total assets at 31 July 2021	2.6%)
(Net purchases in year to 31 July 2022	nil)

Samsung Electronics

Samsung is a global leader in semiconductors and electronics. Its core business is highly cash-generative, and the group has the financial and human capital that permits it to invest and innovate at scale.

Geography	Korea
Valuation	£33,653,000
% of total assets*	5.5%
(Valuation at 31 July 2021	£1,981,000)
(% of total assets at 31 July 2021	0.3%)
(Net purchases in year to 31 July 2022	£37,671,000)

Dailyhunt (VerSe Innovation)

A private company investment, Dailyhunt is an Indian consumer media company. Its short form video and news aggregator apps are popular across the country. Its localised and user-generated content ensures engagement, which is valued by advertisers looking to reach the Indian mass-market.

Geography	India
Valuation	£25,235,000
% of total assets*	4.1%
(Valuation at 31 July 2021	£14,412,000)
(% of total assets at 31 July 2021	2.0%)
(Net purchases in year to 31 July 2022	£6,373,000)

Jadestone Energy

Jadestone Energy is an exploration and production company with oil and gas fi elds across Asia-Pacific. They acquire smaller assets from the energy majors, as well as bringing expertise to previously state-owned fields, investing to boost production and extend their useful life.

Geography	Singapore
Valuation	£21,754,000
% of total assets*	3.6%
(Valuation at 31 July 2021	£16,920,000)
(% of total assets at 31 July 2021	2.3%)
(Net purchases in year to 31 July 2022	nil)

JD.com

JD.com is the largest Chinese retailer, via its dominant share in the online ecommerce 3C market, and it is the second-largest player in overall Chinese ecommerce. It has a strong logistics network and a focus on customer service, which is driving increased revenue and market share.

Geography	Hong Kong and China
Valuation	£20,167,000
% of total assets*	3.3%
(Valuation at 31 July 2021	£14,885,000)
(% of total assets at 31 July 2021	2.0%)
(Net purchases in year to 31 July 2022	£6,345,000)

Pacific Horizon Investment Trust PLC

Merdeka Copper Gold

An Indonesian copper miner, with the rights to the country's second-largest copper and gold deposits. Operationally, it has an attractive combination of management with a track record, as well as supportive local shareholders.

Geography	Indonesia
Valuation	£17,027,000
% of total assets*	2.8%
(Valuation at 31 July 2021	£12,447,000)
(% of total assets at 31 July 2021	1.7%)
(Net purchases in year to 31 July 2022	£1,233,000)

Li Ning

Li Ning is the leading domestic branded sportswear retailer in China. It is in the midst of a positive turnaround where the company's sales are playing catch-up to its strong brand image. The Chinese brand is attracting the younger market and is driving a significant increase in sales.

Geography	Hong Kong and China
Valuation	£16,368,000
% of total assets*	2.7%
(Valuation at 31 July 2021	£18,613,000)
(% of total assets at 31 July 2021	2.5%)
(Net purchases in year to 31 July 2022	nil)

Sea Limited

Sea Limited is one of the leading players in South East Asia within the gaming markets and online ecommerce. It is an independent company with significant backing from Tencent. Its markets have the potential to grow exponentially over the next decade.

Geography	Singapore
Valuation	£13,839,000
% of total assets*	2.3%
(Valuation at 31 July 2021	£56,394,000)
(% of total assets at 31 July 2021	7.5%)
(Net purchases in year to 31 July 2022	£665,000)

Reliance Industries

The leading conglomerate in India, Reliance's interests span three industries but all show ambitious long-term growth, characteristic of Mukesh Ambani's leadership. Heavy investment into renewable energy and modern retail sit alongside its Jio mobile network and long-standing petrochemicals business.

Geography	India
Valuation	£13,839,000
% of total assets*	2.2%
(Valuation at 31 July 2021	£7,015,000)
(% of total assets at 31 July 2021	1.0%)
(Net purchases in year to 31 July 2022	nil)

MMG

MMG is a Hong Kong listed mid-tier global resources company which explores, develops and mines base metal projects around the world. Among its portfolio holdings are world class copper assets in Peru.

Geography	Hong Kong and China
Valuation	£13,330,000
% of total assets*	2.2%

Pacific Horizon Investment Trust PLC

(Valuation at 31 July 2021	£20,152,000)
(% of total assets at 31 July 2021	2.7%)
(Net purchases in year to 31 July 2022	nil)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement

List of Investments as at 31 July 2022

Name	Geography	Business	Value £'000	% of total assets ‡
Delhivery P#	India	Logistics and courier services provider	33,717	5.5
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	33,653	5.5
Dailyhunt (VerSe Innovation) Series I Preferred u	India	Indian news aggregator application	18,902	3.1
Dailyhunt (VerSe Innovation) Series Equity u	India	Indian news aggregator application	3,774	0.6
Dailyhunt (VerSe Innovation) Series J Preferred u	India	Indian news aggregator application	2,559	0.4
			25,235	4.1
Jadestone Energy	Singapore	Oil and gas explorer and producer	21,754	3.6
JD.com	HK/China	Online mobile commerce	20,167	3.3
Merdeka Copper Gold	Indonesia	Indonesian miner	17,027	2.8
Li Ning	HK/China	Sportswear apparel supplier	16,368	2.7
Sea Limited ADR	Singapore	Internet gaming and ecommerce	13,839	2.3
Reliance Industries	India	Indian petrochemical company	13,389	2.2
MMG	HK/China	Chinese copper miner	13,330	2.2
Tata Motors ADR	India	Indian automobile manufacturer	13,230	2.2
Zijin Mining Group Co H Shares	HK/China	Gold and copper miner	12,014	2.0
Samsung SDI	Korea	Electrical equipment manufacturer	11,911	2.0
ByteDance series E-1 Preferred u	HK/China	Social media	11,731	1.9
Bank Rakyat	Indonesia	Consumer bank	11,325	1.9
LONGi Green Energy	HK/China	Chinese semiconductor manufacturer	11,220	1.8
HDBank	Vietnam	Consumer bank	9,922	1.6
Alibaba Group	HK/China	Online and mobile commerce	9,888	1.6
Samsung Engineering	Korea	Korean construction	8,979	1.5
Hyundai Mipo Dockyard	Korea	Korean shipbuilder	8,918	1.5
Star Health & Allied Insurance Co P‡	India	Health insurance company	8,769	1.4
PT Astra International	Indonesia	Automobile distributor	8,717	1.4
Lemon Tree Hotels	India	Owner and operator of a chain of Indian hotels and resorts	8,415	1.4
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	8,308	1.4
Midea A Shares	HK/China	Household appliance manufacturer	8,254	1.4
Metiuan	HK/China	Local services aggregator	8,093	1.3
Phoenix Mills	India	Commercial property manager	8,059	1.3
Zomato P	India	Online restaurant search, ordering and discovery platform	7,939	1.3
Nickel Mines	Indonesia	Base metals miner	7,096	1.2

Name	Geography	Business	Value £'000	% of total assets ‡
Jiangxi Copper Co	HK/China	Chinese copper miner	7,047	1.2
Indiabulls Real Estate	India	Domestic and commercial real estate provider	6,998	1.1
Ramkrishna Forgings	India	Auto parts manufacturer	6,966	1.1
China Oilfield Services H Shares	HK/China	Oilfield services	6,921	1.1
MediaTek	Taiwan	Taiwanese electronic component manufacturer	6,701	1.1
Hoa Phat Group	Vietnam	Steel and related products manufacturer	6,680	1.1
Zhejiang Supor Co	HK/China	Chinese manufacturer of cookware and home appliance products	6,571	1.1
TSMC	Taiwan	Semiconductor manufacturer	6,455	1.1
Prestige Estate Projects	India	Owner and operator of residential real estate properties	6,398	1.0
Ping An Insurance H Shares	HK/China	Life insurance provider	6,372	1.0
Geely Automobile	HK/China	Automobile manufacturer	6,187	1.0
Accton Technology	Taiwan	Server network equipment manufacturer	6,134	1.0
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	5,749	0.9
Coupang	Korea	Ecommerce business	5,526	0.9
Kingdee International Software	HK/China	Enterprise management software distributor	5,490	0.9
Koh Young Technology	Korea	3D inspection machine manufacturer	5,471	0.9
Baidu.com	HK/China	Internet provider	5,452	0.9
PT Vale Indonesia	Indonesia	Nickel miner	5,224	0.9
SDI Corporation	Taiwan	Stationery and lead frames for semiconductors manufacturer	5,209	0.9
Ningbo Peacebird Fashion A Shares	HK/China	Chinese fashion	5,166	0.8
KH Vatec Company	Korea	Electronic component and device manufacturer	5,089	0.8
EO Technics	Korea	Manufacturer and distributor of semiconductor laser markers	5,001	0.8
Wuxi Lead Intelligent Equipment Co A Shares	HK/China	Manufacturer of electronic capacitors, solar energy and lithium battery equipment	4,875	0.8
HDFC	India	Indian mortgage provider	4,581	0.8
Flitto	Korea	Internet based service provider	4,479	0.7
PT Aneka Tambang	Indonesia	Nickel miner	4,215	0.7
Dada Nexus ADR	HK/China	Chinese ecommerce distributor of online consumer products	4,142	0.7
Korea Zinc	Korea	Non-ferrous metals smelter and manufacturer	3,785	0.6
PropertyGuru	Singapore	Real-estate platform	3,706	0.6
S-Fuelcell	Korea	Fuel cell manufacturer	3,314	0.5
Han's Laser Technology A Shares	HK/China	Electronic equipment manufacturer	3,203	0.5
Tsugami Precision	HK/China	Industrial machinery manufacturer	3,151	0.5
KE Holdings	HK/China	Chinese real-estate platform	2,559	0.4
KE Holdings ADR	HK/China	Chinese real-estate platform	560	0.1
			3,119	0.5
L&C Bio	Korea	Medical equipment manufacturer	3,111	0.5

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Name	Geography	Business	Value £'000	% of total assets ‡
LG Chem	Korea	Producer of EV batteries	3,088	0.5
Chalice Mining	HK/China	Miner	2,899	0.5
Ping An Bank A Shares	HK/China	Consumer bank	2,783	0.5
CIMC Vehicles H Shares	HK/China	Manufacturer of trailers and trucks	2,767	0.5
SK IE Technology	Korea	Refining and chemical company	2,623	0.4
Policybazaar	India	Online financial services platform	2,616	0.4
Kaspi Kz JSX GDR	Kazakhstan	Kazakh fintech	2,582	0.4
Skipper	India	Transmission and distribution structures provider	2,429	0.4
Hypebeast	HK/China	Digital media and ecommerce company	2,287	0.4
AirTac International Group	Taiwan	Pneumatic components manufacturer	2,180	0.4
Techtronic Industries	HK/China	Power tool manufacturer	2,168	0.3
Vinh Hoan Corporation	Vietnam	Food producer	2,027	0.3
China Conch Venture	HK/China	Provider of environmentally-friendly building materials and solutions	1,933	0.3
Douzone Bizon	Korea	Enterprise resource planning software developer	1,681	0.3
Nexteer Automotive	HK/China	Producer of automotive components	1,285	0.2
Huayu Automotive Systems A Shares	HK/China	Auto parts manufacturer	1,069	0.2
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	807	0.1
China Conch Environment Protection	HK/China	Provider of environmentally-friendly building materials and solutions	788	0.1
Brilliance China Automotive [s]	HK/China	Minibus and automotive components manufacturer	495	0.1
Chime Biologics [u]	HK/China	Biopharmaceutical company	139	0.1
Eden Biologics [u]	Taiwan	Biopharmaceutical company	138	0.0
Philtown Properties [u]	Philippines	Property developer	0	0.0
Total Investments			**608,539**	**99.7**
Net Liquid Assets‡			2,011	0.3
Total Assets			**610,550**	**1.00**

HK/China denotes Hong Kong and China.

Details of the ten largest investments are given above along with comparative valuations.

‡ For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

u Denotes private company (unlisted) investment.

p Denotes listed security previously held in the portfolio as an unlisted security.

s Denotes suspended investment.

In line with the conditions of the IPO, investors with holdings prior to the listing are subject to a lock in period preventing trading of the holding. This expires on 24 November 2022.

‡ In line with the conditions of the IPO, investors with holdings prior to the listing are subject to a lock in period preventing trading of the holding. This expires on 10 December 2022.

	Listed equities %	Unlisted (private company) securities† %	Net liquid assets %	Total assets %
31 July 2022	**93.6**	**6.1**	**0.3**	**100.0**
31 July 2021	89.7	7.2	3.1	100.0

Figures represent percentage of total assets.

† Includes holdings in ordinary shares and preference shares.

Distribution of Total Assets‡

Geographical Analysis

		At 31 July 2022 %	At 31 July 2021 %
Equities:	Hong Kong and China	**32.4** (inc. 7.1 A Shares‡)	29.9 (inc 2.9 A Shares‡)
	Korea	**17.4**	14.5
	Taiwan	**4.5**	3.5
	Vietnam	**5.4**	5.6
	India	**24.2**	28.9
	Singapore	**6.5**	9.8
	Indonesia	**8.9**	5.5
	Other	**0.4**	2.1
Total equities		**99.7**	96.9
Net liquid assets		**0.3**	3.1
Total assets		**100.0**	100.0

Sectoral Analysis

		At 31 July 2022 %	At 31 July 2021 %
Equities:	Consumer Discretionary	**20.2**	13.8
	Communication Services	**9.6**	13.3
	Consumer Staples	**0.3**	0.1
	Energy	**6.9**	4.0
	Financials	**9.9**	8.6
	Healthcare	**0.6**	4.0
	Industrials	**13.5**	10.1
	Information Technology	**19.5**	17.5
	Materials	**14.6**	21.0
	Real Estate	**4.6**	4.5
Total equities		**99.7**	96.9
Net liquid assets		**0.3**	3.1
Total assets		**100.0**	100.0

‡ For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Pacific Horizon Investment Trust PLC

Income Statement

	For the year ended 31 July 2022			For the year ended 31 July 2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	–	(118,594)	**(118,594)**	-	208,671	**208,671**
Currency gains	–	1,292	**1,292**	-	35	**35**
Income (note 2)	11,067	–	**11,067**	3,561	-	**3,561**
Investment management fee (note 3)	(4,036)	–	**(4,036)**	(3,475)	-	**(3,475)**
Other administrative expenses	(1,093)	–	**(1,093)**	(729)	-	**(729)**
Net return before finance costs and taxation	5,938	(117,302)	**(111,364)**	(643)	208,706	**208,063**
Finance costs of borrowings	(756)	–	**(756)**	(465)	-	**(465)**
Net return before taxation	5,182	(117,302)	**(112,120)**	(1,108)	208,706	**207,598**
Tax	(1,352)	5,288	**3,936**	706	(9,137)	**(8,431)**
Net return after taxation	**3,830**	**(112,014)**	**(108,184)**	**(402)**	**199,569**	**199,167**
Net return per ordinary share (note 4)	**4.21p**	**(123.01p)**	**(118.80p)**	**(0.51p)**	**253.70p**	**253.19p**

The total column of this Statement represents 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 this Statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return after taxation is both the profit and comprehensive income for the year.

Pacific Horizon Investment Trust PLC
Balance Sheet

	At 31 July 2022		At 31 July 2021	
	£'000	£'000	£'000	£'000
Fixed assets				
Investments held at fair value through profit or loss (note 6)		608,539		725,122
Current assets				
Debtors	1,248		1,387	
Cash and cash equivalents	5,399		31,766	
	6,647		33,153	
Creditors				
Amounts falling due within one year (note 8)	(1,620)		(61,966)	
Net current assets/(liabilities)		5,027		(28,813)
Total assets less current liabilities		613,566		696,309
Creditors				
Amounts falling due after more than one year:				
Provision for tax liability (note 10)		(3,016)		(9,078)
Net assets		**610,550**		**687,231**
Capital and reserves				
Share capital		9,208		8,843
Share premium account		253,946		221,354
Capital redemption reserve		20,367		20,367
Capital reserve		319,573		433,041
Revenue reserve		7,456		3,626
Shareholders' funds		**610,550**		**687,231**
Net asset value per ordinary share*		**664.55p**		**777.15p**
Ordinary shares in issue (note 11)		**91,860,961**		**88,429,704**

* See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Pacific Horizon Investment Trust PLC

Statement of Changes in Equity

For the year ended 31 July 2022

	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 2021	8,843	221,354	20,367	433,041	3,626	687,231
Net return after taxation	-	-	-	(112,014)	3,830	(108,184)
Ordinary shares bought back into treasury (note 11)	-	-	-	(1,454)	-	(1,454)
Ordinary shares sold from treasury (note 11)	-	-	-	-	-	-
Ordinary shares issued (note 11)	365	32,592	-	-	-	32,957
Dividends appropriated in the year (note 5)	-	-	-	-	-	-
Shareholders' funds at 31 July 2022	9,208	253,946	20,367	319,573	7,456	610,550

For the year ended 31 July 2021

	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 2020	6,317	40,048	20,367	233,472	4,199	304,403
Net return after taxation	-	-	-	199,569	(402)	199,167
Ordinary shares bought back into treasury (note 11)	-	-	-	(2,132)	-	(2,132)
Ordinary shares sold from treasury (note 11)	-	442	-	2,132	-	2,574
Ordinary shares issued (note 11)	2,526	180,864	-	-	-	183,390
Dividends appropriated in the year (note 5)	-	-	-	-	(171)	(171)
Shareholders' funds at 31 July 2021	8,843	221,354	20,367	433,041	3,626	687,231

† The Capital Reserve balance at 31 July 2022 includes investment holding gains of £119,695,000 (31 July 2021 – gains of £287,279,000).

Pacific Horizon Investment Trust PLC
Cash Flow Statement

	For the year ended 31 July 2022 £'000	For the year ended 31 July 2022 £'000	For the year ended 31 July 2021 £'000	For the year ended 31 July 2021 £'000
Cash flows from operating activities				
Net return before taxation		(112,120)		207,598
Net losses/(gains) on investments		118,594		(208,671)
Currency gains		(1,292)		(35)
Finance costs of borrowings		756		465
Overseas withholding tax		(1,288)		(304)
Indian CGT paid on transactions		(774)		(135)
Corporation tax refunded		–		992
Changes in debtors and creditors		(589)		916
Cash from operations ‡		3,287		826
Interest paid		(765)		(430)
Net cash inflow from operating activities		2,522		396
Cash flows from investing activities				
Acquisitions of investments	(197,017)		(298,606)	
Disposals of investments	196,116		98,014	
Net cash outflow from investing activities		(901)		(200,592)
Cash flows from financing activities				
Ordinary shares bought back into treasury (note 11)	(1,454)		(2,132)	
Ordinary shares sold from treasury (note 11)	–		2,574	
Proceeds from Ordinary shares issued (note 11)	32,957		183,368	
Borrowings drawn down	119,372		210,000*	
Borrowings repaid	(182,957)		(172,471)*	
Equity dividends paid	–		(171)	
Net cash (outflow)/inflow from financing activities		(32,082)		221,168
(Decrease)/increase in cash and cash equivalents		(30,461)		20,972
Exchange movements		4,094		(1,352)
Cash and cash equivalents at 1 August		31,766		12,146
Cash and cash equivalents at 31 July		**5,399**		**31,766**

‡ Cash from operations includes dividends received of £10,279,000 (2021 – £3,858,000) and interest received of £6,000 (2021 – £66,000).

* In the year to 31 July 2021, the Company had separate drawdown and repayment of borrowings. However, these separate cash flows had been netted off in the cash flow statement rather than being presented gross. Adjustment has been made to the prior year cash flow statement to gross up the cash flows of the drawdown and repayment of borrowings. This adjustment does not impact the net cash (outflow)/inflow from financing activities, the overall cash flow position, the result or the net assets of the Company.

Notes to the Financial Statements

1. Principal accounting policies

The Financial Statements for the year to 31 July 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

2. Income

	2022 £'000	2021 £'000
Income from Investments		
Overseas dividends	**11,060**	3,495
Other income		
Deposit interest	**7**	66
Total income	**11,067**	3,561

3. Investment management fee

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager (AIFM) and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice.

The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

4. Net return per ordinary share

	2022 £'000	2021 £'000
Revenue return after taxation	3,830	(402)
Capital return after taxation	(112,014)	199,569
Total return	(108,184)	199,167
Weighted average number of ordinary shares in issue	91,063,205	78,661,987

The figures for net return per ordinary share are based on the above totals for revenue and capital and the weighted average number of ordinary shares (excluding treasury shares) in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

5. Ordinary dividends

	2022	2021	2022 £'000	2021 £'000
Amounts recognised as distributions in the year:				
Previous year's final	-	0.25p	-	171

We set out below the total dividends proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. There is a revenue surplus for the year to 31 July 2022 of £3,830,000 which is available for distribution by way of a dividend payment (2021– a revenue deficit of £402,000).

	2022	2021	2022 £'000	2021 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final dividend per ordinary share (payable 29 November 2022)	3.00p	-	2,756	-

6. Fair value hierarchy

As at 31 July 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	570,801	495	-	**571,296**
Unlisted equities	-	-	4,051	**4,051**
Unlisted preference shares*	-	-	33,192	**33,192**
Total financial asset investments	**570,801**	**495**	**37,243**	**608,539**

As at 31 July 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	670,144	877	-	671,021
Unlisted equities	-	-	6,298	6,298
Unlisted preference shares*	-	-	47,803	47,803
Total financial asset investments	670,144	877	54,101	725,122

* The investments in preference shares are not classified as equity holdings as they include liquidation preference rights that determine the repayment (or multiple thereof) of the original investment in the event of a liquidation event such as a take-over.

During the year to 31 July 2022 investments with a book cost of £23,341,000 (31 July 2021 – £8,167,000) were transferred from Level 3 to Level 1 on becoming listed.

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables above provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

The fair value hierarchy used to analyse the fair values of financial assets 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 as follows:

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 unlisted ordinary share investments at 31 July 2022 were valued using a variety of techniques. These include using comparable company performance, comparable scenario analysis, and assessment of milestone achievement at investee companies. The determinations of fair value included assumptions that the comparable companies and scenarios chosen for the performance assessment provide a reasonable basis for the determination of fair value. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

7. Transaction costs

The purchases and sales proceeds figures include transaction costs of £225,000 (2021 – £344,000) and £308,000 (2021 – £164,000) respectively, total transaction costs being £533,000 (2021 – £508,000).

8. Borrowing facilities

During the year, the Company repaid its one year £60 million multi-currency revolving credit facility with Royal Bank of Scotland International Limited and obtained a new three year multi-currency revolving credit facility of up to £100 million with Royal Bank of Scotland International Limited which expires on 14 March 2025. At 31 July 2022 there were no outstanding drawings (31 July 2021 – £20,000,000 and US$56,704,000 at interest rates of 0.65977% and 0.74975% respectively). The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's net asset value should be at least £300 million.

There were no breaches in the loan covenants during the year.

9. Analysis of change in net debt

	At 1 August 2021 £'000	Cash flows £'000	Exchange movement £'000	At 31 July 2022 £'000
Cash and cash equivalents	31,766	(30,461)	4,094	**5,399**
Loans due within one year	(60,783)	63,585	(2,802)	**-**
	(29,017)	**33,124**	**1,292**	**5,399**

10. Provision for deferred tax liability

The tax liability provision at 31 July 2022 of £3,016,000 (31 July 2021 – £9,078,000) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates (long term capital gains are taxed at 10% and short term capital gains are taxed at 15%). The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates. The capital gains tax is calculated based on how long an asset is held for.

11. Share capital

	2022 Number of shares	2021 Number of shares
Allotted, called up and fully paid ordinary shares of 10p each	91,860,961	88,429,704
Treasury shares of 10p each	214,000	–
	92,074,961	**88,429,704**

In the year to 31 July 2022, the Company issued 3,645,257 ordinary shares with a nominal value of £365,000, representing 4.1% of the issued share capital at 31 July 2021, at a premium to net asset value, raising net proceeds of £32,957,000 (2021 – 25,264,422 ordinary shares with a nominal value of £2,526,000, raising net proceeds of £183,832,000).

In the year to 31 July 2022, 214,000 ordinary shares (representing 0.2% of the issued share capital at 31 July 2021, were bought back at a total cost of £1,454,000 and are held in treasury ,2021 – 325,134 shares (representing 1% of the issued share capital at 31 July 2020, were bought back during the year and subsequently reissued from treasury). At 31 July 2022 the Company had authority to allot or sell from treasury 8,127,970 ordinary shares without application of pre-emption rights and to buy back 13,041,612 ordinary shares on an ad hoc basis. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

Between 1 August 2022 and 14 September 2022, no further shares were issued and 217,726 shares were bought back.

12. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 July 2022 or 2021 but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies, and those for 2022 will be delivered in due course. The auditor has reported on these accounts; the reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under sections 498 (2) or 498(3) of the Companies Act 2006.

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13. Transactions with Related Parties and the Managers and Secretaries

No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Details of the management fee arrangements are included in note 3 above.

14. The Annual Report and Financial Statements will be available on the Company's page on the Managers' website pacifichorizon.co.uk‡ on or around 30 September 2022.

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

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

Glossary of Terms and Alternative Performance Measures ('APM')

Total Assets
The total value of all assets held less all liabilities (other than liabilities in the form of borrowings).

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

Net Liquid Assets
Net liquid assets comprise current assets less current liabilities (excluding borrowings) and provisions for deferred liabilities.

Discount/Premium (APM)
As stock markets 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.

	2022	2021
Net asset value per share (a)	664.65p	777.15p
Share price (b)	647.00p	802.00p
(Discount)/premium ((b) – (a)) ÷ (a)	(2.7%)	3.2%

Total Return (APM)
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 (APM)
The total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value, as detailed below.

	2022 £'000	2021 £'000
Investment management fee	4,036	3,475
Other administrative expenses	1,093	729
Total Expenses	5,129	4,204
Average net asset value	691,596	538,343
Ongoing charges	0.74%	0.78%

China 'A' Shares
'A' Shares are shares of mainland China-based companies that trade on the Shanghai Stock Exchange and the Shenzhen Stock Exchange. Since 2003, select foreign institutions have been able to purchase them through the Qualified Foreign Institutional Investor system.

Treasury Shares

The Company has the authority to make market purchases of its ordinary shares for retention as Treasury Shares for future reissue, resale, transfer, or for cancellation. Treasury Shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

Unlisted (Private) Company

An unlisted or private company means a company whose shares are not available to the general public for trading and are not listed on a stock exchange.

Gearing (APM)

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.

Invested gearing is borrowings at par less cash and brokers' balances expressed as a percentage of shareholders' funds.

	2022 £'000	2021 £'000
Borrowings (at book cost) (a)	-	60,783
Less: cash and cash equivalents	(5,399)	(31,766)
Less: sales for subsequent settlement	(402)	(1,066)
Add: purchases for subsequent settlement	466	-
Adjusted borrowings (b)	(5,355)	27,951
Shareholders' funds (c)	610,550	687,231
Gearing: (b) as a percentage of (c)	(1%)	4%

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

	2022 £'000	2021 £'000
Borrowings (at book cost) (a)	-	60,783
Shareholders' funds (b)	610,550	687,231
Potential gearing (a) as a percentage of (b)	-	9%

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers Regulations 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.

Active Share (APM)

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.

Compound Annual Return (APM)

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compound value at the start of each year.

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Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation (`SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Pacific Horizon Investment Trust PLC is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR. The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions. Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website bailliegifford.com.

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

Third Party Data Provider Disclaimer

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Pacific Horizon Investment Trust PLC

Pacific Horizon Investment Trust PLC (Pacific Horizon) aims to achieve capital growth through investment in the Asia-Pacific region (excluding Japan) and in the Indian subcontinent. The Company has total assets of £610.6 million (before deduction of loans of nil) at 31 July 2022.

Pacific Horizon is managed by Baillie Gifford & Co Limited, the Edinburgh based fund management group.

Past performance is not a guide to future performance. Pacific Horizon is a public listed company and is not authorised or regulated by the Financial Conduct Authority. The value of its shares and any income from those shares 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. Shareholders in Pacific Horizon have the right to vote every five years, on whether to continue Pacific Horizon, or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2026. You can find up to date performance information about Pacific Horizon on the Pacific Horizon page of the Managers' website at pacifichorizon.co.uk.†

† Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

16 September 2022

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