PACIFIC HORIZON INVESTMENT TRUST PLC

Embracing growth, disruption and innovation

Interim Financial Report
31 January 2019

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 principally of quoted securities.

Summary of Unaudited Results*

	31 January 2019	31 July 2018 (audited)	% change
Total assets	£193.7m	£225.1m	
Borrowings	£19.6m	£20.2m	
Shareholders' funds	£174.1m	£204.9m	
Net asset value per ordinary share	298.42p	351.26p	(15.0)
Share price	291.00p	363.00p	(19.8)
MSCI All Country Asia ex Japan Index (in sterling terms)†	486.56	514.2	(5.4)
(Discount)/premium#	(2.5%)	3.3%	
Active share#	84%	84%	

	Six months to 31 January 2019	Year to 31 July 2018
Total return (%)†		
Net asset value per ordinary share#	(15.0)	13.6
Share price#	(19.8)	26.9
MSCI All Country Asia ex Japan Index (in sterling terms)†	(4.5)	6.0

	Six months to 31 January 2019	Six months to 31 January 2018
Revenue earnings per ordinary share	(0.22p)	(0.85p)

	Six months to 31 January 2019		Year to 31 July 2018	
Period's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share	357.80p	276.82p	383.05p	304.97p
Share price	367.00p	264.00p	393.00p	280.13p
Premium/(discount)#	4.6%	(5.9%)	5.5%	(10.5%)

* For a definition of terms see Glossary of Terms on page 21.
† Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.
# Alternative performance measure. See Glossary of Terms on page 21.

Past performance is not a guide to future performance.

Interim Management Report

Results

In the six months to 31 January 2019, Pacific Horizon's net asset value (NAV) per share total return was -15.0% and the share price total return was -19.8%. Over the same period, the MSCI All Country Asia ex Japan Index's total return was -4.5% in sterling terms. When viewed from a short-term perspective, this is a disappointing performance for our shareholders.

As managers, we see a world that is being disrupted by globalisation, technological change, and, given the current low interest rate environment, abundant cheap money. Our aim is to invest in companies that can exploit these trends and we believe that investing for the long term in companies that can deliver significantly faster growth than the market as a whole will reward investors over time, notwithstanding the type of short-term underperformance that shareholders experienced over the last six months.

When thinking about growth, we look for companies that have the potential to increase their revenue and earnings at around 15% per annum for at least the next five years, and where we feel this potential has yet to be fully recognised by the market. In addition to growth potential, the corporate characteristics we look for include sustainable competitive advantages, attractive financials and sensible management aligned to shareholders' interests. We also target stocks where the management's strategic approach will, in our opinion, generate very significant long-term opportunities for enhanced future profitability.

We can think of no better place to look for such companies than within the Asia-Pacific ex Japan region and the Indian Sub-continent. Depending upon the outlook for different countries and sectors, this investment approach may lead to significant concentration in certain areas of the market. We are not concerned by this; we do not 'index-hug', believing that it is the enemy of excess return. We are active managers who are paid by our shareholders to make investment decisions.

What such concentration can lead to is large swings in outperformance and, hopefully, smaller swings in underperformance.

There are three particular issues behind the portfolio's negative returns over the six months, and especially the last three months, to end January 2019. We are unconcerned about two of these three factors; the other is a consequence of particular investment decisions we have made.

First, we are unconcerned that an overabundance of fear in the investment world – whether focused on trade wars, regulation or tightening monetary policy-led to many growth companies' valuations being depressed, whilst more defensively positioned stocks increased in value. We have nothing against such stocks, but in the long term we believe that a higher return will be generated from stocks with greater potential for future growth.

Second, we are unconcerned that, as some parts of the world economy have slowed, many of our holdings have been buffeted by cyclical macro-economic headwinds which have driven valuations and near-term earnings lower. We believe that these winds will change direction in the future.

Third, the issue that we did not appreciate fully was that there were several stocks in the portfolio whose specific business models were challenged faster than we expected, or where the threat of greater competition may be closer than anticipated. A key technical challenge of our investment approach is to spot these structural shifts. That said, we do expect to make, recognise and learn from mistakes.

A good example of a changed business scenario is Sunny Optical, discussed in more detail later in this report.

It is in periods of turmoil that the next great long-term investments become available at attractive prices, and we are looking to invest in more companies that can deliver a multiple increase in share price over the next three to five years.

For a definition of Terms see Glossary of Terms on page 21.

Total return information is sourced from Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

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Interim Management Report

Performance Review

At the country level, the largest detractors to both absolute and relative returns over the period were our holdings in China, South Korea and Taiwan, down 11%, 15% and 18% respectively. These were the portfolio's largest three geographic exposures. The best performing markets in the region were those in the ASEAN bloc, with Indonesia up 18%, the Philippines up 7% and Thailand up 4%. In contrast, Vietnam, where we have a reasonable weighting, fell 5% over the period.

For the MSCI index, Communication Services, which posted a rise of 7.5%, was the best performing sector. Real Estate was also one of the best performers, with a gain of 5.4%, followed by Industrials, which rose by 0.5%. The portfolio had limited exposure to all these areas. Healthcare, which finished 14% lower, and Consumer Discretionary, which recorded an 11% fall, were the worst performing commercial sectors in the index. Our holdings in Information Technology and Industrials were the biggest sector negatives to the fund's individual performance. Our sector and geographic exposures are shown on page 7.

Some of our larger holdings had significant falls. For example, Sunny Optical and Geely fell by 41% and 26% respectively, which significantly damaged our relative and absolute performance.

Sunny Optical Technology, the maker of camera modules and lenses for both the smartphone and auto industries, had been our largest relative overweight holding. Apart from the slowing of global growth, three factors drove down the share price: strategic errors by the company, which allowed an aggressive Chinese competitor to buy Fujifilm's IP very cheaply; the power of software and algorithms to recreate physical processes; and the production of better cameras, facilitated by algorithms rather than purchase of higher specification machines. These factors were instrumental in our decision to sell our holding, despite the 41% fall in the share price. We achieved an exit at nearly four times our initial entry price of £1.456 per share.

Geely Automobile, the rising star of the domestic Chinese auto market, tumbled 26% during the period. The Chinese car market had its weakest year in a while and Geely, although selling more cars than its peers, missed its annual sales target and has forecast zero volume growth for 2019 on the basis that the Chinese car market does not improve this year (we are expecting a small sales decline in 2019). Our investment case was based on Geely's technological improvements being superior to domestic peers, a new product cycle and savvy management that would allow the firm to capture margin and market share. All this has happened; Geely's price/earnings multiple, however, has de-rated back to eight times 2018 earnings because of the short term market outlook.

The move by investors to reduce risk affected the share prices of another group of fast-growing, smaller companies within the portfolio, such as Koh Young Technology (the global leader in 3D optical inspection fell 24%); Douzone Bizon (the dominant online enterprise resource planning software developer in South Korea was down 23%); and cafe24 (the dominant online e-commerce fulfilment business in South Korea was 31% lower). For all three, we see the current malaise as a great buying opportunity – the firms' long-term growth strategies are sound and unaffected by the short-term market turmoil.

The value of our holding in Accton Technology rose 5%, making it one of our top 10 positions. The company is the leader in supplying advanced network switches to the global hyper-scalers, Amazon and Facebook, and retains a 100% market share in the high-end 100G switch segment with both companies. We expect Accton's growth to accelerate in 2019 as it wins orders from an increasing number of large data-centres. It will also be boosted by its first foray into the 5G equipment networks. The dramatic rise of data transmitted over 5G networks means carriers will have to invest in advanced data-centres, creating a new market for Accton.

Investment Environment

We began 2018 with a sense of optimism. Our reasons to be cheerful were numerous and included an expected improvement in global growth, China's accelerating emergence as a technology player, and inflection points in several economies and industries. Given this healthy backdrop for potential growth in corporate profitability, we were inclined to take an optimistic position. Whilst that has largely been reflected in the underlying operations of companies in the portfolio, more adverse macro-economic sentiments were broader drivers for Asia ex Japan.

Underpinning our assumptions is the resurgence of global growth. The International Monetary Fund's current forecast of 3.7% growth for 2018 will likely be confirmed, with the same forecast for 2019. This is the fastest growth since 2011 and should be positive for emerging Asia. The market, however, has taken a more negative position, focused in particular on the potential for a serious economic slowdown in China. Despite some of the negative news, and weak share prices, the reality is that Asia is booming. Regional GDP is set to grow by about US$2 trillion this year and exports are still very strong, growing 10% year-on-year.

We believe that Chinese growth will continue to slow gradually from its high base. Despite the slowdown in 2018, China's contribution to global GDP growth was over 40% and it has rarely been greater (only in 2017 and 2011). At 6% real GDP growth, China remains one of the fastest growing large economies in the world. It is growing more than twice as fast as the US economy and the state is pouring money into advanced technology industries, such as those based on artificial intelligence, quantum computing and biotech. China's 'Made in China 2025' project and 'Belt and Road Initiative' are of global importance.

Whilst a USA/China trade war could be destructive for both nations in the short term, and Chinese markets have reacted to the immediate economic implications, China has tools available to soften the impact of the potential political disruption to its economic growth. A growth slowdown was already expected, with exports and infrastructure becoming a smaller part of GDP growth, and the greater focus on current debt levels preventing a repeat of historic levels of fiscal stimulus. Exports have slowed by no more than we expected a year ago, returning to the underlying pace of global expansion (around 4% year-on-year) after the strong rebound in 2017. The import volume slowdown in the USA is the same as it is for China's other trading partners. It is worth noting that the USA accounts for only one-sixth of overall Chinese exports.

From a global commercial perspective, we believe that the trend of 'digitisation of everything' is becoming more pronounced. This is a long-term pattern driven by the accelerating pace and diffusion of technological change. Only 47% of the world's population used the internet last year and online trade accounted for just 10% of global retail sales; we therefore believe that there is considerable potential for growth ahead. Whilst China receives much of the attention on technological change because of the scale and significance of its leading online companies, the historic underdevelopment of offline alternatives across other Asian markets also provides exciting opportunities for investors. It took Alibaba just 85 seconds to reach US$1 billion revenues on China's Singles' Day; e-commerce penetration in China is currently in the region of 20%. In comparison in ASEAN markets, e-commerce penetration is a paltry 2.2%. It is expected that the growth of ASEAN e-commerce will compound at an annual growth rate of 33% by 2022.

Amidst the ongoing occurrence of geopolitical flashpoints and consequent market volatility, the underlying supply and demand trends in some energy and materials sectors may have been overlooked. We see significant developments in these sectors which should herald positive change for shareholders in coming years. We have continued to broaden the portfolio's exposure to oil and nickel.

Interim Management Report

In respect of our unlisted holdings, and in addition to the unlisted holding in Philtown Properties, which was the consequence of a bonus issue of stock, we also hold unlisted JHL Biotech, which was taken private with a view to listing in Hong Kong, and an associated convertible bond issued as part of its de-listing. In aggregate, the holdings in JHL Biotech have risen 59% after being revalued following a share placement to global pharmaceutical giant Sanofi. JHL Biotech is one of the leaders in bringing biologics drugs to the Chinese population. We expect an IPO by the company in late 2019.

Positioning

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

At 21% 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 future economic advances expected in emerging markets. We are also very excited about our software holdings, currently 5% of the portfolio, and we are actively looking for more investment opportunities in this space. Technology and software companies all have one defining characteristic: when their business model moves from offline to online, economies of scale accelerate, and the market tends to move towards a monopoly or oligopolistic structure, which has the potential to dramatically improve operating margins.

As a result of an ageing population and the arrival of new regenerative medicines, we believe that healthcare demand is, and will continue to be, a global growth driver. Around 8% of the portfolio is invested in biotechnology, life sciences and pharmaceutical stocks which we believe can develop initiatives that have the potential to 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 competitive edge.

We view Vietnam as a key investment area for the portfolio. The country has demonstrated stability amid the recent volatility, and we have been adding to our holdings of select names when share prices have been weaker. We expect to increase our Vietnam weighting in the future.

We look to invest in unlisted opportunities where we cannot find an equivalent in the listed universe of companies, or where we see significant upside. We are happy if the unlisted segment of the portfolio rises, but any new investment decision will be made on a case-by-case basis.

In terms of concentration, the top 10 and top 30 portfolio holdings account for 30% and 62% of total assets respectively. The portfolio has a bias to mid-size and smaller companies when measured against the comparative index (and most immediate peer trusts) and has an active share of over 80%. The Company has borrowings in place which provide potential gearing, if fully invested, of 11% of shareholders' funds. Having reduced exposure towards the end of 2018, the Company had net cash of 1.2% at the period end, compared to invested gearing of 7.9% at its start.

Outlook

The world is becoming more affluent; we are on average richer, healthier and have greater choice in how we spend our time. These trends are pronounced in the so-called emerging world and in Asia ex Japan, home to 50% of the global population.

In Asia, more people have been lifted out of poverty at a faster rate than ever in human history. In many Asian countries, large segments of the population are moving from a focus on economic survival to the relative safety of belonging to the 'middle class'. Savings and consumption are soaring, and there is growing demand for new goods and services.

Technology development and innovation are increasing rapidly. As more people, economies and businesses are connected, ideas will spread and multiply and new businesses will be created at the expense of older less dynamic firms. The adoption of the new is as rapid – and sometimes more so – in Asia ex Japan than in the West.

We are in the information age; besides matter and energy, information is now considered a fundamental building block for the global economy. Information requires huge commercial investments. It is likely that all companies wishing to succeed over the coming decade will need to either create and manipulate information in ever more complex ways or to produce the physical goods which will allow these processes to occur.

We continue to look for change and for those asymmetric opportunities where superior long-term returns can be achieved. This requires investment in a portfolio that is very different from an index, and a willingness to take risk by investing in smaller companies and new business models. Almost inevitably, such an approach brings with it periods of high short-term volatility.

Investor sentiment may continue to be driven by geopolitical events in the immediate future, but we remain steadfastly focused on finding and investing in the best growth companies. We expect solid earnings growth for Asian businesses in 2019 against a less demanding valuation backdrop. Market dislocations of the nature that we have experienced over the last 6 months tend to throw up opportunities. We remain optimistic that the companies in the portfolio will reward shareholders disproportionately in the coming years.

The principal risks and uncertainties facing the Company are set out on page 17.

Baillie Gifford & Co Limited
Managers and Secretaries

Thirty Largest Holdings at 31 January 2019 (unaudited)

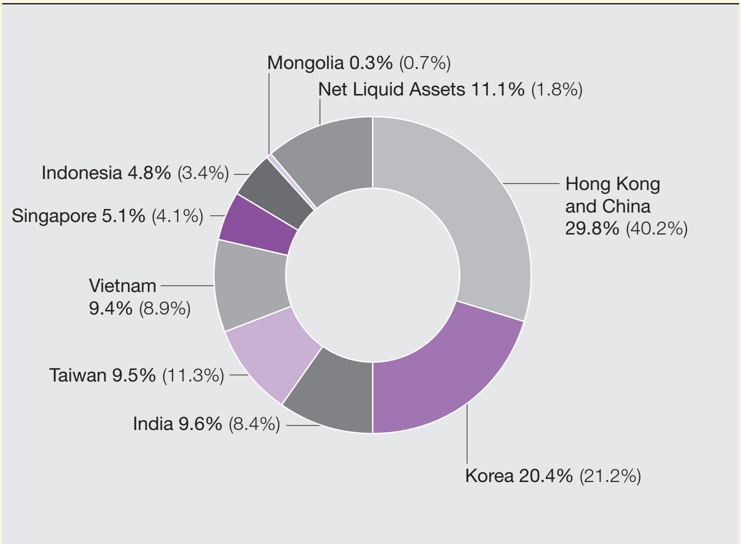
Name	Country	Business	Value £'000	% of total assets *
Alibaba Group ADR	Hong Kong/China	Online and mobile commerce	8,823	4.6
SEA Limited ADR	Singapore	Internet gaming and e-commerce	6,828	3.5
Samsung SDI	Korea	Lithium-ion batteries manufacturer	6,406	3.3
Tencent Holdings	Hong Kong/China	Online gaming and social networking	6,362	3.3
Accton Technology	Taiwan	Server network equipment manufacturer	5,738	3.0
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	5,677	2.9
Ping An Insurance H Shares	Hong Kong/China	Life insurance provider	4,886	2.5
Koh Young Technology	Korea	3D inspection machine manufacturer	4,779	2.5
Geely Automobile	Hong Kong/China	Automobile manufacturer	4,766	2.5
Kingdee International Software	Hong Kong/China	Enterprise management software distributor	4,670	2.4
PT Vale Indonesia	Indonesia	Nickel mining	4,392	2.3
Li Ning	Hong Kong/China	Sportswear apparel supplier	4,224	2.2
CNOOC Ltd	Hong Kong/China	Oil and gas producer	4,016	2.1
JD.com ADR	Hong Kong/China	Online mobile commerce	3,946	2.0
SK Hynix	Korea	Electronic component and device manufacturer	3,839	2.0
PT Aneka Tambang	Indonesia	Nickel mining	3,832	2.0
HDBank	Vietnam	Consumer bank	3,821	2.0
ICICI Bank	India	Retail and corporate bank	3,163	1.6
IndusInd Bank	India	Commercial bank focusing on consumer lending	3,015	1.6
AviChina Industry & Technology H Shares	Hong Kong/China	Aircraft and aircraft parts manufacturer	2,928	1.5
NIO Inc	Hong Kong/China	Electric vehicle original equipment manufacturer	2,794	1.4
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	2,705	1.4
Ping An Bank A Shares	Hong Kong/China	Consumer bank	2,512	1.3
Jianpu Technology ADR	Hong Kong/China	Platform for financial products	2,409	1.2
Info Edge	India	Jobseekers, housing sales and restaurant online review provider	2,345	1.2
Douzone Bizon	Korea	Enterprise resource planning software developer	2,323	1.2
Enzychem Lifesciences	Korea	Manufacturer and distributor of pharmaceuticals	2,288	1.2
Reliance Industries	India	Indian petrochemical company	2,262	1.2
Vincom	Vietnam	Property developer	2,230	1.2
cafe24	Korea	South Korean web service provider	2,099	1.1
			120,078	**62.2**

Hong Kong/China denotes Hong Kong and China.

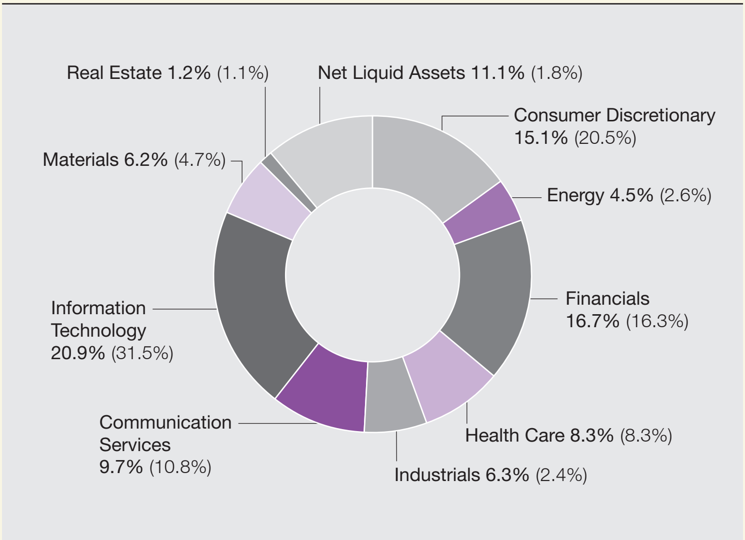
* For a definition of Terms see Glossary of Terms on page 21.

Distribution of Total Assets* (unaudited)

Geographical Analysis at 31 January 2019
(31 July 2018)



Sectoral Analysis at 31 January 2019
(31 July 2018)



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Income Statement (unaudited)

	For the six months ended 31 January 2019 Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments (note 3)	–	(30,198)	**(30,198)**
Currency (losses)/gains	–	(491)	**(491)**
Income from investments and interest receivable	1,054	–	**1,054**
Investment management fee (note 4)	(624)	–	**(624)**
Other administrative expenses	(255)	–	**(255)**
Net return before finance costs and taxation	175	(30,689)	**(30,514)**
Finance costs of borrowings	(212)	–	**(212)**
Net return on ordinary activities before taxation	(37)	(30,689)	**(30,726)**
Tax on ordinary activities	(95)	–	**(95)**
Net return on ordinary activities after taxation	**(132)**	**(30,689)**	**(30,821)**
Net return per ordinary share (note 5)	**(0.22p)**	**(52.62p)**	**(52.84p)**

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 the Company does not have any other comprehensive income and the net return of ordinary activities after taxation is both the profit and comprehensive income for the period.

For the six months ended 31 January 2018 Revenue £'000	Capital £'000	Total £'000	For the year ended 31 July 2018 (audited) Revenue £'000	Capital £'000	Total £'000
–	26,210	**26,210**	–	22,492	**22,492**
–	396	**396**	–	(49)	**(49)**
622	–	**622**	2,032	–	**2,032**
(685)	–	**(685)**	(1,396)	–	**(1,396)**
(238)	–	**(238)**	(534)	–	**(534)**
(301)	26,606	**26,305**	102	22,443	**22,545**
(98)	–	**(98)**	(275)	–	**(275)**
(399)	26,606	**26,207**	(173)	22,443	**22,270**
(63)	–	**(63)**	(155)	–	**(155)**
(462)	**26,606**	**26,144**	**(328)**	**22,443**	**22,115**
(0.85p)	**49.03p**	**48.18p**	**(0.60p)**	**40.90p**	**40.30p**

Balance Sheet (unaudited)

	At 31 January 2019 £'000	At 31 July 2018 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 7)	172,169	221,074
Current assets		
Debtors	332	1,065
Cash and cash equivalents	22,191	3,491
	22,523	4,556
Creditors		
Amounts falling due within one year:		
Bank loan (note 8)	(19,601)	(20,183)
Other creditors	(1,032)	(567)
	(20,633)	(20,750)
Net current assets/(liabilities)	1,890	(16,194)
Net assets	**174,059**	**204,880**
Capital and reserves		
Share capital	5,833	5,833
Share premium account	17,774	17,774
Capital redemption reserve	20,367	20,367
Capital reserve	126,590	157,279
Revenue reserve	3,495	3,627
Shareholders' funds	**174,059**	**204,880**
Net asset value per ordinary share	**298.42p**	**351.26p**
Ordinary shares in issue (note 9)	**58,327,282**	**58,327,282**

Statement of Changes in Equity (unaudited)

For the six months ended 31 January 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve * £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2018	5,833	17,774	20,367	157,279	3,627	**204,880**
Net return on ordinary activities after taxation	–	–	–	(30,689)	(132)	**(30,821)**
Shareholders' funds at 31 January 2019	**5,833**	**17,774**	**20,367**	**126,590**	**3,495**	**174,059**

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**
Shareholders' funds at 31 January 2018	**5,426**	**3,166**	**20,367**	**161,442**	**3,493**	**193,894**

* The Capital Reserve balance at 31 January 2019 includes investment holding gains on investments of £33,441,000 (31 January 2018 – gains of £78,165,000).

Condensed Cash Flow Statement (unaudited)

	Six months to 31 January 2019 £'000	Six months to 31 January 2018 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(30,726)	26,207
Net losses/(gains) on investments	30,198	(26,210)
Currency losses/(gains)	491	(396)
Finance costs of borrowings	212	98
Overseas tax incurred	(97)	(67)
Changes in debtors and creditors	92	246
Cash from operations*	170	(122)
Interest paid	(206)	(92)
Net cash outflow from operating activities	(36)	(214)
Net cash inflow/(outflow) from investing activities	19,261	(1,805)
Shares issuance proceeds received	550	–
Net cash (outflow)/inflow from bank loans	(597)	384
Net cash (outflow)/inflow from financing activities	(47)	384
Increase/(decrease) in cash and cash equivalents	19,178	(1,635)
Exchange movements	(478)	(232)
Cash and cash equivalents at start of period	3,491	2,882
Cash and cash equivalents at end of period	**22,191**	**1,015**

* Cash from operations includes dividend received of £1,160,000 (31 January 2018 – £828,000) and interest received of £81,000 (31 January 2018 – £19,000).

Notes to the Condensed Financial Statements (unaudited)

1 The condensed Financial Statements for the six months to 31 January 2019 comprise the statements set out on pages 8 to 12 together with the related notes on pages 13 to 16. 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 updated in February 2018 with consequential amendments. They 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 2019 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 2018.

Going Concern

Having considered the Company's principal risks and uncertainties, as set out on page 17, together with its current position, investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and projected income and expenditure, 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 2018 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, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying its report, and did not contain statements under sections 498(2) or (3) of the Companies Act 2006.

	Six months to 31 January 2019 £'000	Six months to 31 January 2018 £'000	Year to 31 July 2018 (audited) £'000
3 (Losses)/gains on investments			
Gains on sales	6,719	24,557	28,646
Changes in investment holding gains and losses	(36,917)	1,653	(6,154)
	(30,198)	**26,210**	**22,492**

Notes to the Condensed Financial Statements (unaudited)

4 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 2019 the annual management fee is 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. In the periods before 1 January 2019 covered by this report the fee was 0.95% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets. Management fees are calculated and payable on a quarterly basis.

	Six months to 31 January 2019 £'000	Six months to 31 January 2018 £'000	Year to 31 July 2018 (audited) £'000
5 Net return per ordinary share			
Revenue return on ordinary activities after taxation	(132)	(462)	(328)
Capital return on ordinary activities after taxation	(30,689)	26,606	22,443
Total net return	**(30,821)**	**26,144**	**22,115**
Weighted average number of ordinary shares in issue	**58,327,282**	**54,262,282**	**54,868,308**

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.

6 No interim dividend has been declared.

7 Fair Value Hierarchy

The Company's investments are financial assets held at fair value through profit or loss. 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).

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

7 **Fair Value Hierarchy (continued)**

Investments held at fair value through profit or loss

As at 31 January 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	169,402	–	–	**169,402**
Unlisted equities	–	–	2,767	**2,767**
Total financial asset investments	**169,402**	**–**	**2,767**	**172,169**

As at 31 July 2018 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	216,794	–	787	**217,581**
Unlisted equities	–	–	3,493	**3,493**
Total financial asset investments	**216,794**	**–**	**4,280**	**221,074**

During the period, investments with a combined book cost of £4,734,000 were transferred from Level 3 to Level 1 following either the resumption or commencement of trading in the companies' shares. 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. 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 (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.

8 The Company has a one year multi-currency revolving credit facility of up to £30m with The Royal Bank of Scotland International Limited. At 31 January 2019 there were outstanding drawings of £10.0m and US$12.6m (31 July 2018 – £10.0m and US$13.4m).

9 At 31 January 2019 the Company had authority to buy back up to 8,743,259 ordinary shares on an ad hoc basis as well as a general authority to issues shares and an authority to issue shares or sell shares from treasury on a non pre-emptive basis up to an aggregate nominal amount of £583,272.82, in accordance with authorities granted at the last Annual General Meeting in November 2018. Buy backs will only be made at a discount to net asset value and the Board has authorised use of the issuance authorities to issue new shares or sell shares from treasury 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.

At the last Annual General Meeting in November 2018, the Company also renewed its authority to buy back shares pursuant to a tender offer that will be triggered, at the Board's discretion, 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.

Notes to the Condensed Financial Statements (unaudited)

10 During the period, transaction costs on purchases amounted to £26,000 (31 January 2018 – £66,000; 31 July 2018 – £110,000) and transaction costs on sales amounted to £74,000 (31 January 2018 – £143,000; 31 July 2018 – £336,000).

11 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 8 and 9 of the Company's Annual Report and Financial Statements for the year to 31 July 2018 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 Guidance and Transparency Rule 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 Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board
Jean Matterson
Chairman
26 February 2019

Further Shareholder Information

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 – find out more by visiting **www.pacifichorizon.co.uk**.

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 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.

Risk Warnings (continued)

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 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.

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

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 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.

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.

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

Invested gearing/net cash represents borrowings at par less cash and cash equivalents (as adjusted for investment and share buy-back/issuance transactions awaiting settlement) expressed as a percentage of shareholders' funds.

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.

Alternative performance measure which is considered to be a known industry metric.

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AC Lane
RA Macpherson
RF Studwell

Registered Office

Computershare
Investor Services PLC
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