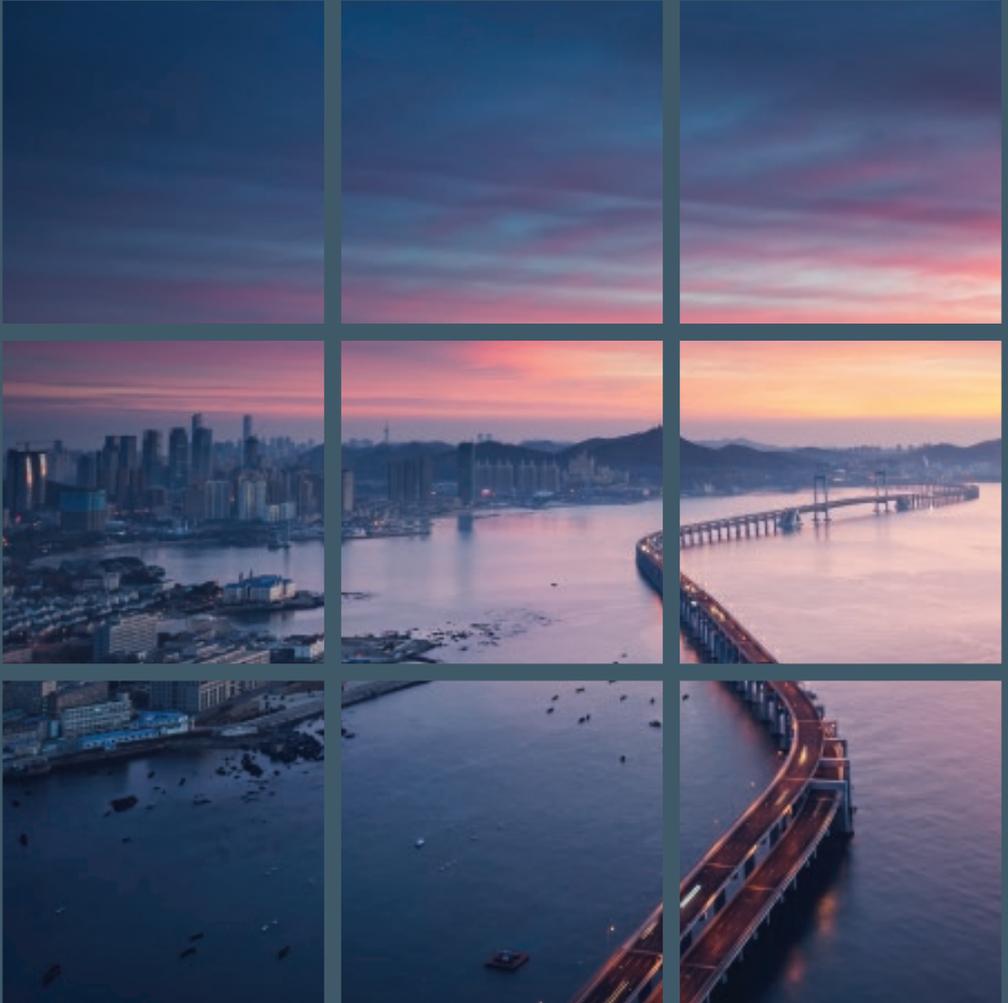


PACIFIC HORIZON INVESTMENT TRUST PLC

Growth²: Embracing growth, disruption
and innovation



Interim Financial Report
31 January 2020





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 2020 | 31 July 2019 (audited) | % change | |
|--|-------------------------------------|-------------------------------------|----------------------|---------|
| Total assets | £225.8m | £223.8m | | |
| Borrowings | £20.0m | £20.4m | | |
| Shareholders' funds | £205.8m | £203.4m | | |
| Net asset value per ordinary share | 348.93p | 344.50p | | 1.3 |
| Share price | 338.00p | 320.00p | | 5.6 |
| MSCI All Country Asia ex Japan Index (in sterling terms)†# | 498.8 | 521.4 | | (4.3) |
| (Discount)/premium‡ | (3.1%) | (7.1%) | | |
| Active share‡ | 83% | 84% | | |
| | Six months to 31 January 2020 | Six months to 31 January 2019 | | |
| Revenue earnings per ordinary share | 0.75p | (0.22p) | | |
| | Six months to 31 January 2020 | Year to 31 July 2019 | | |
| Total return (%)## | | | | |
| Net asset value per ordinary share | 1.3% | (1.9%) | | |
| Share price | 5.6% | (11.8%) | | |
| MSCI All Country Asia ex Japan Index (in sterling terms)† | (3.4%) | 4.2% | | |
| | Six months to 31 January 2020 | | Year to 31 July 2019 | |
| Period's high and low | High | Low | High | Low |
| Net asset value per ordinary share | 377.88p | 323.53p | 357.80p | 276.82p |
| Share price | 364.00p | 302.00p | 367.00p | 264.00p |
| (Discount)/premium‡ | (2.6%) | (10.9%) | 5.5% | (7.5%) |

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 21.

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

Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 20.

‡ Alternative performance measure. See Glossary of Terms and Alternative Performance Measures on page 21.

Past performance is not a guide to future performance.

Interim Management Report

Results

In the six months to 31 January 2020, Pacific Horizon's net asset value (NAV) per share total return was 1.3%. The share price total return was 5.6% as the discount narrowed from 7.1% to 3.1%. Over the same period the MSCI All Country Asia ex Japan Index's total return was -3.4% in sterling terms.

The largest contributors to both absolute and relative portfolio returns were the holdings in Hong Kong/China, Singapore and India, respectively the portfolio's first, third and fifth largest market exposures. These markets declined 5.2%, 8.3%, and 2.9% respectively. With the exception of Vietnam, the portfolio has had little exposure to ASEAN markets and these were amongst the worst performing markets in the period, with Indonesia falling by 10%, Vietnam by 12%, the Philippines by 17% and Thailand by 19%.

Despite the performance of the region's markets, portfolio stock selection was strong, with our holdings outperforming in most regions. At the index level, Technology was the best performing sector, up 12%. The worst were Industrials, down 11%, and Real Estate and Utilities, both down 12%.

During the six months, some of the portfolio's smaller holdings saw significant movement: L&C Bio rose 95%, ST Pharm 80% and Zai Lab 47%. Aslan Pharma and Petro Matad fell 87% and 60% respectively. Of the larger positions, SEA (20%), Li Ning (11%) and Accton (16%) all performed strongly. Ping An Insurance fell by 11%.

Outlook

In many ways, the world is becoming a better place. On average, people are richer and healthier, with more choice than ever in how they live their lives. This trend is particularly pronounced within the emerging world and in Asia ex Japan, home to 50% of the world's population. Despite all the media and political noise to the contrary, as well as the disruptive effect of the COVID-19 Coronavirus outbreak, these trends will probably continue for decades to come.

We continue to be excited about Asia, where more people are being lifted out of poverty faster than ever in history. Income in many of the Asian countries is reaching the tipping point where large chunks of the population move from a subsistence existence to middle class lifestyles. As their savings and their appetite for consumption soar, they demand new goods and services. It is our belief that this wealth-creating locomotive will gather speed over the next decade.

The pace of technological innovation is increasing fast. As more people, economies and businesses get connected, ideas spread and multiply, new businesses are created and old ones are lost at an accelerating rate. The adoption of the new is as rapid and sometimes faster in Asia ex Japan than in the West. Huge fortunes will continue to be made and lost as new technologies cause the existing order to become outdated and irrelevant.

We live in the age of information. Alongside matter and energy, information is now seen as a fundamental economic building block. Unlike matter and energy, it cannot exist on its own, and takes huge resources to create and maintain. Companies wishing to succeed over the next decade need to either create and manipulate information in evermore complex ways or make the devices that gather data that enables these transformations.

In the technology and information revolution, it is our belief that we are closer to the beginning than the end. The world in 2030 will be dramatically different from today's world, in ways we cannot yet fathom. For example, we have only just entered the era of machine learning. The future growth trajectory of electric and autonomous vehicles is only now becoming visible.

We are currently looking at the ways in which the millennials (under-40s) and Generation Z (20-somethings) will transform the world. How will their tastes, social habits and consumption patterns differ from those of their parents? The current

For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 21.

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

Past performance is not a guide to future performance.

Interim Management Report

millennial generation, much of it based in Asia, could become the world's first truly globalised citizenry, connected 24/7. In this new world, fashions and trends will be set in the east as much as in the west.

This growth in the Asian middle class will make new calls on the world's resources. Despite technological change, demand for commodities is likely to keep rising. Certain sectors will benefit from converging trends, as when increasing availability of electric vehicles meets a growing Asian middle class.

We remain optimistic. Change is happening rapidly, though not evenly. There will be periods of rapid growth, followed by periods of stress and retrenchment where the painful effects of change come to the fore.

In the last six months we have seen these effects in the streets of Hong Kong, scenes of violent demands for greater democracy. The roots of the unrest lie in the confusion and uncertainty about Hong Kong's place in the world. As the former British colony's economic importance to China wanes, and mainland immigration is seen to be threatening Cantonese culture, rising property prices have accentuated the gap between winners and losers.

Elsewhere in China, the COVID-19 Coronavirus outbreak suggests that, despite all the country's technological wizardry and high-rise urbanisation, food and hygiene standards could be improved further. Perceptions of the Chinese Communist Party's handling of this health crisis could help shape domestic politics for years to come. In the short term, while China's economy will be severely affected by the virus, we believe that China was already showing signs of increased economic activity and we expect it to undergo a V-shaped economic recovery in the third or final quarter of 2020.

We continue to look for evidence of change and its impact on society. We seek asymmetric opportunities where the prospect of superior long-term returns vastly outweighs the risks of failure. In so doing, we will take risks and intentionally look for investment opportunities in smaller companies and those with new business models. The resulting portfolio can be volatile and look very different from the index, but we believe this strategy provides us with the opportunity to deliver significant long-term outperformance compared to the comparative index.

One such company with a focus on cultural change is Hypebeast, a recent new purchase for the portfolio. The small Hong Kong company's name refers to a target customer who is 'hyped-up' about the latest fashion item and will do anything to get it. These are the kind of consumers who queue all night at Nike to buy the latest limited-edition shoes. Hypebeast operates the world's leading site dedicated to this sub-culture. Having rare trainers or other streetwear fashion fits people's need for a distinctive identity. We expect rapid growth for the company from its expanded China operations in the next few years.

Stock Highlights

The majority of the portfolio's outperformance in the period under review came from its holdings in China, South Korea and Singapore and those investments categorised within the technology sector.

The small positive absolute return of the portfolio over the last six months can be largely attributed to a limited number of stocks. These companies have demonstrated that they are able to take advantage of one or more of the following themes:

1. increased time being spent in the virtual world;
2. low cost mobile device and payments systems encouraging mass consumption;
3. increased shared online photo and video content encouraging personal differentiation;
4. rising nationalism; and
5. 'picks and shovels' – technological hardware facilitating new industries and trends.

SEA Limited

Headquartered in Singapore, SEA Limited is a leading publisher of computer games and provider of e-commerce services in Southeast Asia. We bought into the company at IPO at US\$15 and added a year later at US\$12. The stock is now at US\$46. This is a great example of what happens when everything goes right. When we first looked at the stock, ASEAN markets were between five and 10 years behind China in both e-commerce and mobile gaming. We concluded, however, that the sudden and rapid penetration of smartphones in these markets would change this, meaning that both the gaming and the e-commerce total addressable market could compound above 20% for a decade.

Having met management both in London and in Indonesia, the largest market, we felt that SEA had the best on-the-ground e-commerce team in ASEAN, despite fears that bigger players were entering these markets. Particularly interesting was the founder's management style of having a core group to whom he delegated significant power. They in turn delegated down through the firm's separate divisions. Two years on, we can see more clearly the firm's ability to become a leading publisher and developer of online games, not only in ASEAN but also in other emerging markets. Its global hit game Free Fire has 450 million users. In addition, Shopee, SEA's subsidiary, has the potential to emerge as the number one e-commerce platform in Southeast Asia.

Li Ning

The rise of Instagram and other picture and video sharing apps means that online images are becoming more important for younger generations. In China, diversity of opinion is not the preferred route to personal differentiation. Self-image projected through clothing therefore becomes increasingly significant, as evidenced by the growth in Chinese demand for street fashion. Li Ning, a domestic Chinese company, has long had a strong sports footwear brand but struggled to gain market share against the likes of Nike and Adidas. It recently installed a new management team that has developed a successful online strategy and launched a new style collection based on China's heritage; this has helped deliver over 50 times growth in earnings per share since 2016. Li Ning has the potential to become not only a leading sportswear brand but also a cornerstone of Chinese millennials' capacity to create individual identity.

Accton Technology

Taiwan's Accton Technology designs and manufactures network switches for large data centres. These utilitarian products connect computers to a network and are the Internet age's equivalent of the picks and shovels in a 19th century gold rush. Accton is the leader in 'white box' technology (hardware supplied to other manufacturers) and unbranded switches. It moved early into Facebook's

network and now supplies all the main US Internet companies. Having invested heavily in research and development when competitors were retrenching, it controls the leading-edge technology in this field, giving it a vital advantage in gaining market share and boosting margins in a fast-growing niche market.

Positioning

The portfolio is well-positioned to take full advantage of the growth of the Asian consumer market and of rapid technological change. In this period of disinflationary growth, our investment focus is on companies that generate ideas rather than companies that make things. We seek those that are asset-light, not asset-heavy and have output that is scalable.

Our philosophy is that innovation beats stability and that new businesses have an advantage over the old. The portfolio is therefore positioned to reflect these underlying technology-driven disinflationary forces.

At 22.9% of total assets, technology companies continue to account for the largest proportion of the stocks held in the portfolio, although the portfolio is notably underweight in Chinese technology companies compared to our index. Several of the technology companies in our portfolio are well-placed to benefit from expected economic advances in emerging markets. Good examples include: Samsung SDI, where we expect a tenfold increase in electric vehicle (EV) batteries over the next five years; the above-mentioned Accton Technology; Korean inspection technology specialists Koh Young; and Taiwan's Kingpak, a leader in advanced driver-assistance systems (ADAS).

We are also very excited about our software holdings, living as we do by the mantra 'software can replace everything'. We currently own Kingdee, China's leading online enterprise resource planning developer, Douzone Bizon, a South Korean enterprise resource planning software developer and Cafe24, a South Korean web services provider. This area is currently 6.2% of the portfolio and we are actively looking for more investment opportunities.

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These companies all have one defining characteristic: when they move their offline business online, economies of scale accelerate and the market moves towards a monopoly or oligopolistic structure that hugely benefits them and can therefore dramatically improve operating margins.

An increase in the old-age population and the arrival of new regenerative medicines mean that demand for healthcare will be a driver of global growth.

At present, 7.3% of the portfolio is invested in biotechnology, life sciences and pharmaceutical stocks, many of which are South Korean. We believe that regenerative and personalised medicine has the ability to make a substantial improvement to quality of life. It is a significant and increasing contributor to the South Korean economy's competitive edge.

There is one unlisted stock in the portfolio at present, JHL Biotech of Taiwan. The company was revalued downwards in the period, following the loss of potential business from a new drug. We took advantage of a capital restructuring to redeem the associated convertible bond, which delivered a 22% total return in sterling terms since its purchase in 2016.

In terms of concentration, the top 10 holdings account for 39.1% of the portfolio and the top 30 account for 71.3%. The portfolio has a bias to mid-sized and smaller companies when measured against the comparative index, and our most immediate peers. At present, the Company has potential to borrow additional funds for investment purposes of up to 10% of assets (gearing) and we ended the period 8% geared.

Although sentiment and market noise will continue to be driven by geopolitical volatility, we remain steadfastly focused on finding the best growth companies with the best potential for long term returns for the portfolio. Accelerating technological change and the increasing wealth of a growing Asian middle class are just a few of the factors underpinning our enthusiasm for the region which continues to produce many truly great growth businesses. We believe these firms will generate superior returns for investors over the coming years.

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

Baillie Gifford & Co Limited
Managers and Secretaries

Baillie Gifford Statement on Stewardship

Reclaiming Activism for Long-Term Investors

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of long-term value creation

We encourage company management and their boards to be ambitious and focus their investments on long-term value creation. We understand that it is easy for businesses to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal long-term outcomes.

We regard it as our responsibility to steer businesses away from destructive financial engineering towards activities that create genuine economic value over the long run. We are happy that our value will often be in supporting management when others don't.

A constructive and purposeful board

We believe that boards play a key role in supporting corporate success and representing the interests of minority shareholders. There is no fixed formula, but it is our expectation that boards have the resources, cognitive diversity and information they need to fulfil these responsibilities. We believe that a board works best when there is strong independent representation able to assist, advise and constructively test the thinking of management.

Long-term focused remuneration with stretching targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create alignment

with genuine long-term shareholders. We are accepting of significant pay-outs to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair treatment of stakeholders

We believe it is in the long-term interests of companies to maintain strong relationships with all stakeholders, treating employees, customers, suppliers, governments and regulators in a fair and transparent manner. We do not believe in one-size-fits-all governance and we recognise that different shareholder structures are appropriate for different businesses. However, regardless of structure, companies must always respect the rights of all equity owners.

Sustainable business practices

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

Thirty Largest Holdings at 31 January 2020 (unaudited)

| Name | Geography | Business | Value £'000 | % of total assets* |
|--|-----------|--|----------------|--------------------------|
| SEA Limited ADR | Singapore | Internet gaming and e-commerce | 21,983 | 9.7 |
| Alibaba Group ADR | HK/China | Online and mobile commerce | 13,120 | 5.8 |
| JD.com ADR | HK/China | Online mobile commerce | 8,343 | 3.7 |
| Li Ning | HK/China | Sportswear apparel supplier | 8,292 | 3.7 |
| Samsung SDI | Korea | Electrical equipment manufacturer | 7,369 | 3.3 |
| Accton Technology | Taiwan | Server network equipment manufacturer | 6,668 | 3.0 |
| Dragon Capital Vietnam Enterprise Investments | Vietnam | Vietnam investment fund | 5,766 | 2.6 |
| Ping An Insurance H Shares | HK/China | Life insurance provider | 5,758 | 2.5 |
| Tencent Holdings | HK/China | Online gaming and social networking | 5,630 | 2.5 |
| CNOOC Ltd | HK/China | Oil and gas producer | 5,230 | 2.3 |
| ICICI Bank ADR | India | Retail and corporate bank | 5,098 | 2.3 |
| Ping An Bank A Shares | China 'A' | Consumer bank | 5,003 | 2.2 |
| Koh Young Technology | Korea | 3D inspection machine manufacturer | 4,995 | 2.2 |
| Douzone Bizon | Korea | Enterprise resource planning software developer | 4,744 | 2.1 |
| Kingdee International Software | HK/China | Enterprise management software distributor | 4,737 | 2.1 |
| SK Hynix | Korea | Electronic component and device manufacturer | 4,525 | 2.0 |
| Zai Lab ADR | HK/China | Biopharmaceutical company | 3,842 | 1.7 |
| Jadestone | Singapore | Oil and gas explorer and producer | 3,821 | 1.7 |
| Info Edge | India | Multi-service online review aggregator | 3,801 | 1.7 |
| MediaTek | Taiwan | Taiwanese electronic component manufacturer | 3,703 | 1.6 |
| HDBank | Vietnam | Consumer bank | 3,378 | 1.5 |
| Korea Zinc | Korea | Non-ferrous metals smelter and manufacturer | 3,266 | 1.4 |
| L&C Bio | Korea | Medical equipment manufacturer | 3,232 | 1.4 |
| PT Vale Indonesia | Indonesia | Nickel miner | 3,224 | 1.4 |
| Nickel Mines | Indonesia | Base metals miner | 2,950 | 1.3 |
| Military Commercial Joint Stock Bank | Vietnam | Retail and corporate bank | 2,766 | 1.2 |
| PT Aneka Tambang | Indonesia | Nickel miner | 2,591 | 1.1 |
| Reliance Industries | India | Petrochemicals, telecommunications and retail | 2,588 | 1.1 |
| Chunghwa Precision Test Tech | Taiwan | Printed circuit board manufacturer | 2,547 | 1.1 |
| Vincom | Vietnam | Property developer | 2,448 | 1.1 |
| | | | 161,418 | 71.3 |

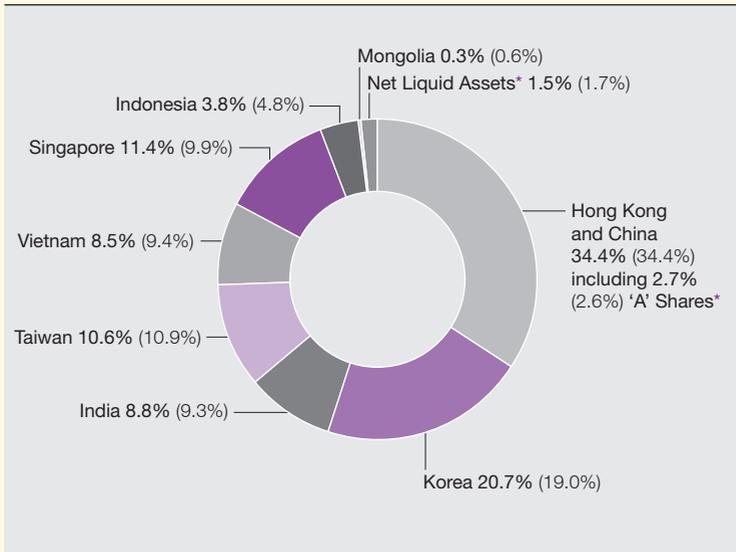
HK/China denotes Hong Kong and China (China 'A' denotes 'A' shares*).

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 21.

Distribution of Total Assets* (unaudited)

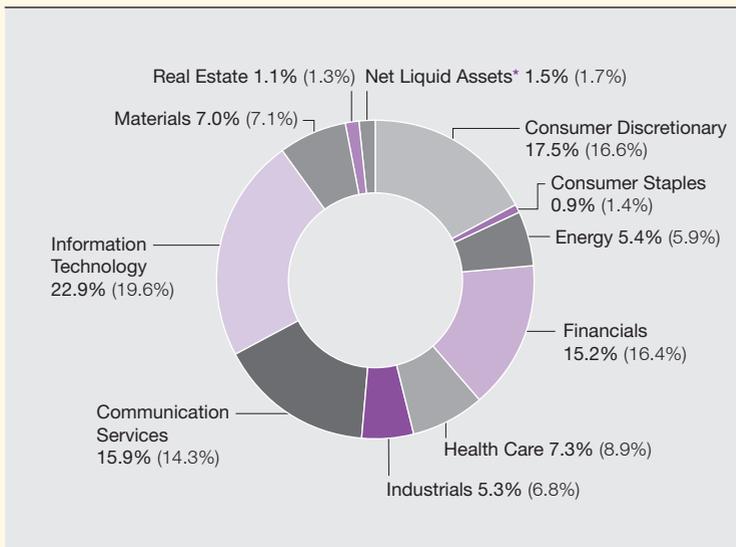
Geographical Analysis at 31 January 2020

(31 July 2019)



Sectoral Analysis at 31 January 2020

(31 July 2019)



* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 21.

Income Statement (unaudited)

| | For the six months ended 31 January 2020 | | | For the six months ended 31 January 2019 | | | For the year ended 31 July 2019 (audited) | | |
|--|--|------------------|----------------|--|------------------|-----------------|---|------------------|----------------|
| | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 | Revenue £'000 | Capital £'000 | Total £'000 |
| Gains/(losses) on investments | – | 1,665 | 1,665 | – | (30,198) | (30,198) | – | (3,116) | (3,116) |
| Currency gains/(losses) | – | 632 | 632 | – | (491) | (491) | – | (781) | (781) |
| Income from investments and interest receivable | 1,645 | – | 1,645 | 1,054 | – | 1,054 | 2,473 | – | 2,473 |
| Investment management fee (note 3) | (687) | – | (687) | (624) | – | (624) | (1,297) | – | (1,297) |
| Other administrative expenses | (222) | – | (222) | (255) | – | (255) | (542) | – | (542) |
| Net return before finance costs and taxation | 736 | 2,297 | 3,033 | 175 | (30,689) | (30,514) | 634 | (3,897) | (3,263) |
| Finance costs of borrowings | (197) | – | (197) | (212) | – | (212) | (440) | – | (440) |
| Net return on ordinary activities before taxation | 539 | 2,297 | 2,836 | (37) | (30,689) | (30,726) | 194 | (3,897) | (3,703) |
| Tax on ordinary activities | (95) | (142) | (237) | (95) | – | (95) | (186) | – | (186) |
| Net return on ordinary activities after taxation | 444 | 2,155 | 2,599 | (132) | (30,689) | (30,821) | 8 | (3,897) | (3,889) |
| Net return per ordinary share (note 4) | 0.75p | 3.65p | 4.40p | (0.22p) | (52.62p) | (52.84p) | 0.01p | (6.65p) | (6.64p) |

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

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

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return of ordinary activities after taxation is both the profit and total comprehensive income for the period.

Balance Sheet (unaudited)

| | At 31 January 2020 £'000 | At 31 July 2019 (audited) £'000 |
|--|--------------------------------|--|
| Fixed assets | | |
| Investments held at fair value through profit or loss (note 6) | 222,416 | 219,984 |
| Current assets | | |
| Debtors | 1,151 | 636 |
| Cash and cash equivalents | 3,032 | 3,627 |
| | 4,183 | 4,263 |
| Creditors | | |
| Amounts falling due within one year: | | |
| Bank loan (note 7) | (19,969) | (20,405) |
| Other creditors | (652) | (492) |
| | (20,621) | (20,897) |
| Net current liabilities | (16,438) | (16,634) |
| Total assets less current liabilities | 205,978 | 203,350 |
| Creditors | | |
| Amounts falling due after more than one year: | | |
| Provision for deferred tax liability (note 8) | (143) | – |
| Net assets | 205,835 | 203,350 |
| Capital and reserves | | |
| Share capital (note 9) | 5,903 | 5,903 |
| Share premium account | 20,063 | 20,063 |
| Capital redemption reserve | 20,367 | 20,367 |
| Capital reserve | 155,423 | 153,382 |
| Revenue reserve | 4,079 | 3,635 |
| Shareholders' funds | 205,835 | 203,350 |
| Net asset value per ordinary share* (note 10) | 348.93p | 344.50p |

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on page 21.

Statement of Changes in Equity (unaudited)

For the six months ended 31 January 2020

| | Share capital £'000 | Share premium account £'000 | Capital redemption reserve £'000 | Capital reserve* £'000 | Revenue reserve £'000 | Shareholders' funds £'000 |
|--|------------------------|--------------------------------|-------------------------------------|---------------------------|--------------------------|------------------------------|
| Shareholders' funds at 1 August 2019 | 5,903 | 20,063 | 20,367 | 153,382 | 3,635 | 203,350 |
| Net return on ordinary activities after taxation | – | – | – | 2,155 | 444 | 2,599 |
| Shares bought back into Treasury (note 9) | – | – | – | (114) | – | (114) |
| Shareholders' funds at 31 January 2020 | 5,903 | 20,063 | 20,367 | 155,423 | 4,079 | 205,835 |

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 |

* The Capital Reserve balance at 31 January 2020 includes investment holding gains on investments of £65,938,000 (31 January 2019 – gains of £33,441,000).

Condensed Cash Flow Statement (unaudited)

| | Six months to 31 January 2020 £'000 | Six months to 31 January 2019 £'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Net return on ordinary activities before taxation | 2,836 | (30,726) |
| Net (gains)/losses on investments | (1,665) | 30,198 |
| Currency (gains)/losses | (632) | 491 |
| Finance costs of borrowings | 197 | 212 |
| Overseas tax incurred | (97) | (97) |
| Changes in debtors and creditors | 161 | 92 |
| Cash from operations* | 800 | 170 |
| Interest paid | (203) | (206) |
| Net cash inflow/(outflow) from operating activities | 597 | (36) |
| Net cash (outflow)/inflow from investing activities | (1,274) | 19,261 |
| Shares issued | – | 550 |
| Shares bought back into Treasury | (114) | – |
| Net cash inflow/(outflow) from bank loans | 249 | (597) |
| Net cash inflow/(outflow) from financing activities | 135 | (47) |
| (Decrease)/increase in cash and cash equivalents | (542) | 19,178 |
| Exchange movements | (53) | (478) |
| Cash and cash equivalents at start of period | 3,627 | 3,491 |
| Cash and cash equivalents at end of period | 3,032 | 22,191 |

* Cash from operations includes dividends received of £1,626,000 (31 January 2019 – £1,160,000) and interest received of £201,000 (31 January 2019 – £81,000).

Notes to the Condensed Financial Statements (unaudited)

- 1 The condensed Financial Statements for the six months to 31 January 2020 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 October 2019. 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 2020 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 2019.

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

Notes to the Condensed Financial Statements (unaudited)

| | Six months to 31 January 2020 £'000 | Six months to 31 January 2019 £'000 | Year to 31 July 2019 (audited) £'000 |
|--|--|--|--|
| 4 Net return per ordinary share | | | |
| Revenue return on ordinary activities after taxation | 444 | (132) | 8 |
| Capital return on ordinary activities after taxation | 2,155 | (30,689) | (3,897) |
| Total net return | 2,599 | (30,821) | (3,889) |
| Weighted average number of ordinary shares in issue | 59,008,380 | 58,327,282 | 58,565,364 |

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 (excluding Treasury Shares) during each period.

There are no dilutive or potentially dilutive shares in issue.

5 No interim dividend has been declared.

6 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 below.

Investments held at fair value through profit or loss

| As at 31 January 2020 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
|--|------------------|------------------|------------------|----------------|
| Listed equities | 222,000 | – | – | 222,000 |
| Unlisted equities | – | – | 416 | 416 |
| Total financial asset investments | 222,000 | – | 416 | 222,416 |

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

6 Fair Value Hierarchy (continued)

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.

- 7 The Company has a one year multi-currency revolving credit facility of up to £30 million with The Royal Bank of Scotland International Limited. At 31 January 2020 there were outstanding drawings of £10.0 million and US\$13.1 million (31 July 2019 – £10.0 million and US\$12.7 million).

8 Provision for Deferred Tax Liability

The deferred tax liability provision at 31 January 2020 of £143,000 (31 July 2019 – nil) relates to a potential liability for Indian capital gains tax that may arise on the Company's Indian investments should they be sold in the future, based on the net unrealised taxable capital gain at the period end and on enacted Indian tax rates. The amount of any future tax amounts payable may differ from this provision, depending on the value and timing of any future sales of such investments and future Indian tax rates.

| | At 31 January 2020 | | At 31 July 2019 (audited) | |
|--|--------------------|--------------|---------------------------|--------------|
| | Number | £'000 | Number | £'000 |
| 9 Share Capital: allotted, called up and fully paid | | | | |
| Ordinary shares of 10p each in issue | 58,990,282 | 5,899 | 59,027,282 | 5,903 |
| Ordinary shares of 10p each held in Treasury | 37,000 | 4 | – | – |
| | 59,027,282 | 5,903 | 59,027,282 | 5,903 |

In the six months to 31 January 2020 a total of 37,000 ordinary shares were bought back into Treasury at a total cost of £114,000. Under the provisions of the Company's Articles of Association, share buy-backs are funded from the Capital Reserve.

At 31 January 2020 the Company had authority to buy back a further 8,842,643 ordinary shares on an ad hoc basis as well as a general authority to issue 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 £590,272.82. In accordance with authorities granted at the last Annual General Meeting in November 2019, 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.

Notes to the Condensed Financial Statements (unaudited)

| | | At 31 January 2020 | At 31 July 2019 (audited) |
|--|---------------|-----------------------|------------------------------|
| 10 Net Asset Value Per Share | | | |
| Shareholders' Funds (Net Asset Value) | (a) | £205,835,000 | £203,350,000 |
| Ordinary shares in issue (excluding Treasury Shares) | (b) | 58,990,282 | 59,027,282 |
| Net Asset Value Per Share | (a ÷ b x 100) | 348.93p | 344.50p |

- 11** During the period, transaction costs on purchases amounted to £31,000 (31 January 2019 – £26,000; 31 July 2019 – £101,000) and transaction costs on sales amounted to £99,000 (31 January 2019 – £74,000; 31 July 2019 – £109,000).

12 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 page 8 of the Company's Annual Report and Financial Statements for the year to 31 July 2019 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
Angus Macpherson
Chairman
4 March 2020

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.

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.

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>.

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 (including Chinese 'A' shares) 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.

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.

Risk Warnings (continued)

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, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

MSCI Index Data

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Glossary of Terms and Alternative Performance Measures (APM)

Total Assets

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

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 (excluding shares held in Treasury). See note 10 on page 16.

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities (excluding borrowings) and provisions for deferred liabilities.

Discount/Premium (APM)

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 (APM)

The total return is the return to shareholders after reinvesting the net dividend on the date that the share price goes ex-dividend. In periods where no dividend is paid, the total return equates to the capital return.

China 'A' Shares

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

Gearing (APM)

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

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

Invested gearing/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 (APM)

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

Treasury Shares

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

Directors

Chairman:
RA Macpherson

EG Creasy
AC Lane
RF Studwell

Registered Office

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

Alternative Investment Fund Managers and Secretaries

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

Registrar

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

Depository

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

Broker

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

Independent Auditor

BDO LLP
150 Aldersgate Street
London
EC1A 4AB

Company Details

www.pacifichorizon.co.uk
Company Registration
No. 02342193
ISIN GB0006667470
Sedol 0666747
Ticker PHI
Legal Entity Identifier:
VLGEI9B8R0REWKB0LN95

Further Information

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