PACIFIC HORIZON INVESTMENT TRUST PLC

Growth^2: Embracing growth, disruption and innovation

Annual Report and Financial Statements
31 July 2021

BAILLIE GIFFORD

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Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations 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 **pacifichorizon.co.uk**.

Notes

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

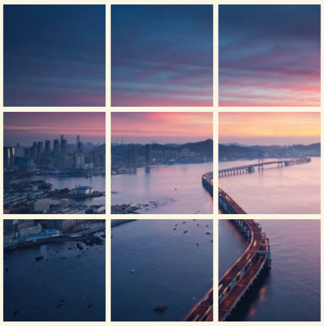
Investment trusts are UK public listed companies and as such comply with the requirements of the Financial Conduct Authority. They are not authorised or regulated by the Financial Conduct Authority.

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.



Growth²: Embracing growth, disruption and innovation

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.

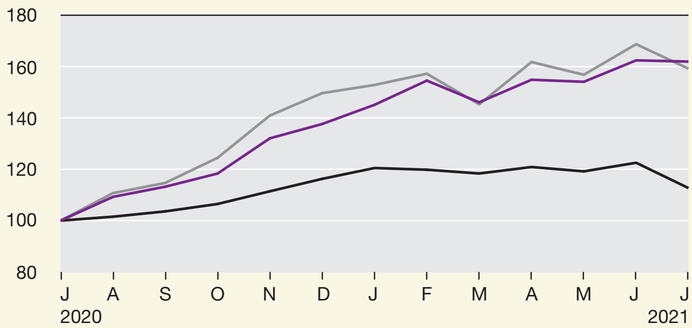
Financial Highlights – Year to 31 July 2021

Total Returns*

Share Price +59.2% **NAV +61.3%** **Comparative Index† +12.7%**

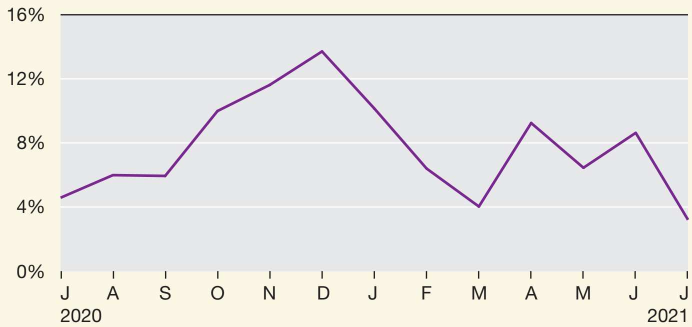
NAV, Share Price and Comparative Index† Total Returns*
(rebased to 100 at 31 July 2020)

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



Premium/(discount)*

Premium/(discount) plotted as at month end dates



* Source: Refinitiv/Baillie Gifford. Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 72.

†The comparative index is the MSCI All Country Asia ex Japan Index (in sterling terms).

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 71.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 23 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Performance

In my report to you last year I was pleased to be able to describe the performance of your Company's portfolio as remarkable. This exceptional performance has continued through the last financial year to July 2021, in its own way remarkable against a background of a volatile market caused by questions over the economic recovery from Covid-19; inflationary versus deflationary pressures; interest rate levels; US dollar strength or weakness; US/China political tensions; and the return to favour of value over growth investing.

In the year to 31 July 2021, the Company's net asset value per share (NAV) rose by 61.3%* compared to a 12.7%* total return from the MSCI All Country Asia ex Japan Index in sterling terms. The share price total return was 59.2%* resulting in the shares ending the period at a 3.2% premium to the NAV per share, having been at a 4.6% premium a year earlier.

The majority of the absolute performance was achieved in the first half of the Company's financial year, with the NAV rising 45.1%* versus 20.5%* for the comparative index. However, the performance was possibly even more impressive in the second half, as the managers succeeded in avoiding the headwinds that caused a fall of 6.5%* in the comparative index, instead generating a positive return of 11.2%*. This reflected a significant, timely move in the portfolio weighting away from China, initially into commodities and subsequently towards India.

Comment on the stock-specific drivers to returns can be found within the Managers' Review on pages 13 to 16.

Over the five years to 31 July 2021, the Company's NAV and share price total returns were 248.2%* and 299.8%* respectively; the Company's comparative index during the same period gained 68.2%* in sterling terms.

As highlighted in my report last year, whilst it is pleasing to note the strong performance, shareholders should not expect such returns as a matter of course and within any reporting period there will likely be bouts of notable volatility. For example, over the course of the last financial year the Company's NAV per share ranged between 481.92p and 804.34p, averaging 728.86p.

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.

Portfolio Manager

Ewan Markson-Brown has moved on after seven years as the Company's portfolio manager. Ewan was a pleasure to work with and made a tremendous contribution to the Company, for which we are grateful. We wish him well in his future endeavours.

In normal circumstances the loss of the portfolio manager would be a matter of considerable concern, particularly for a portfolio of such distinctive investment style. However, Ewan's replacement was an obvious choice. Roderick Snell has been the Company's deputy portfolio manager since 2013 – throughout Ewan's tenure as portfolio manager – and co-managed the £3.2 billion Baillie Gifford Pacific Fund OEIC since 2010, which Ewan also co-managed from 2014. He has attended all board meetings and been involved in all portfolio discussions and decisions since becoming deputy portfolio manager nearly eight years ago. We are delighted to have him step up as portfolio manager and the immediate announcement of his appointment on 10 June 2021 reflected the clear succession plans that we had in place.

In appointing Roderick, we have also been reassured by Baillie Gifford's confidence that he will continue to deliver the high standard of investment management service we have benefited from, supported by Baillie Gifford's strong team and investment culture.

Issuance, Share Buy-backs and Treasury

Over the twelve months to 31 July 2021, the Company issued in aggregate 25,264,422 shares, 40% of the shares in issue at the start of the Company's financial year, and also bought back for treasury 325,134 shares which were subsequently re-issued.

All new and re-issued shares were issued at a sufficient premium to NAV to cover all the costs of issuance, including the costs of publishing a Prospectus for ongoing issuance. The authority that the Prospectus granted expires on 10 December 2021. The funds raised net of costs were £183,832,000. Ongoing demand meant that the Board sought and obtained additional issuance authority from shareholders in January 2021 and March 2021.

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 March 2021. Issuance will continue to be undertaken only at a premium to the NAV per share, thereby avoiding dilution for existing investors. When this authority is utilised in this manner, it enhances NAV per share, improving liquidity in the Company's shares and spreading the operating expenses of the Company across a wider base, thus reducing costs to each shareholder.

* Calculated on a total return basis. Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 71.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

Past performance is not a guide to future performance.

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

The Board believes that the Company benefits from holding any shares that are bought back in treasury, so that it has the ability to re-issue these shares in the circumstances described above. No shares are held in treasury at present.

Earnings and Dividend

Earnings decreased to minus 0.51p per share from a positive 0.95p per share for last year; the Company invests in growth stocks that typically pay little to no dividends and the Company's expenses are charged to revenue. The Company is therefore not in a position to pay a dividend from this year's earnings and the Board is not recommending a final dividend for this year.

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.

Gearing

The Board continues to set the gearing parameters within which the portfolio managers are permitted to operate, and these are reviewed regularly. 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%, unchanged versus 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 £60 million, which provides for potential invested gearing of 9% at present and which was fully drawn at 31 July 2021, split between GBP and USD.

The Board

At the conclusion of last year's AGM, Mr Edward Creasy stood down as Company Director, Senior Independent Director and Chairman of the Company's Audit Committee. He was replaced as Chairman of the Audit Committee and as Senior Independent Director by Ms Angela Lane.

During the year we welcomed Sir Robert Chote to the Board, former chairman of the Office for Budget Responsibility from 2010 to 2020. His appointment falls to be ratified by shareholders as part of November's AGM business.

Following a period of significant Board refreshment, the Board now anticipates a period of consolidation, with new appointments unlikely for several years.

Governance and Stewardship

As highlighted previously, the Board is acutely 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 33. A document outlining Baillie Gifford's Governance and Sustainability principles can be found on the Baillie Gifford website **bailliegifford.com**.

Private Company Investments

In 2018, shareholders approved a change in the Company's investment policy, permitting the Managers to invest up to a maximum of 10% of total assets in unlisted (private company) securities (such asset value being calculated at the point of initial investment). As at 31 July 2021 the Company had 7.2% of its total assets invested in seven private companies, having peaked during the year at 8.3% prior to the listing of Zomato, an Indian multinational restaurant aggregator and food delivery company. As part of this year's AGM business, shareholders are being asked to approve an increase from the existing 10% maximum to a new maximum level of 15% of total assets, calculated at the point of initial investment.

Baillie Gifford has a dedicated investment team for investing in private companies. This team is responsible for approximately US$8.1 billion of private company investment across more than 80 companies in different geographic locations. It is seeing an increasing number of potential investment ideas across the Asia Pacific and Indian Sub-continent, particularly in India, that have not yet come to market and would be complementary to the Company's portfolio. Investing in companies before IPO can be valuable beyond the possible benefit of an earlier and hopefully cheaper entry price. Establishing early relationships with management teams can build a greater understanding of a business than a time-pressured IPO allows, as well as offering better access and allocation, which results in the ability and conviction to invest further upon listing. Although the Managers still have 2.8 percentage points of headroom to invest in unlisted (private company) equities, any upward revaluation of existing holdings or future funding rounds could mean that the 10% limit might curtail investments in potentially exciting opportunities. The Board therefore believes that it would be in the interest of shareholders to have additional capacity to invest.

Continuation of the Company

At this year's AGM the Directors are proposing, in accordance with the Articles, that the life of the Company be extended for a further five years until the date of the Company's AGM in 2026, or 30 November 2026 if sooner.

Having conducted a thorough review of the Managers' approach and resources, the Board judges them to have the right team to manage a portfolio in what the Board considers to be a region with outstanding long-term prospects for investment. Asia ex Japan, including the markets of the Indian Sub-continent, stands out as a region with the potential for high positive real growth, driven by favourable demographics, a rising middle class and world-class businesses. Your Board therefore recommends that shareholders vote in favour of an extension of the Company's life for a further five year period.

If the continuation vote were not approved, the Directors would convene a meeting, to be held on or around 3 March 2022, at which a further resolution would be proposed to wind up the Company voluntarily and to appoint a liquidator following which the Company's portfolio would be realised, with shareholders being entitled, in proportion to their respective holdings, to the net proceeds of the liquidation. At this meeting, every shareholder present in person or by proxy and entitled to vote should be obliged to vote in favour of the resolution to wind up the Company and any votes proposed to be cast against that resolution would not be counted as valid votes.

Annual General Meeting

The Company's legal advisers have undertaken a review of the Company's Articles of Association and recommended changes that are being put before shareholders as part of this year's AGM business, details of which can be found on page 67. The principal change proposed concerns the Company's ability to hold hybrid AGMs. The Covid-19 pandemic has highlighted potential issues with the requirement to hold physical meetings at times of emergency, so it is proposed that the Company's Articles be amended to allow shareholders to attend by electronic means as well as in person. It is however intended that future meetings be physical, unless restrictions prohibiting this are in force at the time.

As matters stand, I am pleased to report that this year's AGM will take place on 17 November 2021 at the offices of Baillie Gifford & Co in Edinburgh at 11.00am and shareholders are encouraged to attend. If doing so, please endeavour to arrive by 10.50am to allow time to register. There will be a presentation from the portfolio manager who, along with the Directors, will answer questions from shareholders. I hope to see as many of you as possible there.

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

Outlook

There will always be uncertainty. Asia, however, appears to have weathered the impact of Covid-19 and is arguably in a more robust state than much of the developed world, having accumulated less debt and encountered less economic disruption. Global economic conditions will have an influence on companies' performance, but new businesses and new business models will continue to grow and challenge incumbents, driven in part by digitalisation and the dynamism of corporate Asia's management teams. As evidenced by portfolio performance, active portfolio management is key, as not every business will thrive and it is incumbent on the Managers to remain alert to new investment opportunities and threats to existing holdings. Considerable future volatility is possible, however patient long-term investors could be rewarded with significant returns.

Angus Macpherson
Chairman
21 September 2021

One Year Summary*

	31 July 2021	31 July 2020	% change
Total assets	£748.0m	£329.0m	
Borrowings	£60.8m	£24.6m	
Shareholders’ funds	£687.2m	£304.4m	
Net asset value per ordinary share	777.15p	481.92p	61.3
Share price	802.00p	504.00p	59.1
MSCI All Country Asia ex Japan Index (in sterling terms)†#	590.2	534.0	10.5
Dividend proposed per ordinary share in respect of the financial year	Nil	0.25p	
Revenue earnings per ordinary share	(0.51p)	0.95p	
Ongoing charges‡¶	0.78%	0.92%	
Premium‡¶	3.2%	4.6%	
Active share‡	93%	85%	

Year to 31 July	2021	2020
Total return#‡		
Net asset value per ordinary share¶	61.3%	39.9%
Share price¶	59.2%	57.5%
MSCI All Country Asia ex Japan Index (in sterling terms)†	12.7%	5.1%

Year to 31 July	2021	2021	2020	2020
Year’s high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share	804.34p	481.92p	500.24p	284.09p
Share price	906.00p	504.00p	530.00p	235.00p
Premium/(discount)‡¶	19.9%	(4.7%)	9.3%	(17.7%)

Year to 31 July	2021	2020
Net return per ordinary share		
Revenue return	(0.51p)	0.95p
Capital return	253.70p	134.99p
Total return	**253.19p**	**135.94p**

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

† 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 71.

‡ Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 72.

¶ Key Performance Indicator.

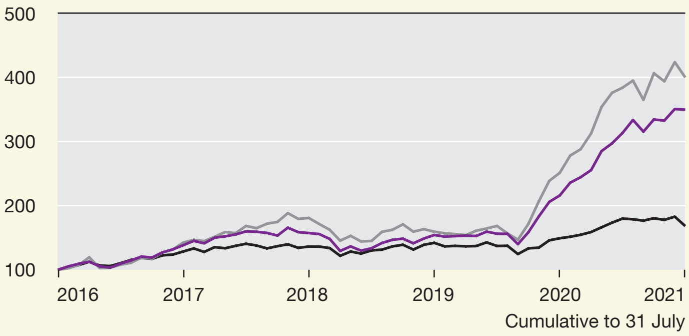
Past performance is not a guide to future performance.

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 2021.

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

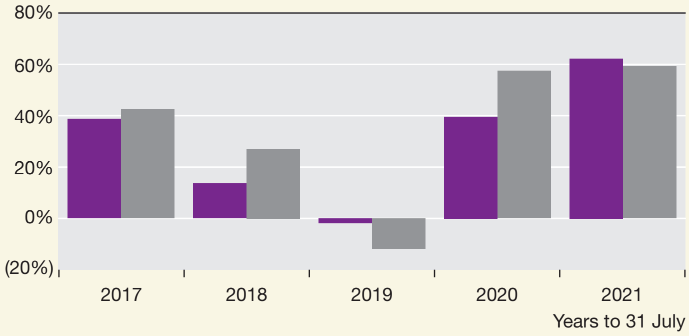
(figures rebased to 100 at 31 July 2016)



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†

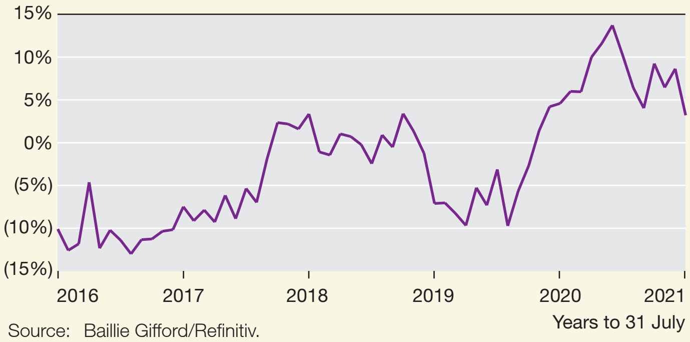


Source: Baillie Gifford/Refinitiv and relevant underlying index providers#.
Dividends are reinvested.

NAV total return†
Share price total return†

Premium/(discount) to Net Asset Value†

(figures plotted on a monthly basis)

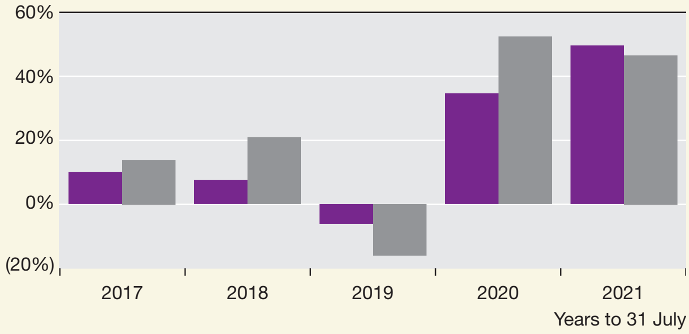


Source: Baillie Gifford/Refinitiv.

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 72.
# See disclaimer on page 71.

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)* %
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
2021	**748,014**	**60,783**	**687,231**	**777.15**	**802.00**	**3.2**

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* %
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
2021	**3,561**	**(402)**	**(0.51)**	**Nil**	**0.78**

Gearing Ratios

Invested gearing* %	Potential gearing* %
(1)	–
(2)	–
(1)	–
2	3
8	11
3	4
7	9
8	10
8	10
4	8
4	**9**

Cumulative Performance (taking 2011 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#
2011	100	100	100	100	100	100	100	100
2012	96	97	91	92	90	94	99	103
2013	102	104	95	97	98	105	84	106
2014	113	116	108	111	102	112	71	109
2015	111	115	110	114	101	114	18	110
2016	125	130	122	127	114	132	(15)	112
2017	173	180	173	181	143	170	(19)	116
2018	197	204	220	229	148	180	(30)	120
2019	193	200	194	202	150	188	1	123
2020	270	280	305	319	153	197	48	125
2021	**435**	**452**	**486**	**507**	**169**	**222**	**(26)**	**130**
Compound annual returns								
5 year	28.3%	28.3%	31.9%	31.9%	8.3%	11.0%	–	3.0%
10 year	15.8%	16.3%	17.1%	17.6%	5.4%	8.3%	–	2.7%

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

† 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 51).

Source: Refinitiv and relevant underlying index providers. See disclaimer on page 71.

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 (AIF) for the purposes of the UK Alternative Investment Fund Managers Regulations.

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.

Amendments to the Investment Policy

Currently, the Company's investment policy permits investments not listed on a public market up to 10% of the Company's total assets at the time of initial investment. The Managers are seeing more unlisted/private company opportunities and the Board is of the view that it would be appropriate to increase this limit at this point. The Board is therefore proposing that the Company amends its investment policy to stipulate that the maximum amount which may be invested in companies not listed on a public market shall not exceed 15% of the total assets of the Company, measured at the time of purchase. The Company is also proposing a clarification on the typical number of investments in the portfolio, from 'holdings' to 'companies', in order to accommodate situations where different lines of stock are acquired in a single company.

Proposed 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 15% 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 companies. 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 11 and 12, and the Baillie Gifford Statement on Stewardship, which describes the Managers' culture of constructive engagement, is set out on page 17.

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 30. 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 72. The one, five and ten year records for the KPIs can be found on pages 5, 6 and 7, 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 £60 million with The Royal Bank of Scotland International Limited (31 July 2020 – up to £30 million). At 31 July 2021 there were outstanding drawings of £20,000,000 and US$56,704,000 at interest rates of 0.65977% and 0.7497% respectively (31 July 2020 – £12,500,000 and US$15,935,500 at interest rates of 0.71891% and 0.83874% respectively).

Principal and Emerging Risks

As explained on pages 31 and 32 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, regulatory compliance, 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:

The Board considers the ongoing Covid-19 pandemic and the impact of Brexit to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

Financial Risk – the Company's assets consist mainly of listed securities (92.5% of the investment portfolio) and its principal and emerging 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 55 to 61. 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 during the Covid-19 pandemic. The Board has also considered the potential impact on sterling following the UK's departure from the European Union and subsequent trade agreement. 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 and raises any matters of concern with the Managers.

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 FCA 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 mitigate this 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 Covid-19 pandemic) 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 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 and a summary of the key points is reported to the Audit Committee and any concerns investigated. In the year under review, the 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 20 on page 62 and the Glossary of Terms and Alternative Performance Measures on page 72.

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 and the subsequent trade agreement between the UK and the European Union, the Board continues to assess the potential consequences for the Company's future activities, including those that may arise from further constitutional change. 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.

Cyber Security Risk – a cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems. To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

Emerging Risks – as explained on pages 31 to 32 the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from two areas. Firstly, from the global reach of the investment portfolio and its exposure to external and emerging threats such as cyber risk and coronavirus. This is mitigated by the Investment Manager's close links to the investee companies and their ability to ask questions on contingency plans. The Investment Manager believes the impact of such events may be to slow growth rather than to invalidate the investment rationale. Secondly, as investors place increased emphasis on Environmental, Social and Governance issues (ESG), any failure by the Investment Manager to identify potential future problems on ESG matters in an investee company could lead to the Company's shares being less attractive to investors as well as potential valuation issues in the underlying investee company.

This is mitigated by the Investment Manager's ESG application, which is integrated into the investment process, as well as the extensive up-front and ongoing due diligence which the Investment Manager undertakes on each investee company. This includes the risks inherent in climate change (see page 33).

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 31 and 32), 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 Covid-19 pandemic. The stress testing did not indicate any matters of material concern.

The Board continues to monitor the economic impact of the UK's departure from the European Union but does not foresee a scenario that 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 Sir Robert Chote to the Board, with effect from 25 November 2020, 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 £183 million from new and treasury 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 publication of a prospectus, in December 2020, to permit the issuance of new shares in excess of 20% of the Company's share capital over the year, as described above.

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 2021, 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 31.

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 33, with more details of the Managers' approach to socially responsible investment set out under Environmental, Social and Governance Considerations in the Managers' Review on page 16 and the Baillie Gifford Statement on Stewardship on page 17.

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 **bailliegifford.com**.

Managers' Review

Overview

What defines us is growth. We believe Asia ex Japan will be one of the fastest growing regions over the coming decades and we strive to be invested in its fastest growing companies. It is growth multiplied by growth or, as we like to call it, 'Growth Squared' ('Growth²').

Such an investment style was richly rewarded over the year to 31 July 2021 as the Covid-19 pandemic spurred the rapid acceleration of technological adoption, and unprecedented levels of economic stimulus globally. This was combined with large parts of Asia handling the crisis relatively well, allowing their economies to reopen quickly and growth to rebound sharply.

This, however, was not a time to stand still. The extreme dislocations in markets afforded investors a 'once in a decade' opportunity to buy high quality growth businesses at extremely attractive valuations. The number of underlying portfolio transactions and the number of companies held in the portfolio (107 as at 31 July 2021) therefore rose to uncommonly high levels.

It may appear surprising for a growth oriented portfolio that many of our best performing ideas over the year came from 'old economy' companies, ranging from copper and nickel producers (materials crucial to the growing green energy revolution), to Indian automotive manufacturers. Holdings in these more cyclical industries had already been increasing prior to the crisis and this demonstrates an important tenet of our investment philosophy – the willingness to embrace growth in all its forms.

Elsewhere, the advantage of being able to invest in private companies continued to increase, with many of the region's best businesses, especially in the rapidly evolving technology sector, choosing to remain private for longer. Opportunities in India proved to be particularly attractive and we invested in four private Indian companies over the period (including in an existing holding, Zomato, which has now listed), along with ByteDance (the world's most popular short form video app) in China. At the end of the period, private companies accounted for 7.2% of the Company's total assets.

Performance was extremely strong over the period, the Company's NAV and share price increasing by 61.3%* and 59.2%* respectively, compared to the comparative index, the MSCI All Country Asia ex Japan Index (in sterling terms), with a total return of 12.7%*. Although we focus on longer term performance numbers, such performance is pleasing to report. It will, however, almost certainly moderate from these exceptional levels.

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

Philosophy

We are excited by the future. We are growth investors looking to invest in the top twenty percent of the fastest growing companies in the region. 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 over the market over a longer timeframe.

Across the region we have found the most persistent source of outperformance to be those companies that can grow their profits faster than the market, in hard currency terms, over the long term. This trend persists irrespective of starting valuations. Consequently, our research is singularly focused on finding those companies whose share prices can at least double, in sterling terms, on a five year view and we expect most of this doubling to come from earnings growth.

We are particularly interested in three specific and persistent inefficiencies:

1) **Underappreciated growth duration**
   We believe one of the greatest inefficiencies in Asia ex Japan is to be found in companies with excellent long-term earnings growth but where profits will be volatile from one quarter to the next, often as a result of investment or product cycles that are years in the planning. The market shows an aversion to such companies, preferring the predictability of smooth profit generation even if the long-term growth rate turns out to be a fraction of that achieved by those more willing to reinvest in their business and with greater ambition. This presents us with fantastic investment opportunities, but it requires an approach and culture that allows near-term volatility to be ignored.

2) **Underappreciated growth pace**
   The market consistently underestimates the likelihood of rapid growth. The evidence shows that most investors cluster around a narrow range of earnings growth predictions, which can in turn lead to significant mispricing of those companies with the potential to grow very rapidly. Our process is focused on finding these companies. By looking further out and searching for low probability but high impact growth opportunities, we have been able to outperform the broader market. This requires us to think carefully about probabilities and possibilities, to spend more time thinking about what can go right rather than what can go wrong in any investment; ultimately, stock markets are driven by a small handful of companies that do extremely well.

3) **Underappreciated growth surprise**
   The final significant inefficiency in Asia ex Japan lies in the interaction between top-down and bottom-up investing. Asia ex Japan investors do not have the luxury of ignoring macroeconomics. Purely bottom-up investment is a path to ruin in a universe where industrial and economic cycles can dominate investment returns over multi-year periods. The long-term earnings for a vast number of companies – notably in the financial, materials and industrial sectors – are determined by exogenous macro factors beyond their control. This also provides opportunities.

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 71.

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

Past performance is not a guide to future performance.

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

This may seem obvious – rising levels of profitability are normally accompanied by a re-rating, thereby providing a two-fold kicker to share price performance – but identifying the drivers behind this change is the key and has been a significant source of outperformance for Pacific Horizon. We accept that timing these inflection points perfectly is impossible, but when you have an investment horizon measured over many years, successfully anticipating the future direction of travel is hugely valuable.

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

	Pacific Horizon	MSCI AC Asia ex Japan Index
Historic earnings growth (5 years trailing compound annual growth to 31 July 2021)	14.5%	8.6%
One year forecast earnings growth (to 31 July 2022)	40.7%	20.8%
Estimated p/e ratio for the current year (to 31 July 2022)	17.2x	14.3x
Percentage in under £1bn market cap companies	16.1%	0.1%
Percentage in under £5bn market cap companies	53.5%	10.7%
Active Share	93.5%	N/A
Portfolio Turnover	12.9%	N/A

Data as at 31 July 2021, source: Baillie Gifford, UBS PAS, APT, MSCI (see disclaimer on page 71).

As highlighted in the table above, the growth characteristics of the current portfolio remain strong, with historic earnings growth and one-year forecast earnings growth higher than the comparative index equivalents. The portfolio's estimated price-to-earnings ratio for the current year is 17.2 versus 14.3 for the comparative index. Over the longer term, we believe the higher growth potential of our holdings more than justifies this additional multiple.

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

The portfolio is noticeably different from a few years ago when we were more cautious on large parts of South East Asia and were very concentrated in technology and consumer stocks. In the context of the growth inefficiencies we exploit, the Company had a large number of investments in the 'duration' and 'pace' buckets, but very little in 'surprise'. This had been changing gradually as we found more opportunities in more cyclical, old economy companies, but accelerated dramatically over the course of the Covid-19 pandemic as the extreme dislocation in Asian markets provided us with extremely attractive opportunities in these more cyclical sectors.

The result is a portfolio today that may surprise some. In absolute terms our largest exposures remain focused on the key themes of the rising middle class, technology and innovation, however we now have significant exposures to more cyclical industries including materials, industrials and energy that respectively make up the three largest relative positions within the portfolio. There remains, however, one commonality among the companies held: growth.

Using Pacific Horizon's largest relative sector position, Materials, as an example, holdings here are predominantly concentrated in companies exposed to two commodities, nickel and copper, both of which lie at the core of the green revolution. Copper, as the most cost-effective conductive material, sits at the heart of capturing, storing and transporting new energy sources, and demand from green sources could easily grow ten-fold by 2030. Nickel is a core material in electric vehicle batteries, where demand across Asia will be driven by China's intention to have electric vehicles account for a quarter of all automotive sales within the next few years (from around 5% today).

By country, the most noticeable change to the portfolio has been the substantial increase to India, going from a 7% absolute position to 29%, and it is now the largest country overweight in the portfolio (+18 percentage points). Our purchases here can be divided into two parts. The first is 'old' India, where we have increased holdings in traditional sectors such as property, where we believe the Indian property market is at the cusp of a multi-year revival; since 2007, the market has fallen significantly in real terms, affordability is the highest it has been in a decade, and a number of regulatory changes and tightening liquidity requirements have consolidated the market into a handful of the largest and best developers.

The second part is arguably the more exciting, 'new' India. For many years India has had some of the most attractive companies across Asia, but often this has had more to do with the lack of competition they face, rather than any great innovation or technological edge. Catalysed by the rollout of the world's second largest 4G mobile network, allowing many Indians to access the internet for the first time, things are changing fast. Just as we experienced in China more than a decade ago, a new breed of exciting and innovative technology-focused companies is emerging in the country.

Many of these prized businesses, however, remain private, and Pacific Horizon's ability to invest into unlisted (private) companies has been extremely beneficial. Over the period we made three new investments into private Indian companies, Delhivery (leading delivery and ecommerce logistics), Dailyhunt (online short form video) and Star Health (India's largest private health provider), while the trust also added to its existing position in Zomato which subsequently listed.

With around US$200–300 billion worth of technology-focused private companies likely to list in India over the next few years, the opportunity set for investors will be revolutionised. Having built meaningful stakes in a number of these businesses, developed strong relationships with management and gained early insights into these industries and companies ahead of their IPOs, we believe Pacific Horizon will be well placed to benefit.

A significant portion of funding for Indian companies came from the sale of our Chinese names, with China reducing from a 41% absolute weighting in the portfolio to 27%, and in relative terms it is the largest portfolio underweight position at minus 20 percentage points. Noticeable reductions took place to a number of the large technology companies where we had concerns over competition and increasing regulation; the position in Alibaba was reduced and the positions in Tencent and Meituan exited.

Our timing proved to be prescient; the demolition of the private education sector (where we had no exposure), a crackdown on the monopolistic practices of internet giants and enhanced rules on data ownership and security have displaced any confusion, if any existed, regarding who is in charge in China. For the internet companies specifically, it will be crucial going forwards to understand whether the Chinese regulators have simply imposed some sensible regulations to protect consumers, or whether this is the start of the Chinese government exerting ever greater control over these businesses.

Performance

Although our performance was exceptionally strong over the reporting period, we would hesitate to draw too much from such short-term numbers. We are long-term investors, running a high conviction growth portfolio that is index agnostic. Performance will be volatile and there will be short term periods when we underperform. Our investment time horizon is five years and beyond and it is on these time scales that our performance should be judged. Over the past five years, the Company's NAV has outperformed the comparative index by 17.5 percentage points per annum. Such performance is pleasing to report, however it will almost certainly moderate from these exceptional levels.

Over the relatively short reporting period, markets have been volatile, sentiment see-sawed between growth and value, as investors grappled with the implications of enormous global fiscal stimulus, eye-popping monetary stimulus, surging GDP growth, and inflation, to name a few. We pay no attention to debates of growth versus value, however it is interesting to note that the portfolio has generally performed well in both market environments; the first half of the period when growth was generally in favour and the second half when it switched to value.

Such a favourable outcome has largely been the result of the broadening out of the portfolio into more cyclical growth companies, as previously discussed. Consequently, by sector, cyclical industries including materials, real estate and financials, were the second, fourth and fifth leading contributors to portfolio returns. Even within the largest contributor to absolute performance, consumer discretionary, a significant portion of performance came from some of the more traditional sectors such as automotive, where Tata Motors (owners of Jaguar Land Rover) was the third biggest stock contributor to performance.

By sector, only information technology detracted from performance (by a modest 0.6 percentage points), mainly due to underweight positions in some of the region's manufacturing behemoths including Samsung Electronics.

We are of course indifferent as to what sectors our stocks are defined as by the market; we are stock pickers after growth companies, and as such it is no surprise that more than three quarters of the portfolio's positive absolute return came solely from stock selection.

Towards the end of the reporting period, performance was also helped significantly by what was not held. This was especially so in China, where the government's decimation of the listed education sector and increasing regulation of internet companies led to dramatic price falls in these sectors. In July 2021, when these changes occurred, the portfolio had no exposure to companies in the education sector, and more importantly was significantly underweight many of the large internet names, for example with a five percentage point underweight position in mega cap Alibaba, and no holdings in index heavyweights such as Tencent and Meituan.

The above, combined with strong stock performance from companies like Li Ning, the Chinese sportswear company that continued to benefit from a shift towards local brands by Chinese consumers, meant China was the top contributor to portfolio returns. This was closely followed by India, where a number of stocks performed very strongly including Tata Motors (up 177%) and Happiest Minds (IT outsourcer, purchased at IPO, up 677%), which were both among the top five stock contributors. In India it is also noteworthy that Zomato, a private company holding in the portfolio, listed and generated a total return of 171% over the reporting period.

The performance of the portfolio's largest holding, Sea Limited (+113%), South East Asia's leading ecommerce and gaming company meant that by country, Singapore was the third largest contributor to portfolio performance. The gaming division showed great strength, with Free Fire, the company's in-house-developed game, becoming the world's most downloaded game in 2020 and reaching more than 300 million monthly active users. The ecommerce business continued its impressive market share gains across much of ASEAN and, with its increasing scale, looks set to be the dominant online shopping platform across much of the region over the coming decade.

Despite the strong performance of a number of companies, including Sea, it is worth noting that performance was pleasingly broad-based, with the top ten contributors accounting for less than half of Pacific Horizon's relative outperformance.

The portfolio underperformed in Taiwan, largely as a consequence of the portfolio's underweight position in TSMC, arguably the world's most important semiconductor manufacturer. TSMC continued to increase its technological lead over rivals, and we will be carefully considering the portfolio's exposure to the company over the coming 12 months.

Other notable detractors to performance were a number of technology companies in China including Dada Nexus (logistics), Lufax holdings (Fintech) and HUYA (online game streaming). These were all impacted in the aforementioned Chinese regulatory clampdown on the internet sector.

Environmental, Social and Governance Considerations

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

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

For our long-term investments to be successful, the companies in which we invest must add value to society. This can be achieved in various ways. For example, the products of our regenerative biotech 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

We remain extremely positive on the long-term outlook for the region. The rise of the Asian middle class, accelerated by technology and innovation, continues to be one of the most powerful investment opportunities of the coming decade. As active managers, with long-term time horizons, we are enthused by the number of exciting growth companies we can buy that should benefit from these economic, social and technological changes across the region.

All of this is against the backdrop of Covid-19 from which Asia ex Japan, to use an unfortunate phrase, could be a major beneficiary. The modest financial stimulus and monetary response observed across the region stands in stark contrast to the many trillions of dollars desperately being deployed by western economies as their interest rate structures collapse. For much of the developed world, such profligacy will be a major financial burden for years to come, leading to slower growth and potentially weaker currencies. The majority of Asia ex Japan, with decent growth rates, sensible interest rates and limited balance sheet expansion, looks attractively placed in comparison. It is time to look east.

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 2021 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	£56,394,000
% of total assets*	7.5%
(Valuation at 31 July 2020	£29,949,000)
(% of total assets at 31 July 2020	9.1%)
(Net sales in year to 31 July 2021	£4,848,000)

Tata Motors ADR

Tata Motors is an Indian automotive manufacturer with a strong domestic business, which also owns Jaguar Land Rover. Jaguar Land Rover is likely to see strong profit growth with a new product cycle, combined with significant cost cutting. The domestic Indian business is seeing a strong cyclical recovery and is likely to take market share.

Geography	India
Valuation	£24,053,000
% of total assets*	3.2%
(Valuation at 31 July 2020	£1,476,000)
(% of total assets at 31 July 2020	0.4%)
(Net purchases in year to 31 July 2021	£11,295,000)

Zomato

India's leading home delivery company is backed by Alibaba's Ant Financial and Uber. It has India's leading restaurant recommendation system and the largest paid membership programme for individuals to receive discounts at restaurants. The managers believe that home delivery services will benefit from the experience developed during the Covid-19 pandemic.

Geography	India
Valuation	£21,111,000
% of total assets*	2.8%
(Valuation at 31 July 2020	£3,872,000)
(% of total assets at 31 July 2020	1.2%)
(Net purchases in year to 31 July 2021	£3,912,000)

MMG

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

Geography	Hong Kong and China
Valuation	£20,152,000
% of total assets*	2.7%
(Valuation at 31 July 2020	£5,546,000)
(% of total assets at 31 July 2020	1.7%)
(Net purchases in year to 31 July 2021	£9,353,000)

Delhivery Series H Preference

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

Geography	India
Valuation	£19,501,000
% of total assets*	2.6%
(Valuation at 31 July 2020	n/a – new holding)
(% of total assets at 31 July 2020	n/a – new holding)
(Net purchases in year to 31 July 2021	£17,766,000)

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 playing catch-up to 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	£18,613,000
% of total assets*	2.5%
(Valuation at 31 July 2020	£8,490,000)
(% of total assets at 31 July 2020	2.6%)
(Net sales in year to 31 July 2021	£5,926,000)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

Jadestone

Jadestone is an exploration and production company with assets in the South-East Asia Pacific, bringing expertise to previously poorly run state-owned acreage.

Geography	Singapore
Valuation	£16,920,000
% of total assets*	2.3%
(Valuation at 31 July 2020	£3,844,000)
(% of total assets at 31 July 2020	1.2%)
(Net purchases in year to 31 July 2021	£12,495,000)

Vedanta ADR

Vedanta is one of India's largest commodity conglomerates with exposures in zinc, aluminium, steel, copper, oil and iron ore, and well-positioned to benefit from a new global commodity cycle. After a period of poor corporate governance, new investors should benefit as improvements lead to a re-rating of the shares.

Geography	India
Valuation	£16,622,000
% of total assets*	2.2%
(Valuation at 31 July 2020	n/a – new holding)
(% of total assets at 31 July 2020	n/a – new holding)
(Net purchases in year to 31 July 2021	£9,975,000)

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 ramping up 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	£15,360,000
% of total assets*	2.1%
(Valuation at 31 July 2020	£10,650,000)
(% of total assets at 31 July 2020	3.2%)
(Net sales in year to 31 July 2021	£3,375,000)

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	£14,885,000
% of total assets*	2.0%
(Valuation at 31 July 2020	£14,191,000)
(% of total assets at 31 July 2020	4.3%)
(Net purchases in year to 31 July 2021	nil)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

List of Investments as at 31 July 2021

Name	Geography	Business	2021 Value £'000	2021 % of total assets*
Sea Limited ADR	Singapore	Internet gaming and ecommerce	56,394	7.5
Tata Motors ADR	India	Indian automobile manufacturer	24,053	3.2
Zomato	India	Online restaurant search, ordering and discovery platform	21,111	2.8
MMG	HK/China	Chinese copper miner	20,152	2.7
Delhivery Series H Preferenceⓤ	India	Logistics and courier services provider	19,501	2.6
Li Ning	HK/China	Sportswear apparel supplier	18,613	2.5
Jadestone	Singapore	Oil and gas explorer and producer	16,920	2.3
Vedanta ADR	India	Indian miner	16,622	2.2
Samsung SDI	Korea	Electrical equipment manufacturer	15,360	2.1
JD.com ADR	HK/China	Online mobile commerce	14,885	2.0
Dailyhuntⓤ	India	Indian news aggregator application	14,412	1.9
Nickel Mines	Indonesia	Base metals miner	13,987	1.9
ByteDanceⓤ	HK/China	Social media	13,891	1.9
Happiest Minds Technologies	India	Data analytics and cloud computing	12,684	1.7
Merdeka Copper Gold	Indonesia	Indonesian miner	12,447	1.7
Indiabulls Real Estate	India	Domestic and commercial real estate provider	12,326	1.6
Dada Nexus ADR	HK/China	Chinese ecommerce distributor of online consumer products	12,132	1.6
Ningbo Peacebird Fashion A Shares	HK/China	Chinese fashion	11,534	1.5
Samsung Engineering	Korea	Korean construction	10,574	1.4
Jiangxi Copper Co	HK/China	Chinese copper miner	10,565	1.4
RUSAL	Russia (HK)	Aluminium producer	10,557	1.4
Hoa Phat Group	Vietnam	Steel and related products manufacturer	10,060	1.3
HDBank	Vietnam	Consumer bank	9,842	1.3
Quess Corp	India	Human resources company	9,770	1.3
Zijin Mining Group Co H Shares	HK/China	Gold and copper miner	9,385	1.3
Koh Young Technology	Korea	3D inspection machine manufacturer	9,358	1.3
Geely Automobile	HK/China	Automobile manufacturer	9,158	1.2
Ramkrishna Forgings	India	Auto parts manufacturer	8,491	1.1
MediaTek	Taiwan	Taiwanese electronic component manufacturer	8,379	1.1
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	8,257	1.1
Hyundai Mipo Dockyard	Korea	Korean shipbuilder	8,237	1.1
Kingsoft Cloud Holdings ADR	HK/China	Chinese cloud computing provider	8,175	1.1
PT Aneka Tambang	Indonesia	Nickel miner	8,118	1.1
DLF	India	Commercial real estate developer	7,593	1.0
Accton Technology	Taiwan	Server network equipment manufacturer	7,571	1.0
Tata Steel	India	Steel manufacturing company	7,470	1.0
SK IE Technology	Korea	Refining and chemical company	7,140	1.0
EO Technics	Korea	Manufacturer and distributor of semiconductor laser markers	7,108	1.0
Reliance Industries	India	Indian petrochemical company	7,015	0.9
Kingdee International Software	HK/China	Enterprise management software distributor	6,925	0.9
PT Vale Indonesia	Indonesia	Nickel miner	6,312	0.8
IDFC Bank	India	Indian infrastructure developer	6,305	0.8
Dhani Services	India	Digital healthcare and transactional finance company	6,257	0.8
Zai Lab ADR	HK/China	Biopharmaceutical company	6,234	0.8
Star Health & Allied Insurance Coⓤ	India	Health insurance company	5,992	0.8
Bioneer	Korea	Drug researcher and developer	5,969	0.8
SDI Corporation	Taiwan	Stationery and lead frames for semiconductors manufacturer	5,813	0.8

Name	Geography	Business	2021 Value £'000	2021 % of total assets *
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	5,776	0.8
Lemon Tree Hotels	India	Owner and operator of a chain of Indian hotels and resorts	5,376	0.7
KH Vatec Company	Korea	Electronic component and device manufacturer	5,208	0.7
Phoenix Mills	India	Commercial property manager	5,175	0.7
Jindal Steel & Power	India	Steel, power, mining and infrastructure company	5,146	0.7
S-Fuelcell	Korea	Fuel cell manufacturer	5,008	0.7
Prestige Estate Projects	India	Owner and operator of residential real estate properties	4,912	0.7
Kaspi.Kz JSC GDR	Kazakhstan	Kazakh fintech	4,864	0.6
Douzone Bizon	Korea	Enterprise resource planning software developer	4,325	0.6
Lufax Holdings	HK/China	Online internet finance marketplace	4,324	0.6
Alibaba Group ADR	HK/China	Online and mobile commerce	4,305	0.6
Korea Zinc	Korea	Non-ferrous metals smelter and manufacturer	4,286	0.6
Skipper	India	Transmission and distribution structures provider	3,969	0.5
Wuxi Lead Intelligent Equipment Co A Shares	HK/China	Manufacturer of electronic capacitors, solar energy and lithium battery equipment	3,946	0.5
Saigon Securities	Vietnam	Brokerage and securities company	3,839	0.5
Chalice Mining	HK/China	Miner	3,775	0.5
AU Small Finance Bank	India	Consumer finance bank	3,676	0.5
HUYA ADR	HK/China	Live-streaming game platform	3,658	0.5
L&C Bio	Korea	Medical equipment manufacturer	3,476	0.5
ST Pharm	Korea	Manufacturer of specialist pharmaceutical ingredients	3,470	0.5
Han's Laser Technology A Shares	HK/China	Electronic equipment manufacturer	3,396	0.5
Genexine	Korea	Therapeutic vaccine researcher and developer	3,272	0.4
Tsugami Precision	HK/China	Industrial machinery manufacturer	3,264	0.4
China Conch Venture Holdings	HK/China	Provider of environmentally-friendly building materials and solutions	3,187	0.4
Techtronic Industries	HK/China	Power tool manufacturer	3,060	0.4
Ping An Insurance H Shares	HK/China	Life insurance provider	3,024	0.4
Big Hit Entertainment	Korea	Korean media company	2,946	0.4
China Oilfield Services	HK/China	Oilfield services	2,905	0.4
CIMC Vehicles H Shares	HK/China	Manufacturer of trailers and trucks	2,872	0.4
iClick Interactive Asia Group	HK/China	Online marketing technology platform	2,805	0.4
CNOOC	HK/China	Oil and gas producer	2,794	0.4
NCSOFT	Korea	Computer games developer	2,765	0.4
India Capital Growth Fund	India	Indian investment trust	2,577	0.3
Hypebeast	HK/China	Digital media and ecommerce company	2,492	0.3
Indigo Paints	India	Indian paint manufacturer	2,388	0.3
Flitto	Korea	Internet based service provider	2,345	0.3
Genius Electronic Optical	Taiwan	Lens manufacturer for phones and cameras	2,243	0.3
Vingroup JSC	Vietnam	Property developer	2,198	0.3
Burning Rock Biotech ADR	HK/China	Chinese developer of oncology and early cancer detection technology	2,153	0.3
AirTac International Group	Taiwan	Pneumatic components manufacturer	2,150	0.3
SK Hynix	Korea	Electronic component and device manufacturer	2,043	0.3
ICICI Lombard	India	General insurance provider	2,021	0.3
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	1,981	0.3
Enzychem Lifesciences	Korea	Biopharmaceutical company	1,972	0.3
Intron Biotechnology	Korea	Antibiotics drug researcher	1,951	0.3
Nexteer Automotive	HK/China	Producer of automotive components	1,737	0.2

List of Investments as at 31 July 2021 (continued)

Name	Geography	Business	2021 Value £'000	2021 % of total assets*
KE Holdings ADR	HK/China	Chinese real-estate platform	1,541	0.2
ICICI Prudential Life Insurance	India	Life insurance provider	1,493	0.2
Guangzhou Kingmed Diagnostics A Shares	HK/China	Chinese healthcare provider	1,218	0.2
Shennan Circuits	HK/China	Chinese printed circuit board manufacturer	1,021	0.1
Vinh Hoan Corporation	Vietnam	Food producer	906	0.1
Brilliance China Automotive†	HK/China	Minibus and automotive components manufacturer	877	0.1
Huayu Automotive Systems A Shares	HK/China	Auto parts manufacturer	860	0.1
Ping An Bank A Shares	HK/China	Consumer bank	788	0.1
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	679	0.1
Venustech	HK/China	Chinese software developer	412	0.1
Beijing Thunisoft Corp	HK/China	Chinese software developer	313	–
Chime Biologics⓾	HK/China	Biopharmaceutical company	174	–
Eden Biologics⓾	Taiwan	Biopharmaceutical company	131	–
Philtown Properties⓾	Philippines	Property developer	–	–
Total Investments			**725,122**	**96.9**
Net Liquid Assets*			22,892	3.1
Total Assets			**748,014**	**100.0**

HK/China denotes Hong Kong and China.

Details of the ten largest investments are given on pages 18 and 19 along with comparative valuations.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

⓾ Denotes private company (unlisted) investment.

† Denotes suspended investment.

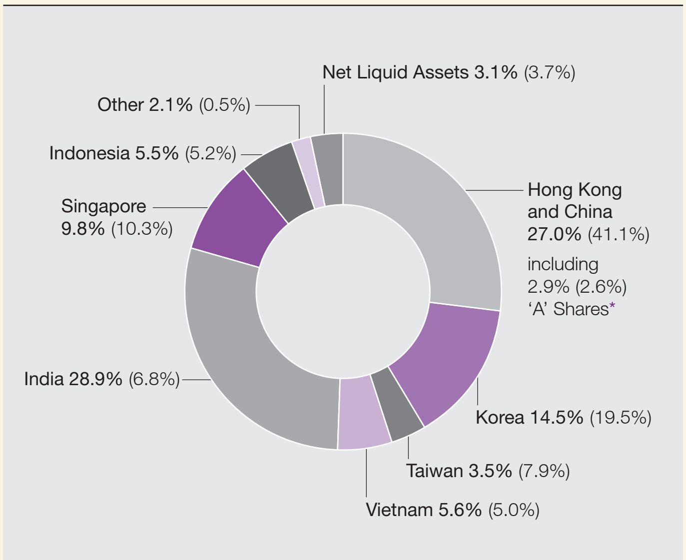
	Listed equities %	Unlisted (private company) securities # %	Net liquid assets %	Total assets %
31 July 2021	**89.7**	**7.2**	**3.1**	**100.0**
31 July 2020	95.1	1.2	3.7	100.0

Figures represent percentage of total assets.

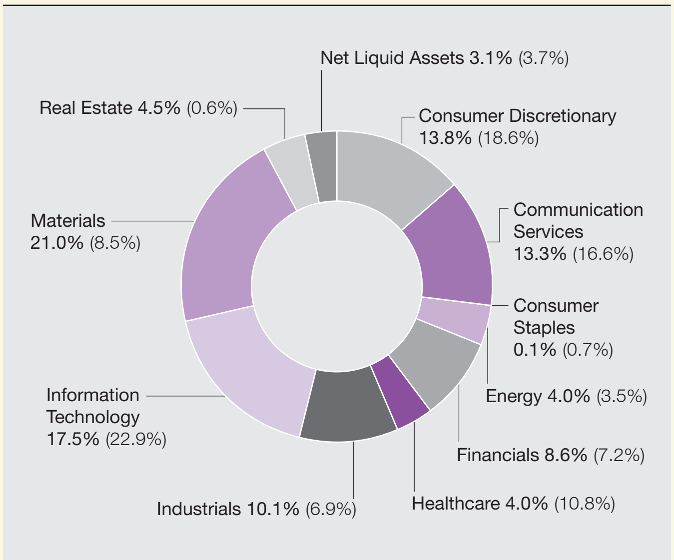
Includes holdings in ordinary shares and preference shares.

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

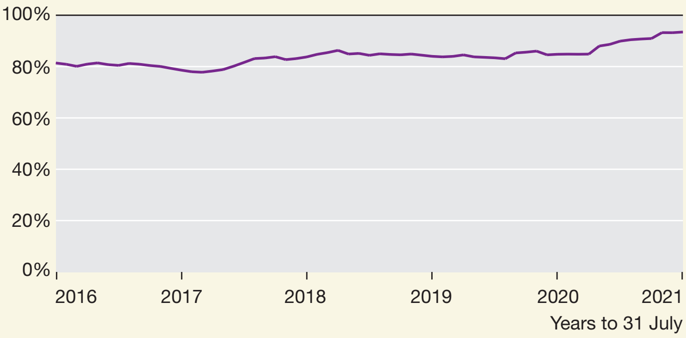
Geographical 2021 (2020)



Sectoral 2021 (2020)



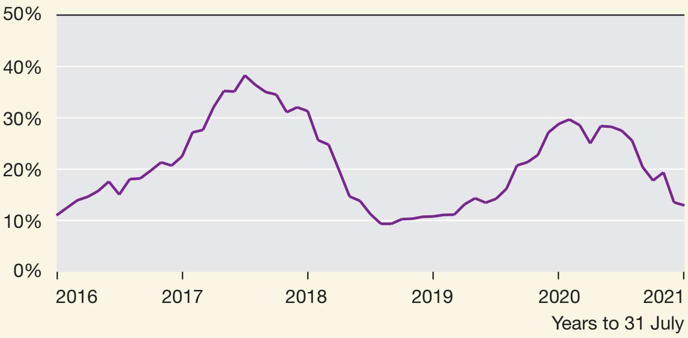
Active Share† (relative to MSCI All Country Asia ex Japan Index (in sterling terms))#



Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 71.

Turnover

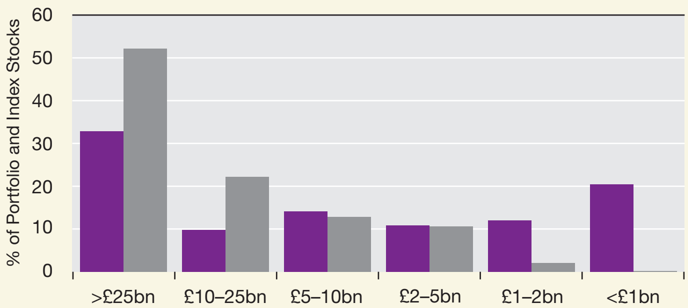
Rolling 12 months turnover over 5 years



Source: Baillie Gifford.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2021



Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 71.

Pacific Horizon

MSCI All Country Asia ex Japan#

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 72.

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on page 72.

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 23 was approved by the Board of Directors and signed on its behalf on 21 September 2021.

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.

Sir Robert Chote

Sir Robert Chote was appointed a Director in 2020. He became chairman of the Northern Ireland Fiscal Council in 2021 and was chairman of the Office for Budget Responsibility to 2020. He previously served as Director of the Institute for Fiscal Studies, as an advisor to the International Monetary Fund and as Economics Editor of the Financial Times. He is a senior adviser to governance reform consultancy FMA and a visiting professor at the Department of Political Economy, Kings College London. He serves on advisory boards at the Warwick Manufacturing Group and the Centre for Economic Performance of the London School of Economics.

Wee-Li Hee

Wee-Li Hee was appointed a Director in 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 and non-executive director of Melville Paisley Investments.

Angela Lane

Angela Lane was appointed a Director in 2018. She is Chairman of the Audit Committee and is the Senior Independent Director. 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 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 12 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 £340 billion at 31 July 2021. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 47 partners and a staff of around 1,500.

The manager of Pacific Horizon's portfolio is Roderick Snell who was appointed deputy manager in September 2013 and became lead manager in June 2021. 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 2021.

Corporate Governance

The Corporate Governance Report is set out on pages 30 to 33 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.

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.

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 UK Alternative Investment Fund Managers Regulations.

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 24.

All of the Directors are retiring at the Annual General Meeting ('AGM') and all are offering themselves for re-election or, in the case of Sir Robert Chote who was appointed 25 November 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.

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 2021 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 deficit does not require a distribution to be made to maintain investment trust status. No dividend is therefore being recommended for payment in respect of this financial year.

Share Capital

Capital Structure

The Company's capital structure as at 31 July 2021 consists of 88,429,704 ordinary shares of 10p each (2020 – 63,165,282 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 2021	% of issue
Sarasin and Partners LLP (indirect)*	7,757,676	9.0

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

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no changes to the major interests in the Company's shares disclosed up to 17 September 2021.

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 be open to all shareholders, but in the event that access has to be restricted to the minimum number of people necessary for it to be quorate, this will ensure your votes are counted. The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 63 to 67. 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, new Articles, update to the Investment Policy, and Continuation Vote 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 £672,852.80.

In order to meet the continuing demand for the Company's ordinary shares, the Directors published a prospectus on 11 December 2020 and convened General Meetings on 19 January and 22 March 2021, 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 £1,472,166.80 and £1,705,776.80 respectively, in addition to the authorities received at the 2020 Annual General Meeting.

During the year to 31 July 2021 the Company bought back 325,134 shares (representing 0.5% of the issued share capital at 31 July 2020) at a discount to net asset value at a cost of £2,132,000 which were held in treasury and subsequently reissued. In addition, the Company issued a total of 25,264,422 shares on a non pre-emptive basis (nominal value £2,526,000 representing 40.0% of the issued share capital at 31 July 2020) at a premium to net asset value (on the basis of debt valued at par value) on 116 separate occasions at a weighted average price of 727.31 pence per share raising net proceeds (including for shares reissued from treasury) of £183,390,000. Between 1 August and 17 September 2021, the Company issued no further shares. No shares were held in treasury as at 17 September 2021.

As at 17 September 2021, the Company had fully utilised the authority to issue shares obtained at the 2020 Annual General Meeting, and had the ability to issue shares on a non pre-emptive basis up to an aggregate nominal amount of £2,094,516.40 remaining from the authorities granted at the General Meetings held on 19 January and 22 March 2021. As the buyback authority obtained at the 2020 Annual General Meeting expires at the forthcoming Annual General Meeting and the issuance authorities have either been fully utilised or will expire at the 2021 Annual General Meeting (January 2021 authorities) or 24 November 2021 (March 2021 authorities), the Directors are seeking shareholders' approval to renew them for a further year, as detailed below and on the following page.

Resolution 10 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 £884,297.00 in addition to the existing authorities obtained on 22 March 2021, which expire on 24 November 2021. This amount represents approximately 10% of the Company's total ordinary share capital in issue at 17 September 2021, 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 10 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 11, 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 £884,297.00, representing approximately 10% of the Company's total issued ordinary share capital as at 17 September 2021, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 11 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 10 and 11 will continue until the conclusion of the Annual General Meeting to be held in 2022 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 12 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 17 September 2021, 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 2022. 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.

Adoption of New Articles of Association

Resolution 13, which will be proposed as a special resolution, seeks shareholder approval to adopt new Articles of Association (the 'New Articles') in order to update the Company's current Articles of Association (the 'Existing Articles'). The proposed amendments being introduced in the New Articles primarily relate to changes in law and regulation and developments in market practice since the Existing Articles were adopted, and principally include:

(i) provisions enabling the Company to hold wholly virtual shareholder meetings using electronic means (as well as physical shareholder meetings or hybrid meetings);

(ii) amendments in response to the requirements of the Alternative Investment Fund Managers Directive (2011/61/EU);

(iii) changes in response to the introduction of international tax regimes (notably FATCA and the Common Reporting Standard) requiring the exchange of information;

(iv) increasing the cap on the aggregate of all fees paid to directors from £150,000 per annum to £200,000 per annum (as has been previously approved by the Company by ordinary resolution);

(v) provisions clarifying the rights attached to ordinary shares;

(vi) expanding the provisions on uncertificated shares;

(vii) simplifying the untraced shareholders procedure by removing the requirement for the Company to publish newspaper advertisements;

(viii) a provision detailing how the Company may purchase its own shares;

(ix) a provision enabling the Directors to postpone a General Meeting after notice of the meeting has been sent but before the meeting is held; and

(x) a provision requiring all Directors to retire at each annual general meeting and be eligible for reappointment except any Directors appointed after notice of the meeting has been sent but before the meeting is held.

A summary of the principal amendments being introduced in the New Articles is set out in the appendix to the AGM Notice (on page 67 of this document). Other amendments, which are of a minor, technical or clarifying nature, have not been summarised in the appendix.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for hybrid or virtual-only meetings to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The full terms of the proposed amendments to the Company's Articles of Association are available at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), and on the Company's website, **pacifichorizon.co.uk** from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Proposed Changes to the Company's Investment Policy

As noted on pages 8 and 9 the Company is proposing to amend its investment objective and policy to stipulate the maximum amount which may be invested in companies not listed on a public market shall not exceed 15 per cent of the total assets of the Company measured at the time of purchase. It is also proposing a clarification of the typical number of investments by amending the term 'holdings' to 'companies'. The proposed amendments are subject to shareholder approval in Resolution 14 in the Notice of the Annual General Meeting.

Proposal to Extend the Life of the Company

At the Company's Annual General Meeting held in 2016 shareholders approved the further continuation of the Company for a period of five years until the date of the Company's Annual General Meeting to be held in 2021 or 30 November 2021, whichever was the earlier. At this year's Annual General Meeting the Directors are proposing, pursuant to the Articles, that the life of the Company be extended for a further period of five years. Having conducted a thorough review of the Managers' approach and resources, the Board judges them to have the right team to manage a portfolio in what the Board considers to be a region with superior long term prospects for investment. The Managers' focus on individual growth stocks that will benefit from the economic, social and technological changes in evidence across the region should prove fruitful for the long term patient investor.

Your Directors therefore believe that it is desirable to extend the Company's life and recommend that shareholders vote in favour of an extension for a further period of five years. The relevant resolution has been included as Resolution 15 in the Notice of Meeting. If Resolution 15 is not passed, the Company will be wound up in accordance with the winding up provisions set out in the Articles.

Resolutions

Resolutions 13, 14 and 15 comprise the special business to be proposed at the Annual General Meeting and all the remaining resolutions comprise the ordinary business.

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 to 4 and the Managers' Review on pages 13 to 16.

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 Covid-19 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 9 and 10 and in note 17 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic 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 Covid-19 pandemic set out in the Viability Statement on page 11 (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 17 September 2021.

Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

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. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore, is not required to disclose energy and carbon information.

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
21 September 2021

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 **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 **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 **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 34.

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 2021 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. Ms AC Lane 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 24.

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 25.

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*	2	–	–	–
AC Lane	5	2	1	1
RF Studwell	5	2	1	1
W Hee	5	2	1	1
RW Chote†	3	1	1	1

* Mr EG Creasy stepped down from the Board following the AGM on 10 November 2020.

† Sir R Chote joined the Board on 25 November 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. Sir Robert Chote was introduced through private selection channels and, as he was found to meet all the Committee's criteria, the Committee determined that no other candidates should be considered at that time.

Sir Robert Chote was appointed to the Board on 25 November 2020 and will be standing for election by shareholders at the AGM. His knowledge and experience in the field of economics, and data analytical skills, will be of great benefit to the Board.

The Committee's terms of reference are available on request from the Company and are on the Company's page of the Managers' website: **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 Ms AC Lane, 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 36 and 37.

Audit Committee

The report of the Audit Committee is set out on pages 34 and 35.

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 UK Alternative Investment Fund Managers Regulations (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 AAF 01/06 – Assurance Reports on Controls at a Service Organisation. 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 UK Alternative Investment Fund Managers Regulations, 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 its appointed auditors, 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 62), 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 **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 **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 and report their actions to the Board.

The Board believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has 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 **bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board.

Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities.

The Manager has engaged an external provider to map the carbon footprint of the portfolio, using the information to prioritise engagement and understand what higher emitting companies are doing to manage climate risk better.

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 Asian Corporate Governance Association and the International Corporate Governance Network.

On behalf of the Board
Angus Macpherson
Chairman
21 September 2021

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. Ms AC Lane 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 **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 one of those meetings, having met with the Audit Chair prior to the other. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for each of 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 96.9% 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 2021 were agreed to external price sources. The Committee reviewed the Manager's valuation policy for investments in unquoted companies (as described on page 49) 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 private company holdings were agreed to confirmations from the investee companies.

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 11 and statement on Going Concern on page 28 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 31 and 32. 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 2021.

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 38 to 43.

On behalf of the Board
Angela Lane
Chairman of the Audit Committee
21 September 2021

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. The Remuneration Policy which is set out below was approved at the Annual General Meeting in November 2020 and no changes to the policy are proposed.

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, with effect from 1 August 2021, the Chairman's fee would be increased from £34,500 to £37,500, the other Directors' fees would be increased from £23,000 to £25,000 and the additional fee for the Chairman of the Audit Committee would be increased from £3,000 to £5,000. Fees were last increased on 1 August 2019.

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 £200,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid to Directors in respect of the year ended 31 July 2021 and the expected fees payable in respect of the year ending 31 July 2022 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 2022 £	Fees as at 31 July 2021 £
Chairman's fee	37,500	34,500
Non-executive Director fee	25,000	23,000
Additional fee for Audit Committee Chair	5,000	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	200,000

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 39 to 43.

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	2021 Fees £	2021 Taxable benefits* £	2021 Total £	% change in year	2020 Fees £	2020 Taxable benefits* £	2020 Total £
JGK Matterson (retired 12 November 2019)	–	–	**–**	(100.0)	9,687	–	**9,687**
EG Creasy (retired 10 November 2020)	7,200	–	**7,200**	(73.7)	26,000	1,428	**27,428**
AC Lane (Audit Committee Chair from 10 November 2020)	25,114	–	**25,114**	1.5	23,000	1,747	**24,747**
RA Macpherson (Chairman from 12 November 2019)	34,500	–	**34,500**	10.6	31,182	–	**31,182**
W Hee (appointed 1 June 2020)	23,000	–	**23,000**	500.1	3,833	–	**3,833**
RF Studwell	23,000	–	**23,000**	(5.9)	23,000	1,440	**24,440**
RW Chote (appointed 25 November 2020)	15,687	–	**15,687**	–	–	–	–
	128,501	**–**	**128,501**	5.9	**116,702**	**4,615**	**121,317**

* 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 17 September 2021.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2021	Ordinary 10p shares held at 1 August 2020
W Hee	Beneficial	5,000	–
AC Lane	Beneficial	6,536	6,536
RA Macpherson	Beneficial	42,000	42,000
RF Studwell	Beneficial	5,000	3,000
RW Chote	Beneficial	–	–

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, 99.4% were in favour, 0.2% were against and votes withheld were 0.4%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (November 2020), 99.3% of the proxy votes were in favour, 0.3% were against and votes withheld were 0.4%.

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.

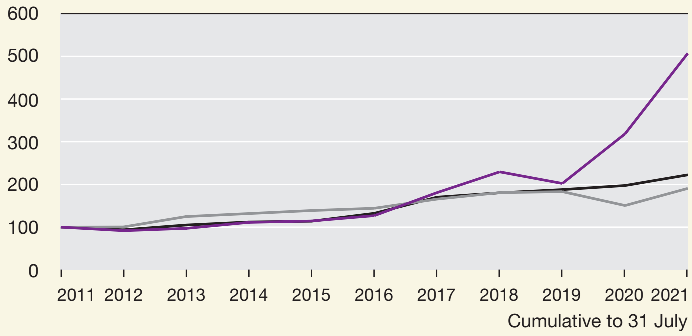
	2021 £'000	2020 £'000	Change %
Directors' remuneration	129	121	5.9
Dividends payable/paid to shareholders	nil	171	(100.0)

Company Performance

The following graph compares, for the ten financial years ended 31 July 2021, 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 2011)



Source: Refinitiv and underlying data providers. See disclaimer on page 71.

All figures are total return (see Glossary of Terms and Alternative Performance Measures on page 72).

- Pacific Horizon share price
- FTSE All-Share Index
- Comparative index

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 36 and 37 was approved by the Board of Directors and signed on its behalf on 21 September 2021.

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
21 September 2021

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 on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Company's affairs as at 31 July 2021 and of its net return for the year then ended;
- the Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of Pacific Horizon Investment Trust PLC (the 'Company') for the year ended 31 July 2021 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 Standard, including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

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 2021 we were reappointed as auditor by the members of the company at the Annual General Meeting held on 10 November 2020. The period of total uninterrupted engagement including reappointments is four years, covering the years ended 31 July 2018 to 31 July 2021. We remain 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. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' assessment of the going concern status and long term viability of the Company and evaluating management's method of assessing going concern in light of market volatility and the present uncertainties such as the impact of Covid-19.
- Challenging the Directors' assumptions and judgements made, such as revenue and expenditure against historic information.
- Performing an assessment of the Company's ability to meet its short-term obligations, including those relating to repayment of external debt.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2021	2020
Key audit matters	Valuation and ownership of investments	✓	✓
	Revenue Recognition	✓	✓
Materiality	*Financial Statements as a whole* £6,872,000 (2020: £3,040,000) based on 1% (2020: 1%) of Net Assets		

An Overview of the Scope of Our Audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Valuation 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 £670,144,000, Level 2 listed equity investments valued at £877,000 and Level 3 unlisted investments valued at £54,101,000. We consider the valuation 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 99.97% 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 exchange rates used to independent sources (ICE and Six Group). With respect of 100% of the Level 1 and Level 2 listed equity investments we also: — Agreed the Investment holdings to independently received third party confirmation from the custodian. — 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. — Assessed the liquidity of quoted investments to determine whether they were classified appropriately as level 1 or level 2. — Agreed the year-end price to externally quoted bid prices from reputable sources. — Recalculated the investment value as at year-end by multiplying the independently confirmed holdings with external bid prices. With respect of 99.44% of the Level 3 unlisted investments we also: — Reviewed the valuations prepared by management's expert and challenged and corroborated the inputs to the valuation with reference to management information on investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the Financial Statements. — Considered the competence, capabilities and expertise of the management expert through consideration of the qualifications held by the expert and the position held in the firm employing the expert. We also considered the services provided by the firm which employs the expert. We considered the independence and objectivity of the expert through review of the independence declaration made by the expert to the Company in its valuation report. We considered the appropriateness of the methodology and assumptions employed by the expert through review of the accounting framework and valuation guidelines followed. — 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. — Agreed the investment holdings to third party confirmation direct from the Investee Company or alternative supporting documents such as investment agreements, as appropriate, to confirm existence. — 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 material exceptions with regards to valuation or ownership of investments as a result of our work performed.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Revenue Recognition (Note 1 and Note 2 to 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 relating to the existence of 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. Furthermore, incorrect allocation between revenue and capital would impact on the dividend required to maintain Investment Trust status.	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 existence, 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.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Financial statements 2021	Financial statements 2020
Materiality	£6,872,000	£3,040,000
Basis for determining materiality	1% of the value of Net Assets	1% of the value of Net Assets
Rationale for the benchmark applied	— 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.	
Performance materiality	£5,154,000	£2,280,000
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for performance materiality	— Number of unadjusted audit differences in prior year — Number of accounts subject to estimation.	

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £344,000 (2020: £60,000), being 5% (2020: 2%) of materiality as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We have increased our 'clearly trivial' reporting level for a number of reasons, firstly, a low history of errors in previous years, secondly that there are no unadjusted brought forward errors from the prior year audit and thirdly due to the low complexity of the audited entity.

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. 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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- the Directors' explanation as to their assessment of the entity's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- the section describing the work of the Audit Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

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' Report have been prepared in accordance with applicable legal requirements.

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.

Directors' remuneration

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

Matters on which we are required to report by exception

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 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 Statement of Directors' Responsibilities, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

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 standard, and VAT.

We focused on laws and regulations that could give rise to a material misstatement in the Company's Financial Statements and the susceptibility of the Company's Financial Statements to material misstatements including fraud. Refer to the 'Key Audit Matters' section in this report. Our tests included, but were not limited to:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- enquiries of the Alternative Investment Fund Manager (AIFM) and Those Charged with Governance;
- targeted testing of journal postings made during the year, in areas more susceptible to fraud, to identify potential management override of controls;
- the procedures outlined in our key audit matters above;
- review of Board meeting and Audit Committee minutes throughout the period; and
- agreement of the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

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
21 September 2021

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	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Gains on investments	8	–	208,671	**208,671**	–	79,433	**79,433**
Currency gains	13	–	35	**35**	–	731	**731**
Income	2	3,561	–	**3,561**	3,128	–	**3,128**
Investment management fee	3	(3,475)	–	**(3,475)**	(1,533)	–	**(1,533)**
Other administrative expenses	4	(729)	–	**(729)**	(479)	–	**(479)**
Net return before finance costs and taxation		(643)	208,706	**208,063**	1,116	80,164	**81,280**
Finance costs of borrowings	5	(465)	–	**(465)**	(337)	–	**(337)**
Net return on ordinary activities before taxation		(1,108)	208,706	**207,598**	779	80,164	**80,943**
Tax on ordinary activities	6	706	(9,137)	**(8,431)**	(215)	(74)	**(289)**
Net return on ordinary activities after taxation		**(402)**	**199,569**	**199,167**	**564**	**80,090**	**80,654**
Net return per ordinary share	7	**(0.51p)**	**253.70p**	**253.19p**	**0.95p**	**134.99p**	**135.94p**

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 48 to 62 are an integral part of the Financial Statements.

Balance Sheet

As at 31 July

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Fixed assets					
Investments held at fair value through profit or loss	8		725,122		316,952
Current assets					
Debtors	9	1,387		885	
Cash and cash equivalents	17	31,766		12,146	
		33,153		13,031	
Creditors					
Amounts falling due within one year	10	(61,966)		(25,504)	
Net current liabilities			(28,813)		(12,473)
Creditors					
Amounts falling due after more than one year:					
Provision for tax liability	11		(9,078)		(76)
Net assets			**687,231**		**304,403**
Capital and reserves					
Share capital	12		8,843		6,317
Share premium account	13		221,354		40,048
Capital redemption reserve	13		20,367		20,367
Capital reserve	13		433,041		233,472
Revenue reserve	13		3,626		4,199
Shareholders' funds			**687,231**		**304,403**
Net asset value per ordinary share	14		**777.15p**		**481.92p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 44 to 62 were approved and authorised for issue by the Board and were signed on 21 September 2021.

Angus Macpherson
Chairman

The accompanying notes on pages 48 to 62 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 July 2021

	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 2020		6,317	40,048	20,367	233,472	4,199	**304,403**
Net return on ordinary activities after taxation		–	–	–	199,569	(402)	**199,167**
Ordinary shares bought back into treasury	12	–	–	–	(2,132)	–	**(2,132)**
Ordinary shares sold from treasury	12	–	442	–	2,132	–	**2,574**
Ordinary shares issued	12	2,526	180,864	–	–	–	**183,390**
Dividends appropriated in the year	18	–	–	–	–	(171)	**(171)**
Shareholders' funds at 31 July 2021		**8,843**	**221,354**	**20,367**	**433,041**	**3,626**	**687,231**

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**

The accompanying notes on pages 48 to 62 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Cash flows from operating activities					
Net return on ordinary activities before taxation			207,598		80,943
Net gains on investments			(208,671)		(79,433)
Currency gains			(35)		(731)
Finance costs of borrowings	5		465		337
Overseas withholding tax			(304)		(222)
Indian CGT paid on transactions			(135)		–
Corporation tax refunded			992		–
Changes in debtors and creditors			916		129
Cash from operations*			826		1,023
Interest paid			(430)		(367)
Net cash inflow from operating activities			396		656
Cash flows from investing activities					
Acquisitions of investments		(298,606)		(94,628)	
Disposals of investments		98,014		77,120	
Net cash outflow from investing activities			(200,592)		(17,508)
Cash flows from financing activities					
Ordinary shares bought back into treasury	12	(2,132)		(114)	
Ordinary shares sold from treasury	12	2,574		174	
Ordinary shares issued	12	183,368		20,344	
Borrowings drawn down		37,529		4,513	
Equity dividends paid		(171)		–	
Net cash inflow from financing activities			221,168		24,917
Increase in cash and cash equivalents			20,972		8,065
Exchange movements			(1,352)		454
Cash and cash equivalents at 1 August			12,146		3,627
Cash and cash equivalents at 31 July			**31,766**		**12,146**

* Cash from operations includes dividends received of £3,858,000 (2020 – £2,917,000) and interest received of £66,000 (2020 – £205,000).

The accompanying notes on pages 48 to 62 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 2021 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 Covid-19 pandemic 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 9 and 10 and in note 17 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic 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 Covid-19 pandemic set out in the Viability Statement on page 11 (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 April 2021.

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 52.

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. The fair value of suspended investments is the last traded price, adjusted for the estimated impact on the business of the suspension. 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

	2021 £'000	2020 £'000
Income from investments		
Overseas dividends	3,495	3,027
Overseas interest	–	89
	3,495	**3,116**
Other income		
Deposit interest	66	12
Total income	**3,561**	**3,128**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	3,495	3,027
Interest from financial assets designated at fair value through profit or loss	–	89
Interest from financial assets not at fair value through profit or loss	66	12
	3,561	**3,128**

3 Investment Management Fee

	2021 £'000	2020 £'000
Investment management fee	**3,475**	**1,533**

Details of the Investment Management Agreement are set out on page 25. The annual management fee is 0.75% on the first £50 million of net assets, 0.65% on the next £200 million of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

4 Other Administrative Expenses

	2021 £'000	2020 £'000
General administrative expenses	573	343
Directors' fees	128	117
Auditor's remuneration for audit services	28	19
	729	**479**

There were no non-audit fees paid to the Auditor during the year (2020 – nil).

5 Finance Costs of Borrowings

	2021 £'000	2020 £'000
Bank loans (see note 10)	**465**	**337**

6 Tax on Ordinary Activities

	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000	2020 Revenue £'000	2020 Capital £'000	2020 Total £'000
Overseas taxation	286	–	286	215	–	215
UK corporation tax refunded	(992)	–	(992)	–	–	–
Indian capital gains tax paid and provided for	–	9,137	9137	–	74	74
	(706)	**9,137**	**8,431**	**215**	**74**	**289**

6 Tax on Ordinary Activities (continued)

	2021 £'000	2020 £'000
Factors affecting the tax charge for the year		
The tax assessed for the year is lower (2020 – lower) than the average standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%). The differences are explained below:		
Net return on ordinary activities before taxation	207,598	80,943
Net return on ordinary activities multiplied by the average standard rate of corporation tax in the UK of 19.00% (2020 – 19.00%)	39,443	15,379
Capital gains not taxable	(39,654)	(15,231)
Overseas dividends not taxable	(664)	(575)
Taxable expenses in the year not utilised	875	427
Overseas withholding tax	286	215
Corporation tax refund in respect of prior years	(992)	–
Revenue tax charge for the year	**(706)**	**215**
Increase in provision for tax liability in respect of Indian capital gains tax	9,002	76
Payments of Indian tax in the period	135	–
Refunds of Indian tax in respect of prior periods	–	(2)
Capital tax charge for the year	**9,137**	**74**
Total tax on ordinary activities	**8,431**	**289**

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

The revenue tax charge for the period includes £992,000 UK corporation tax repaid in respect of the Company's financial years to 2008 and 2009, following successful legal action regarding the tax treatment of overseas dividend income. This amount had not previously been provided for, as recovery was not considered sufficiently probable. It has therefore been recognised on receipt. As it exceeds the overseas withholding tax suffered in the period, this has resulted in an overall tax credit in the Revenue account.

Interest on the corporation tax repayment is included within interest income.

The capital tax charge results from the provision for tax liability in respect of Indian capital gains tax as detailed in note 11.

Factors That May Affect Future Tax Charges

At 31 July 2021 the Company had a potential deferred tax asset of £7,182,000 (2020 – £4,584,000) 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 25% (2020 – 19%).

7 Net Return per Ordinary Share

	2021 Revenue	2021 Capital	2021 Total	2020 Revenue	2020 Capital	2020 Total
Net return on ordinary activities after taxation	**(0.51p)**	**253.70p**	**253.19p**	**0.95p**	**134.99p**	**135.94p**

Revenue return per ordinary share is based on the net revenue loss on ordinary activities after taxation of £402,000 (2020 – net revenue profit £564,000) and on 78,661,987 (2020 – 59,331,304) 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 £199,569,000 (2020 – net capital gain of £80,090,000) and on 78,661,987 (2020 – 59,331,304) 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 £199,167,000 (2020 – total gain of £80,654,000) and on 78,661,987 (2020 – 59,331,304) 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 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	670,144	877	–	**671,021**
Unlisted equities	–	–	54,101	**54,101**
Total financial asset investments	**670,144**	**877**	**54,101**	**725,122**

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**

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. During the year, a listed equity investment with a fair value at the previous year end of £2,024,000 was transferred from Level 1 to Level 2 when its shares were suspended and a write-down from the last traded price was applied, to reflect the reputational impact of the suspension on the underlying business.

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 2021 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	2021 Total £'000	2020 Total £'000
Cost of investments at 1 August 2020	190,052	4,889	194,941	157,600
Investment holding gains and losses at 1 August 2020	122,783	(772)	122,011	62,384
Fair value of investments at 1 August 2020	**312,835**	**4,117**	**316,952**	**219,984**
Movements in year:				
Purchases at cost	247,509	50,826	298,335	94,899
Sales proceeds received	(98,836)	–	(98,836)	(77,364)
Gains and losses on investments	201,346	7,325	208,671	79,433
Book cost transfer	8,167	(8,167)	–	–
Fair value of investments at 31 July 2021	**671,021**	**54,101**	**725,122**	**316,952**
Cost of investments at 31 July 2021	390,295	47,548	437,843	194,941
Investment holding gains and losses at 31 July 2021	280,726	6,553	287,279	122,011
Fair value of investments at 31 July 2021	**671,021**	**54,101**	**725,122**	**316,952**

The purchases and sales proceeds figures above include transaction costs of £344,000 (2020 – £116,000) and £164,000 (2020 – £133,000) respectively, total transaction costs being £508,000 (2020 – £249,000). The Company received £98,836,000 (2020 – £77,364,000) from investments sold during the year. The book cost of these investments when they were purchased was £55,433,000 (2020 – £57,558,000). 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 £43,403,000 (2020 – £19,806,000), a net gain of £32,525,000 (2020 – gain of £11,114,000) was included in investment holding gains at the previous year end.

8 Fixed Assets – Investments (continued)

	2021 £'000	2020 £'000
Net gains on investments held at fair value through profit or loss		
Gains on sales	43,403	19,806
Changes in investment holding gains and losses	165,268	59,627
	208,671	**79,433**

9 Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	259	604
Sales for subsequent settlement	1,066	244
Share issuance proceeds awaiting settlement	39	17
Other debtors and prepayments	23	20
	1,387	**885**

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 2021 or 31 July 2020.

10 Creditors – Amounts falling due within one year

	2021 £'000	2020 £'000
Royal Bank of Scotland International Limited loan	60,783	24,641
Investment purchases awaiting settlement	–	271
Investment management fee	1,020	494
Other creditors and accruals	163	98
	61,966	**25,504**

The Company has a one year multi-currency revolving credit facility of up to £60 million with Royal Bank of Scotland International Limited (31 July 2020 – up to £30 million) which expires on 13 March 2022. At 31 July 2021 there were outstanding drawings of £20,000,000 and US$56,704,000 at interest rates of 0.65977% and 0.74975% respectively (31 July 2020 – £12,500,000 and US$15,935,500 at interest rates of 0.71891% and 0.83874% respectively), maturing in September 2021. 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 £240 million. There were no breaches in the loan covenants during the year.

None of the above creditors at 31 July 2021 or 31 July 2020 are financial liabilities designated at fair value through profit or loss.

11 Provision for Tax Liability

The tax liability provision at 31 July 2021 of £9,078,000 (31 July 2020 – £76,000) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. 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

	2021 Number	2021 £'000	2020 Number	2020 £'000
Allotted, called up and fully paid ordinary shares of 10p each	**88,429,704**	**8,843**	**63,165,282**	**6,317**

In the year to 31 July 2021, the Company issued 25,264,422 ordinary shares with a nominal value of £2,526,000, representing 40% of the issued share capital at 31 July 2020, at a premium to net asset value, raising net proceeds of £183,832,000 (2020 – 4,138,000 ordinary shares with a nominal value of £414,000, raising net proceeds of £20,399,000). 325,134 shares (representing 1% of the issued share capital at 31 July 2020) were bought back during the year and subsequently reissued from treasury. At 31 July 2021 the Company had authority to buy back 10,086,063 ordinary shares on an ad hoc basis and to allot or sell from treasury 20,945,164 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.

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 2020	6,317	40,048	20,367	233,472	4,199	**304,403**
Net gains on sales of investments	–	–	–	43,403	–	**43,403**
Changes in investment holding gains and losses	–	–	–	165,268	–	**165,268**
Exchange differences on bank loan	–	–	–	1,387	–	**1,387**
Other exchange differences	–	–	–	(1,352)	–	**(1,352)**
Indian CGT paid and provided for	–	–	–	(9,137)	–	**(9,137)**
Ordinary shares bought back into treasury	–	–	–	(2,132)	–	**(2,132)**
Ordinary shares sold from treasury	–	442	–	2,132	–	**2,574**
Ordinary shares issued	2,526	180,864	–	–	–	**183,390**
Revenue return on ordinary activities after taxation	–	–	–	–	(402)	**(402)**
Dividends appropriated in the year	–	–	–	–	(171)	**(171)**
At 31 July 2021	**8,843**	**221,354**	**20,367**	**433,041**	**3,626**	**687,231**

The capital reserve includes investment holding gains of £287,279,000 (2019 – £122,011,000) 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:

	2021 Net asset value per share	2020 Net asset value per share	2021 Net assets attributable £'000	2020 Net assets attributable £'000
Ordinary shares	**777.15p**	**481.92p**	**687,231**	**304,403**

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 88,429,704 (2020 – 63,165,282) ordinary shares, being the number of ordinary shares in issue at each date.

15 Analysis of Change in Net Debt

	At 1 August 2020 £'000	Cash flows £'000	Exchange movement £'000	At 31 July 2021 £'000
Cash at bank and in hand	12,146	20,972	(1,352)	31,766
Loans due within one year	(24,641)	(37,529)	1,387	(60,783)
	(12,495)	**(16,557)**	**35**	**(29,017)**

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 36. 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 25. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £3,475,000 (2020 – £1,533,000) of which £1,020,000 (2020 – £494,000) 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 2020 and 31 July 2021 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 2021	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	111,566	(118)	–	156	**111,604**
Korean won	108,794	23	–	7	**108,824**
US dollar	182,979	31,016	(40,783)	(43)	**173,169**
Taiwan dollar	26,287	238	–	808	**27,333**
Indian rupee	173,083	–	–	(9,078)	**164,005**
Vietnam dong	33,300	410	–	–	**33,710**
Indonesian rupiah	26,877	-	–	–	**26,877**
Chinese yuan	16,720	143	–	–	**16,863**
Australian dollar	17,762	–	–	–	**17,762**
Philippine peso	–	–	–	3	**3**
Total exposure to currency risk	697,368	31,712	(40,783)	(8,147)	**680,150**
Sterling	27,754	54	(20,000)	(727)	**7,081**
	725,122	**31,766**	**(60,783)**	**(8,874)**	**687,231**

* Includes non-monetary assets of £11,000.

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.

17 Financial Instruments (continued)

Currency Risk Sensitivity

At 31 July 2021, 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 2020.

	2021 £'000	2020 £'000
Hong Kong dollar	5,580	3,521
Korean won	5,441	3,208
US dollar	8,658	4,148
Taiwan dollar	1,367	1,313
Indian rupee	8,200	1,006
Vietnam dong	1,686	601
Indonesian rupiah	1,344	617
Chinese yuan	843	629
Australian dollar	888	209
Philippine peso	–	71
	34,007	**15,323**

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

	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average fixed rate period *	2020 Fair value £'000	2020 Weighted average interest rate	2020 Weighted average fixed rate period *
Cash and cash equivalents:						
Overseas currencies	31,712	–	n/a	11,240	–	n/a
Sterling	54	–	n/a	906	–	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

	2021 £'000	2020 £'000
Floating rate bank loan – sterling denominated	20,000	12,500
– US dollar denominated	40,783	12,141
	60,783	**24,641**

Maturity Profile

	2021 Within 1 year £'000	2020 Within 1 year £'000
Repayment of loans	60,783	24,641
Interest on loans	122	48
	60,905	**24,689**

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 2021 by £290,000 (2020 – a decrease of £125,000). 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.

17 Financial Instruments (continued)

Other Price Risk Sensitivity

A full list of the Company's investments is given on pages 20 to 22. 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.

97.6% (2020 – 102.8%) of the Company's net assets are invested in quoted equities. A 5% (2020 – 5%) increase in quoted equity valuations at 31 July 2021 would have increased total assets and total return on ordinary activities by £33,551,000 (2020 – £15,642,000). 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.

7.9% (2020 – 1.4%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see 1(c) on page 48).
A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the Recent Transaction Price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs.

As at 31 July 2021	Significant unobservable inputs*					
Valuation technique	**Fair value as at 31 July 2021 £'000**	**Key unobservable inputs**	**Other unobservable inputs†**	**Range**	**Sensitivity %**	**Sensitivity to changes in significant unobservable inputs**
Market approach using comparable trading multiples	13,891	EV/LTM revenue multiple	a,b,c,d,e	8.4x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £1,143,328 and -£1,143,582
Comparable company performance	25,493	Selection of comparable companies	a,b	21.6%–24%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £2,281,718 and -£2,232,638
Price of expected transaction	131	Application of execution risk discount	a,b	10%	10%	If the execution risk changed by +/-10%, the fair value would change by £12,809 and -£13,386
Recent transaction price	14,586	n/a	a,b	n/a	n/a	n/a

As at 31 July 2020	Significant unobservable inputs*					
Valuation technique	**Fair value as at 31 July 2020 £'000**	**Key unobservable inputs**	**Other unobservable inputs†**	**Range**	**Sensitivity %**	**Sensitivity to changes in significant unobservable inputs**
Comparable company performance	91	Selection of comparable companies	a,b	18.1%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £9,138 and -£9,138
Recent transaction price	4,026	n/a	a,b	n/a	n/a	n/a

† See explanation for other unobservable inputs on page 60 (sections 'a' to 'e' as relevant).

*Significant Unobservable Inputs

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each private company valuation. An explanation of each of the key variable inputs is provided below. The assumptions made in the production of the inputs are described in note 1(c) on page 48.

17 Financial Instruments (continued)

(a) Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

(b) Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the transaction-based and multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

(c) Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries they operate in.

(d) Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

(e) Application of illiquidity discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration is not appropriate is typically 10%, reflecting that the majority of the investments held are substantial companies with some secondary market activity.

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:

	2021 £'000	2020 £'000
Cash and cash equivalents	31,766	12,146
Debtors and prepayments*	1,387	885
	33,153	**13,031**

* Includes non-monetary assets of £11,000 (2020 – £37,000).

None of the Company's financial assets are past due or impaired (2020 – 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 8. 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 9, 10, 31 and 32 The Company has the authority to issue and buy back its shares (see pages 26 and 27) 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

	2021	2020	2021 £'000	2020 £'000
Amounts recognised as distributions in the year:				
Previous year's final (paid 13 November 2020)	0.25p	–	171	–

We set out below the total dividends proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. There is a revenue deficit for the year to 31 July 2021 (revenue available for distribution by way of dividend for 2020 – £564,000).

	2021	2020	2021 £'000	2020 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final (2020 final paid 13 November 2020)	–	0.25p	–	171

19 Contingencies, Guarantees and Financial Commitments

The Company has agreed to invest in PropertyGuru Group Limited, conditional on a merger with PropertyGuru Pte. Ltd and a listing of the issuer's shares on the New York Stock Exchange. The investment will be US$10 million.

20 Alternative Investment Fund Managers Directive (AIFMD)

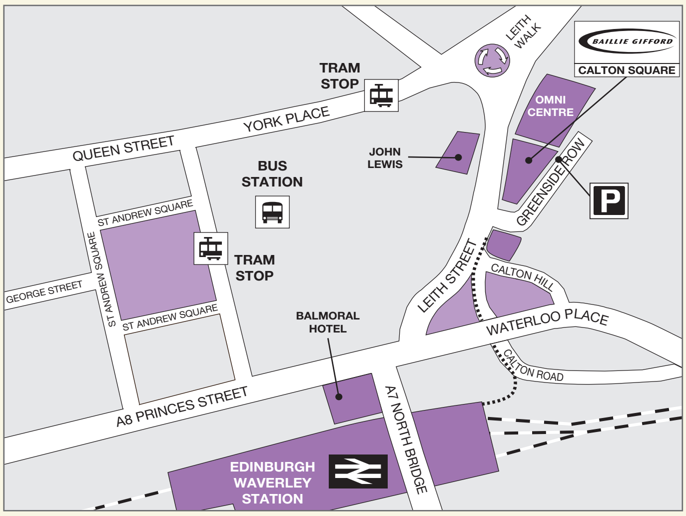
In accordance with the UK Alternative Investment Fund Managers Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Regulations, the AIFM's remuneration policy is available on the Managers' website at **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 2021) are also available at **bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures (APM) on page 72) levels at 31 July 2021 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.09:1	1.09:1

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Wednesday, 17 November 2021 at 11.00am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.

By Rail:
Edinburgh Waverley – approximately a 5 minute walk away

By Bus:
Lothian Buses local services include:
1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34

By Tram:
Stops at St Andrew Square and York Place

Access to Waverley Train Station on foot

Covid-19 pandemic – 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 Wednesday 17 November 2021 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. At present, the Board expects to be able to welcome shareholders to the meeting. Should public health advice and Government measures change, however, 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. The Board will continue to monitor developments and any changes 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 15 November 2021. We would encourage shareholders to monitor the Company's website at **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 Wednesday, 17 November 2021 at 11.00am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 10 and Resolutions 14 and 15 will be proposed as ordinary resolutions and Resolutions 11, 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 2021, together with the Reports of the Directors and the Independent Auditor's Report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2021.
3. To re-elect Mr RA Macpherson as a Director of the Company.
4. To re-elect Ms AC Lane as a Director of the Company.
5. To re-elect Mr RF Studwell as a Director of the Company.
6. To re-elect Ms W Hee as a Director of the Company.
7. To elect Sir RW Chote as a Director of the Company.
8. 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.
9. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
10. 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 £884,297.00; 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 17 February 2023 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2022 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.

11. That, subject to the passing of Resolution 10 above, (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 £884,297.00;

(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.

12. 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 13,255,612 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 2022, 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.

13. That the Articles of Association produced to the meeting and signed by the chairman of the meeting for the purposes of identification be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association with effect from the conclusion of the meeting.

Ordinary Resolutions, Special Business

14. That the proposed investment policy set out on pages 8 and 9 of the Annual Report and Financial Statements for the year ended 31 July 2021, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policies of the Company.

15. That the obligation imposed on the Directors by Article 177 of the Existing Articles of Association of the Company, to convene a General Meeting of the Company at which a resolution will be proposed pursuant to section 84 of the Insolvency Act 1986 to wind the Company up voluntarily (the 'Wind Up Obligation'), be postponed for a further period of five years, as recommended by the Directors, such that the Wind Up Obligation be postponed until the date of the Annual General Meeting of the Company to be held in 2026 or 30 November 2026, whichever is the earlier.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
30 September 2021

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 **eproxyappointment.com** no later than 11.00am on 15 November 2021 (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 **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. Under section 338 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; and (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than Wednesday 6 October 2021.
12. Under section 338A of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company not later than Wednesday 6 October 2021. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.
13. Under section 527 of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below 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 Financial Statements, including the Auditor's Report and the conduct of the audit. Such requests must be made in writing and must state your full name and address.
14. In order to be able to exercise the members' rights in notes 11 to 13, the relevant request must be made by: (a) members representing at least 5% of the total voting rights of all the members who have a right to vote on the resolution to which the requests relate; or (b) at least 100 members who have a right to vote on the resolution to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100. Such requests should be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN. Electronic requests permitted under section 338 (see note 11) should be sent to **trustenquiries@bailliegifford.com**.
15. 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 **pacifichorizon.co.uk**.
16. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
17. 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.
18. As at 17 September 2021 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 88,429,704 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 17 September 2021 were 88,429,704 votes.
19. 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.
20. No Director has a contract of service with the Company.
21. The full terms of the proposed amendments to the Company's Articles of Association are available at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), and on the Company's website, **pacifichorizon.co.uk** from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.
22. Given the risks posed by the spread of Covid-19, and the potential for Government guidance to be updated prior to the date of the Annual General Meeting, which would require the venue to impose entry restrictions, all shareholders are strongly encouraged to exercise your votes in respect of the AGM in advance, and to appoint the Chair of the Meeting as your proxy, to ensure that your votes are counted should you be prevented from attending to vote in person.

Appendix

Summary of the Principal Amendments to the Company's Articles of Association

Set out below is a summary of the principal amendments which will be made to the Company's Existing Articles through the adoption of the New Articles if Resolution 13 to be proposed at the AGM is approved by shareholders.

This summary is intended only to highlight the principal amendments which are likely to be of interest to shareholders. It is not intended to be comprehensive and cannot be relied upon to identify amendments or issues which may be of interest to all shareholders. This summary is not a substitute for reviewing the full terms of the New Articles which will be available for inspection at the offices of Dickson Minto W.S., Level 13, Broadgate Tower, 20 Primrose Street, London EC2A 2EW between the hours of 9.00am and 5.00pm (Saturdays, Sundays and public holidays excepted), and on the Company's website, **pacifichorizon.co.uk**, from the date of the AGM Notice until the close of the AGM, and will also be available for inspection at the venue of the AGM from 15 minutes before and during the AGM.

Hybrid/virtual-only Shareholder Meetings

The New Articles permit the Company to hold shareholder meetings on a virtual basis, whereby shareholders are not required to attend the meeting in person at a physical location but may instead attend and participate using electronic means. A shareholder meeting may be virtual-only if attendees participate only by way of electronic means, or may be held on a hybrid basis whereby some attendees attend in person at a physical location and others attend remotely using electronic means. This should make it easier for the Company's shareholders to attend shareholder meetings if the Board elects to conduct meetings using electronic means. Amendments have been made throughout the New Articles to facilitate the holding of hybrid or virtual-only shareholder meetings.

While the New Articles (if adopted) would permit shareholder meetings to be conducted using electronic means, the Directors have no present intention of holding a virtual-only meeting. These provisions will only be used where the Directors consider it is in the best of interests of shareholders for a hybrid or virtual-only meeting to be held. Nothing in the New Articles will prevent the Company from holding physical shareholder meetings.

The Alternative Investment Fund Managers Directive (2011/61/EU) ('AIFMD') and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773) (the 'AIFM Regulations')

The Board is proposing to take this opportunity to make amendments to the Existing Articles in response to the AIFMD and all applicable rules and regulations implementing that Directive. The proposed new provisions are as follows:

(i) The Existing Articles will be amended to provide that the net asset value per share of the Company shall be calculated at least annually and be disclosed to shareholders from time to time in such manner as may be determined by the Board. The amendment will have no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

(ii) The New Articles stipulate that the valuation of the Company's assets will be performed in accordance with prevailing accounting standards, the AIFM Rules, or such other accounting standards, bases, policies and procedures as the Board may determine from time to time. This reflects best practice and has no bearing on current practice and simply articulates the minimum requirements of the AIFM Regulations.

International Tax Regimes Requiring the Exchange of Information

The Board is proposing to include provisions in the New Articles to provide the Company with the ability to require shareholders to co-operate in respect of the exchange of information in order to comply with the Company's international tax reporting obligations, including, without limitation, under or in relation to FATCA, the Common Reporting Standard and the European Union's Directive on Administrative Co-operation ('Tax Reporting Requirements').

The Existing Articles are being amended to provide the Company with the ability to require shareholders to co-operate with it in ensuring that the Company is able to comply with its Tax Reporting Requirements. The Existing Articles will also be amended to provide that (i) where any member fails to supply the relevant information to the Company within the relevant time period, the member will be deemed to have forfeited their shares and (ii) the Company will not be liable for any monies that become subject to a deduction or withholding relating to FATCA, the Common Reporting Standard or any similar laws as such liability would be to the detriment of shareholders as a whole.

Directors' Remuneration

The Board is proposing to amend the Existing Articles to increase the cap on the aggregate of all fees paid to directors from £150,000 per annum to £200,000 per annum. The proposed increase is consistent with market practice and was approved by shareholders by ordinary resolution at the Annual General Meeting held on 10 November 2020.

Both of the Existing Articles and the New Articles allow for a higher amount to be approved from time to time by ordinary resolution of the Company.

Minor Amendments

The Board is also taking the opportunity to make some additional minor or technical amendments to the Existing Articles, including:

(i) provisions clarifying the rights attached to ordinary shares;

(ii) expanding the provisions on uncertificated shares;

(iii) simplifying the untraced shareholders procedure by removing the requirement for the Company to publish newspaper advertisements;

(iv) a provision detailing how the Company may purchase its own shares;

(v) a provision enabling the Directors to postpone a General Meeting after notice of the meeting has been sent but before the meeting is held; and

(vi) a provision requiring all Directors to retire at each Annual General Meeting and be eligible for reappointment except any directors appointed after notice of the meeting has been sent but before the meeting is held.

These changes generally reflect modern best practice and should assist in relieving certain administrative burdens on 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 **pacifichorizon.co.uk**, Trustnet at **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 **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 **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 **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 **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

	2021 Number of shares held	2021 %	2020 Number of shares held	2020 %
Institutions	13,588,608	15.4	12,194,895	19.3
Intermediaries	72,077,577	81.5	48,518,327	76.8
Individuals	2,417,541	2.7	1,827,062	2.9
Marketmakers	345,978	0.4	624,998	1.0
	88,429,704	**100.0**	**63,165,282**	**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 **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 **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 Financial Conduct Authority, but 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 **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 **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: 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 **gov.uk/government/publications/exchange-of-information-account-holders**.

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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:

	2021 £'000	2020 £'000
Investment management fee	3,475	1,533
Other administrative expenses	729	479
Total expenses	**4,204**	**2,012**
Average net asset value	538,343	219,376
Ongoing charges	**0.78%**	**0.92%**

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

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

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

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

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

	31 July 2021	31 July 2020
Borrowings (at book cost) (a)	£60,783,000	£24,641,000
Less: cash and cash equivalents	(£31,766,000)	(£12,146,000)
Less: sales for subsequent settlement	(£1,066,000)	(£244,000)
Add: purchases for subsequent settlement	–	£271,000
Adjusted borrowings (b)	£27,951,000	£12,522,000
Shareholders' funds (c)	£687,231,000	£304,403,000
Gearing: (b) as a percentage of (c)	4%	4%

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds (a) divided by (c) above.

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.

Directors

Chairman:
RA Macpherson

RW Chote
W Hee
AC Lane
RF Studwell

Registered Office

Computershare
Investor Services PLC
Moor House
120 London Wall
London
EC2Y 5ET

Alternative Investment Fund Managers and Secretaries

Baillie Gifford & Co Limited
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN
Tel: 0131 275 2000
bailliegifford.com

Registrar

Computershare
Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Tel: 0370 707 1229

Depositary

The Bank of New York Mellon
(International) Limited
1 Canada Square
London
E14 5AL

Company Broker

JP Morgan Cazenove
25 Bank Street
Canary Wharf
London
E14 5JP

Independent Auditor

BDO LLP
55 Baker Street
London
W1U 7EU

Company Details

pacifichorizon.co.uk

Company Registration No.	02342193
ISIN	GB0006667470
Sedol	0666747
Ticker	PHI

Legal Entity Identifier:
VLGEI9B8R0REWKB0LN95

Further Information

Baillie Gifford
Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN
Tel: 0800 917 2112
Email:
trustenquiries@bailliegifford.com
Fax: 0131 275 3955