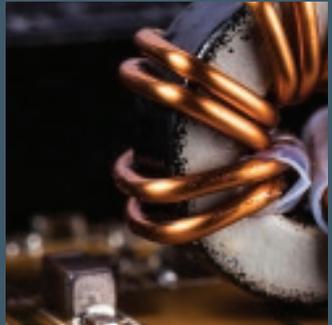


PACIFIC HORIZON INVESTMENT TRUST PLC



Interim Financial Report
31 January 2018





Investment Objective

Pacific Horizon's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company is prepared to move freely between the markets of the region as opportunities for growth vary. The portfolio will normally consist entirely of quoted securities.

Summary of Unaudited Results*

	31 January 2018	31 July 2017 (audited)	% change
Total assets	£208.4m	£182.5m	
Borrowings	£14.5m	£14.8m	
Shareholders' funds	£193.9m	£167.7m	
Net asset value per ordinary share	357.33p	309.15p	15.6
Share price	338.00p	286.00p	18.2
MSCI All Country Asia ex Japan Index (in sterling terms)†	539.5	497.6	8.4
Discount	5.4%	7.5%	
Active share	82%	79%	

	Six months to 31 January 2018	Year to 31 July 2017
Total return (%)†		
Net asset value per ordinary share	15.6	38.5
Share price	18.2	42.5
MSCI All Country Asia ex Japan Index (in sterling terms)†	9.3	28.6

	Six months to 31 January 2018	Six months to 31 January 2017	% change
Revenue earnings per ordinary share	(0.85p)	(0.55p)	(54.5)

	Six months to 31 January 2018		Year to 31 July 2017	
Period's high and low	High	Low	High	Low
Share price	340.00p	280.13p	288.50p	201.00p
Net asset value per ordinary share	367.44p	304.97p	314.02p	221.22p
Discount	5.2%	10.5%	4.6%	15.4%

* For definition of terms see Glossary of Terms on page 19.

† Source: Thomson Reuters and relevant underlying index providers. See disclaimer on page 18.

Past performance is not a guide to future performance.

Interim Management Report

Results

In the six months to 31 January 2018, Pacific Horizon's net asset value (NAV) per share total return was 15.6%. The share price total return was 18.2% as the discount narrowed from 7.5% to 5.4%. Over the same period the MSCI All Country Asia ex Japan Index's total return* was 9.3% in sterling terms.

At a high level, the largest contributors to absolute returns were our holdings in China (up 19%), South Korea (up 21%) and Vietnam (up 33%). India was the biggest drag to absolute and relative performance with our investments falling by an average of nearly 3%. The standout performance came from stock selection in South Korea and our Vietnamese holdings. In terms of market performance, Korea (+20%), China (+18%) and Thailand (+19%) led the comparative index higher, with Taiwan, Indonesia and India lagging. Healthcare was the best performing sector (+26%) and Telecoms (-5%) the worst.

Performance Review

Our South Korean investments, which account for 23% of total assets, made some impressive returns. As an example, Koh Young Technology's share price rose 43%. It is the world leader in 3D optical inspection and is benefiting strongly from a rise in global industrial automation orders. Many of our biotech stocks performed very well, with the market excited by the potential of new licencing deals: Theragen Etex (+123%); Bioneer (+121%); CrystalGenomics (+87%); and Genexine (+79%).

The Vietnamese market, 10% of total assets, performed well. Our holdings in Vingroup, the leading real estate developer, and Hoa Phat, the largest domestic steel producer, rose 80% and 81% respectively.

In China, a number of our holdings were strong performers: Ping An Insurance, China's largest private insurance, banking and financial services conglomerate, rose 48% as the market re-evaluated its Fintech strategy; Kingdee International Software, whose ERP software cloud business looks set to

break-even amid fast growth, rose 46%; and Geely Automobile, (+28%), continued its strong run. There was also a significant improvement in 'old economy' stocks, including, property, banks and state owned enterprises, sectors which are not our preferred choice of investment, which all performed well. Two of our largest holdings, JD.com and Sunny Optical Technology, however, both underperformed; Alibaba has increased the competitive pressure on JD.com and the market de-rated Sunny Optical over fears of a slowdown in the Chinese handset market.

The Indian market underperformed as it faced the twin challenges of high stock valuations and flows of funds favouring the Chinese stock market. Our stock selection was mixed with Max Financial Services suffering from its failed merger with HDFC Life and Cox & Kings India declining 18% on the back of a mid-cap sell-off.

The largest detractor to our overall performance was SEA Ltd which declined 24% following its IPO in which we participated. SEA is South East Asia's leading online gaming and e-commerce company.

Investment Environment

The global investment environment has improved significantly over the last 12 months. US economic growth has been spurred on by President Trump's regulatory reforms; it is likely to be towards the upper end of its 1.5%–3% range achieved since the Financial Crisis, as tax cuts and expanding fiscal spending positively affect the economy in 2018. Meanwhile, both European and Japanese economies are recovering, albeit from a lower level of growth. In Asia, there has been a strong rebound in export growth across national economies, driven by an improved US outlook and a reviving China which has sparked life into global commodity trade. China is a country where corporate cashflows have improved significantly. This is likely to lead to an expanding investment cycle and eventually increased growth in broader monetary aggregates. We believe that we are probably still in the early stages of a 2–3 year cyclical improvement in the

* Source: Thomson Reuters and relevant underlying index providers. See disclaimer on page 18.

Past performance is not a guide to future performance.

Interim Management Report

domestic China growth story. Where China leads the rest of the Asian economies normally follow. In India, we expect to see an improvement in corporate earnings over the next few years, not only a stabilisation but also hopefully a step-up in nominal GDP growth; and eventually an increase in corporate profits as a percentage of GDP which still languishes close to a 15 year low. In South-east Asia, especially Vietnam, we see very positive demographic trends, potentially coinciding with a more upbeat domestic and external economy.

There are two notable risks to our positive outlook. First, the global economy has more debt today than at the time of the financial crisis. Hence, as inflation rises and interest rates follow, there could be unforeseen negative effects on corporate and government cashflows, and consequently on stock market valuations. Second, a stronger economy brings risks of tightness in commodity markets, especially oil; Asia is a net oil importer and rising prices will dampen economic optimism.

Technology continues to be the central theme supporting our global outlook. We believe that we are in what can be described as the fourth industrial revolution and the fourth generation of computer technology; the rise of automation and the internet of things. These trends are dramatically altering the industrial and consumer landscape and represent the 'lightening' of the global economy. As the economy becomes more information or data centric, additional GDP growth is driven less by growth in real assets and more by growth in information and ideas. As for Asian businesses, they are increasingly becoming leaders in the adoption of some new technologies rather than just fast followers and imitators.

The equity market is currently attempting to price a slowdown in global semiconductors assuming that we are in a 'normal' environment. We are taking a different position; we believe higher and increasing levels of profitability are inherent in the sector due to the confluence of a number of new uses for

technology in the global economy. China intends to become a world leader in artificial intelligence ('AI') by 2030 and is about to surpass the US in the number of research notes published on the subject. Meanwhile, the influence of the younger populations in the Asia Pacific region, coupled with a poorer and less established existing infrastructure will encourage a faster, cheaper and more rapid adoption of new technologies. This inevitably provides many interesting investment opportunities across the region.

Positioning

The portfolio is positioned in order to take full advantage of the growth of the Asian consumer as the region adapts to rapid technological change. In this period of disinflationary growth, our investment focus is on companies which generate 'ideas' rather than 'things', companies that are asset light rather than asset heavy and that have output that is scalable rather than bespoke. Our philosophy, both for the present and the future, is that 'innovation' beats 'stability' and those 'new' businesses have the advantage over 'old'. The portfolio is therefore positioned to reflect the underlying technology driven disinflationary forces that are affecting the world today.

At 49% of total assets, technology companies continue to account for the largest proportion of the stocks held in the portfolio. A number of these companies have great potential to benefit from economic advances expected in emerging markets. Good examples include: Sunny Optical, the global leader in camera modules for automobiles; GlobalWafers, which benefits from the severe tightness in the silicon wafer market; and Accton Technology, a leader in server switches. In China, we hold significant investments in the internet companies, Alibaba, Tencent and JD.com; their ambition is the driving force behind the demand for leading IT hardware.

These are all companies which benefit from the smartphone, AI and automation revolutions, either directly, by producing hardware, or indirectly, by managing the software that allows companies to harness the economic potential of these new business techniques. We believe that AI and a rapid increase in computing power will drive company fortunes over the coming years. A combination of big data, analytics and deep learning will allow significant costs to be removed from the economic system and consequently much enhanced levels of profitability to be achieved. The spread and sophistication of e-commerce – particularly as ease of use improves – is going to dramatically reduce the cost base of companies undertaking business online, giving an even greater comparative cost advantage versus those businesses concentrating on bricks and mortar for distribution.

As a result of the growth of an ageing population and the arrival of new regenerative medicines, healthcare demand is, and will continue to be, a global growth driver. 7% of the Company's total assets are invested in biotechnology, life sciences and pharmaceutical stocks which we believe can make a substantial improvement to the quality of people's lives via regenerative and personalised medicine. We see this as a significant and increasing contributor to the South Korean economy's new competitive edge.

In terms of concentration, the top 10 holdings account for 44% of the Company's total assets and the top 30 account for 73%. The portfolio has a bias to mid and smaller companies when measured against the comparative index, and the majority of immediate peer trusts. The Company has potential gearing of 7.5% of assets and is fully invested at present.

Prospects

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

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

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

Baillie Gifford & Co Limited
Managers and Secretaries

For definition of terms see Glossary of Terms on page 19.

Thirty Largest Equity Holdings at 31 January 2018 (unaudited)

Name	Country	Business	Value £'000	% of total assets*
Tencent Holdings	Hong Kong/China	Online gaming and social networking	16,352	7.8
Alibaba Group ADR	Hong Kong/China	Online and mobile commerce	14,293	6.9
JD.com ADR	Hong Kong/China	Online mobile commerce	10,049	4.8
Sunny Optical Technology	Hong Kong/China	Small optical lenses manufacturer	9,250	4.4
Geely Automobile	Hong Kong/China	Automobile manufacturer	8,912	4.3
Ping An Insurance H Shares	Hong Kong/China	Life insurance provider	8,168	3.9
Macronix	Taiwan	NOR/ROM memory semiconductor manufacturer	6,937	3.3
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	6,448	3.1
Samsung SDI	Korea	Lithium-ion batteries manufacturer	5,798	2.8
Koh Young Technology	Korea	3D inspection machine manufacturer	5,639	2.7
SEA Limited ADR	Singapore	Internet gaming and e-commerce	5,532	2.7
SK Hynix	Korea	Electronic component and device manufacturer	5,285	2.5
Finetex EnE	Korea	Nano-technology material manufacturer	3,902	1.9
IndusInd Bank	India	Commercial bank focusing on consumer lending	3,872	1.9
Ping An Bank A Shares	Hong Kong/China	Consumer bank	3,348	1.6
ICICI Bank	India	Retail and corporate bank	3,181	1.5
Kingdee International Software	Hong Kong/China	Enterprise management software distributor	3,138	1.5
Vingroup	Vietnam	Property developer	2,698	1.3
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	2,631	1.3
GlobalWafers	Taiwan	Semiconductor wafers manufacturer	2,609	1.3
Hoa Phat Group	Vietnam	Multi-disciplinary manufacturer of steel and related products	2,580	1.2
Li Ning	Hong Kong/China	Sportswear apparel supplier	2,558	1.2
Bioneer	Korea	Drug researcher and development	2,485	1.2
Bank Tabungan Negara	Indonesia	Mortgage lender	2,419	1.2
NCSOFT	Korea	Online games developer	2,416	1.2
PT Vale Indonesia	Indonesia	Nickel mining	2,348	1.1
Accton Technology	Taiwan	Server network equipment manufacturer	2,327	1.1
Genexine	Korea	Therapeutic vaccine researcher and developer	2,277	1.1
HDBank	Vietnam	Consumer bank	2,221	1.1
Saigon Securities	Vietnam	Brokerage and securities	2,180	1.0
			151,853	72.9

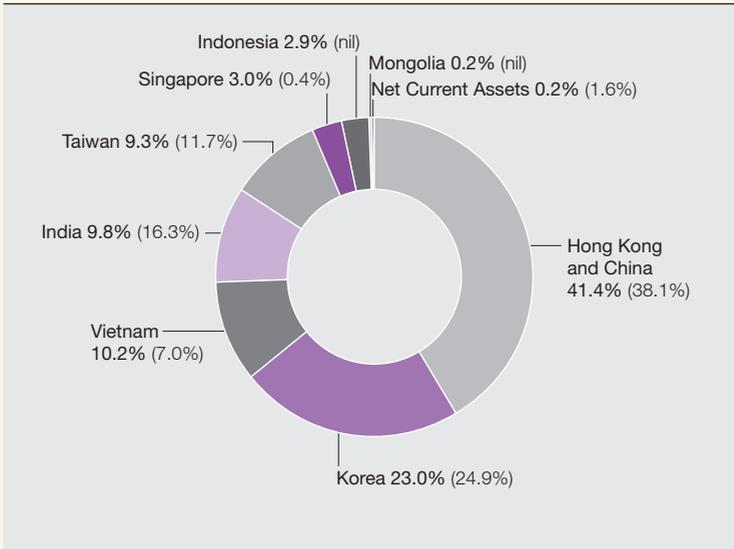
Hong Kong/China denotes Hong Kong and China.

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

Distribution of Total Assets* (unaudited)

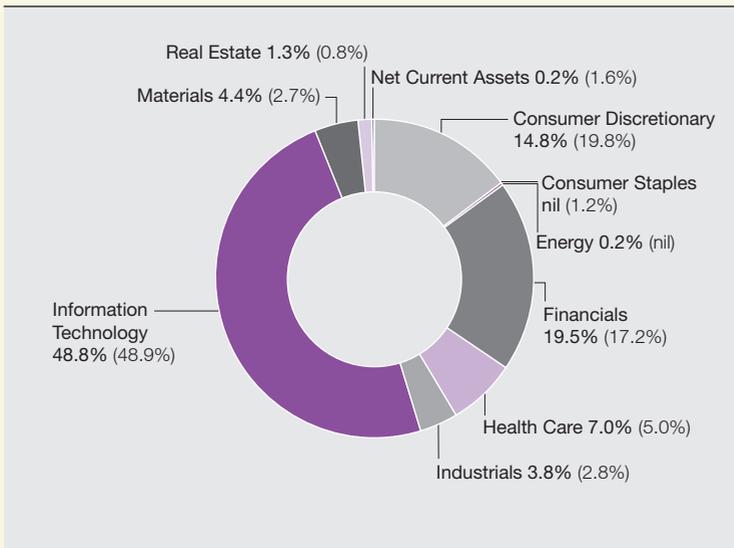
Geographical Analysis at 31 January 2018

(31 July 2017)



Sectoral Analysis at 31 January 2018

(31 July 2017)



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

Income Statement (unaudited)

	For the six months ended 31 January 2018			For the six months ended 31 January 2017			For the year ended 31 July 2017 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on sales of investments	–	24,557	24,557	–	7,382	7,382	–	9,776	9,776
Changes in investment holding gains and losses	–	1,653	1,653	–	5,405	5,405	–	37,704	37,704
Currency gains/(losses)	–	396	396	–	(20)	(20)	–	192	192
Income from investments and interest receivable	622	–	622	547	–	547	1,559	–	1,559
Investment management fee (note 3)	(685)	–	(685)	(513)	–	(513)	(1,095)	–	(1,095)
Other administrative expenses	(238)	–	(238)	(227)	–	(227)	(425)	–	(425)
Net return before finance costs and taxation	(301)	26,606	26,305	(193)	12,767	12,574	39	47,672	47,711
Finance costs of borrowings	(98)	–	(98)	(52)	–	(52)	(119)	–	(119)
Net return on ordinary activities before taxation	(399)	26,606	26,207	(245)	12,767	12,522	(80)	47,672	47,592
Tax on ordinary activities	(63)	–	(63)	(64)	–	(64)	(131)	–	(131)
Net return on ordinary activities after taxation	(462)	26,606	26,144	(309)	12,767	12,458	(211)	47,672	47,461
Net return per ordinary share (note 4)	(0.85p)	49.03p	48.18p	(0.55p)	22.95p	22.40p	(0.38p)	86.74p	86.36p

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

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

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

Balance Sheet (unaudited)

	At 31 January 2018 £'000	At 31 July 2017 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	208,100	179,523
Current assets		
Debtors	296	508
Cash and cash equivalents	1,015	2,882
	1,311	3,390
Creditors		
Amounts falling due within one year:		
Bank loan (note 7)	(14,529)	(14,773)
Other creditors	(988)	(390)
	(15,517)	(15,163)
Net current liabilities	(14,206)	(11,773)
Net assets	193,894	167,750
Capital and reserves		
Share capital	5,426	5,426
Share premium account	3,166	3,166
Capital redemption reserve	20,367	20,367
Capital reserve	161,442	134,836
Revenue reserve	3,493	3,955
Shareholders' funds	193,894	167,750
Net asset value per ordinary share	357.33p	309.15p
Ordinary shares in issue (note 8)	54,262,282	54,262,282

Statement of Changes in Equity (unaudited)

For the six months ended 31 January 2018

	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 2017	5,426	3,166	20,367	134,836	3,955	167,750
Net return on ordinary activities after taxation	–	–	–	26,606	(462)	26,144
Shares purchased for cancellation	–	–	–	–	–	–
Dividends paid during the period (note 5)	–	–	–	–	–	–
Shareholders' funds at 31 January 2018	5,426	3,166	20,367	161,442	3,493	193,894

For the six months ended 31 January 2017

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

* The Capital Reserve balance at 31 January 2018 includes investment holding gains on investments of £78,165,000 (31 January 2017 – gains of £44,213,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 January 2018 £'000	Six months to 31 January 2017 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation*	26,207	12,522
Net gains on investments	(26,210)	(12,787)
Currency (gains)/losses	(396)	20
Finance costs of borrowings	98	52
Overseas tax incurred	(67)	(52)
Changes in debtors and creditors	246	70
Cash from operations	(122)	(175)
Interest paid	(92)	(37)
Net cash outflow from operating activities	(214)	(212)
Net cash (outflow)/inflow from investing activities	(1,805)	2,779
Equity dividends paid (note 5)	–	(200)
Shares bought back (note 8)	–	(7,213)
Net cash inflow from bank loans (note 7)	384	4,771
Net cash inflow/(outflow) from financing activities	384	(2,642)
Decrease in cash and cash equivalents	(1,635)	(75)
Exchange movements	(232)	174
Cash and cash equivalents at start of period	2,882	1,323
Cash and cash equivalents at end of period†	1,015	1,422

* Dividends received in the period amounted to £828,000 (31 January 2017 – £645,000).

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

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 January 2018 comprise the statements set out on pages 6 to 10 together with the related notes on pages 11 to 14. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014 and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 January 2018 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 2017.

Going Concern

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

- 2 The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 July 2017 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. With effect from 1 January 2017 the annual management fee is 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. Prior to 1 January 2017 the fee was 0.95% on the first £50m of net assets and 0.65% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

Notes to the Condensed Financial Statements (unaudited)

	Six months to 31 January 2018 £'000	Six months to 31 January 2017 £'000	Year to 31 July 2017 (audited) £'000
4 Net return per ordinary share			
Revenue return on ordinary activities after taxation	(462)	(309)	(211)
Capital return on ordinary activities after taxation	26,606	12,767	47,672
Total net return	26,144	12,458	47,461
Weighted average number of ordinary shares in issue	54,262,282	55,643,673	54,958,654

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 2018 £'000	Six months to 31 January 2017 £'000	Year to 31 July 2017 (audited) £'000
5 Dividends			
Amounts recognised as distributions in the period:			
31 July 2016 final dividend of 0.35p, paid 11 November 2016	Nil	200	200

No interim dividend has been declared.

6 Fair Value Hierarchy

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

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

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

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

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

Investments held at fair value through profit or loss

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 January 2018				
Listed equities	206,342	–	–	206,342
Unlisted equities	–	–	1,758	1,758
Total financial asset investments	206,342	–	1,758	208,100
	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
As at 31 July 2017				
Listed equities	179,523	–	–	179,523
Unlisted equities	–	–	–	–
Total financial asset investments	179,523	–	–	179,523

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

Notes to the Condensed Financial Statements (unaudited)

7 The Company has a one year £15 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc (31 July 2017 – one year £15 million multi-currency revolving credit facility with The Royal Bank of Scotland Plc). At 31 January 2018 there were outstanding drawings of £7,500,000 and US\$9,995,250 at interest rates of 0.96619% and 2.03849% respectively (31 July 2017 – £7,500,000 and US\$9,588,750 at interest rates of 0.74318% and 1.69586% respectively).

8 The Company has authority to buy back up to 14.99% of its shares on an ad hoc basis and previously had authority to implement, at the Board's discretion, bi-annual tender offers for up to 5% of its shares at a 2% discount to net asset value, less costs, in the event that the discount averaged more than 9% during the six months periods to 31 January and 31 July in the years 2014, 2015 and 2016. In the year to 31 July 2017 the Company bought back a total of 2,855,909 ordinary shares at a total cost of £7,213,000 through the exercise of a tender offer in October 2016. The nominal value of these shares was £286,000 and represented 5.0% of the issued share capital at 31 July 2016. No shares were bought back in the six months to 31 January 2018. At 31 January 2018 the Company had authority to buy back a further 8,133,916 ordinary shares.

Following consultation with a number of shareholders, the Board did not seek authority at the Annual General Meeting on 9 November 2016 for the existing bi-annual 5% tenders to be continued for a period of at least the next three years. Instead, the Board proposed a tender that will be triggered if the Company's net asset value, calculated at fair value cum income, total return fails to exceed the Company's comparative index by at least 1% per annum over a three year period to 31 July 2019 on a cumulative basis. If this performance target is not met, it is the intention that the Directors will propose a 25% tender of the Company's issued share capital at the time of calculation. The tender would be at a 2% discount to net asset value less costs. This would be subject to shareholders' approval of the tender authority that will be put to shareholders at the 2018 Annual General Meeting.

The Company also has authority to allot shares under section 551 of the Companies Act 2006. The Board has authorised use of this authority to issue new shares at a premium to net asset value in order to enhance the net asset value per share for existing shareholders and improve the liquidity of the Company's shares. In the six months to 31 January 2018 and the year to 31 July 2017 no shares were issued.

9 During the period, transaction costs on purchases amounted to £66,000 (31 January 2017 – £24,000; 31 July 2017 – £69,000) and transaction costs on sales amounted to £143,000 (31 January 2017 – £52,000; 31 July 2017 – £102,000).

10 Related Party Transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

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

Comparative Index

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

Principal Risks and Uncertainties

The principal risks facing the Company are financial risk, investment strategy risk, discount risk, regulatory risk, custody and depositary risk, operational risk, leverage risk and political and associated economic risk. An explanation of these risks and how they are managed is set out on pages 7 and 8 of the Company's Annual Report and Financial Statements for the year to 31 July 2017 which is available on the Company's website: www.pacifichorizon.co.uk. The principal risks and uncertainties have not changed since the date of that report.

Responsibility Statement

We confirm that to the best of our knowledge:

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

On behalf of the Board
Jean Matterson
Chairman
28 February 2018

Further Shareholder Information

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

Baillie Gifford's Investment Trust Share Plan

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

Baillie Gifford's Investment Trust ISA

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

Baillie Gifford's Children's Savings Plan

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

Online Management Service

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

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

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

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

BGSM is the Manager of The Baillie Gifford Investment Trust Share Plan, The Baillie Gifford Children's Savings Plan and The Baillie Gifford Investment Trust ISA. 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.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone (your call may be recorded for training or monitoring purposes), email, fax or post. See contact details in the 'Further Information' box on the back cover.

Automatic Exchange of Information

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

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

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders

<https://www.gov.uk/government/publications/exchange-of-information-account-holders>.

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.

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

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

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

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

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

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

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

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

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

Details of other risks that apply to investment in the savings vehicles on page 16 are contained in the product brochures. Further details of the risks associated with investing in the Company, including how charges are applied, can be found at www.pacifichorizon.co.uk, or by calling Baillie Gifford on 0800 917 2112.

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

Third Party Data Provider Disclaimer

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

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

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

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Glossary of Terms

Total Assets

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

Net Asset Value

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

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities excluding borrowings.

Discount/Premium

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

Total Return

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

Ongoing Charges

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

Gearing

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

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

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

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

Leverage

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

Active Share

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

Directors

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JGK Matterson

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RA Macpherson
EC Scott

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