PACIFIC HORIZON INVESTMENT TRUST PLC

Growth²: Embracing growth, disruption and innovation

Annual Report and Financial Statements
31 July 2020

BAILLIE GIFFORD

Growth²: Embracing growth, disruption and innovation

Contents

Investor Disclosure Document

The EU Alternative Investment Fund Managers Directive requires certain information to be made available to investors prior to their making an investment in the Company. The Company's Investor Disclosure Document is available for viewing at www.pacifichorizon.co.uk.

Notes

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

Investment trusts are UK public listed companies and as such comply with the requirements of the UK Listing Authority. They are not authorised or regulated by the Financial Conduct Authority.

Pacific Horizon Investment Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Pacific Horizon Investment Trust PLC, please forward this document, together with any accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.

Company Summary

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.

Investment Policy

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 principally of quoted securities although unlisted companies, fixed interest holdings and other non equity investments, may be held. Further details of the Company's investment policy are given in the Business Review on page 7.

Comparative Index

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

Management Details

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio 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 2019 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. In the periods before 1 January 2019 covered by this report the fee was 0.95% 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. More details on the Investment Management Agreement are set out on page 23.

Capital Structure

At the year end the Company's share capital consisted of 63,165,282 ordinary shares of 10p each which are issued and fully paid. The Company currently has powers to buy back a limited number of its own ordinary shares for cancellation at a discount to net asset value per share (NAV) as well as to issue shares at a premium to NAV. At the forthcoming Annual General Meeting, the Directors are seeking to renew these authorities and to allow shares bought back to be held in and sold out of treasury. Further information is given on pages 24 and 25.

AIC

The Company is a member of the Association of Investment Companies.

Duration of the Company

Shareholders have the right to vote on the continuation of the Company every five years. At the Annual General Meeting held on 9 November 2016, the shareholders approved the resolution postponing the obligation of the Directors to convene an Extraordinary General Meeting at which a resolution will be proposed pursuant to section 84 of the Insolvency Act 1986 to wind the Company up voluntarily until the date of the Annual General Meeting of the Company to be held in 2021 or 30 November 2021, whichever is earlier, or such later date as the shareholders may resolve.

Strategic Report

This Strategic Report, which includes pages 2 to 21 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Covid-19

Covid-19 has had far-reaching consequences, many tragic and many yet unknown. On behalf of myself and the Board, I should like to take this opportunity to pass on our sympathies to those who have suffered most.

During this period of 'business as unusual', the Board and Managers have remained in regular contact, and there has been no evident disruption to the effectiveness of the day-to-day management of the Company's assets nor in the level of service from the various third-party service providers used.

Performance

In a period that has had both Covid-19 and US/China trade disputes as its backdrop, it seems quite remarkable to be able to report that in the year to 31 July 2020, the Company's net asset value per share ('NAV') has risen by 39.9%* compared to a 5.1%* total return from the MSCI All Country Asia ex Japan Index in sterling terms. The share price rose by 57.5%* resulting in the shares ending the period at a 4.6% premium, having been at a 7.1% discount a year earlier.

The majority of the absolute and relative outperformance was achieved in the second half of the Company's financial year, with the NAV rising 38.1%* versus 8.8%* for the comparative index. This was driven by stock specific returns, notably a strong performance from SEA Limited, which has built an enviable position in both gaming and ecommerce across multiple ASEAN markets. The Managers' Review on pages 11 to 14 contains a more detailed explanation of the Company's performance along with commentary on the areas the managers are finding of interest.

Whilst it is pleasing to note the strong performance, shareholders should not expect such strong returns as a matter of course. The portfolio is managed actively with the objective of outperforming its comparative index over the long term by aspiring to invest in the highest growth companies in the fastest growing region in the world; or as the managers call it, 'growth squared'. Neither absolute nor relative returns will be consistent; it is more likely that future performance will continue to be volatile, and shareholders would be prudent to anticipate periods when returns are less favourable.

The Company will be undertaking its quinquennial Continuation vote as part of the business of the 2021 Annual General Meeting ('AGM'), meaning that shareholders will be able to determine whether the Company continues for a further five years or is wound-up and its capital returned to investors.

Issuance, Share Buy-backs and Treasury

The Company's performance over the past year did not go unnoticed by the market, resulting in demand for the Company's shares at times outstripping supply. This allowed the issuance of 4,138,000 shares in the year to 31 July 2020, 7.0% of the shares in issue at the start of the Company's financial year. All were issued at a sufficient premium to NAV to cover all costs of issuance. The ongoing demand meant that the Board sought and obtained an additional 10% annual issuance authority from shareholders in August. A further 4,120,000 shares have been issued since 31 July 2020.

At the forthcoming AGM in November, the Board will be seeking an additional 10% non pre-emptive issuance authority to run concurrently with the authority granted in August 2020. Issuance will continue to be undertaken only at a premium to NAV, thereby avoiding dilution to existing investors. In the event that this authority is utilised, it has the effect of enhancing 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.

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 NAV. The Board intends to use the buyback authority opportunistically, taking into consideration not only the level of the discount but also the underlying liquidity and trading volumes in the Company's shares. This approach allows the Board to seek to address any imbalance between the supply and demand for the Company's shares that results in a large discount to NAV whilst being cognisant that current and potential shareholders have expressed a desire for continuing liquidity.

The Board also believes that the Company would benefit 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. There are no shares held in treasury at present.

Earnings and Dividend

Earnings per share increased to 0.95p from 0.01p for last year. After deduction of the management fee and relevant expenses, the Company is in the position to pay a dividend. The Board is therefore recommending that a final dividend of 0.25p should be paid, subject to shareholder approval at the 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.

* Calculated on a total return basis. Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 62.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

Past performance is not a guide to future performance.

Gearing

The Board continues to set the gearing parameters within which the managers are permitted to operate and these are reviewed at each Board meeting, and between meetings if necessary, as was the case earlier this year. At present, the agreed range of equity gearing is minus 15% (i.e. holding net cash) to plus 15%.

At the year end, invested gearing was 4.1%, compared to 8.3% at the start of the year. Gearing is achieved through the use of bank borrowings. At present the Company has a multi-currency revolving credit facility with The Royal Bank of Scotland for up to £30 million, of which £25 million was drawn at 31 July 2020, split between GBP and USD.

The Board

At the conclusion of last year's AGM, Miss Jean Matterson stood down as Chairman and Company Director. I should like to take this opportunity to put on record both my own and my colleagues' thanks for her contributions to the success of the Company. We wish her well with future endeavours.

During the year, we welcomed Ms Wee-Li Hee to the Board. As a former portfolio manager investing in Asia Pacific equities, she brings a fresh perspective to assessing the performance of the managers as well as knowledge of investment trusts, having once co-managed Scottish Oriental Smaller Companies trust. Her appointment falls to be ratified by shareholders as part of November's AGM business.

Having been appointed a Director in 2010, Mr Edward Creasy will be standing down from the Board at the conclusion of the AGM. He will be replaced as Chairman of the Audit Committee and as Senior Independent Director by Ms Angela Lane.

Governance and Stewardship

As highlighted by the previous Chairman, the Board is very aware that shareholders expect the highest standards of governance. Our Managers, Baillie Gifford, adopt a position of supportive and constructive engagement without prescriptive policies or rules, assessing matters on a case-by-case basis. As part of maximising long-term performance for the benefit of the Company's shareholders, the managers consider Environmental, Social and Governance ('ESG') factors as part of the investment case. While Baillie Gifford has clearly articulated ESG principles and a detailed policy framework, their application to often quite complex situations is necessarily subjective.

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 29. A document outlining Baillie Gifford's Governance and Sustainability principles can be found at **www.bailliegifford.com**.

Outlook

The impact of Covid-19 and the current, increasingly uncertain, global economic conditions on Asian economies make the outlook for the portfolio unusually uncertain. As the managers have shown, such challenges also provide opportunities for investors which they have successfully exploited over the past financial year. As is noted above however, considerable future volatility is possible and shareholders should be prepared for this.

Notwithstanding this risk, the Board remains fundamentally committed to the principle that investing in the fastest growing companies, in the fastest growing economies in the world will in the long term generate significant excess returns. The recent and past performance of the Company provides some encouraging corroboration of this view.

Annual General Meeting

This year's AGM will take place on 10 November 2020 at the offices of Baillie Gifford & Co in Edinburgh at 11.00am. As a consequence of Covid-19 and the uncertainty regarding government policy on group meetings, shareholders are being encouraged to submit their votes by proxy ahead of the meeting. It is intended that the meeting itself will involve the minimum number of people necessary for it to be quorate, so anyone not authorised to attend will likely be declined entry for health reasons. Should the situation change, further information will be made available through the Company's website at **www.pacifichorizon.co.uk** and the London Stock Exchange regulatory news service. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, please make contact using the information set out on page 61.

Angus Macpherson
Chairman
28 September 2020

One Year Summary*

	31 July 2020	31 July 2019	% change
Total assets	£329.0m	£223.8m	
Borrowings	£24.6m	£20.4m	
Shareholders' funds	£304.4m	£203.4m	
Net asset value per ordinary share	481.92p	344.50p	39.9
Share price	504.00p	320.00p	57.5
MSCI All Country Asia ex Japan Index (in sterling terms)†#	534.0	521.4	2.4
Dividend proposed per ordinary share in respect of the financial year	0.25p	Nil	
Revenue earnings per ordinary share	0.95p	0.01p	
Ongoing charges‡¶	0.92%	0.99%	
Premium/(discount)‡¶	4.6%	(7.1%)	
Active share‡	85%	84%	

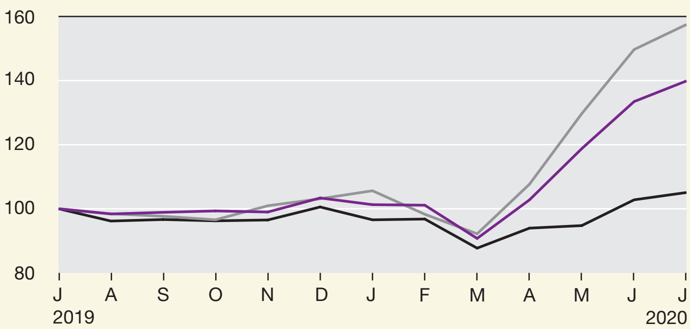
Year to 31 July	2020	2019
Total return#‡		
Net asset value per ordinary share¶	39.9%	(1.9%)
Share price¶	57.5%	(11.8%)
MSCI All Country Asia ex Japan Index (in sterling terms)†	5.1%	4.2%

Year to 31 July	2020	2020	2019	2019
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share	500.24p	284.09p	357.80p	276.82p
Share price	530.00p	235.00p	367.00p	264.00p
Premium/(discount)‡¶	9.3%	(17.7%)	5.5%	(7.5%)

Year to 31 July	2020	2019
Net return per ordinary share		
Revenue return	0.95p	0.01p
Capital return	134.99p	(6.65p)
Total return	**135.94p**	**(6.64p)**

NAV, Share Price and Comparative Index† Total Returns‡

(rebased to 100 at 31 July 2019)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 62.

NAV total return‡
Share price total return‡
Comparative index† total return

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

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

#Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 62.

‡Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 63.

¶Key Performance Indicator.

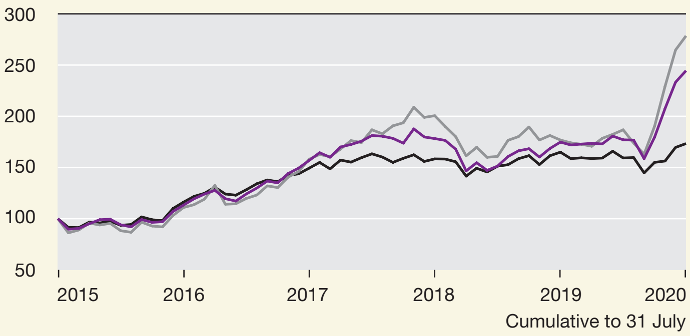
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how Pacific Horizon has performed relative to its comparative index* and the relationship between share price and net asset value over the five year period to 31 July 2020.

5 Year Total Return Performance†
Share Price, Net Asset Value and Index

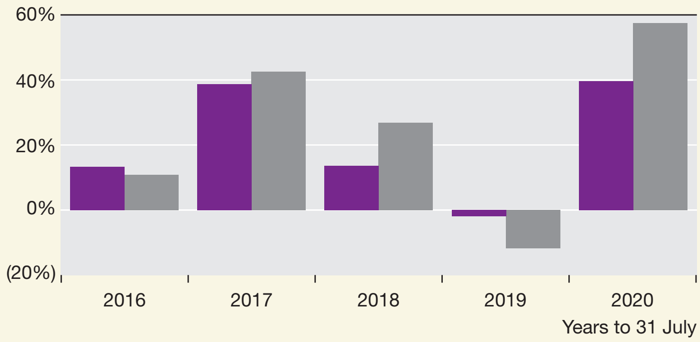
(figures rebased to 100 at 31 July 2015)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers#.
Dividends are reinvested.

NAV total return†
Share price total return†
Comparative index total return*

Annual Share Price and NAV Total Returns†

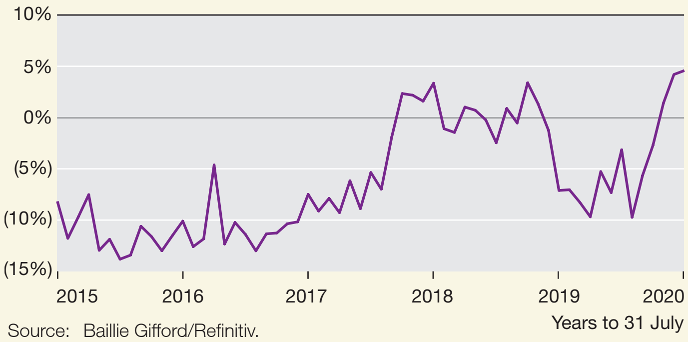


Source: Baillie Gifford/Refinitiv and relevant underlying index providers#.
Dividends are reinvested.

NAV total return†
Share price total return†

Premium/(discount) to Net Asset Value†

(figures plotted on a monthly basis)

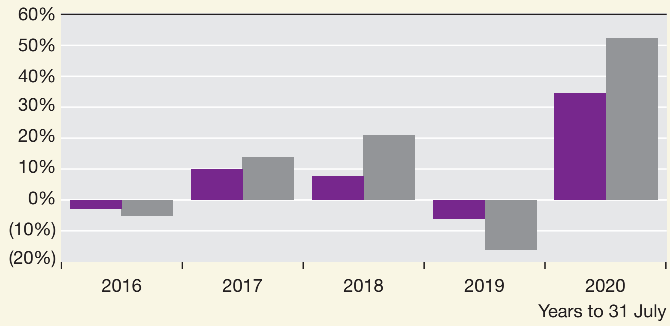


Source: Baillie Gifford/Refinitiv.

Pacific Horizon premium/(discount)†

Relative Annual Share Price and NAV Total Returns†

(compared to the MSCI All Country Asia ex Japan Index*)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers#.
Dividends are reinvested.

NAV total return† compared to the total return on the comparative index*
Share price total return† compared to the total return on the comparative index*

* The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.
† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 63.
# See disclaimer on page 62.

Past performance is not a guide to future performance.

Ten Year Record*

Capital

At 31 July	Total assets* £'000	Bank loans £'000	Shareholders' funds* £'000	Net asset value per share* p	Share price p	Premium/ (discount)* %
2010	127,939	–	127,939	163.42	146.00	(10.7)
2011	137,350	–	137,350	178.53	165.00	(7.6)
2012	129,097	–	129,097	172.01	149.50	(13.1)
2013	134,638	–	134,638	182.01	156.75	(13.9)
2014	145,063	4,146	140,917	200.95	177.75	(11.5)
2015	139,167	13,997	125,170	197.78	181.63	(8.2)
2016	132,702	5,000	127,702	223.58	201.00	(10.1)
2017	182,523	14,773	167,750	309.15	286.00	(7.5)
2018	225,063	20,183	204,880	351.26	363.00	3.3
2019	223,755	20,405	203,350	344.50	320.00	(7.1)
2020	**329,044**	**24,641**	**304,403**	**481.92**	**504.00**	**4.6**

Revenue

Year to 31 July	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary shares† p	Dividend per ordinary share net p	Ongoing charges* %
2010	2,999	1,295	1.65	1.30	1.24
2011	3,441	1,546	1.98	1.50	1.22
2012	3,234	1,491	1.97	1.50	1.26
2013	2,967	1,242	1.66	1.50	1.15
2014	2,550	1,019	1.40	1.40	1.01
2015	1,886	231	0.35	0.35	1.02
2016	1,331	(182)	(0.30)	0.35	1.13
2017	1,559	(211)	(0.38)	Nil	1.07
2018	2,032	(328)	(0.60)	Nil	1.02
2019	2,473	8	0.01	Nil	0.99
2020	**3,128**	**564**	**0.95**	**0.25**	**0.92**

Gearing Ratios

Year to 31 July	Invested gearing* %	Potential gearing* %
2010	(2)	–
2011	(1)	–
2012	(2)	–
2013	(1)	–
2014	2	3
2015	8	11
2016	3	4
2017	7	9
2018	8	10
2019	8	10
2020	**4**	**8**

Cumulative Performance (taking 2010 as 100)

At 31 July	Net asset value per share*	Net asset value total return*#	Share price	Share price total return*#	Comparative Index‡#	Comparative Index total return‡#	Revenue earnings per ordinary share	Retail price index#
2010	100	100	100	100	100	100	100	100
2011	109	110	113	114	114	117	120	105
2012	105	107	102	104	102	108	119	109
2013	111	114	107	111	111	121	101	112
2014	123	127	122	127	116	129	85	115
2015	121	126	124	130	115	131	21	116
2016	137	143	138	144	130	152	(18)	118
2017	189	198	196	206	163	196	(23)	122
2018	215	225	249	261	168	208	(36)	126
2019	211	221	219	230	170	216	1	129
2020	**295**	**308**	**345**	**363**	**175**	**227**	**58**	**131**
Compound annual returns								
5 year	19.5%	19.6%	22.6%	22.7%	8.7%	11.6%	22.1%	2.5%
10 year	11.4%	11.9%	13.2%	13.8%	5.7%	8.6%	(5.6%)	2.7%

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

† The calculation of earnings per share is based on the net revenue from ordinary activities after taxation and the weighted average number of ordinary shares (see note 7, page 46).

Source: Refinitiv and relevant underlying index providers. See disclaimer on page 62.

‡ On 1 August 2011 the Company changed its comparative index from the MSCI All Country Far East ex Japan Index (in sterling terms) to the MSCI All Country Asia ex Japan Index (in sterling terms). For the purposes of the above tables the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

Past performance is not a guide to future performance.

Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval, sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund for the purposes of the EU Alternative Investment Fund Managers Directive.

Purpose

The Company's purpose is to conduct business as an investment trust, investing its assets in accordance with its Investment Objective, in order to achieve capital growth for shareholders.

Investment Objective

The Company'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 principally of quoted securities.

Investment Policy

Pacific Horizon aims to achieve capital growth principally through investment in companies listed on the stock markets of the Asia-Pacific region (excluding Japan) and the Indian Sub-continent. The Company may also invest in companies based in the region and in investment funds specialising in the region or particular countries or sectors within it even if they are listed elsewhere. The maximum permitted investment in one company is 15% of total assets at time of investment.

The portfolio contains companies which the Managers have identified as offering the potential for long term capital appreciation, irrespective of whether they comprise part of any index. The portfolio is actively managed and will normally consist principally of quoted equity securities although unlisted companies, fixed interest holdings or other non equity investments may be held. The maximum exposure to unlisted investments is 10% of total assets at the time of initial investment. The Company is also permitted to invest in other pooled vehicles (general, country and sector specific) that invest in the markets of the region.

In constructing the equity portfolio a spread of risk is created through diversification and the portfolio will typically consist of between 40 and 120 holdings. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, no maximum limits to stock or sector weights have been set by the Board except as imposed from time to time by banking covenants on borrowings.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of reducing, transferring or eliminating investment risk in its investments. These typically take the form of index futures, index options and currency forward transactions.

The Company has a maximum approved equity gearing level of 50% of shareholders' funds but, in the absence of exceptional market conditions, equity gearing is typically less than 25% of shareholders' funds. Borrowings are invested in securities when it is considered that investment opportunities merit the Company taking a geared position. The Company is also permitted to be less than fully invested. Cash and equity gearing levels, and the extent of gearing, are discussed by the Board and Managers at every Board meeting.

Culture

As an externally managed investment company with no employees, Pacific Horizon's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on pages 9 and 10, and the Baillie Gifford Statement on Stewardship, which describes the Managers' culture of constructive engagement, is set out on page 15.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 27. These KPIs are established industry measures and are as follows:

- the movement in net asset value per ordinary share on a total return basis;
- the movement in the share price on a total return basis;
- the premium/(discount) of the share price to the net asset value per share; and
- the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on page 63. The one, five and ten year records for the KPIs can be found on pages 4, 5 and 6, respectively.

In addition to the above, the Board also has regard to the total return of the Company's principal comparative index (MSCI All Country Asia ex Japan Index (in sterling terms)) and considers the performance of comparable companies.

Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the Investment Policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short and medium term. The Board is satisfied with the Company's progress and performance.

Borrowings

The Company has a one year multi-currency revolving credit facility of up to £30 million with The Royal Bank of Scotland International Limited (31 July 2019 – up to £30 million). At 31 July 2020 there were outstanding drawings of £12,500,000 and US$15,935,500 at interest rates of 0.71891% and 0.83874% respectively (31 July 2019 – £10,000,000 and US$12,739,900 at interest rates of 1.28492% and 2.9272% respectively).

Principal Risks

As explained on pages 28 and 29 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. There have been no material changes to the principal risks during the year. A description of these risks and how they are being managed or mitigated is set out below:

Financial Risk – the Company's assets consist mainly of listed securities (98.7% of investment portfolio) and its principal financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 17 to the Financial Statements on pages 50 to 54. In order to oversee this risk, the Board considers at each meeting various metrics including regional and industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are discussed with the portfolio managers together with their general views on the various investment markets and sectors. A strategy session is held annually. The Board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) outbreak. The Board has also considered the potential impact on sterling from Brexit-related uncertainties. The value of the Company's investment portfolio would be affected by any impact, positively or negatively, on sterling but such impact would be partially offset by the effect of exchange movements on the Company's US$ denominated borrowings.

Investment Strategy Risk – pursuit of an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register.

Discount Risk – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the UKLA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To monitor potential risk, the Audit Committee receives six monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated unlisted portfolio holdings to confirmations from investee companies. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, documentary evidence of the existence of assets is subject to annual external audit.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the coronavirus outbreak) or major disaster. Since the introduction of the Covid-19 restrictions, almost all Baillie Gifford staff have been working from home and operations have continued very largely as normal. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board. Those other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found in note 19 on page 55 and the Glossary of Terms and Alternative Performance Measures on page 63.

Political and Associated Economic Risk – the Board is of the view that political change in areas in which the Company invests or may invest may have financial consequences for the Company. Political developments are closely monitored and considered by the Board, particularly in respect of tensions between the USA and China regarding tariffs and unrest in Hong Kong. Following the departure of the UK from the European Union on 31 January 2020, the Board continues to assess the potential consequences for the Company's future activities. Whilst there remains considerable uncertainty at present, the Board believes that the Company's portfolio, which predominantly comprises companies listed on the stock markets of the Asia Pacific region (excluding Japan) and the Indian Sub-continent, positions the Company to be suitably insulated from Brexit-related risk.

Viability Statement

Notwithstanding that the continuation of the Company is subject to approval of shareholders every five years, with the next vote at the Annual General Meeting in 2021, the Directors have, in accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council, assessed the prospects of the Company over a three year period. The Directors continue to believe this period to be appropriate as it is reflective of the Company's investment approach. In the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, such a period is one over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in the Company's strategy or objectives nor do they foresee any events that would prevent the Company from continuing in existence over that period.

In making this assessment regarding viability, the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal and emerging risks and uncertainties (as detailed on pages 28 and 29), in particular the impact of market risk where a significant fall in the Asia-Pacific (excluding Japan) and the Indian Sub-continent equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and its projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due, the main liability currently being the short term bank borrowings. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company during this period of remote working. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, key service providers can be replaced at relatively short notice where necessary. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the coronavirus outbreak. The stress testing did not indicate any matters of material concern.

The Board has specifically considered the impact of the UK's departure from the European Union on 31 January 2020 and does not consider that any outcome would affect the going concern status or viability of the Company.

Based on the Company's processes for monitoring revenue projections, share price discount/premium, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Section 172 Statement

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to: a) the likely consequences of any decision in the long term, b) the interests of the company's employees, c) the need to foster the company's business relationships with suppliers, customers and others, d) the impact of the company's operations on the community and the environment, e) the desirability of the company maintaining a reputation for high standards of business conduct, and f) the need to act fairly as between members of the company.

In this context, having regard to Pacific Horizon being an externally managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential shareholders; its externally-appointed managers (Baillie Gifford); other professional service providers (corporate broker, registrar, auditors and depositary); lenders; wider society and the environment where applicable.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth in line with the Company's stated objective and strategy; and that the Company meets the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders' interests being merely a matter of emphasis on those elements. The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chairman is available to meet with shareholders as appropriate independently of the Managers and did so during the year, together with the Senior Independent Director. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors can also attend shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all stakeholders in aggregate over the long term.

The Board seeks to engage with its Managers and other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that appropriate and regular challenge is brought to the table and appropriate evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's investment managers and service providers, with a view to ensuring the interests of the Company are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

The Company's operational capacity is limited, as third-party service providers conduct all substantive operations. Nonetheless, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders and that consideration of ESG factors is aligned with the Managers' longstanding aim of providing a sustainable basis for adding value for shareholders.

The Board recognises the importance of keeping the interests of the Company and its stakeholders, in aggregate, firmly front of mind in its key decision making. The Company Secretaries are available at all times to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the Directors to have regard to applicable section 172 factors included:

— as part of ongoing Board succession and refreshment, the appointment and induction of Wee-Li Hee to the Board, with effect from 1 June, in support of the AIC Corporate Governance Code principle that 'a successful company is led by an effective board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society';

— the renewal of the Company's one-year revolving multi-currency facility with RBSI, which enables the Managers to deploy gearing to improve the Company's returns to shareholders in rising markets but retains the flexibility to reduce borrowings should the need arise;

— the raising of over £20 million from new share issuance, at a premium to net asset value, in order to satisfy investor demand, which also serves the interests of current shareholders by spreading the Company's operating costs over a wider capital base, thereby reducing costs per share, and helping to improve liquidity; and

— the decision to declare a dividend of 0.25p, the minimum distribution permissible under investment trust regulations, in order to retain funds for reinvestment, consistent with Pacific Horizon's growth focus and its shareholders' priorities.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender Representation

As at 31 July 2020, and the date of this report, the Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy on diversity is set out on page 28.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 29, with more details of the Managers' approach to socially responsible investment set out under Environmental, Social and Governance in the Managers' Review on page 14 and the Baillie Gifford Statement on Stewardship on page 15.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at www.bailliegifford.com.

Managers' Review

Overview

"The current age of uncertainty might be defined thus: the old order has been undermined, but the shape of the new one is not yet clear. What determines how it turns out? Transformational technology? The sudden rise of China? Perhaps the consequences of unorthodox monetary policy? Most likely a combination of all these and more. What is certain is that, even amid this upheaval, the search for growth and the discovery of and investment in great companies will enable outperformance for the benefit of shareholders."

Pacific Horizon Annual Report 2019

Who would have predicted 12 months ago that a viral pandemic would lead to such massive fear and probably the greatest quarterly collapse in US GDP in history? The old order, including both public and private institutions in the West, was tested and found wanting, socially, politically, morally and economically. In contrast, the Asian model, so far, has held up relatively well. China, the epicentre of the viral outbreak, is still on pace to become a superpower by 2030. In the 'old economy', especially financial companies, we saw a collapse in share prices and corporate earnings. In the 'new economy' throughout the world, transformational technology helped ease the passing of the old 'normality'.

With the accelerated growth of the online economy (ecommerce, cloud and gaming) catalysed by Covid-19, the outline of the new order became clearer. In contrast, the consequences of monetary and fiscal reactions to the worldwide lockdowns, plus the political and social upheavals these will bring, have only just begun to filter through to asset prices.

Pacific Horizon's portfolio has prospered by investing in some of the region's great growth companies and holding these positions through significant volatility. We see no immediate prospect of escape from this turbulence. The global bond market is implying, via negative interest rates, asset destruction on an unimaginable level (the assumption is that money today is worth *less* than money in 10 years' time). To look back invites oblivion, to stand still is death. Surely embracing the new and going for growth is the only way out? Well, possibly.

The economic chaos and destruction caused by Covid-19 has ended a long positive economic cycle. Since the start of the pandemic, many businesses, previously kept alive by freely available cheap money, have failed. The pandemic has done what central banks have been afraid to do: create a Schumpeterian capital cycle where the role of the entrepreneur and innovation is paramount at the expense of entrenched, stale incumbents. This economic collapse has freed capital to work better for humanity. That is the good news. The possible bad news would be governments not allowing the market to allocate this capital effectively, intervening instead.

For equity investors the main point is that the East looks better on most metrics than the West (given government debt levels, the price of money, regulation, etc), supported by some of the strongest growth drivers globally. These range from the continued rise of the Asian middle class and consumer, to Asia's central role in supply chains, world trade and globalisation. Clearly the latter has recently come under pressure, especially with deteriorating US – China relations; however, it is also providing great opportunities for parts of Asia. Vietnam is one of the biggest winners of these trade disputes as it increasingly becomes one of the world's most important manufacturing centres, capturing much of the manufacturing capacity leaving China.

The start of a new cycle is almost always very positive for business owners. In fact, we would argue that this is possibly one of the best times to be a business owner in Asia: demand for products and services may have collapsed, but many competitors are insolvent, corporate profits are at a very low percentage of GDP, costs can be cut and when growth returns, operating leverage will be significant. We believe that the USD will probably be weak by historical standards, and capital will flow to Asia. Business profits have already bottomed and will rise rapidly from here. Old entrenched businesses may reinvent themselves and embrace the new and begin afresh.

If we are too cautious because of the risk and uncertainty arising from investment in times of rapid change, we will lose the opportunity to outperform. Hence our continued willingness to seek opportunities for great company returns. Risk and uncertainty mean that we will inevitably make mistakes and that many of our investments will be less successful than we hoped. Our approach is to back current holdings, hoping they will outperform in the longer term, while continuously searching for stocks with the potential to deliver significantly enhanced returns over longer timeframes. We accept the volatility this strategy entails and Pacific Horizon's shareholders, as well as potential investors, should be mindful of this.

Performance

In the year to 31 July 2020, on a total return basis, the Company's net asset value ('NAV') and share price increased by 39.9%* and 57.5%* respectively. This compares favourably against the Company's comparative index, the MSCI All Country Asia ex Japan Index (in sterling terms), which rose by 5.1%*.

Over the course of our latest financial year, market performance could be divided into two distinct halves: pre- and post-Covid-19. In the first half, many of our businesses were performing well after the brief technology-led market slump of 2018. Our commodity exposure, especially nickel and oil names, was also performing strongly. Covid-19 changed all this. After a brief but rapid decline, the portfolio experienced one of the fastest rebounds in its history, with the NAV more than doubling from the March low, driven by almost all its holdings outperforming in this period, especially the ecommerce, software and biotech stocks.

Instead of panicking during the decline, we assessed the resilience of the portfolio's companies and gave further thought as to whether they would still be here in one, three- or five-years' time. We considered whether they could survive current events with products and services that people would want to buy. We concluded that the portfolio comprised companies that were in

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 62.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

Past performance is not a guide to future performance.

aggregate cash rich, cash generative and reflective of the new rather than old economy. We undertook further analysis where we saw exceptions and thought carefully about the longer-term implications of events. We used Covid-19-induced share price plunges to increase the risk profile of the portfolio and, as managers, we believe that the mass panic and irrationality caused by this virus offers a once in a decade chance to reallocate assets towards Asia ex Japan markets.

We did not reduce the total of invested borrowings but did take some money from the larger cap names that had outperformed and reinvested it in some smaller names being sold off as they were seen as particularly risky. The key is to invest in specific, researched stocks and be sure that we own the companies that can survive current events.

The current global crisis is likely to create new secular trends and spur innovation. We believe that the Asia ex Japan region could be one of the major beneficiaries. The region is coming out of this crisis as an economic leader, in significantly better financial shape than Western economies, with superior long-term growth prospects and more attractive valuations. The year 2020 may well be an inflection point where Asia ex Japan becomes a favoured asset class for the coming decade. We believe our strategy of investing in growth companies focused on the areas of technology and innovation is extremely well placed in such an environment. 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 and the opportunities created by global digital penetration, technological change and the rise of the Asian middle class. These fundamentals will underpin growth in the region for decades to come. The best way to invest in this rapidly-changing growth market is to find the best long-term growth companies; we call it 'growth squared'.

Philosophy

We are excited by the future. We are growth investors looking for rapidly growing companies. Believing that time is on our side, we are patient. We 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 on the market over a longer timeframe.

When thinking about growth, we look for companies that have the potential to increase their revenue and earnings at around 15% per annum on average for the next five years or longer, and for opportunities where we feel this potential has not been fully recognised by the market. Our approach may lead to significant investment concentration in certain areas depending upon the immediate outlook for different countries and sectors. As well as growth potential, the corporate characteristics we look for include sustainable competitive advantage, attractive financials and good management. We also target stocks where a wider range of potential positive outcomes may not be currently recognised by the market, but which are likely to enhance future profitability, potentially significantly.

Our starting premise is based on how we think the world and individual countries may change over the next three, five and 10 years-plus, in every area of life: economically, socially and politically. What impact might technology have on these trends? When we look at a company and consider what size it and the industry in which it operates might become, we ask ourselves what the current rate of growth is, how the industry could change and whether there are additional opportunities for growth in adjacent markets that the company could enter. This gives us a rough estimate of the total addressable market for a company, its products and its growth potential. We examine the competitive dynamics of the industry and try to understand how these are likely to change. We ask whether the industry is improving and whether the position of the company within that industry is also changing for the better. Lastly, we look for a management team with the ability, ambition and integrity to deliver on its promise. The ideal team has a vision of the future and knows how, in its own small space, it can realise this vision.

The background to this process is inevitably one of uncertainty. Trial and error and chance play a huge role in any eventual outcome, hence the way the portfolio is diversified by country, sector and industry. More importantly we understand and appreciate that not all the companies we invest in will realise their value and growth potential. We remain committed to, and will back, our winners and reduce and sell our losers. Ideally, we will end up with a small group of stocks that, due to compounding growth and profit, will generate significant longer-term returns. These will be counterbalanced by a potentially larger group that have not reached this level of performance. Due to smaller holding sizes in this latter group and the benefits of enhanced returns from our successful investments, we aim to deliver outperformance over time.

	Pacific Horizon	MSCI AC Asia ex Japan Index
Historic earnings growth (5 years trailing compound annual growth to 31 July 2020)	32.21%	7.64%
One year forecast earnings growth (to 31 July 2021)	44.20%	13.26%
Estimated p/e ratio (to 31 July 2021)	31.16x	16.09x
Percentage in sub £1bn market cap companies	20.43%	0.21%
Percentage in sub £5bn market cap companies	43.30%	12.77%
Active share	84.79%	N/A
Portfolio turnover	28.8%	N/A

Data as at 31 July 2020, source: Baillie Gifford, UBS PAS, APT, MSCI (see disclaimer on page 62).

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 notably higher than the comparative index equivalents. The portfolio's estimated price-to-earnings ratio for the current year is 31.2x versus 16.1x for the comparative index. Over the longer term, we believe the higher growth potential of our holdings more than justifies this additional multiple. The portfolio now has a slightly lower proportion of larger capitalised stocks compared to last year and when measured against the comparative index. Active share is 84.8% and turnover for the year was 28.8% with 45 new stocks purchased and 21 holdings sold. The portfolio had invested gearing of 4.1% at 31 July 2020.

Finally, we continue to believe that the rapid development of technology is creating a fundamental change in market behaviour, with digitalisation driving profound changes in economic and political systems, businesses and consumer habits. The number of sectors and industries that are becoming digitalised and connected is increasing rapidly. There is growing awareness of these changes across the globe. Artificial intelligence ('AI') is now taken for granted and the concept of electric rather than internal combustion engine cars is seen as a commercial inevitability rather than a distant vision.

Review

We actively seek out the big winners – the stocks that can give us asymmetric returns. Over the last year this approach has played out fantastically well, with a few of our chosen stocks making enormous gains. The top five positive contributors to relative returns versus the comparative index in the year were SEA Limited, L&C Bio, JD.com, Kingdee and Accton Technology; a total of 63 holdings outperformed on a relative basis. This really was a big-winners-take-all year, with these five names accounting for around 78% of the portfolio's absolute return. This is in line with our continued investment philosophy of finding potential long-term winners, backing them, then running our winners and selling our losers.

We outperformed in all regions with the exception of Vietnam and India, both of which lagged the broader MSCI All Country Asia ex Japan index (in sterling terms). Singapore, South Korea and China/HK were our largest positive contributors to relative performance at a regional level, with aggregate relative performance attribution of 30.5 percentage points. Stock selection in South Korea, where we outperformed the local index by 44.1 percentage points, was particularly noteworthy.

We also outperformed in most sectors, only underperforming in Consumer Staples and Energy. We have been adding to names in the Industrials and Materials sectors and our weight in them is now higher than the average for the year. Our Information Technology sector exposure accounts for 22.9% of the portfolio, slightly up from last year, while Consumer Discretionary remains our second largest sector weight, with Communication Services moving into third.

SEA Limited, our largest holding at the beginning of the year at 8.2% of total assets, is South East Asia's biggest ecommerce and online gaming company. It rose 248% over the year in local currency terms (225% in sterling terms), up 222% from the March low. Its gaming division Garena, already flush with success from its global hit Free Fire, experienced a surge in users and revenues in May and June 2020, as gamers went online, especially in India, Indonesia and Brazil. We see Garena morphing into an emerging markets' gaming powerhouse.

However, the real excitement lies in ecommerce. The ASEAN online markets have less than half the penetration of their Chinese counterpart and are showing much faster growth. We see gross merchandise value potentially soaring from US$32bn in 2020 towards US$200bn by 2025 and SEA Limited emerging as the leading ecommerce platform in the region. We would not be surprised if its new fintech business delivers similar value to its ecommerce division in five years' time. We have been wrestling with how much exposure to allow ourselves to just one stock, however much we like it, and have reduced SEA Limited three times, at US$40, US$80 and US$105, with our average entry price at US$14. It remains around 9% of our portfolio. SEA Limited added 12.8 percentage points to the Company's relative return.

Most years (with the probable exception of 2020) we spend time in South Korea looking at small cap biotech and technology companies, some of which even the domestic institutions have not heard of. The 2019 visit was productive. That year we came back with a number of new ideas, some of which we purchased. One was L&C Bio, a stock we had bought at IPO earlier in the year, and to which we added following our visit. The company runs Asia's biggest human tissue bank and has developed various tissue regeneration and reconstruction techniques. We see its products growing in acceptance in South Korea and, more importantly, in China where we see a multibillion-dollar opportunity. The stock was up 555% for the year in local currency terms (507% in sterling terms), adding 3.3 percentage points to the Company's relative return.

Our third key stock contributor was Kingdee, the Chinese enterprise resource planning ('ERP') software company we have owned since 2015. It was up 182% over the year in local currency terms (166% in sterling terms); the company has met our expectations with its successful move to a cloud service business enabling it to transform from a low margin one in a highly competitive market to a high margin business in a winner-takes-most world. This year the company emerged as a clear leader in the online cloud market. Covid-19 significantly accelerated the shift online among Chinese businesses. China's ERP market today, at roughly Rmb 30bn, is only 0.03% of GDP versus 0.12% globally ex China, 0.22% in Germany and 0.24% in the US. The market has belatedly realised the revenue and margin potential of this company and re-rated the stock.

Outside of the top ten contributors to absolute performance, a further 20 stocks added roughly 10 percentage points to the portfolio's return over the period. The biggest detractors to the portfolio's performance were TSMC and Tencent where we are underweight. These are great businesses, but we believe that in general smaller companies have the greatest potential for outsized returns. Therefore, we seek to add value by moving down the market cap spectrum and investing in companies where there is the greatest growth potential. Our holdings in oil stocks China Oilfield Services and CNOOC also under-performed.

In terms of the regions where we invest, our Hong Kong and China weighting increased from 34.4% to 41.1% over the year. It remains the largest geographical weighting in the portfolio, followed by South Korea at 19.5%. Our India weight fell by 2.5 percentage points to 6.8%. The Vietnam weighting declined to 5.0% as a result of market movements rather than due to transactions.

Turning to unlisted holdings, we wrote down our holding in JHL Biotech following a lawsuit against the company for alleged technology theft in the US. We participated in a funding round for Zomato, a leader in online food delivery in India where we took a US$5m holding. We will continue to evaluate potential unlisted offerings while remaining alert to significant opportunities in listed markets.

In terms of portfolio positioning, the key change to highlight is our increased relative overweight exposure in both energy and commodities. We already had exposure to nickel miners via Nickel Mines and PT Vale Indonesia, a decision made on the back of the expected supply and demand gap in nickel due to growth in electric vehicles. We see significant upside to copper prices as well, and took a position in MMG, a Hong Kong miner with assets mostly in Peru. Lastly, we took a position in Merdeka Copper Gold, a fast-growing miner in Indonesia, partly in recognition that there will be consequences from unconventional monetary policy. The response to Covid-19 has increased our conviction and the portfolio has 3% exposure to rapidly growing gold and copper miners.

Environmental, Social and Governance

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 as a result 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 these 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 companies 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

There is significant potential for positive returns from the Asia Pacific region in coming years. We believe that China especially, but the whole of Asia more generally, will emerge from the Covid-19 situation stronger and with better business models than most of the West. We see a high likelihood of a China-led economic expansion and believe this is a good time to be a long-term investor in Asian equities.

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Investors

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 company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses 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 businesses away from destructive financial engineering towards activities that create genuine economic 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 minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test 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 alignment with genuine long-term shareholders. We are accepting of significant pay-outs 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 companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

Sustainable business practices

We look for companies to act as responsible corporate citizens, working within the spirit and not just the letter of the laws and regulations that govern them. We believe that corporate success will only be sustained if a business's long-run impact on society and the environment is taken into account. Management and boards should therefore understand and regularly review this aspect of their activities, disclosing such information publicly alongside plans for ongoing improvement.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2020 is given below and on the following page.

SEA Limited ADR

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	£29,949,000
% of total assets*	9.1%
(Valuation at 31 July 2019	£18,383,000)
(% of total assets at 31 July 2019	8.2%)
(Net sales in year to 31 July 2020	£18,261,000)

Alibaba Group ADR

Alibaba is the dominant company in the rapidly developing Chinese ecommerce market. It operates under a marketplace model and collects revenues from commissions, marketing services, subscription fees, cloud computing and other value added services. The opportunity in China in ecommerce remains substantial, with traditional bricks and mortar retailers likely to be significantly disrupted. An entrepreneurial management team, strong cash generating capacity and an industry leading position combine to make this an attractive investment opportunity.

Geography	Hong Kong and China
Valuation	£15,380,000
% of total assets*	4.7%
(Valuation at 31 July 2019	£11,834,000)
(% of total assets at 31 July 2019	5.3%)
(Net sales in year to 31 July 2020	£171,000)

JD.com ADR

JD.com is the largest Chinese retailer, via its dominant share in the online ecommerce 3C market, and it is the second player in overall Chinese ecommerce. They have a strong logistics network and a focus on customer service, which is driving increased revenue market share. New investments in SME finance and online food delivery could create exciting new market opportunities.

Geography	Hong Kong and China
Valuation	£14,191,000
% of total assets*	4.3%
(Valuation at 31 July 2019	£5,105,000)
(% of total assets at 31 July 2019	2.3%)
(Net purchases in year to 31 July 2020	£2,023,000)

Kingdee International Software

After a number of difficult years, Kingdee has turned its software business around and is set to become a leader in cloud services. Net margins should continue to expand thanks to improvements in operating efficiency and economies of scale over the next two years. Meanwhile, management also stated that they aim to sell their software park property in Beijing, which should further improve its balance sheet and lower financing costs.

Geography	Hong Kong and China
Valuation	£11,842,000
% of total assets*	3.6%
(Valuation at 31 July 2019	£5,062,000)
(% of total assets at 31 July 2019	2.3%)
(Net sales in year to 31 July 2020	£789,000)

Samsung SDI

Samsung SDI is one of the fastest growing parts of the Samsung chaebol; it owns a stake in Samsung Display, where OLED production for Apple/Samsung is set to increase rapidly over the next few years. It is also one of the world leaders in EV batteries, an area with significant growth prospects.

Geography	Korea
Valuation	£10,650,000
% of total assets*	3.2%
(Valuation at 31 July 2019	£7,196,000)
(% of total assets at 31 July 2019	3.2%)
(Net sales in year to 31 July 2020	£527,000)

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 increasing substantially as a result of the development of its strong brand image. The Chinese brand is catching the younger market and is driving a significant increase in sales.

Geography	Hong Kong and China
Valuation	£8,490,000
% of total assets*	2.6%
(Valuation at 31 July 2019	£9,182,000)
(% of total assets at 31 July 2019	4.1%)
(Net sales in year to 31 July 2020	£2,790,000)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

L&C Bio

The company produces materials for bone and tissue regeneration via a patented process. It has 50% market share in Korea for its products and is rapidly entering new medical areas. We expect a JV in China will unlock a tenfold growth opportunity for the company in this larger market.

Geography	Korea
Valuation	£6,849,000
% of total assets*	2.1%
(Valuation at 31 July 2019	£736,000)
(% of total assets at 31 July 2019	0.3%)
(Net sales in year to 31 July 2020	£1,561,000)

MediaTek

MediaTek is a leading IC design company. It is the producer of 5G smartphone chips and leads the low-mid end chip range in China and Emerging markets. With restrictions on Huawei, it is the obvious non-US/non-Chinese supplier of chips. We see its sizable non-5G business getting increasing market share. Operating margins have been weak and we envisage a new upturn in profitability.

Geography	Taiwan
Valuation	£6,527,000
% of total assets*	2.0%
(Valuation at 31 July 2019	n/a – new holding)
(% of total assets at 31 July 2019	n/a – new holding)
(Net purchases in year to 31 July 2020	£3,090,000)

Tencent Holdings

Tencent hosts the largest online community in China offering its customers a wide range of services, from instant messaging to online games and social networking. The dynamics of the Chinese internet industry are very positive as Chinese consumers are increasingly adopting the internet as a preferred channel for media distribution. Penetration is low but rising rapidly, and mobile broadband delivery is likely to be especially popular in a country which has enthusiastically embraced mobile devices. Tencent is well positioned to benefit from these trends and the increasing monetisation of its customer base over time.

Geography	Hong Kong and China
Valuation	£6,342,000
% of total assets*	1.9%
(Valuation at 31 July 2019	£7,295,000)
(% of total assets at 31 July 2019	3.3%)
(Net sales in year to 31 July 2020	£2,557,000)

Meituan Dianping

Meituan Dianping began life in 2003 as a restaurant review and coupon business in China. After various mergers and restructurings – one of which saw Tencent take a 20% stake in 2014 – it has emerged as China's dominant player in food delivery. It also offers services in a variety of other areas, from in-store restaurant services to travel. It has become a successful platform in its own right, with over 90% of Meituan's food delivery orders generated on its own platform. Despite facing extreme competition in food delivery throughout its history, there are now clear signs that it has emerged as the dominant company in this sector. Recent results indicate that Meituan has been able to scale back its subsidies and move into profit while still taking market share.

Geography	Hong Kong and China
Valuation	£6,033,000
% of total assets*	1.8%
(Valuation at 31 July 2019	n/a – new holding)
(% of total assets at 31 July 2019	n/a – new holding)
(Net purchases in year to 31 July 2020	£3,154,000)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

List of Investments as at 31 July 2020

Name	Geography	Business	2020 Value £'000	2020 % of total assets*
SEA Limited ADR	Singapore	Internet gaming and ecommerce business	29,949	9.1
Alibaba Group ADR	HK/China	Online and mobile commerce business	15,380	4.7
JD.com ADR	HK/China	Online and mobile commerce business	14,191	4.3
Kingdee International Software	HK/China	Enterprise management software distributor	11,842	3.6
Samsung SDI	Korea	Electrical equipment manufacturer	10,650	3.2
Li Ning	HK/China	Sportswear apparel supplier	8,490	2.6
L&C Bio	Korea	Medical equipment manufacturer	6,849	2.1
MediaTek	Taiwan	Taiwanese electronic component manufacturer	6,527	2.0
Tencent Holdings	HK/China	Online gaming and social networking	6,342	1.9
Meituan Dianping	HK/China	Chinese online services platform	6,033	1.8
Zai Lab ADR	HK/China	Biopharmaceutical company	5,770	1.8
MMG	HK/China	Chinese copper miner	5,546	1.7
Douzone Bizon	Korea	Enterprise resource planning software developer	5,523	1.7
Accton Technology	Taiwan	Server network equipment manufacturer	5,378	1.6
Koh Young Technology	Korea	3D inspection machine manufacturer	5,330	1.6
Enzychem Lifesciences Corp	Korea	Biopharmaceutical company	5,124	1.6
Genexine	Korea	Therapeutic vaccine researcher and developer	5,072	1.5
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	4,995	1.5
Bioneer	Korea	Drug researcher and developer	4,325	1.3
Nickel Mines	Indonesia	Base metals miner	4,183	1.3
Merdeka Copper Gold	Indonesia	Indonesian miner	4,125	1.3
Info Edge	India	Multi-service online review aggregator	4,085	1.2
Ping An Insurance H Shares	HK/China	Life insurance provider	3,878	1.2
Zomato Media[u]	India	Online restaurant search, ordering and discovery platform	3,872	1.2
Jadestone	Singapore	Oil and gas explorer and producer	3,844	1.2
PT Vale Indonesia	Indonesia	Nickel miner	3,794	1.2
Geely Automobile	HK/China	Automobile manufacturer	3,762	1.1
HUYA ADR	HK/China	Live-streaming game platform	3,737	1.1
Kingsoft Cloud Holdings Ltd ADR	HK/China	Chinese cloud computing provider	3,368	1.0
LONGi Green Energy A Shares	HK/China	Solar panel manufacturer	3,322	1.0
Korea Zinc	Korea	Non-ferrous metals smelter and manufacturer	3,318	1.0
CNOOC Ltd	HK/China	Oil and gas producer	3,164	1.0
iClick Interactive Asia Group	HK/China	Online marketing technology platform	3,113	0.9
Quess Corp	India	Human resources company	3,073	0.9
HDBank	Vietnam	Consumer bank	3,009	0.9
Genius Electronic Optical	Taiwan	Lens manufacturer for phones and cameras	2,962	0.9
iQIYI Inc ADR	HK/China	Chinese online video	2,949	0.9
China Conch Venture Holdings	HK/China	Provider of environmentally-friendly building materials and solutions	2,897	0.9
NCSOFT	Korea	Computer games developer	2,783	0.8
Chunghwa Precision Test Tech	Taiwan	Manufacturer of printed circuit boards	2,518	0.8
PT Aneka Tambang	Indonesia	Nickel miner	2,468	0.8
AU Small Finance Bank	India	Consumer finance bank	2,351	0.7
S-Fuelcell	Korea	Fuel cell manufacturer	2,334	0.7
Reliance Industries	India	Indian petrochemical company	2,280	0.7
CIMC Vehicles H Shares	HK/China	Manufacturer of trailers and trucks	2,116	0.6
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	2,108	0.6
Burning Rock Biotech Ltd ADR	HK/China	Chinese developer of oncology and early cancer detection technology	2,107	0.6

Name	Geography	Business	2020 Value £'000	2020 % of total assets*
Brilliance China Automotive	HK/China	Minibus and automotive components manufacturer	2,024	0.6
ST Pharm	Korea	Manufacturer of specialist pharmaceutical ingredients	2,019	0.6
Zijin Mining Group Co Ltd H Shares	HK/China	Gold and copper miner	2,003	0.6
Tong Hsing Electronic Industries	Taiwan	Semiconductor packaging supplier	1,983	0.6
Hoa Phat Group	Vietnam	Steel and related products manufacturer	1,944	0.6
Chinasoft International	HK/China	Information technology provider	1,934	0.6
Techtronic Industries	HK/China	Power tool manufacturer	1,889	0.6
ICICI Lombard	India	General insurance provider	1,881	0.6
Precision Tsugami	HK/China	Industrial machinery manufacturer	1,846	0.6
Vincom	Vietnam	Property developer	1,841	0.6
Offcn Education Technology	HK/China	Chinese education training services	1,749	0.5
Hyundai Mipo Dockyard	Korea	Korean shipbuilder	1,731	0.5
Dada Nexus Ltd ADR	HK/China	Chinese ecommerce distributor of online consumer products	1,724	0.5
Hypebeast	HK/China	Digital media and ecommerce company	1,723	0.5
Cowell Fashion	Korea	Apparel manufacturer	1,696	0.5
Johnson Electric	HK/China	Hong Kong electric motor manufacturer	1,635	0.5
Flitto	Korea	Internet based service provider	1,595	0.5
China Oilfield Services Ltd	HK/China	Oilfield services	1,578	0.5
TCI	Taiwan	Food producer	1,539	0.5
SK Hynix	Korea	Electronic component and device manufacturer	1,538	0.5
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	1,495	0.5
AirTac International Group	Taiwan	Pneumatic components manufacturer	1,483	0.5
Tata Motors Ltd ADR	India	Indian automobile manufacturer	1,476	0.4
Ningbo Peacebird Fashion A Shares	HK/China	Chinese fashion	1,464	0.4
Ayala Corporation	Philippines	Real Estate property developer	1,423	0.4
Wuxi Lead Intelligent Equipment Co Ltd A Shares	HK/China	Manufacturer of electronic capacitors, solar energy and lithium battery equipment	1,400	0.4
Shennan Circuits	HK/China	Chinese printed circuit board manufacturer	1,269	0.4
Bank Rakyat Indonesia	Indonesia	Indonesian bank	1,222	0.4
BizLink Holding	Taiwan	Electrical components manufacturer	1,205	0.4
Intron Biotechnology	Korea	Antibiotics drug researcher	1,182	0.4
ICICI Prudential Life Insurance	India	Life insurance provider	1,124	0.3
Saigon Securities	Vietnam	Brokerage and securities company	1,000	0.3
MINTH Group	HK/China	Auto parts manufacturer	931	0.3
Huayu Automotive Systems A Shares	HK/China	Auto parts manufacturer	917	0.3
India Capital Growth Fund	India	Indian investment trust	897	0.3
Guangzhou Kingmed Diagnostics A Shares	HK/China	Chinese healthcare provider	868	0.3
Hanall Biopharma	Korea	Pharmaceutical company	857	0.3
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor foundry	825	0.3
Vinh Hoan Corporation	Vietnam	Food producer	789	0.2
Bank Danamon Indonesia Tbk PT	Indonesia	Provider of general banking services	727	0.2
SCM Lifescience Co Ltd	Korea	Korean biotech	716	0.2
Nexteer Automotive	HK/China	Producer of automotive components	633	0.2
SDI Corporation	Taiwan	Stationery and lead frames for semiconductors manufacturer	625	0.2
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	622	0.2
Ping An Bank A Shares	HK/China	Consumer bank	582	0.2

List of Investments as at 31 July 2020 (Continued)

Name	Geography	Business	2020 Value £'000	2020 % of total assets*
Mahindra CIE Automotive	India	Truck parts manufacturer	538	0.2
Venustech	HK/China	Chinese software developer	504	0.2
Future Lifestyle Fashions	India	Operator of apparel retail stores	476	0.1
Yeah1 Group Corporation	Vietnam	Media company	472	0.1
Beijing Thunisoft Corp Ltd	HK/China	Chinese software developer	466	0.1
TTY Biopharm	Taiwan	Specialist genetics manufacturer	459	0.1
Petro Matad	Mongolia	Oil explorer and producer	444	0.1
Lemon Tree Hotels	India	Owner and operator of a chain of Indian hotels and resorts	296	0.1
Skipper Limited	India	Transmission and distribution structures provider	269	0.1
BitAuto Holdings Ltd ADR	HK/China	Automobile pricing website	203	0.1
Chime Biologics Limited(u)	HK/China	Biopharmaceutical company	154	–
Ramkrishna Forgings	India	Auto parts manufacturer	140	–
JHL Biotech(u)	Taiwan	Biopharmaceutical company	91	–
Philtown Properties(u)	Philippines	Property developer	–	–
Total Investments			**316,952**	**96.3**
Net Liquid Assets*			12,092	3.7
Total Assets			**329,044**	**100.0**

HK/China denotes Hong Kong and China.

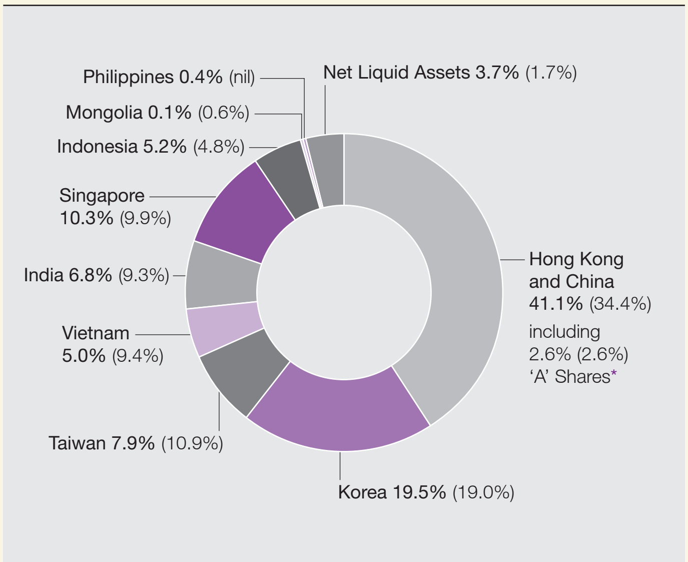
Details of the ten largest investments are given on pages 16 and 17 along with comparative valuations.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

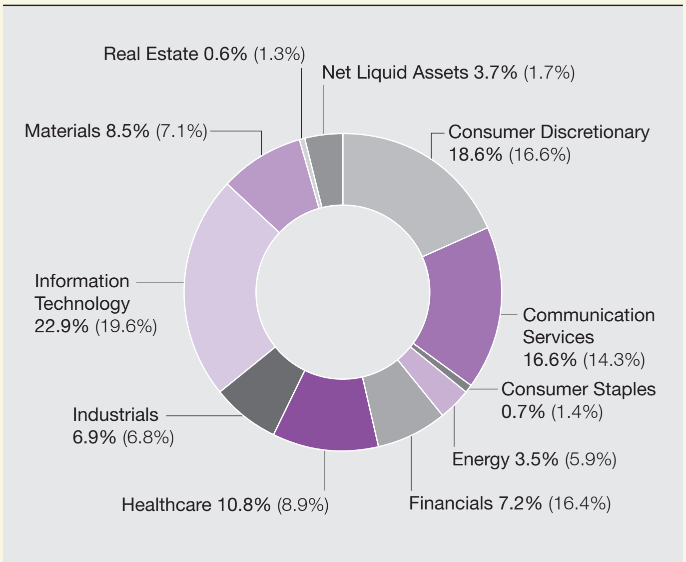
(u) Denotes unlisted investment.

Distribution of Total Assets*, Active Share†, Turnover and Size Splits

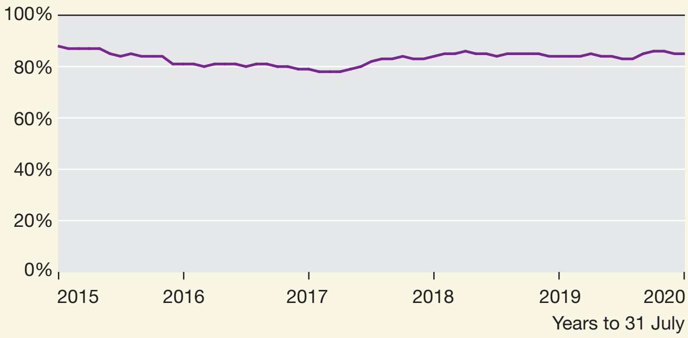
Geographical 2020 (2019)



Sectoral 2020 (2019)



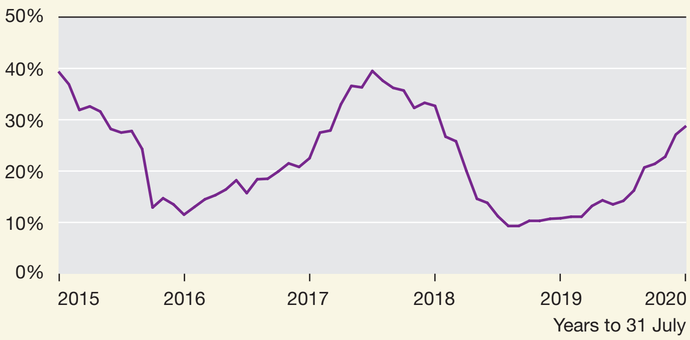
Active Share† (relative to MSCI All Country Asia ex Japan Index (in sterling terms))#



Source: Baillie Gifford and relevant underlying index providers.
See disclaimer on page 62.

Turnover

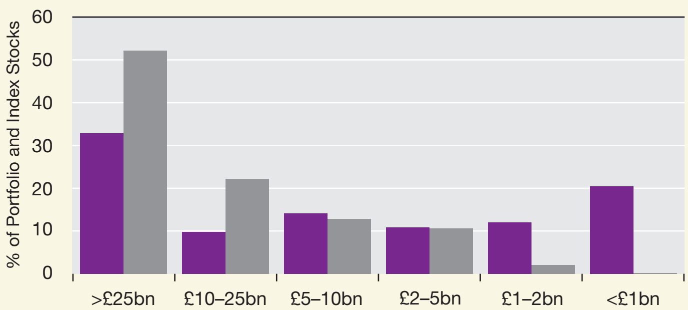
Rolling 12 months turnover over 5 years



Source: Baillie Gifford.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2020



Source: Baillie Gifford and relevant underlying index providers.
See disclaimer on page 62.

Pacific Horizon

MSCI All Country Asia ex Japan#

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 63.

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 63.

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

The Strategic Report which includes pages 2 to 21 was approved by the Board of Directors and signed on its behalf on 28 September 2020.

Angus Macpherson
Chairman

Directors and Management

Directors

Angus Macpherson

Angus Macpherson was appointed a Director in 2017 and Chairman on 12 November 2019. He is chief executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is currently chairman of Henderson Diversified Income Trust plc and a non-executive director of Schroder Japan Growth Fund plc, and is the former chairman of JP Morgan Elect PLC. He was based in Asia between 1995 and 2004 in Singapore and Hong Kong, latterly as Head of Capital Markets and Financing for Merrill Lynch for Asia.

Edward Creasy

Edward Creasy was appointed a Director in 2010. He is Chairman of the Audit Committee and is the Senior Independent Director. He is the former chief executive officer of Kiln plc, a non-life insurer quoted on the London Stock Exchange until purchased by Tokio Marine Nichido Fire Insurance Co in March 2008. Until January 2011 he was chairman of Kiln Group and chairman of RJ Kiln & Co. Limited. He is chairman of Charles Taylor PLC and deputy chairman of W.R. Berkley Syndicate Management Limited.

Wee-Li Hee

Wee-Li Hee was appointed a Director with effect from 1 June 2020. She is an experienced Asian analyst and fund manager. Brought up in Singapore, she speaks fluent Mandarin and studied in the UK at the University of Leeds and the London School of Economics and Political Science. After graduation, in 2002 she joined First State Investments in Singapore as an analyst, subsequently moving to the firm's Edinburgh office in 2005. Having co-managed Scottish Oriental Smaller Companies Trust plc she became lead manager in 2014, stepping back as a result of family commitments to return to a co-manager role in 2017 and retiring at the end of 2019. She is a CFA Charterholder.

Angela Lane

Angela Lane was appointed a Director in 2018. She is a qualified accountant and has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries. Previously she spent 18 years working as a private equity investor for 3i plc. She is a non-executive director of BlackRock Throgmorton Trust plc, Sherborne Schools Worldwide and Dunedin Enterprise Investment Trust PLC, where she is also chairman of its audit committee, and former non-executive chairman of Huntswood CTC.

Joe Studwell

Richard Frank ('Joe') Studwell was appointed a Director in 2018. He has spent over 25 years working in East Asia as a journalist, independent researcher at Dragonomics and author under the name of Joe Studwell. His published works include *Asian Godfathers: Money and Power in Hong Kong and South-East Asia* and *How Asia Works: Success and Failure in the World's Most Dynamic Region*.

All of the Directors are members of the Nomination, Management Engagement and Audit Committees.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager 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. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages 11 investment trusts. Baillie Gifford also manages a listed investment company, unit trusts and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £262.8 billion at 31 July 2020. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 46 partners and a staff of around 1,300.

The manager of Pacific Horizon's portfolio is Ewan Markson-Brown who took over as portfolio manager on 18 March 2014. Ewan joined Baillie Gifford in September 2013 as an investment manager in the Emerging Markets team. Roderick Snell was appointed as deputy manager on 10 September 2013. Roderick has been a member of the Emerging Markets team at Baillie Gifford since 2008, with a focus on Asia-Pacific.

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 July 2020.

Corporate Governance

The Corporate Governance Report is set out on pages 27 to 29 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's 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 Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

With effect from 1 January 2019 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. In the periods before 1 January 2019 covered by this report the fee was 0.95% 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.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted by the Management Engagement Committee annually.

The following topics, amongst others, are considered in the review:

— the quality of the personnel assigned to handle the Company's affairs;

— the investment process and the results achieved to date; and

— the administrative services provided by the Secretaries.

Following the most recent review, it is the opinion of the Management Engagement Committee that the continuing appointment of Baillie Gifford & Co Limited as AIFM and the delegation of the investment management services to Baillie Gifford & Co, on the terms agreed, is in the interests of shareholders as a whole due to the strength of the investment management team, the Managers' commitment to the investment trust sector and the quality of the secretarial and administrative functions. In undertaking the review, the Directors also considered the execution of the agreed investment strategy and the relative performance over the medium term.

Depositary

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary in accordance with the requirements of the Alternative Investment Fund Managers Directive.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Company's Depository also acts as the Company's Custodian.

Directors

Information about the Directors, including their relevant experience, can be found on page 22.

All of the Directors are retiring at the Annual General Meeting ('AGM') and all, with the exception of Mr Creasy, are offering themselves for re-election or, in the case of Ms Hee who was appointed 1 June 2020, election. Following formal performance evaluation, the Chairman confirms that the Board considers that each Director's performance continues to be effective and that they remain committed to the Company and capable of devoting sufficient time to their roles. The Board therefore recommends their re-election and election to shareholders.

The Board considers that Mr Creasy has remained independent notwithstanding having served on the Board for more than nine years, as explained on page 27. He will retire from the Board at the conclusion of the AGM. Ms Lane will succeed him as Chairman of the Audit Committee and as Senior Independent Director.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 July 2020 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year.

Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with interests of the Company.

Dividends

The Company's objective is that of generating capital growth. Consequently, the Managers do not invest in companies based on the level of income they may pay out as dividends.

As highlighted previously, the Board does not intend to draw on the Company's revenue reserve to pay or maintain dividends. This year the net revenue available for distribution to shareholders amounted to £564,000, which is of sufficient magnitude to require a distribution to be made to maintain investment trust status. The Directors are therefore recommending the payment of a final dividend of 0.25 pence per share. If approved, the recommended final dividend on the ordinary shares will be paid on 13 November 2020 to shareholders on the register at the close of business on 9 October 2020. The ex-dividend date is 8 October 2020. The Company's Registrar offers a Dividend Reinvestment Plan (see page 59) and the final date for elections for this dividend is 23 October 2020.

Share Capital

Capital Structure

The Company's capital structure as at 31 July 2020 consists of 63,165,282 ordinary shares of 10p each (2019 – 59,027,282 ordinary shares), see note 12. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

Capital Entitlement

On winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Major Interests Disclosed in the Company's Shares

Name	Ordinary 10p shares held at 31 July 2020	% of issue
Sarasin and Partners LLP (indirect)*	7,757,676	12.3
J.M. Finn & Co Ltd (direct)	2,966,106	4.7
Investec Wealth & Investment Limited (direct)	1,923,257	3.0

* Previously disclosed as A&OT Investments Limited (direct).

Changes to the major interests in the Company's shares intimated up to 24 September 2020 are as follows: Sarasin & Partners LLP's indirect holding advised as sub 12.0% following the Company's issuance of shares; and J.M. Finn & Co Ltd's direct holding notified as 3,548,831 shares, being 5.4% of issued shares at the date of notification, following an acquisition. Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no other changes to the major interests in the Company's shares disclosed up to 24 September 2020.

Annual General Meeting

As a consequence of Covid-19 and the uncertainty regarding government policy on group meetings, shareholders are being encouraged to submit their votes by proxy ahead of the meeting. It is intended that the meeting will involve the minimum number of people necessary for it to be quorate. The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 56 to 58. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to vote at the AGM. The resolutions relating to the renewal of the Directors' authorities to issue and buy back shares are explained in more detail below.

Issuance of Shares

At the last Annual General Meeting, the Directors were granted shareholders' approval for a general authority to issue shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis (without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £590,272.82.

During the year to 31 July 2020 the Company bought back 37,000 shares (representing 0.1% of the issued share capital at 31 July 2019) at a discount to net asset value at a cost of £114,000 which were held in treasury and subsequently reissued. In addition, the Company issued a total of 4,138,000 shares on a non pre-emptive basis (nominal value £414,000 representing 7% of the issued share capital at 31 July 2019) at a premium to net asset value (on the basis of debt valued at par value) on 18 separate occasions at weighted average price of 492.24 pence per share raising net proceeds (including for shares reissued from treasury) of £20,399,000. Between 1 August and 24 September 2020, the Company issued a further 4,120,000 shares at a premium to net asset value raising proceeds of £22,598,000. No shares were held in treasury as at 24 September 2020.

In order to meet the continuing demand for the Company's ordinary shares, the Directors convened a General Meeting on 24 August 2020, at which the Directors were granted shareholders' approval for a general authority to issue shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis for cash up to an aggregate nominal amount of £629,902.80 in addition to the authorities received at the 2019 Annual General Meeting.

As at 24 September 2020, the Company had fully utilised the authority to issue shares obtained at the 2019 Annual General Meeting and had the ability to issue shares on a non pre-emptive basis up to an aggregate nominal amount of £390,675.60 remaining from the authority granted at the General Meeting held on 24 August 2020. As the buyback authority obtained at the 2019 Annual General Meeting expires at the forthcoming Annual General Meeting and the issuance authority has been fully utilised, the Directors are seeking shareholders' approval to renew them for a further year, as detailed on the following page.

Resolution 11 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue ordinary shares up to an aggregate nominal amount of £672,852.80 in addition to the existing authorities obtained on 24 August 2020. This amount represents approximately 10% of the Company's total ordinary share capital in issue at 24 September 2020, being the latest practicable date prior to the publication of this document, and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12, which is being proposed as a special resolution, seeks to renew the Directors' authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total nominal amount of £672,852.80, representing approximately 10% of the Company's total issued ordinary share capital as at 24 September 2020, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 12 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue ordinary shares on a non pre-emptive basis at a discount to net asset value. While the level of the authority being sought is greater than the 5% recommended by the Pre-Emption Group in their Statement of Principles on disapplying pre-emption rights, it is specifically recognised in the Statement of Principles that, where an investment trust is seeking authority to issue shares at a premium to the underlying net asset value per share, this should not normally raise concerns and the Directors consider the greater flexibility provided by this authority to be justified in the circumstances.

The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2021 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Such authorities will only be used to issue shares or sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy-back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand.

Market Purchase of Own Shares by the Company

Resolution 13 seeks shareholders' approval (by way of a special resolution) to renew the authority to purchase up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) as at 24 September 2020, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) on the date on which the resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2021. Such purchases will only be made at a discount to the prevailing net asset value.

The Company may hold bought back shares in treasury and then:

(a) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or

(b) cancel such shares (or any of them).

Shares will only be re-sold from treasury at (or at a premium to) the net asset value per ordinary share.

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them.

In accordance with the Listing Rules, the maximum price (exclusive of expenses) that may be paid on the exercise of the authority shall be an amount equal to the higher of:

(i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of the purchase; and

(ii) the higher of the price of the last independent trade and the highest current independent bid for such a share on the London Stock Exchange.

The minimum price (again exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of ordinary shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. The Directors intend that this authority, if conferred, will be exercised only if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interest of shareholders generally.

Recommendation

The Board considers that all the Resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 17 to the accounts.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on pages 2 and 3 and the Managers' Review on pages 11 to 14.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the coronavirus pandemic.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 8 and 9 and in note 17 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) outbreak but does not believe that the Company's going concern status is affected.

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. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2021. After making enquiries and considering the future prospects of the Company and notwithstanding the continuity vote to be held at the 2021 AGM, the Financial Statements have been prepared on the going concern basis; having assessed the principal and emerging risks and other matters including the impact of the coronavirus outbreak set out in the Viability Statement on page 9 (which assesses the prospects of the Company over a period of three years) it is the Directors' opinion that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Disclosure of Information to Auditor

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

The Auditor, BDO LLP, is willing to continue in office and, in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning BDO LLP's reappointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 24 September 2020 other than the issuance of ordinary shares as disclosed in note 12.

Greenhouse Gas Emissions

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

On behalf of the Board
Angus Macpherson
Chairman
28 September 2020

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code'), which can be found at www.frc.org.uk, and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at www.theaic.co.uk.

Compliance

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at **www.theaic.co.uk**). The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code with the exception that the Company does not have a separate internal audit function as explained on page 30.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

As at 31 July 2020 and the date of this report the Board comprises five Directors all of whom are non-executive and independent.

The Chairman, Mr RA Macpherson, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. Mr EG Creasy is the Senior Independent Director (SID) and, as such, available to shareholders if they have concerns not properly addressed to the Chairman. The SID leads the Chairman's performance appraisal and chairs the Nomination Committee when it considers the Chairman's succession.

The Directors believe that the Board has a balance of skills and experience that enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 22.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Appointments to the Board

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek election by shareholders at the next Annual General Meeting.

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election.

The names of Directors retiring and offering themselves for re-election or election together with the reasons why the Board supports this are set out on page 23.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The Directors recognise the importance of succession planning for company boards and review the Board composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election. Following a formal performance evaluation, the Board concluded that its members continued to be independent in character and judgement and their skills and experience added significantly to the strength of the Board.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the core Board and Committee Meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings	**5**	**2**	**1**	**1**
RA Macpherson	5	2	1	1
EG Creasy	5	2	1	1
AC Lane	5	2	1	1
RF Studwell	5	2	1	1
W Hee†	1	–	1	1
JGK Matterson*	2	–	–	–

* Miss JGK Matterson stepped down from the Board following the AGM on 12 November 2019.

† Ms W Hee joined the Board on 1 June 2020.

Chairperson and Directors' Tenure

The Nomination Committee has considered the question of tenure for directors and has concluded that there should not be a set maximum time limit for a director or chairperson to serve on the Board. The Nomination Committee keeps under review the balance of skills, knowledge, experience, performance and length of service of the Directors, ensuring the Board has the right combination of skills and preservation of knowledge and experience, balanced with the appointment of new Directors, bringing in fresh ideas and perspective.

Nomination Committee

The Nomination Committee consists of all the non-executive Directors and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference that include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, planning for an orderly succession including overseeing development of a diverse pipeline for succession, and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not potential conflicts are material to an individual Director's performance.

Diversity Policy

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender, social and ethnic backgrounds, cognitive and personal strengths. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets.

Board Composition

The Board reviewed its composition and in consideration of succession planning and developing a diverse pipeline determined that it was appropriate that a new non-executive Director be appointed this year.

For the position, the Committee identified the skills and experience that would be required. Ms W Hee was introduced by Trust Associates and, as she was found to meet all the Committee's criteria, the Committee determined that no other candidates should be considered at that time.

Ms Hee was appointed to the Board on 1 June 2020 and will be standing for election by shareholders at the AGM. Ms Hee brings to the Board her knowledge of Asian markets and culture, together with relevant management and accountancy experience.

The Committee's terms of reference are available on request from the Company and are on the Company's page of the Managers' website: www.pacifichorizon.co.uk.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of both the Board as a whole and of the individual Committees was carried out during the year. After inviting each Director and the Chairman to consider and respond to an evaluation questionnaire, the performance of each Director was appraised by the Chairman and the Chairman's appraisal was led by Mr EG Creasy, the Senior Independent Director.

The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees.

Following this process it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman are committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Board is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

The Board is of the opinion that the use of external consultants to assist with the evaluation is unlikely to bring any meaningful benefit to the process, though the option to do so is kept under review.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. During the year briefings on industry and regulatory matters were provided to the Board by the Managers and Secretaries. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 32 and 33.

Audit Committee

The report of the Audit Committee is set out on pages 30 and 31.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness, including with regard to preparation of the Company's Annual Report and Financial Statements. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The practical measures to be taken in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the Alternative Investment Fund Managers Directive (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 and Technical Release AAF 01/06

– Assurance Reports on Internal Controls of Service Organisations made available to Third Parties. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems which accord with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the Alternative Investment Fund Managers Directive, The Bank of New York Mellon (International) Limited act as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Company's Depositary also acts as the Company's Custodian. The Custodian prepares reports on its key controls and safeguards which are independently reviewed by KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits including leverage (see page 55), are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman and Directors also attend shareholder presentations in London and Edinburgh with the Managers, as well as maintaining open lines of communication with market participants and investors in the Company, separate of the Managers' involvement, in order to ascertain views on corporate matters. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Secretaries' address or through the Company's Corporate Broker, JP Morgan Cazenove (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the Company's page of the Managers' website www.pacifichorizon.co.uk subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors may obtain up-to-date information on the Company at www.pacifichorizon.co.uk.

Corporate Governance and Stewardship

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests.

The Company believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and have asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' statement of compliance with the UK Stewardship code can be found on the Managers' website at www.bailliegifford.com. The Managers' policy has been reviewed and endorsed by the Board.

The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the International Corporate Governance Network.

On behalf of the Board
Angus Macpherson
Chairman
28 September 2020

Audit Committee Report

The Audit Committee consists of all the Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Mr EG Creasy is Chairman of the Audit Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at www.pacifichorizon.co.uk. The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

At least once a year the Committee meets with the external Auditor without any representative of the Managers being present.

Main Activities of the Committee

The Committee met twice during the year and BDO LLP, the external Auditor, attended both meetings. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for these meetings.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

— the preliminary results announcement and the Annual and Interim Reports;

— the Company's accounting policies and practices;

— the regulatory changes impacting the Company;

— the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;

— the effectiveness of the Company's internal control environment;

— the reappointment, remuneration and terms of engagement of the external Auditor;

— whether the audit services contract should be put out to tender;

— the policy on the engagement of the external Auditor to supply non-audit services;

— the independence and objectivity of the external Auditor and the effectiveness of the audit process;

— the need for the Company to have its own internal audit function;

— the internal controls reports received from the Managers and Custodian; and

— the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The Committee continues to believe that the compliance and internal controls systems and the internal audit function in place within the Investment Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The external auditor has adopted a wholly substantive approach to testing and therefore the absence of an internal audit function has not had an impact on audit procedures.

Financial Reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 96.3% of total assets, and the accuracy and completeness of income from investments.

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding recording and pricing of investments and the reconciliation of investment holdings to third party data.

The value of all the listed investments as at 31 July 2020 were agreed to external price sources. The Committee reviewed the Manager's valuation policy for investments in unquoted companies (as described on page 44) and approved the valuation of the unlisted investments following a detailed review of the valuation of each investment and relevant challenge where appropriate. The listed portfolio holdings were agreed to confirmations from the Company's custodian and the unlisted holdings in JHL Biotech and Chime Biologics were agreed to confirmations from the investee companies. The unlisted holding in Zomato was agreed to transaction documentation.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers.

The Committee considered the factors, including the impact of Covid-19, that might affect the Company's viability over a period of three years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 9 and statement on Going Concern on page 26 including the potential impact of Covid-19. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on pages 28 and 29. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence and objectivity of the external Auditor, the Committee reviewed:

— the Auditor's audit plan which includes a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and

— the extent of non-audit services provided by the external Auditor. There were no non-audit fees for the year to 31 July 2020.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

— the Auditor's fulfilment of the agreed audit plan;

— feedback from the Secretaries on the performance of the audit team; and

— the Audit Quality Inspection Report from the FRC.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

— the Auditor's engagement letter;

— the Auditor's proposed audit strategy;

— the audit fee; and

— a report from the Auditor on the conclusion of the audit.

Following a competitive tender process, BDO LLP were appointed as the Company's Auditor at the Annual General Meeting held on 15 November 2017, with Neil Fung-On as the lead audit partner. The audit partners responsible for the audit are to be rotated at least once every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business.

BDO LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purpose of this year's audit and, as such, has not considered it necessary to put the audit services contract out to tender.

There are no contractual obligations restricting the Committee's choice of Auditor.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 34 to 38.

On behalf of the Board
Edward Creasy
Chairman of the Audit Committee
28 September 2020

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. As the Remuneration Policy was last approved at the Annual General Meeting in November 2017, shareholders' approval of the policy is being sought at the forthcoming Annual General Meeting. Your attention is drawn to Resolution 2 in the Notice of Annual General Meeting on pages 56 to 58. The policy for which approval is being sought is set out below and is unchanged from that currently in force.

The Board reviewed the level of fees during the year taking into account responsibilities, the increase in RPI and CPI and peer trust remuneration levels and it was agreed that no changes to Directors' fees would be proposed.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable six monthly in arrears and are determined within the limit set out in the Company's Articles of Association which is currently £150,000 per annum in aggregate. Any change to this limit requires shareholder approval. Your attention is drawn to Resolution 14 in the Notice of Annual General Meeting on pages 56 to 58, where the Board seeks shareholder approval to increase the aggregate annual limit to £200,000, to enable the Board to continue to attract candidates of suitable calibre and allow for overlap of tenure, improving its capacity for succession planning.

The fees paid to Directors in respect of the year ended 31 July 2020 and the expected fees payable in respect of the year ending 31 July 2021 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 July 2021 £	Fees as at 31 July 2020 £
Chairman's fee	34,500	34,500
Non-executive Director fee	23,000	23,000
Additional fee for the Chairman of the Audit Committee	3,000	3,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	150,000

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 35 to 38.

Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2020 Fees £	2020 Taxable benefits* £	2020 Total £	2019 Fees £	2019 Taxable benefits* £	2019 Total £
JGK Matterson (Chairman until retiral 12 November 2019)	9,687	–	**9,687**	32,250	–	**32,250**
EG Creasy (Chairman of Audit Committee)	26,000	1,428	**27,428**	24,500	1,756	**26,256**
AC Lane (appointed 1 October 2018)	23,000	1,747	**24,747**	17,917	2,079	**19,996**
RA Macpherson (Chairman from 12 November 2019)	31,182	–	**31,182**	21,500	–	**21,500**
W Hee (appointed 1 June 2020)	3,833	–	**3,833**	–	–	**–**
EC Scott (retired 6 November 2018)	–	–	**–**	5,706	31	**5,737**
RF Studwell (appointed 9 November 2018)	23,000	1,440	**24,440**	15,656	1,225	**16,881**
	116,702	**4,615**	**121,317**	**117,529**	**5,091**	**122,620**

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Edinburgh offices of Baillie Gifford & Co Limited, the Company's Secretaries.

Directors' Interests (audited)

The Directors at the end of the year under review and their interests in the Company are as shown in the following table. There have been no changes intimated in the Directors' interests up to 24 September 2020.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2020	Ordinary 10p shares held at 1 August 2019
EG Creasy	Beneficial	16,400	16,400
W Hee	Beneficial	–	–
AC Lane	Beneficial	6,536	6,536
RA Macpherson	Beneficial	42,000	42,000
RF Studwell	Beneficial	3,000	–

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.3% were in favour, 0.5% were against and votes withheld were 0.2%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (November 2017), 99.1% of the proxy votes were in favour, 0.6% were against and votes withheld were 0.3%.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

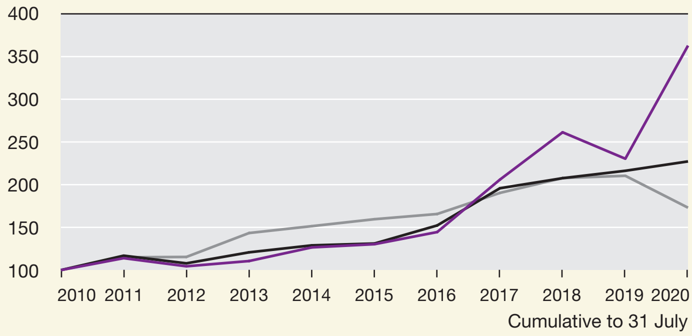
	2020 £'000	2019 £'000	Change %
Directors' remuneration	121	123	(1.6)
Dividends payable/paid to shareholders	158	–	–

Company Performance

The following graph compares, for the ten financial years ended 31 July 2020, the share price total return (assuming all dividends are reinvested) to Pacific Horizon ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies. The Company's comparative index is provided for information purposes only.

Performance Graph

Pacific Horizon's Share Price, FTSE All-Share Index and Comparative Index* (figures rebased to 100 at 31 July 2010)



Source: Refinitiv and underlying data providers. See disclaimer on page 62.

All figures are total return (see Glossary of Terms and Alternative Performance Measures on page 63).

Pacific Horizon share price

FTSE All-Share Index

Comparative index*

* Comparative index: On 1 August 2011 the Company changed its comparative index from the MSCI All Country Far East ex Japan Index (in sterling terms) to the MSCI All Country Asia ex Japan Index (in sterling terms). For the purposes of the above graph the returns on both comparative indices for their respective periods have been linked to form a single comparative index.

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 32 and 33 was approved by the Board of Directors and signed on its behalf on 28 September 2020.

Angus Macpherson
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the company Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and accounting estimates that are reasonable and prudent;

— state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;

— prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and

— prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors' are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein. The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website.

Each of the Directors, whose names and functions are listed within the Directors and Managers section confirm that, to the best of their knowledge:

— the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' give a true and fair view of the assets, liabilities, financial position and net return of the Company;

— the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and

— the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Angus Macpherson
Chairman
28 September 2020

Notes

The following notes relate to financial statements published on a website and are not included in the printed version of the Annual Report and Financial Statements:

— The maintenance and integrity of the Baillie Gifford & Co website is the responsibility of Baillie Gifford & Co; the work carried out by the auditor does not involve consideration of these matters and accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

— Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report

to the members of Pacific Horizon Investment Trust PLC

Opinion

We have audited the Financial Statements of Pacific Horizon Investment Trust PLC ('the Company') for the year ended 31 July 2020 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the Financial Statements:

— give a true and fair view of the state of the Company's affairs as at 31 July 2020 and of its net return for the year then ended;

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Principal Risks, Going Concern and Viability Statement

We have nothing to report in respect of the following information in the Annual Report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

— the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the Company's emerging and principal risks and the disclosures in the annual report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;

— the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;

— whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

— the Directors' explanation in the Annual Report as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Matter	Audit response
Valuation, existence and ownership of investments (Note 1 and Note 8 to the Financial Statements) The investment portfolio at the year end comprised of Level 1, listed equity investments valued at £312,835,000 and Level 3 unlisted investments of £4,117,000. We consider the valuation, existence and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the Financial Statements and underpin the principal activity of the entity. The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Alternative Investment Fund Manager (AIFM) and Investment Manager, who is remunerated based on the net asset value of the Company.	We responded to this matter by testing the valuation, existence and ownership of 100% of the portfolio of investments. We performed the following procedures: — Considered the appropriateness of the valuation methodology applied by the AIFM and Investment Manager. — Agreed the Level 1 investment holdings to independently received third party confirmation from the custodian. — Agreed the Level 3 investment holdings to third party confirmation direct from the Investee Company or alternative supporting documents such as investment agreements, as appropriate, to confirm existence and completeness. — Agreed the exchange rates used to independent sources. — Considered the adequacy of the relevant controls in place at the custodian through review of the latest available assurance report addressing the relevant controls in place at the custodian. With respect of 100% of the Level 1 listed equity investments we also: — Agreed the year-end price to externally quoted prices from reputable sources. With respect of 100% of the Level 3 unlisted investments we also: — Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines and UK GAAP. — Recalculated the value attributable to the Company. — Corroborated the inputs to source documents. — Performed sensitivity analysis where appropriate. We also considered the completeness, accuracy and presentation of investment related disclosures. Key observations: — We did not identify any exceptions with regards to valuation, existence or ownership of investments as a result of our work performed.
Income from investments (Note 1 and Note 2 to the Financial Statements) Investment income is a significant audit area as it is material and impacts the Company's net asset value and distributable reserves. There is a presumed risk of fraud in revenue recognition in that revenue may be misstated through improper recognition. Improper recognition could arise through incorrectly recognising revenue on receipt as opposed to the ex-dividend date. Incorrect allocation of revenue would impact on the distributable reserves.	We assessed the accounting policy for income recognition for compliance with accounting standards and the Association of Investment Companies Statement of Recommended Practice (the 'AIC SORP') and performed testing to check the nature of the income that such income has been accounted for in accordance with this stated accounting policy. In respect of occurrence, we tested dividend receipts by agreeing the dividend rates for 100% of investments to independent third party sources. In respect of completeness, we tested that the appropriate dividends had been received in the year by reference to independent data of dividends declared on 100% of investment holdings in the portfolio. We tested the allocation and presentation of dividend income between the revenue and capital return columns of the Income Statement in line with the requirements set out in the AIC SORP. Key observations: — No errors above our reporting threshold were detected, in respect of recognition or allocation of income from investments, as a result of our work performed.

Our Application of Materiality

We consider materiality to be the magnitude by which misstatements, individually or in aggregate, including omissions, could reasonably influence the economic decisions of users that are made on the basis of the Financial Statements. We apply the concept of materiality both in planning and performing our audit, and in evaluating the results of our work. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Materiality measure	Purpose	Key considerations and benchmarks	2020 Quantum (£) (2019)
Financial Statement Materiality (1% of the value of Net Assets) (2019: 1% of investment portfolio)	Determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.	— A principal consideration for members of the Company in assessing the financial performance given that the principal activity of the Company is that of an Investment Trust. — The nature and disposition of the investment portfolio.	£3,040,000 (2019: £2,190,000)
Performance Materiality (75% of Financial Statement materiality) (2019: 75%)	Lower level of materiality applied in performance of the audit when determining the nature and extent of testing applied to individual balances and classes of transactions.	— Risk and control environment.	£2,280,000 (2019: £1,640,000)

We have changed the basis of materiality from investment portfolio value, in the prior year, to net assets to reflect the fact that debt is present in the Investment Trust.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £60,000 (2019: £43,000), being 2% of materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

An Overview of the Scope of Our Audit

Our audit approach was developed by obtaining an understanding of the Company's activities and the overall control environment. Based on this understanding we assessed those aspects of the Company's transactions and balances which were most likely to give rise to a material misstatement and designed audit procedures in response to this assessment, taking account of materiality.

Capability of the audit to detect irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, sections 1158 and 1159 of the Corporation Tax Act, the UK Listing rules, the DTR rules, FRS 102 accounting standards, VAT and other taxes.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the Alternative Investment Fund Manager (AIFM) and the Board, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

There are inherent limitations in an audit of Financial Statements and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other Information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

— **Fair, balanced and understandable** – the statement given by the Directors that they consider the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit Committee reporting** – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code** – the parts of the Directors' statement required under the Listing Rules relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the Auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the Strategic Report and the Directors' reports have been prepared in accordance with applicable legal requirements.

Matters on Which We are Required to Report by Exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company's Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Other Matters Which We are Required to Address

Following the recommendation of the Audit Committee we were appointed by the members of the Company on 15 November 2017 to audit the Financial Statements for the year ending 31 July 2018 and subsequent financial periods. In respect of the year ended 31 July 2020 we were reappointed as auditor by the members of the company at the annual general meeting held on 12 November 2019. The period of total uninterrupted engagement is three years, covering the years ending 31 July 2018 to 31 July 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company and we remain independent of the Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of Our Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
28 September 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

For the year ended 31 July

	Notes	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000	2019 Revenue £'000	2019 Capital £'000	2019 Total £'000
Gains/(losses) on investments	8	–	79,433	**79,433**	–	(3,116)	**(3,116)**
Currency gains/(losses)	13	–	731	**731**	–	(781)	**(781)**
Income	2	3,128	–	**3,128**	2,473	–	**2,473**
Investment management fee	3	(1,533)	–	**(1,533)**	(1,297)	–	**(1,297)**
Other administrative expenses	4	(479)	–	**(479)**	(542)	–	**(542)**
Net return before finance costs and taxation		1,116	80,164	**81,280**	634	(3,897)	**(3,263)**
Finance costs of borrowings	5	(337)	–	**(337)**	(440)	–	**(440)**
Net return on ordinary activities before taxation		779	80,164	**80,943**	194	(3,897)	**(3,703)**
Tax on ordinary activities	6	(215)	(74)	**(289)**	(186)	–	**(186)**
Net return on ordinary activities after taxation		**564**	**80,090**	**80,654**	**8**	**(3,897)**	**(3,889)**
Net return per ordinary share	7	**0.95p**	**134.99p**	**135.94p**	**0.01p**	**(6.65p)**	**(6.64p)**

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 on ordinary activities after taxation is both the profit and comprehensive income for the year.

The accompanying notes on pages 43 to 55 are an integral part of the Financial Statements.

Balance Sheet

As at 31 July

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		316,952		219,984
Current assets					
Debtors	9	885		636	
Cash and cash equivalents	17	12,146		3,627	
		13,031		4,263	
Creditors					
Amounts falling due within one year	10	(25,504)		(20,897)	
Net current liabilities			(12,473)		(16,634)
Creditors					
Amounts falling due after more than one year	11	(76)		–	
Net assets			**304,403**		**203,350**
Capital and reserves					
Share capital	12		6,317		5,903
Share premium account	13		40,048		20,063
Capital redemption reserve	13		20,367		20,367
Capital reserve	13		233,472		153,382
Revenue reserve	13		4,199		3,635
Shareholders' funds			**304,403**		**203,350**
Net asset value per ordinary share	14		**481.92p**		**344.50p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 39 to 55 were approved and authorised for issue by the Board and were signed on 28 September 2020.

Angus Macpherson
Chairman

The accompanying notes on pages 43 to 55 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 July 2020

	Notes	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 2019		5,903	20,063	20,367	153,382	3,635	**203,350**
Net return on ordinary activities after taxation		–	–	–	80,090	564	**80,654**
Ordinary shares bought back into treasury	12	–	–	–	(114)	–	**(114)**
Ordinary shares sold from treasury	12	–	60	–	114	–	**174**
Ordinary shares issued	12	414	19,925	–	–	–	**20,339**
Shareholders' funds at 31 July 2020		**6,317**	**40,048**	**20,367**	**233,472**	**4,199**	**304,403**

For the year ended 31 July 2019

	Notes	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 2018		5,833	17,774	20,367	157,279	3,627	**204,880**
Net return on ordinary activities after taxation		–	–	–	(3,897)	8	**(3,889)**
Ordinary shares issued	12	70	2,289	–	–	–	**2,359**
Shareholders' funds at 31 July 2019		**5,903**	**20,063**	**20,367**	**153,382**	**3,635**	**203,350**

The accompanying notes on pages 43 to 55 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation			80,943		(3,703)
Net (gains)/losses on investments			(79,433)		3,116
Currency (gains)/losses			(731)		781
Finance costs of borrowings	5		337		440
Overseas withholding tax			(222)		(183)
Changes in debtors and creditors			129		(177)
Cash from operations*			1,023		274
Interest paid			(367)		(435)
Net cash inflow/(outflow) from operating activities			656		(161)
Cash flows from investing activities					
Acquisitions of investments		(94,628)		(53,465)	
Disposals of investments		77,120		51,412	
Net cash outflow from investing activities			(17,508)		(2,053)
Cash flows from financing activities					
Ordinary shares bought back into treasury	12	(114)		–	
Ordinary shares sold from treasury	12	174		–	
Ordinary shares issued	12	20,344		2,909	
Borrowings drawn down		4,513		492	
Borrowings repaid		–		(972)	
Net cash inflow from financing activities			24,917		2,429
Increase in cash and cash equivalents			8,065		215
Exchange movements			454		(79)
Cash and cash equivalents at 1 August			3,627		3,491
Cash and cash equivalents at 31 July			**12,146**		**3,627**

* Cash from operations includes dividends received of £2,917,000 (2019 – £2,231,000) and interest received of £205,000 (2019 – £144,000).

The accompanying notes on pages 43 to 55 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Company was incorporated under the Companies Act 2006 in England and Wales as a public limited company with registered number 02342193. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust.

1 Principal Accounting Policies

The Financial Statements for the year to 31 July 2020 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained. The Board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) outbreak but does not believe the Company's going concern is affected.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 8 and 9 and in note 17 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the coronavirus (Covid-19) outbreak but does not believe that the Company's going concern status is affected.

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. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2021. After making enquiries and considering the future prospects of the Company and notwithstanding the continuity vote to be held at the 2021 AGM, the Financial Statements have been prepared on the going concern basis; having assessed the principal and emerging risks and other matters including the impact of the coronavirus outbreak set out in the Viability Statement on page 9 (which assesses the prospects of the Company over a period of three years) it is the Directors' opinion that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in October 2019.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement. The allocation of items to revenue and capital is reviewed on an annual basis and is considered to remain appropriate for the current year.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK, and the Company and its investment manager, who are subject to the UK's regulatory environment, are also UK based.

(b) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

(c) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 8 on page 47.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

(i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and

(ii) the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

(i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2018 ('IPEV') to each unlisted investment; and

(ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

(i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric (either historic or forecast);

(iii) the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

(iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

(d) Investments

The Company's investments are classified, recognised and measured at fair value through profit or loss in accordance with sections 11 and 12 of FRS 102. Investment purchases and sales are recognised on a trade date basis. Expenses incidental to purchase and sale are written off to capital at the time of acquisition or disposal. Gains and losses on investments are recognised in the Income Statement as capital items.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. 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 (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value, however it should be evaluated using the techniques described above.

The Managers monitor the investment portfolio on a fair value basis and use the fair value basis for investments in making investment decisions and monitoring financial performance.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

(f) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

(ii) If scrip dividends are taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

(iii) Special dividends are treated as capital or income depending on the facts of each particular case.

(iv) Unfranked investment income and overseas dividends include the taxes deducted at source.

(v) Interest from fixed interest securities is recognised on an accruals basis using the effective interest rate basis.

(vi) Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(g) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue column of the Income Statement, except for expenses incidental to the acquisition or sale of investments, which are written off to capital when incurred.

(h) Borrowing and Finance Costs

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance costs are accounted for on an accruals basis on an effective interest rate basis and are charged through the revenue column of the Income Statement.

(i) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the reporting date.

(j) Deferred Taxation

Deferred taxation is provided on all timing differences, calculated at the current tax rate relevant to the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(k) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as capital or revenue as appropriate.

(l) Capital Redemption Reserve

The Capital Redemption Reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

(m) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held and realised and unrealised exchange differences of a capital nature are dealt with in this reserve after being recognised in the Income Statement. Purchases of the Company's own shares for cancellation, or to be held in treasury for subsequent reissue, may be funded from this reserve.

(n) Revenue Reserve

The revenue profit or loss for the year is taken to or from this reserve. The revenue reserve may be distributed by way of dividend.

(o) Single Segment Reporting

The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

2 Income

	2020 £'000	2019 £'000
Income from investments		
Overseas dividends	3,027	2,225
Overseas interest	89	104
	3,116	**2,329**
Other income		
Deposit interest	12	144
Total income	**3,128**	**2,473**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	3,027	2,225
Interest from financial assets designated at fair value through profit or loss	89	104
Interest from financial assets not at fair value through profit or loss	12	144
	3,128	**2,473**

3 Investment Management Fee

	2020 £'000	2019 £'000
Investment management fee	**1,533**	**1,297**

Details of the Investment Management Agreement are set out on page 23. With effect from 1 January 2019 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. In the periods before 1 January 2019 covered by this report the fee was 0.95% 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 Other Administrative Expenses

	2020 £'000	2019 £'000
General administrative expenses	343	405
Directors' fees	117	118
Auditor's remuneration for audit services	19	19
	479	**542**

There were no non-audit fees paid to the Auditor during the year (2019 – nil).

5 Finance Costs of Borrowings

	2020 £'000	2019 £'000
Bank loans (see note 10)	**337**	**440**

6 Tax on Ordinary Activities

	2020 £'000	2019 £'000
Analysis of charge in the year		
Overseas withholding tax	**215**	**186**
Factors affecting the tax charge for the year		
The tax assessed for the year is higher (2019 – higher) than the average standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%). The differences are explained below:		
Net return on ordinary activities before taxation	80,943	(3,703)
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	15,379	(703)
Capital gains not taxable	(15,231)	740
Overseas dividends not taxable	(575)	(423)
Taxable expenses in the year not utilised	427	386
Overseas withholding tax	215	186
Revenue tax charge for the year	**215**	**186**
Provision for deferred tax liability in respect of Indian capital gains tax	76	–
Refunds of Indian tax in respect of prior periods	(2)	–
Capital tax charge for the year	**74**	**–**
Total tax on ordinary activities	**289**	**186**

As an investment trust, the Company's capital gains are not taxable in the United Kingdom.

Factors that may affect future tax charges

At 31 July 2020 the Company had a potential deferred tax asset of £4,584,000 (2019 – £3,710,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 19% (2019 – 17%).

7 Net Return per Ordinary Share

	2020 Revenue	2020 Capital	2020 Total	2019 Revenue	2019 Capital	2019 Total
Net return on ordinary activities after taxation	**0.95p**	**134.99p**	**135.94p**	**0.01p**	**(6.65p)**	**(6.64p)**

Revenue return per ordinary share is based on the net revenue profit on ordinary activities after taxation of £564,000 (2019 – net revenue profit £8,000) and on 59,331,304 (2019 – 58,565,364) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital gain for the financial year of £80,090,000 (2019 – net capital loss of £3,897,000) and on 59,331,304 (2019 – 58,565,364) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Total return per ordinary share is based on the total gain for the financial year of £80,654,000 (2019 – total loss of £3,889,000) and on 59,331,304 (2019 – 58,565,364) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Fixed Assets – Investments

As at 31 July 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	312,835	–	–	**312,835**
Unlisted equities	–	–	4,117	**4,117**
Total financial asset investments	**312,835**	**–**	**4,117**	**316,952**

As at 31 July 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	217,070	–	–	**217,070**
Unlisted equities	–	–	2,914	**2,914**
Total financial asset investments	**217,070**	**–**	**2,914**	**219,984**

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 2020 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.

	Listed overseas £'000	Unlisted £'000	2020 Total £'000	2019 Total £'000
Cost of investments at 1 August 2019	155,862	1,738	**157,600**	150,716
Investment holding gains and losses at 1 August 2019	61,208	1,176	**62,384**	70,358
Fair value of investments at 1 August 2019	217,070	2,914	**219,984**	221,074
Movements in year:				
Purchases at cost	90,644	4,255	**94,899**	53,438
Sales proceeds received	(76,215)	(1,149)	**(77,364)**	(51,412)
Gains and losses on investments	81,336	(1,903)	**79,433**	(7,974)
Fair value of investments at 31 July 2020	**312,835**	**4,117**	**316,952**	**219,984**
Cost of investments at 31 July 2020	190,052	4,889	**194,941**	157,600
Investment holding gains and losses at 31 July 2020	122,783	(772)	**122,011**	62,384
Fair value of investments at 31 July 2020	**312,835**	**4,117**	**316,952**	**219,984**

The purchases and sales proceeds figures above include transaction costs of £116,000 (2019 – £101,000) and £133,000 (2019 – £109,000) respectively total transaction costs being £249,000 (2019 – £210,000). The Company received £77,364,000 (2019 – £51,412,000) from investments sold during the year. The book cost of these investments when they were purchased was £57,558,000 (2019 – £46,554,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments. Of the realised gains on sales of investments during the year of £19,806,000 (2019 – £4,858,000), a net gain of £11,114,000 (2019 – gain of £22,537,000) was included in investment holding gains at the previous year end.

8 Fixed Assets – Investments (continued)

	2020 £'000	2019 £'000
Net gains/(losses) on investments held at fair value through profit or loss		
Gains on sales	19,806	4,858
Changes in investment holding gains and losses	59,627	(7,974)
	79,433	**(3,116)**

9 Debtors

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	604	589
Sales for subsequent settlement	244	–
Share issuance proceeds awaiting settlement	17	22
Other debtors and prepayments	20	25
	885	**636**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. There were no debtors that were past due or impaired at 31 July 2020 or 31 July 2019.

10 Creditors – Amounts falling due within one year

	2020 £'000	2019 £'000
Royal Bank of Scotland International Limited loan	24,641	20,405
Investment purchases awaiting settlement	271	–
Investment management fee	494	343
Other creditors and accruals	98	149
	25,504	**20,897**

The Company has a one year multi-currency revolving credit facility of up to £30 million with Royal Bank of Scotland International Limited (31 July 2019 – up to £30 million) which expires on 13 March 2021. At 31 July 2020 there were outstanding drawings of £12,500,000 and US$15,935,500 at interest rates of 0.71891% and 0.83874% respectively (31 July 2019 – £10,000,000 and US$12,739,900 at interest rates of 1.28492% and 2.9272% respectively), maturing in September 2020. The main covenants relating to the loan are that borrowings should not exceed 20% of the Company's adjusted net asset value and the Company's net asset value should be at least £100 million. There were no breaches in the loan covenants during the year.

None of the above creditors at 31 July 2020 or 31 July 2019 are financial liabilities designated at fair value through profit or loss.

11 Provision for Deferred Tax Liability

The deferred tax liability provision at 31 July 2020 of £76,000 (31 July 2019 – nil) 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. 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.

12 Share Capital

	2020 Number	2020 £'000	2019 Number	2019 £'000
Allotted, called up and fully paid ordinary shares of 10p each	**63,165,282**	**6,317**	**59,027,282**	**5,903**

In the year to 31 July 2020, the Company issued 4,138,000 ordinary shares (nominal value of £414,000, representing 7% of the issued share capital at 31 July 2019) at a premium to net asset value, raising net proceeds of £20,399,000 (2019 – £2,359,000). 37,000 shares (representing 0.1% of the issued share capital at 31 July 2019) were bought back during the year and subsequently reissued from treasury. At 31 July 2020 the Company had authority to buy back 8,842,643 ordinary shares on an ad hoc basis and to allot or sell from treasury 1,727,728 ordinary shares without application of pre-emption rights. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

Between 1 August and 24 September 2020, the Company issued 4,120,000 ordinary shares (nominal value £412,000) at a premium to net asset value, raising net proceeds of £22,598,000.

13 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2019	5,903	20,063	20,367	153,382	3,635	**203,350**
Net gains on sales of investments	–	–	–	19,806	–	**19,806**
Changes in investment holding gains and losses	–	–	–	59,627	–	**59,627**
Exchange differences on bank loan	–	–	–	277	–	**277**
Other exchange differences	–	–	–	454	–	**454**
Movement in deferred Indian CGT provision	–	–	–	(74)	–	**(74)**
Ordinary shares bought back into treasury	–	–	–	(114)	–	**(114)**
Ordinary shares sold from treasury	–	60	–	114	–	**174**
Ordinary shares issued	414	19,925	–	–	–	**20,339**
Revenue return on ordinary activities after taxation	–	–	–	–	564	**564**
At 31 July 2020	**6,317**	**40,048**	**20,367**	**233,472**	**4,199**	**304,403**

The capital reserve includes investment holding gains of £122,011,000 (2019 – £62,384,000) as disclosed in note 8.

The revenue reserve may be distributed by way of dividend. The Company's Articles of Association prohibit distributions by way of dividends from realised capital profits.

14 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2020 Net asset value per share	2019 Net asset value per share	2020 Net assets attributable £'000	2019 Net assets attributable £'000
Ordinary shares	**481.92p**	**344.50p**	**304,403**	**203,350**

The movements during the year of the assets attributable to the ordinary shares are shown in note 13.

Net asset value per ordinary share is based on the net assets as shown above and 63,165,282 (2019 – 59,027,282) ordinary shares, being the number of ordinary shares in issue at each date.

15 Analysis of Change in Net Debt

	At 1 August 2019 £'000	Cash flows £'000	Exchange movement £'000	At 31 July 2020 £'000
Cash at bank and in hand	3,627	8,065	454	12,146
Loans due within one year	(20,405)	(4,513)	277	(24,641)
	(16,778)	**3,552**	**731**	**(12,495)**

16 Transactions with Related Parties and the Managers and Secretaries

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 32. 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 contract are set out in the Directors' Report on page 23. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £1,533,000 (2019 – £1,297,000) of which £494,000 (2019 – £343,000) was outstanding at the year end, as disclosed in note 10.

17 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of maximising capital appreciation from a focused and actively managed portfolio of investments from the Asia-Pacific region including the Indian Sub-continent. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short term volatility. Risk provides the potential for both losses and gains. In assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

Details of the Company's investment portfolio are shown in note 8. The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. During the years to 31 July 2019 and 31 July 2020 no such transactions were entered into.

The Company's Managers may not enter into derivative transactions without the prior approval of the Board.

17 Financial Instruments (continued)

Currency Risk

The majority of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

At 31 July 2020	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	70,267	43	–	105	**70,415**
Korean won	64,136	–	–	20	**64,156**
US dollar	84,120	10,991	(12,141)	(14)	**82,956**
Taiwan dollar	25,597	56	–	605	**26,258**
Indian rupee	20,386	3	–	(271)	**20,118**
Vietnam dong	11,785	114	–	118	**12,017**
Indonesian rupiah	12,335	–	–	–	**12,335**
Chinese yuan	12,540	33	–	–	**12,573**
Australian dollar	4,183	–	–	–	**4,183**
Philippine peso	1,423	–	–	–	**1,423**
Total exposure to currency risk	306,772	11,240	(12,141)	563	**306,434**
Sterling	10,180	906	(12,500)	(617)	**(2,031)**
	316,952	**12,146**	**(24,641)**	**(54)**	**304,403**

* Includes non-monetary assets of £37,000.

At 31 July 2019	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	48,276	–	–	29	**48,305**
Korean won	42,574	–	–	28	**42,602**
US dollar	47,793	2,891	(10,405)	74	**40,353**
Taiwan dollar	22,770	5	–	413	**23,188**
Indian rupee	16,828	–	–	6	**16,834**
Vietnam dong	15,022	711	–	–	**15,733**
Indonesian rupiah	7,708	–	–	–	**7,708**
Chinese yuan	5,825	–	–	–	**5,825**
Singapore dollar	2,924	–	–	–	**2,924**
Total exposure to currency risk	209,720	3,607	(10,405)	550	**203,472**
Sterling	10,264	20	(10,000)	(406)	**(122)**
	219,984	**3,627**	**(20,405)**	**144**	**203,350**

* Includes non-monetary assets of £35,000.

17 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2020, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return on ordinary activities would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The level of change is considered to be reasonable based on observations of current market conditions. The analysis is performed on the same basis for 2019.

	2020 £'000	2019 £'000
Hong Kong dollar	3,521	2,415
Korean won	3,208	2,130
US dollar	4,148	2,018
Taiwan dollar	1,313	1,159
Indian rupee	1,006	842
Vietnam dong	601	787
Indonesian rupiah	617	385
Chinese yuan	629	291
Australian dollar	209	146
Philippine peso	71	–
	15,323	**10,173**

Interest Rate Risk

Interest rate movements may affect directly:

- the fair value of any investments in fixed interest rate securities;
- the level of income receivable on cash deposits;
- the fair value of any fixed-rate borrowings; and
- the interest payable on any variable rate borrowings.

Interest rate movements may also impact upon the market value of investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements. The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company may finance part of its activities through borrowings at approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value (assuming that the Company's share price is unaffected by movements in interest rates).

The interest rate risk profile of the Company's financial assets and liabilities at 31 July is shown below.

Financial Assets

	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average fixed rate period *	2019 Fair value £'000	2019 Weighted average interest rate	2019 Weighted average fixed rate period *
Fixed rate bonds:						
US dollar denominated convertible bond	–	–	–	2,036	7.0%	30 months
Cash and cash equivalents:						
Overseas currencies	11,240	–	n/a	3,607	1.4%	n/a
Sterling	906	–	n/a	20	–	n/a

* Based on expected redemption date.

17 Financial Instruments (continued)

Financial Liabilities

The interest rate risk profile of the Company's financial liabilities and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 31 July are shown below.

Interest Rate Risk Profile

	2020 £'000	2019 £'000
Floating rate bank loan – sterling denominated	12,500	10,000
– US dollar denominated	12,141	10,405
	24,641	**20,405**

Maturity Profile

	2020 Within 1 year £'000	2019 Within 1 year £'000
Repayment of loans	24,641	20,405
Interest on loans	48	109
	24,689	**20,514**

Interest Rate Risk Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

An increase of 100 basis points in interest rates, with all other variables being held constant, would have decreased the Company's total net assets and total return on ordinary activities for the year ended 31 July 2020 by £125,000 (2019 – a decrease of £167,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 100 basis points would have had an equal but opposite effect.

Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Managers. The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

Other Price Risk Sensitivity

A full list of the Company's investments is given on pages 18 to 20. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained in the Strategic Report.

102.8% (2019 – 106.7%) of the Company's net assets are invested in quoted equities. A 5% (2019 – 5%) increase in quoted equity valuations at 31 July 2020 would have increased total assets and total return on ordinary activities by £15,642,000 (2019 – £10,853,000). A decrease of 5% would have had an equal but opposite effect. The level of change is considered to be reasonable based on observations of current market conditions.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Board provides guidance to the Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facility is detailed in note 10 and the maturity profile of its borrowings is set out above. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

17 Financial Instruments (continued)

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

— where the Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;

— the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Managers monitor the Company's risk by reviewing the Custodian's internal control reports and reporting its findings to the Board;

— investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;

— the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Managers; and

— cash is only held at banks that are regularly reviewed by the Managers.

Credit Risk Exposure

The maximum exposure to credit risk at 31 July was:

	2020 £'000	2019 £'000
Convertible bond	–	2,036
Cash and cash equivalents	12,146	3,627
Debtors and prepayments*	885	636
	13,031	**6,299**

* Includes non-monetary assets of £37,000 (2019 – £35,000).

None of the Company's financial assets are past due or impaired (2019 – none).

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the carrying amount of financial assets and liabilities of the Company in the Balance Sheet approximate their fair value.

Capital Management

The capital of the Company is its share capital and reserves as set out in note 13 together with its borrowings (see note 10). The objective of the Company is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company's investment policy is set out on page 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 8, 9, 28 and 29. The Company has the authority to issue and buy back its shares (see pages 24 and 25) and changes to the share capital during the year are set out in notes 12 and 13. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in note 10.

18 Ordinary Dividends

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. The revenue available for distribution by way of dividend for the year is £564,000 (2019 – £8,000).

	2020	2019	2020 £'000	2019 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final (payable 13 November 2020)	0.25p	–	158	–

19 Alternative Investment Fund Managers Directive (AIFMD)

In accordance with the Alternative Investment Fund Managers Directive, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Directive, the AIFM's remuneration policy is available on the Managers' website at www.bailliegifford.com or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ended 31 March 2020) are also available at www.bailliegifford.com.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures (APM) on page 63) levels at 31 July 2020 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.08:1	1.08:1

Notice of Annual General Meeting

Covid-19 coronavirus – Important note regarding arrangements for the Annual General Meeting (AGM)
The Board of Pacific Horizon Investment Trust PLC (Pacific Horizon) recognises the public health risk associated with the Covid-19 outbreak arising from public gatherings and notes the Government's measures restricting such gatherings, travel and attendances at workplaces. At the same time, the Board is conscious of the legal requirement for Pacific Horizon to hold its AGM before the end of January. Given the current uncertainty around when public health concerns will have abated, the Board has for the time being decided to aim to follow the Company's customary corporate timetable and, accordingly, the Company's AGM is being convened to take place at 11.00am on Tuesday 10 November 2020 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. Arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. No other Directors or representatives from Baillie Gifford will attend the AGM. The Board will, however, continue to monitor developments and any changes will be advised to shareholders by post and details will be updated on the Company's website. In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 11.00am on 6 November 2020. We would encourage shareholders to monitor the Company's website at www.pacifichorizon.co.uk. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to trustenquiries@bailliegifford.com or call 0800 917 2112. Baillie Gifford may record your call.

Notice is hereby given that an Annual General Meeting of Pacific Horizon Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Tuesday, 10 November 2020 at 11.00am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 11 and Resolution 14 will be proposed as ordinary resolutions and Resolutions 12 and 13 will be proposed as special resolutions:

Ordinary Business

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 July 2020, together with the Reports of the Directors and the Independent Auditor's Report thereon.
2. To approve the Directors' Remuneration Policy.
3. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2020.
4. To declare a final dividend of 0.25p per ordinary share.
5. To re-elect Mr RA Macpherson as a Director of the Company.
6. To re-elect Ms AC Lane as a Director of the Company.
7. To re-elect Mr RF Studwell as a Director of the Company.
8. To elect Ms W Hee as a Director of the Company.
9. To reappoint BDO LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. That:
    (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £672,852.80; and
    (b) the authority given by this Resolution:
        (i) shall be in addition to all pre-existing authorities under section 551 of the Act; and
        (ii) unless renewed, revoked or varied in accordance with the Act, shall expire on 10 February 2022 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2021 save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.
12. That, subject to the passing of Resolution 11 set out in the Notice of Annual General Meeting dated 8 October 2020 (the 'Allotment Authority'), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:
    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £672,852.80;
    (b) shall be in addition to all pre-existing powers under sections 570 and 573 of the Act; and
    (c) shall expire at the same time as the Allotment Authority, save that the Company may before expiry of the power conferred on the Directors by this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry.

13. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares, (either for retention as treasury shares for future reissue, resale, transfer or for cancellation), provided that:
    (a) the maximum number of ordinary shares hereby authorised to be purchased is 10,086,063 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
    (c) the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:
        (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
        (ii) the higher price of the last independent trade of an ordinary share and the highest current independent bid for such a share on the London Stock Exchange; and
    (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2021, save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

Special Business

14. That, for the purposes of and in accordance with Article 107 of the Company's Articles of Association and with effect from 1 August 2020, fees paid to Directors for their services as Directors of the Company shall not exceed in the aggregate £200,000 per annum.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
8 October 2020

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or **www.eproxyappointment.com** no later than 11.00am on 6 November 2020 (or 48 hours (excluding non-working days) before any adjourned meeting).
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **www.euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 11.00am on 6 November 2020 (or 48 hours (excluding non-working days) before any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

5. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.
11. The members of the Company may require the Company to publish on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's accounts, including the Auditor's report and the conduct of the audit. The Company will be required to do so once it has received such requests from either members representing at least 5 per cent. of the total voting rights of the Company or at least 100 members who have a relevant right to vote and hold shares in the Company on which there has been paid up an average sum per member of at least £100. Such requests must be made in writing and must state your full name and address and be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh EH1 3AN.
12. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at www.pacifichorizon.co.uk.
13. Given the risks posed by the spread of Covid-19 and following the related guidance received from the Government, shareholders are not expected to attend the AGM and the Company currently intends to impose entry restrictions on certain persons wishing to attend the AGM in order to ensure the safety of those having to attend the AGM to ensure it will be quorate. All shareholders are strongly encouraged to exercise your votes in respect of the AGM in advance. This should ensure that your votes are registered and count at the AGM. Furthermore, the Board always welcomes questions from the Company's shareholders at the AGM and this year shareholders are invited to submit their questions to the Board in advance. The answers to these questions will be posted on the Company's page of the Managers' website after the AGM. Shareholders should submit any questions they may have to trustenquiries@bailliegifford.com before 6 November 2020.
14. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
15. As at 24 September 2020 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 67,285,282 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 24 September 2020 were 67,285,282 votes.
16. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
17. No Director has a contract of service with the Company.

Further Shareholder Information

Pacific Horizon is an investment trust. Investment trusts offer investors the following:

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

— the Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, or by asking a professional adviser to do so. If you are interested in investing directly in Pacific Horizon, you can do so online. There are a number of companies offering real time online dealing services.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times (under 'Investment Companies') and can also be found on the Company's page of the Managers' website at www.pacifichorizon.co.uk, Trustnet at www.trustnet.com and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Pacific Horizon Share Identifiers

ISIN GB0006667470

Sedol 0666747

Ticker PHI

Legal Entity Identifier VLGEI9B8R0REWKB0LN95

Key Dates

Any dividend in respect of a financial year will be paid by way of a single final payment shortly after the Annual General Meeting. The Annual General Meeting is normally held in October or early November.

Capital Gains Tax

For Capital Gains Tax purposes, the cost to shareholders who subscribed for the conversion shares, subsequently converted into new ordinary shares (with warrants attached), is apportioned between the ordinary shares and the warrants as set out in the placing and offer document dated 5 March 1996. The attributable costs are:

Cost of each ordinary share	53.45p
Cost of each warrant	16.52p

Market values on 17 April 1996 (first day of dealing) were as follows (Source: Thomson Reuters):

Ordinary share	55.00p
Warrant	17.00p

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1229. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

— hear the latest share price;

— confirm your current share holding balance;

— confirm your payment history; and

— order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

You can also check your holding on the Registrars' website at www.investorcentre.co.uk. They also offer a free, secure share management website service which allows you to:

— view your share portfolio and see the latest market price of your shares;

— calculate the total market price of each shareholding;

— view price histories and trading graphs;

— register to receive communications from the Company, including the Annual Report and Financial Statements, in electronic format;

— update bank mandates and change address details; and

— use online dealing services.

To take advantage of this service, please log in at www.investorcentre.co.uk and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log on to www.investorcentre.co.uk and follow the instructions or telephone 0370 707 1170.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at www.eproxyappointment.com. If you have any questions about this service please contact Computershare on 0370 707 1229.

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Analysis of Shareholders at 31 July

	2020 Number of shares held	2020 %	2019 Number of shares held	2019 %
Institutions	12,194,895	19.3	12,637,215	21.4
Intermediaries	48,518,327	76.8	41,049,390	69.6
Individuals	1,827,062	2.9	2,121,346	3.6
Baillie Gifford Share Plan/ISA	–	–	2,495,754	4.2
Marketmakers	624,998	1.0	723,577	1.2
	63,165,282	**100.0**	**59,027,282**	**100.0**

Data Protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website www.pacifichorizon.co.uk.

Risks

Past performance is not a guide to future performance.

Pacific Horizon is listed on the London Stock Exchange. The value of its shares, and any income from them, can fall as well as rise and investors 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 for 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 Pacific Horizon might receive upon their sale.

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

Pacific Horizon's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

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 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 2021.

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

Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at www.pacifichorizon.co.uk, or by calling Baillie Gifford on 0800 917 2112. 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.

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

The Financial Statements have been approved by the Directors of Pacific Horizon. The information and opinions expressed within this Annual Report and Financial Statements are subject to change without notice.

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

Communicating with Shareholders

Pacific Horizon on the Web

Up-to-date information about Pacific Horizon, can be found on the Company's page of the Managers' website at www.pacifichorizon.co.uk. You will find full details on Pacific Horizon, including recent portfolio information and performance figures.

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Pacific Horizon. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

You can subscribe to *Trust* magazine or view a digital copy at www.bailliegifford.com/trust.

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed. Please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have about Pacific Horizon.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, email, fax or post:

Telephone: 0800 917 2112
Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegifford.com
Website: www.bailliegifford.com
Fax: 0131 275 3955

Address:
Baillie Gifford Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.

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 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.

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

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FTSE Index Data

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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.

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:

	2020 £'000	2019 £'000
Investment management fee	1,533	1,297
Other administrative expenses	479	542
Total expenses	**2,012**	**1,839**
Average net asset value	219,376	186,150
Ongoing charges	**0.92%**	**0.99%**

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.

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.

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

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

Leverage (APM)
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.

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.

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

Directors

Chairman:
RA Macpherson

EG Creasy
W Hee
AC Lane
RF Studwell

Registered Office

Computershare
Investor Services PLC
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Alternative Investment Fund Managers and Secretaries

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Company Details

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Company Registration
No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI

Legal Entity Identifier:
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Further Information

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