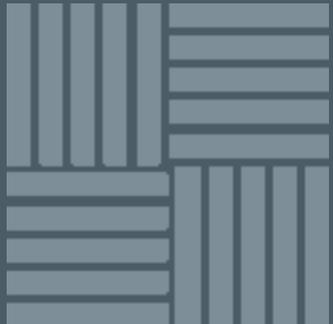
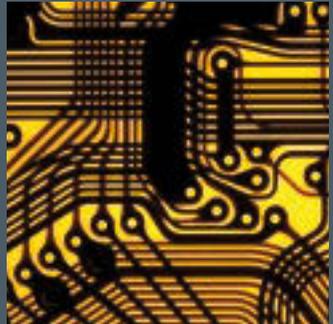


# PACIFIC HORIZON INVESTMENT TRUST PLC

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Interim Financial Report  
31 January 2016





## Objective

Pacific Horizon's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth.

## Investment Policy

The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist entirely of quoted securities.

## Comparative Index

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

## Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, regulatory risk, operational risk, discount volatility and leverage risk. An explanation of these risks and how they are managed is set out on page 7 of the Company's Annual Report and Financial Statements for the year to 31 July 2015 which is available on the Company's website:

[www.pacifichorizon.co.uk](http://www.pacifichorizon.co.uk). The principal risks and uncertainties have not changed since the date of that report.

## Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.8R (disclosure of related party transactions and changes therein).

By order of the Board  
Jean Matterson  
Chairman  
3 March 2016

## Summary of Unaudited Results

	31 January 2016	31 July 2015 (audited)	% change
Total assets*	£125.8m	£139.2m	
Borrowings	£14.2m	£14.0m	
Shareholders' funds	£111.6m	£125.2m	
Net asset value per ordinary share (NAV)	185.64p	197.78p	(6.1)
MSCI All Country Asia ex Japan Index (in sterling terms)	325.4	351.3	(7.4)
Active share†	84%	88%	
Share price	160.00p	181.63p	(11.9)
Discount	13.8%	8.2%	

	Six months to 31 January 2016	Six months to 31 January 2015	% change
Revenue earnings per ordinary share	(0.34p)	0.09p	(377.8)
Interim dividend per ordinary share	–	–	–

Period's high and low	Six months to 31 January 2016		Year to 31 July 2015	
	High	Low	High	Low
Share price	183.50p	143.25p	213.25p	173.00p
Net asset value	198.96p	161.16p	234.02p	193.86p
Discount	5.2%	14.6%	6.3%	12.6%

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

† 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.

Past performance is not a guide to future performance.

# Interim Management Report

## Results

In the six months to 31 January 2016, Pacific Horizon's net asset value per share fell 6.1% to 185.64p. The share price fell 11.9% and the discount widened from 8.2% to 13.8%. Over the same period the MSCI All Country Asia ex Japan Index fell 7.4% in sterling terms. Despite the poor absolute returns, relative performance was positive due to the strong showing of a number of the Company's large China internet stocks, following inclusion in the MSCI index, and a reversal in the previous strong performance of Chinese financials, which were not held in the portfolio. Many of our highest conviction holdings outperformed the comparative index by a healthy margin; for example NAVER and CJ E&M in Korea returned 29.4% and 34.0% respectively during the period.

## Investment Philosophy

We remain invested primarily in Hong Kong and China, Korea, India and Taiwan with limited exposure elsewhere, as these markets are where we are finding the most compelling growth investments at present. This in part marks us out against peer sector trusts. In addition, the portfolio's active share is 84%, which means that we do not replicate the comparative index, but invest in what we believe are the stocks with the best growth prospects irrespective of their index weight.

The Company's portfolio is increasingly focused on the effect of technological change on economies and existing businesses. In this period of disinflationary growth, our investment preference is for those companies which generate 'Ideas' rather than 'Things', companies that are asset light rather than asset heavy and that have output that is scalable rather than bespoke. Our philosophy is that 'Innovation' beats 'Stability', 'New' businesses conquer 'Old'. The portfolio is positioned to reflect the underlying disinflationary forces that are affecting the world today.

Technology companies account for the largest proportion of the stocks held at 46.0% of total assets. A number of these technology companies have great potential to benefit from economic advances expected in developed markets. Good examples are global technology leaders Taiwan Semiconductor Manufacturing, Hon Hai Precision

Industries, SK Hynix and our Indian information technology service companies. These are all companies which are active participants in the smartphone and automation revolutions, either directly, by producing hardware, or indirectly, by managing the software that allows companies to harness these new business techniques. Internet businesses are another key focus. Here we added to our exposure, buying JD.com, the Amazon of China, following weakness in the share price.

Slower global growth, an increased supply of North American shale oil and the resumption of the trading of Iranian oil mean that oil prices are likely to remain depressed for a considerable time. Concurrently, we also foresee new technologies displacing the need for oil related products in automobiles on a five to ten year time horizon, which is much more rapid than is generally predicted.

Healthcare demand, due to an ageing population and the arrival of new regenerative medicines, is and will continue to be a key growth sector globally. We have around 8% of total assets invested in South Korean biotech stocks which we believe can make a substantial improvement to the quality of people's lives through regenerative and personalised medicine. We see this space as a growing area of South Korea's new competitive edge.

## Economic Outlook

The world appears to be increasingly affected by disinflationary change. There are three parts to this: the continued struggle of Western economies, especially Europe, to recover from their pre 2008 debt binge; accelerating technological change; and the slowdown of China as the world's engine of investment and commodity led demand growth.

The global investment climate has changed over the last six months. Economic activity has been slowing significantly in many of the countries in which we invest and, more recently, markets have begun to question the US's ability to sustain economic momentum. The fear of deflation has re-emerged as a result of falling commodity prices and lower growth, and market participants are increasingly questioning the efficacy of central bank monetary policy.

The Chinese economy continues to slow, heavily influenced by a decrease in fixed asset investment, which has created downward pressure on

*Past performance is not a guide to future performance.*

commodity and oil prices. The People's Bank of China shocked the market by devaluing the currency in August by 3%. The consequent deflationary impact and the ongoing reduction in Chinese corporate profitability was noticeable in the producer price index, which has been negative since mid-2012. China continues to export deflation to the world at an accelerating pace.

There was enhanced currency volatility during the period with the majority of currencies falling significantly against the US dollar, led by the emerging market currencies and sterling. This trend is expected to continue as GDP growth remains stronger in the US than in the rest of the world and the US government bond market remains a safe haven.

## Performance

Over the period, the Hang Seng and Shanghai indices were amongst the worst performing in the region, down between 12.4% and 22.5% respectively in sterling terms. China underperformed as the market reacted negatively to the weakening currency, slowing growth and questions over the government's credibility. The Company's India weight was a significant drag on performance. Our holding in Just Dial fell 27.1% whilst Federal Bank fell 29.4%. Just Dial's management failed to deliver on the Search Plus business whilst the market became increasingly concerned over the quality of Federal Bank's loan book. Both holdings were sold during the period. Korea acted as a defensive haven, up 1.1%; we would expect this trend to continue.

The best performing market was Indonesia, driven by a rebound in the currency after an exceptionally weak period. We question whether this can continue given the exposure to commodities, especially coal, the use of dollar borrowings to increase foreign exchange reserves and a lack of credible leadership. In terms of concentration, the top ten holdings account for 30.2% of the Company's total assets and the top 30 account for 60.2%. The portfolio has a bias to mid and smaller companies when measured against the comparative index and the majority of peer sector trusts.

## Prospects

Globally we are entering a period where growth appears to be increasingly muted due to demographics, excess debt and, central bank and

government policies. Getting positive real returns will be difficult. The outlook for GDP growth in the US is probably closer to 2.0% than the historic longer term 3.0%–3.5% and Europe is likely to remain weak.

Asia ex Japan stands out as a region with high positive real growth in an otherwise slow growth world. Despite the economic slowdown in China, its real growth will probably still be in the 3.0%–5.0% range over the next few years. India is likely to grow more rapidly, at an annual rate in the region of 6.0%–9.0%, due to better demographics, a rising middle class and the absence of an overhanging debt burden. It is our contention that the best way to generate long term absolute and relative returns is to invest in growth companies in growth regions, and the premium paid for this rapid growth should increase given its relative scarcity.

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

## Tender Offer

The Company has authority to implement, at the Board's discretion, bi-annual tender offers for up to 5.0% of its shares at a 2.0% discount to net asset value, less costs, in the event that the discount should average more than 9.0% during the six month periods to 31 January and 31 July 2016. The Board implemented a 5.0% tender offer in October 2015 in respect of the tender period to 31 July 2015, with the Company buying back a total of 3,164,442 ordinary shares. Over the six month period to 31 January 2016, the Company's average discount was 10.3% and the Board has announced that it has decided to exercise its discretion to implement a tender offer in respect of that period, applicable to shareholders on the register on 9 February 2016. Details of how to tender your shares in respect of this 5.0% tender offer are contained within the Circular accompanying this Report.

The principal risks and uncertainties facing the Company are set out on the inside front cover of this report.

Baillie Gifford & Co Limited  
Managers and Secretaries

## Thirty Largest Equity Holdings at 31 January 2016 (unaudited)

Name	Country	Business	Value £'000	% of total assets*
Tencent Holdings	Hong Kong/China	Online gaming and social networking provider	9,750	7.8
Baidu	Hong Kong/China	Internet search provider	4,645	3.7
NAVER	Korea	Online search and messaging provider	4,180	3.3
Alibaba Group	Hong Kong/China	Online and mobile commerce provider	3,674	2.9
Hon Hai Precision Industries	Taiwan	Electronic manufacturing services company	3,240	2.6
JD.com	Hong Kong/China	Online direct sales company	2,773	2.2
Haier Electronics Group	Hong Kong/China	Washing machine and water heater manufacturer	2,556	2.0
Reliance Industries	India	Indian petrochemical conglomerate	2,452	1.9
Viomed	Korea	Biomedical research	2,401	1.9
CJ E&M	Korea	Media and entertainment business	2,360	1.9
Tech Mahindra	India	IT services provider	2,289	1.8
Ctrip.com International	Hong Kong/China	Chinese online travel company	2,267	1.8
China Life Insurance (Taiwan)	Taiwan	Life insurance provider	2,253	1.8
Mahindra & Mahindra	India	Tractor and SUV manufacturer	2,218	1.8
Koh Young Technology	Korea	3D inspection machines manufacturer	2,144	1.7
Samsung Fire & Marine Insurance	Korea	Non-life insurance provider	2,081	1.7
Advantech	Taiwan	Computer manufacturer	2,012	1.6
Sunny Optical Technology	Hong Kong/China	Small optical lenses manufacturer	1,961	1.6
ICICI Bank	India	Retail and corporate bank	1,951	1.5
Geely Automobile	Hong Kong/China	Automobile manufacturer	1,937	1.5
SK Hynix	Korea	Electronic component and device manufacturer	1,923	1.5
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	1,862	1.5
Taiwan Semiconductor Manufacturing	Taiwan	Semiconductor manufacturer	1,764	1.4
Mindtree	India	IT services provider	1,693	1.3
Infosys	India	Software developer	1,635	1.3
Indusind Bank	India	Commercial bank focusing on consumer lending	1,587	1.3
Samsung C&T	Korea	Lifestyles solutions company	1,573	1.3
Techtronic Industries	Hong Kong/China	Power tool manufacturer	1,567	1.2
Bioneer	Korea	Biotechnology company	1,520	1.2
EO Technics	Korea	Laser equipment manufacturer and distributor	1,506	1.2
			<b>75,774</b>	<b>60.2</b>

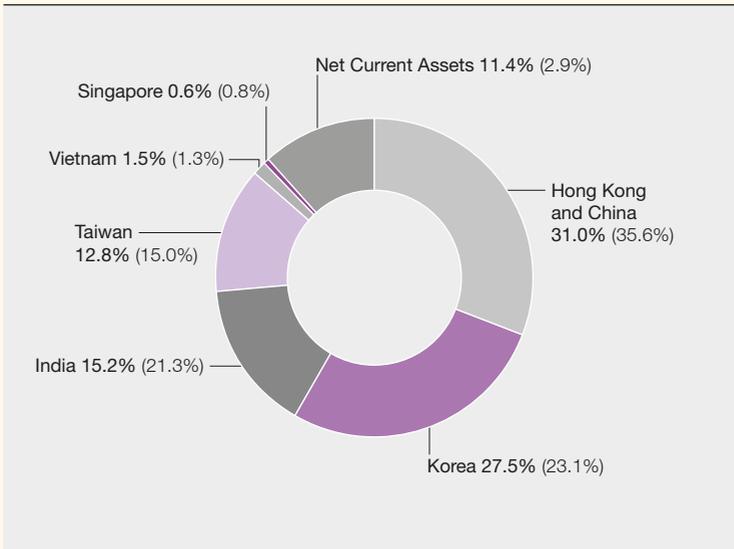
Hong Kong/China denotes Hong Kong and China.

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

## Distribution of Total Assets\* (unaudited)

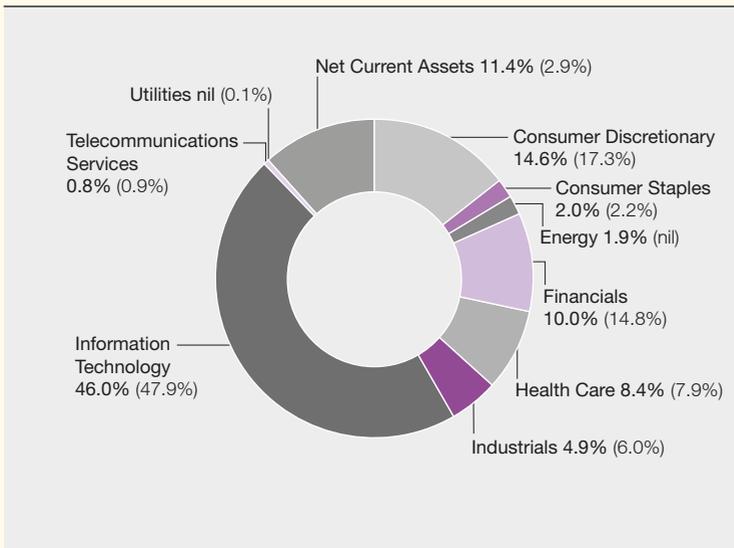
### Geographical Analysis at 31 January 2016

(31 July 2015)



### Sectoral Analysis at 31 January 2016

(31 July 2015)



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

## Income Statement (unaudited)

	For the six months ended 31 January 2016		
	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on sales of investments	–	(1,236)	<b>(1,236)</b>
Changes in investment holding gains and losses	–	(6,685)	<b>(6,685)</b>
Currency gains/(losses)	–	615	<b>615</b>
Income from investments and interest receivable	541	–	<b>541</b>
Investment management fee (note 3)	(440)	–	<b>(440)</b>
Other administrative expenses	(192)	–	<b>(192)</b>
<b>Net return before finance costs and taxation</b>	<b>(91)</b>	<b>(7,306)</b>	<b>(7,397)</b>
Finance costs of borrowings	(66)	–	<b>(66)</b>
<b>Net return on ordinary activities before taxation</b>	<b>(157)</b>	<b>(7,306)</b>	<b>(7,463)</b>
Tax on ordinary activities	(53)	–	<b>(53)</b>
<b>Net return on ordinary activities after taxation</b>	<b>(210)</b>	<b>(7,306)</b>	<b>(7,516)</b>
<b>Net return per ordinary share</b> (note 4)	<b>(0.34p)</b>	<b>(11.85p)</b>	<b>(12.19p)</b>
Note:			
<b>Dividend paid and proposed per ordinary share</b> (note 5)	–		

The total column of this statement is the profit and loss account of the Company.

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

For the six months ended 31 January 2015			For the year ended 31 July 2015 (audited)		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
–	6,721	<b>6,721</b>	–	24,954	<b>24,954</b>
–	4,762	<b>4,762</b>	–	(25,292)	<b>(25,292)</b>
–	(323)	<b>(323)</b>	–	(322)	<b>(322)</b>
891	–	<b>891</b>	1,886	–	<b>1,886</b>
(530)	–	<b>(530)</b>	(1,032)	–	<b>(1,032)</b>
(184)	–	<b>(184)</b>	(397)	–	<b>(397)</b>
177	11,160	<b>11,337</b>	457	(660)	<b>(203)</b>
(35)	–	<b>(35)</b>	(93)	–	<b>(93)</b>
142	11,160	<b>11,302</b>	364	(660)	<b>(296)</b>
(77)	–	<b>(77)</b>	(133)	–	<b>(133)</b>
<b>65</b>	<b>11,160</b>	<b>11,225</b>	<b>231</b>	<b>(660)</b>	<b>(429)</b>
<b>0.09p</b>	<b>16.33p</b>	<b>16.42p</b>	<b>0.35p</b>	<b>(0.99p)</b>	<b>(0.64p)</b>
–			<b>0.35p</b>		

## Balance Sheet (unaudited)

	At 31 January 2016 £'000	At 31 July 2015 (audited) £'000
<b>Fixed assets</b>		
Investments held at fair value through profit or loss (note 6)	111,468	135,133
<b>Current assets</b>		
Debtors	1,672	276
Cash and short term deposits	13,595	4,061
	15,267	4,337
<b>Creditors</b>		
Amounts falling due within one year:		
Bank loan (note 7)	(14,214)	(13,997)
Other creditors	(908)	(303)
	(15,122)	(14,300)
<b>Net current assets/(liabilities)</b>	145	(9,963)
<b>Net assets</b>	<b>111,613</b>	<b>125,170</b>
<b>Capital and reserves</b>		
Called up share capital	6,013	6,329
Share premium	3,166	3,166
Capital redemption reserve	19,780	19,464
Capital reserve	78,316	91,441
Revenue reserve	4,338	4,770
<b>Shareholders' funds</b>	<b>111,613</b>	<b>125,170</b>
<b>Net asset value per ordinary share</b>	<b>185.64p</b>	<b>197.78p</b>
<b>Ordinary shares in issue</b> (note 8)	<b>60,124,411</b>	<b>63,288,853</b>

## Statement of Changes in Equity (unaudited)

### For the six months ended 31 January 2016

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2015	6,329	3,166	19,464	91,441	4,770	<b>125,170</b>
Net return on ordinary activities after taxation	–	–	–	(7,306)	(210)	<b>(7,516)</b>
Shares purchased for cancellation (note 8)	(316)	–	316	(5,819)	–	<b>(5,819)</b>
Dividends paid during the period (note 5)	–	–	–	–	(222)	<b>(222)</b>
<b>Shareholders' funds at 31 January 2016</b>	<b>6,013</b>	<b>3,166</b>	<b>19,780</b>	<b>78,316</b>	<b>4,338</b>	<b>111,613</b>

### For the six months ended 31 January 2015

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2014	7,013	3,166	18,780	106,437	5,521	<b>140,917</b>
Net return on ordinary activities after taxation	–	–	–	11,160	65	<b>11,225</b>
Shares purchased for cancellation	(351)	–	351	(6,769)	–	<b>(6,769)</b>
Dividends paid during the period (note 5)	–	–	–	–	(982)	<b>(982)</b>
<b>Shareholders' funds at 31 January 2015</b>	<b>6,662</b>	<b>3,166</b>	<b>19,131</b>	<b>110,828</b>	<b>4,604</b>	<b>144,391</b>

\* The Capital Reserve balance at 31 January 2016 includes investment holding gains on fixed asset investments of £15,870,000 (31 January 2015 – gains of £52,609,000).

## Condensed Cash Flow Statement (unaudited)

	Six months to 31 January 2016 £'000	Six months to 31 January 2015 £'000
<b>Cash flows from operating activities</b>		
Net return on ordinary activities before taxation	(7,463)	11,302
Net losses/(gains) on investments	7,921	(11,483)
Currency (gains)/losses	(615)	323
Finance costs of borrowings	66	35
Overseas withholding tax	(38)	(61)
Changes in debtors and creditors	37	77
<b>Cash from operations</b>	(92)	193
Interest paid	(64)	(32)
<b>Net cash (outflow)/inflow from operating activities</b>	(156)	161
<b>Net cash inflow from investing activities</b>	14,899	9,072
Equity dividends paid (note 5)	(222)	(982)
Shares bought back (note 8)	(5,819)	(6,769)
Net cash inflow from bank loans (note 7)	(124)	–
<b>Net cash outflow from financing activities</b>	(6,165)	(7,751)
<b>Increase in cash and cash equivalents</b>	8,578	1,482
Exchange movements	956	192
Cash and cash equivalents at start of period	4,061	1,274
<b>Cash and cash equivalents at end of period*</b>	<b>13,595</b>	<b>2,948</b>

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

## Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 January 2016 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 to 14. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Company has adopted FRS 102 for its financial year ending 31 July 2016. The application of the new reporting standards and the AIC's Statement of Recommended Practice has had no impact on the Company's Income Statement, Balance Sheet or Statement of Changes in Equity (previously called the Reconciliation of Movements in Shareholders' Funds) for periods previously reported. The Condensed Cash Flow Statement has been restated to reflect presentational changes required and does not include any other material changes. The Financial Statements for the six months to 31 January 2016 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 July 2015.

### Going Concern

Having considered the nature of the Company's assets, its liabilities, projected income and expenditure together with the Company's investment objectives and principal risks and uncertainties, as set out on the inside front cover, it is the Directors' opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. In accordance with the Company's Articles of Association, the shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2016. The Directors have no reason to believe that the continuation resolution will not be passed at that Annual General Meeting. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect its ability to continue to do so.

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 July 2015 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.
- 3 Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed by the Company as its Alternative Investment Fund Manager and Company Secretary. Baillie Gifford & Co Limited has delegated the investment management services to Baillie Gifford & Co. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. The annual management fee is 0.95% on the first £50m of net assets and 0.65% on the balance. Management fees are calculated and payable on a quarterly basis.

## Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 January 2016 £'000	Six months to 31 January 2015 £'000	Year to 31 July 2015 (audited) £'000
<b>4 Net return per ordinary share</b>			
Revenue return on ordinary activities after taxation	(210)	65	231
Capital return on ordinary activities after taxation	(7,306)	11,160	(660)
<b>Total net return</b>	<b>(7,516)</b>	<b>11,225</b>	<b>(429)</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>61,672,236</b>	<b>68,353,943</b>	<b>66,526,663</b>

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

There are no dilutive or potentially dilutive shares in issue.

	Six months to 31 January 2016 £'000	Six months to 31 January 2015 £'000	Year to 31 July 2015 (audited) £'000
<b>5 Dividends</b>			
<b>Amounts recognised as distributions in the period:</b>			
Previous year's final dividend of 0.35p (2014 – 1.40p) paid 11 November 2015	<b>222</b>	<b>982</b>	<b>982</b>

No interim dividend has been declared.

## 6 Fair Value Hierarchy

The Company's investments are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 and FRS 104, fair value measurements have been classified using the following fair value hierarchy:

Level A – Quoted prices for identical instruments in active markets;

Level B – Prices of a recent transaction for identical instruments;

Level C – Valuation techniques that use:

- (i) observable market data; or
- (ii) non-observable data.

An analysis of the Company's financial asset investments based on the fair value hierarchy described above is shown below.

### Investments held at fair value through profit or loss

	Level A £'000	Level B £'000	Level C £'000	Total £'000
<b>As at 31 January 2016</b>				
Listed equities	111,468	–	–	<b>111,468</b>
Unlisted equities	–	–	–	–
<b>Total financial asset investments</b>	<b>111,468</b>	–	–	<b>111,468</b>
	Level A £'000	Level B £'000	Level C £'000	Total £'000
<b>As at 31 July 2015</b>				
Listed equities	135,133	–	–	<b>135,133</b>
Unlisted equities	–	–	–	–
<b>Total financial asset investments</b>	<b>135,133</b>	–	–	<b>135,133</b>

There have been no transfers between levels of the fair value hierarchy during the period. The fair value of listed investments is bid price or, in the case of FTSE 100 constituents or holdings on certain recognised overseas exchanges, last traded price. They are categorised as level A if they trade in an active market and level B if they are traded on a market which is not considered to be active. The fair value of unlisted investments is determined using valuation techniques, determined by the Directors, based upon observable and/or non-observable data such as latest dealing prices, stockbroker valuations, net asset values and other information, as appropriate. The Company's holdings in unlisted investments are categorised as level C(ii) as the valuation techniques applied include the use of non-observable data. The Company's one unlisted investment, Philtown Properties, which is valued at £nil at 31 January 2016 and 31 July 2015 arose from a distribution by its parent company RFM Corporation.

## Notes to the Condensed Financial Statements (unaudited)

- 7** The Company has a one year £14 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc and a £10 million one year uncommitted, unsecured floating rate revolving credit facility with The Bank of New York Mellon. At 31 January 2016 there were outstanding drawings of £10,500,000 and US\$5,268,900 at interest rates of 0.98563% and 0.93250% per annum (31 July 2015 – £10,500,000 and US\$5,456,850 at 0.97188% and 0.68625% per annum) under The Royal Bank of Scotland Plc facility. There were no drawings under The Bank of New York Mellon facility at either date.
- 8** The Company has authority to buy back up to 14.99% of its shares on an ad hoc basis and to implement, at the Board's discretion, bi-annual tender offers for up to 5% of its shares at a 2% discount to net asset value, less costs, in the event that the discount averaged more than 9% during the six months periods to 31 January and 31 July in the years 2014, 2015 and 2016. In the six months to 31 January 2016 the Company bought back a total of 3,164,442 ordinary shares at a total cost of £5,819,000 through the exercise of a tender offer in October 2015 (31 July 2015 – 6,837,299 ordinary shares at a total cost of £14,336,000). The nominal value of these shares was £316,000 and represented 5.0% of the issued share capital at 31 July 2015. At 31 January 2016 the Company had authority to buy back a further 9,012,649 ordinary shares.
- Over the six month period to 31 January 2016, the Company's average discount was 10.3%. The Board has recently announced that it has decided to exercise its discretion to implement a tender offer in respect of the six month period to 31 January 2016, applicable to shareholders on the register on 9 February 2016. Details of how to tender your shares in respect of this 5% tender offer are contained within the Circular accompanying this Report.
- The Company also has authority to allot shares under Section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium of not less than 5% in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the six months to 31 January 2016 and the year to 31 July 2015 no shares were issued.
- 9** During the period, transaction costs on purchases amounted to £18,000 (31 January 2015 – £69,000; 31 July 2015 – £157,000) and transaction costs on sales amounted to £56,000 (31 January 2015 – £93,000; 31 July 2015 – £239,000).

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

## Further Shareholder Information

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

### Baillie Gifford's Investment Trust Share Plan

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

### Baillie Gifford's Investment Trust ISA

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

### Baillie Gifford's Children's Savings Plan

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

### Online Management Service

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

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

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

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

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

### Risk Warnings

Past performance is not a guide to future performance.

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

Pacific Horizon invests in overseas securities, changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

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

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

Pacific Horizon can buy back its own shares and has discretion to implement a tender offer for up to five percent of the Company's shares on a six monthly basis. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

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

*(Risk Warnings continued on next page)*

## Further Shareholder Information

### Risk Warnings (continued)

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

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

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

Shareholders in Pacific Horizon have the right to vote every five years on whether to continue the Company or wind it up. If the shareholders decide to wind Pacific Horizon up, the assets will be sold and shareholders will receive a cash sum in relation to their shareholding. The next vote will be held at the Annual General Meeting in 2016.

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

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

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

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

The information and opinions expressed within this Interim Financial Report are subject to change without notice. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

## Directors

Chairman:  
JGK Matterson

EG Creasy  
DCP McDougall OBE  
EC Scott

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## Alternative Investment Fund Managers and Secretaries

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## Company Details

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Company Registration  
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Sedol 0666747  
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## Further Information

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