

## RNS Announcement: Preliminary Results

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# Pacific Horizon Investment Trust PLC

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Legal Entity Identifier: VLGEI9B8R0REWKB0LN95

Regulated Information Classification: Additional regulated information required to be disclosed under applicable laws.

### Results for the year to 31 July 2021

The following is the Preliminary Results Announcement for the year to 31 July 2021 which was approved by the Board on 21 September 2021.

## Chairman's Statement

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### Performance

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

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

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

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

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

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

The portfolio is managed actively with the objective of outperforming its comparative index over the long term by aspiring to invest in the highest growth companies in the fastest growing region in the world; or as the managers call it, 'growth squared'. Neither absolute nor relative returns will be consistent; it is more likely that future performance will continue to be volatile and shareholders would be prudent to anticipate periods when returns are less favourable.

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## **Portfolio Manager**

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

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

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

## **Issuance, Share Buy-backs and Treasury**

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

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

At the forthcoming AGM in November, the Board will be seeking an additional 10% non pre-emptive issuance authority to run concurrently with the authority granted in March 2021. Issuance will continue to be undertaken only at a premium to the NAV per share, thereby avoiding dilution for existing investors. When this authority is utilised in this manner, it enhances NAV per share, improving liquidity in the Company's shares and spreading the operating expenses of the Company across a wider base, thus reducing costs to each shareholder.

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

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

## **Earnings and Dividend**

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

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As highlighted in past reports, investors should not consider investing in this Company if they require income from their investment as the Company typically invests in high growth stocks with little or no yield.

## **Gearing**

The Board continues to set the gearing parameters within which the portfolio managers are permitted to operate, and these are reviewed regularly. At present, the agreed range of equity gearing is minus 15% (i.e. holding net cash) to plus 15%. At the year end, invested gearing was 4%, unchanged versus the start of the year.

Gearing is achieved through the use of bank borrowings. At present the Company has a multi-currency revolving credit facility with The Royal Bank of Scotland for up to £60 million, which provides for potential invested gearing of 9% at present and which was fully drawn at 31 July 2021, split between GBP and USD.

## **The Board**

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

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

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

## **Governance and Stewardship**

As highlighted previously, the Board is acutely aware that shareholders expect the highest standards of governance. Our Managers, Baillie Gifford, adopt a position of supportive and constructive engagement without prescriptive policies or rules, assessing matters on a case-by-case basis. As part of maximising long-term performance for the benefit of the Company's shareholders, the Managers consider Environmental, Social and Governance ('ESG') factors as part of the investment case. While Baillie Gifford has clearly articulated ESG principles and a detailed policy framework, their application to often quite complex situations is necessarily subjective.

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 33 of the Annual Report and Financial Statements. A document outlining Baillie Gifford's Governance and Sustainability principles can be found on the Baillie Gifford website [bailliegifford.com](http://bailliegifford.com).

## **Private Company Investments**

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

Baillie Gifford has a dedicated investment team for investing in private companies. This team is responsible for approximately US\$8.1 billion of private company investment across more than 80 companies in different geographic locations. It is seeing an increasing number of potential investment ideas across the Asia Pacific and Indian Sub-continent, particularly in India, that have not yet come to market and would be complementary to the Company's portfolio. Investing in companies before IPO can be valuable beyond the

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possible benefit of an earlier and hopefully cheaper entry price. Establishing early relationships with management teams can build a greater understanding of a business than a time-pressured IPO allows, as well as offering better access and allocation, which results in the ability and conviction to invest further upon listing. Although the Managers still have 2.8 percentage points of headroom to invest in unlisted (private company) equities, any upward revaluation of existing holdings or future funding rounds could mean that the 10% limit might curtail investments in potentially exciting opportunities. The Board therefore believes that it would be in the interest of shareholders to have additional capacity to invest.

## **Continuation of the Company**

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

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

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

## **Annual General Meeting**

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

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

Should the situation change, further information will be made available through the Company's website at [pacifichorizon.co.uk](http://pacifichorizon.co.uk) and the London Stock Exchange regulatory news service.

## **Outlook**

There will always be uncertainty. Asia, however, appears to have weathered the impact of Covid-19 and is arguably in a more robust state than much of the developed world, having accumulated less debt and encountered less economic disruption. Global economic conditions will have an influence on companies' performance, but new businesses and new business models will continue to grow and challenge incumbents, driven in part by digitalisation and the dynamism of corporate Asia's management teams. As evidenced by

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portfolio performance, active portfolio management is key, as not every business will thrive and it is incumbent on the managers to remain alert to new investment opportunities and threats to existing holdings. Considerable future volatility is possible, however patient long-term investors could be rewarded with significant returns.

Angus Macpherson  
Chairman  
21 September 2021

\*Calculated on a total return basis. Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See Disclaimer at the end of this announcement.

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Past performance is not a guide to future performance.

# Managers' Review

## **Overview**

What defines us is growth. We believe Asia ex Japan will be one of the fastest growing regions over the coming decades and we strive to be invested in its fastest growing companies. It is growth multiplied by growth or, as we like to call it, 'Growth Squared' ('Growth<sup>2</sup>').

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

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

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

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

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

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

## **Philosophy**

We are excited by the future. We are growth investors looking to invest in the top twenty percent of the fastest growing companies in the region. Believing that time is on our side, we are patient. We seek out companies whose business models and management teams are likely to fulfil their ambitions. We look for areas where our ideas give us an edge over the market over a longer timeframe.

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

We are particularly interested in three specific and persistent inefficiencies:

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## 1) Underappreciated growth duration

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

## 2) Underappreciated growth pace

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

## 3) Underappreciated growth surprise

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

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

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

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

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

Data as at 31 July 2021, source: Baillie Gifford, UBS PAS, APT, MSCI (see disclaimer at the end of this announcement).

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

Finally, we continue to believe that the rapid development of technology is creating a fundamental change in market behaviour, with digitalisation driving profound changes in economic and political systems, businesses and consumer habits. The number of sectors and industries that are becoming digitalised and connected is increasing rapidly. There is growing awareness of these changes across the globe. Artificial intelligence ('AI') is now taken for granted and the concept of electric rather than internal combustion engine cars is seen as a commercial inevitability rather than a distant vision.

### **Review**

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

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

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

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

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

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

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

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

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

### **Performance**

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

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

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

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

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

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

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

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

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

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

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

### **Environmental, Social and Governance Considerations**

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

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

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For our long-term investments to be successful, the companies in which we invest must add value to society. This can be achieved in various ways. For example, the products of our regenerative biotech companies may allow many to benefit from otherwise unachievable medical cures, our internet companies provide goods and services at prices and in quantities previously beyond the reach of many, while our technology holdings are enabling the fastest increase in human connectivity and information on record.

Lastly, it is very important to us that the interests of minority shareholders are upheld. We remain careful to make sure our investments are aligned with those of majority shareholders and owners.

## **Outlook**

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

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

\* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer at the end of this announcement.

For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

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## Baillie Gifford Statement on Stewardship

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### **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.

# Pacific Horizon Investment Trust PLC

## Income Statement

The following is the Preliminary Statement for the year to 31 July 2021 which was approved by the Board on 21 September 2021.

	For the year ended 31 July 2021			For the year ended 31 July 2020		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	-	208,671	208,671	-	79,433	79,433
Currency gains	-	35	35	-	731	731
Income (note 2)	3,561	-	3,561	3,128	-	3,128
Investment management fee (note 3)	(3,475)	-	(3,475)	(1,533)	-	(1,533)
Other administrative expenses	(729)	-	(729)	(479)	-	(479)
Net return before finance costs and taxation	(643)	208,706	208,063	1,116	80,164	81,280
Finance costs of borrowings	(465)	-	(465)	(337)	-	(337)
Net return on ordinary activities before taxation	(1,108)	208,706	207,598	779	80,164	80,943
Tax on ordinary activities	706	(9,137)	(8,431)	(215)	(74)	(289)
Net return on ordinary activities after taxation	(402)	199,569	199,167	564	80,090	80,654
Net return per ordinary share (note 4)	(0.51p)	253.70p	253.19p	0.95p	134.99p	135.94p

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

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

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

# Pacific Horizon Investment Trust PLC

## Balance Sheet

	At 31 July 2021		At 31 July 2020	
	£'000	£'000	£'000	£'000
<b>Fixed assets</b>				
Investments held at fair value through profit or loss (note 5)		<b>725,122</b>		316,952
<b>Current assets</b>				
Debtors	<b>1,387</b>		885	
Cash and cash equivalents	<b>31,766</b>		12,146	
	<b>33,153</b>		13,031	
<b>Creditors</b>				
Amounts falling due within one year (note 7)	<b>(61,966)</b>		(25,504)	
<b>Net current liabilities</b>		<b>(28,813)</b>		(12,473)
<b>Creditors</b>				
Amounts falling due after more than one year:				
Provision for tax liability (note 8)		(9,078)		(76)
<b>Net assets</b>		<b>687,231</b>		304,403
<b>Capital and reserves</b>				
Share capital		<b>8,843</b>		6,317
Share premium account		<b>221,354</b>		40,048
Capital redemption reserve		<b>20,367</b>		20,367
Capital reserve		<b>433,041</b>		233,472
Revenue reserve		<b>3,626</b>		4,199
<b>Shareholders' funds</b>		<b>687,231</b>		304,403
<b>Net asset value per ordinary share*</b>		<b>777.15p</b>		481.92p
<b>Ordinary shares in issue (note 9)</b>		<b>88,429,704</b>		63,165,282

\* See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

# Pacific Horizon Investment Trust PLC

## Statement of Changes in Equity

For the year ended 31 July 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve <sup>†</sup> £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2020	6,317	40,048	20,367	233,472	4,199	304,403
Net return on ordinary activities after taxation	-	-	-	199,569	(402)	199,167
Ordinary shares bought back into treasury (note 9)	-	-	-	(2,132)	-	(2,132)
Ordinary shares sold from treasury (note 9)	-	442	-	2,132	-	2,574
Ordinary shares issued (note 9)	2,526	180,864	-	-	-	183,390
Dividends appropriated in the year (note 10)	-	-	-	-	(171)	(171)
<b>Shareholders' funds at 31 July 2021</b>	<b>8,843</b>	<b>221,354</b>	<b>20,367</b>	<b>433,041</b>	<b>3,626</b>	<b>687,231</b>

For the year ended 31 July 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve <sup>†</sup> £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2019	5,903	20,063	20,367	153,382	3,635	203,350
Net return on ordinary activities after taxation	-	-	-	80,090	564	80,654
Ordinary shares bought back into treasury (note 9)	-	-	-	(114)	-	(114)
Ordinary shares sold from treasury (note 9)	-	60	-	114	-	174
Ordinary shares issued (note 9)	414	19,925	-	-	-	20,339
<b>Shareholders' funds at 31 July 2020</b>	<b>6,317</b>	<b>40,048</b>	<b>20,367</b>	<b>233,472</b>	<b>4,199</b>	<b>304,403</b>

† The Capital Reserve balance at 31 July 2021 includes investment holding gains on fixed asset investments of £287,279,000 (31 July 2020 – gains of £122,011,000).

# Pacific Horizon Investment Trust PLC

## Cash Flow Statement

	For the year ended 31 July 2021		For the year ended 31 July 2020	
	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>				
Net return on ordinary activities before taxation		<b>207,598</b>		80,943
Net gains on investments		<b>(208,671)</b>		(79,433)
Currency gains		<b>(35)</b>		(731)
Finance costs of borrowings		<b>465</b>		337
Overseas withholding tax		<b>(304)</b>		(222)
Indian CGT paid on transactions		<b>(135)</b>		-
Corporation tax refunded		<b>992</b>		-
Changes in debtors and creditors		<b>916</b>		129
<b>Cash from operations †</b>		<b>826</b>		1,023
Interest paid		<b>(430)</b>		(367)
<b>Net cash inflow from operating activities</b>		<b>396</b>		656
<b>Cash flows from investing activities</b>				
Acquisitions of investments	<b>(298,606)</b>		(94,628)	
Disposals of investments	<b>98,014</b>		77,120	
<b>Net cash outflow from investing activities</b>		<b>(200,592)</b>		(17,508)
<b>Cash flows from financing activities</b>				
Ordinary shares bought back into treasury (note 9)	<b>(2,132)</b>		(114)	
Ordinary shares sold from treasury (note 9)	<b>2,574</b>		174	
Ordinary shares issued (note 9)	<b>183,368</b>		20,344	
Borrowings drawn down	<b>37,529</b>		4,513	
Equity dividends paid	<b>(171)</b>		-	
<b>Net cash inflow from financing activities</b>		<b>221,168</b>		24,917
<b>Increase in cash and cash equivalents</b>		<b>20,972</b>		8,065
Exchange movements		<b>(1,352)</b>		454
Cash and cash equivalents at 1 August		<b>12,146</b>		3,627
<b>Cash and cash equivalents at 31 July</b>		<b>31,766</b>		12,146

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

# Pacific Horizon Investment Trust PLC

## List of Investments as at 31 July 2021

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

# Pacific Horizon Investment Trust PLC

## List of Investments as at 31 July 2021 (ctd)

Name	Geography	Business	Value £'000	% of total assets ‡
EO Technics	Korea	Manufacturer and distributor of semiconductor laser markers	7,108	1.0
Reliance Industries	India	Indian petrochemical company	7,015	0.9
Kingdee International	HK/China	Enterprise management software distributor	6,925	0.9
PT Vale Indonesia	Indonesia	Nickel miner	6,312	0.8
IDFC Bank	India	Indian infrastructure developer	6,305	0.8
Dhani Services	India	Digital healthcare and transactional finance company	6,257	0.8
Zai Lab ADR	HK/China	Biopharmaceutical company	6,234	0.8
Star Health & Allied Insurance Co <sup>u</sup>	India	Health insurance company	5,992	0.8
Bioneer	Korea	Drug researcher and developer	5,969	0.8
SDI Corporation	Taiwan	Stationery and lead frames for semiconductors manufacturer	5,813	0.8
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	5,776	0.8
Lemon Tree Hotels	India	Owner and operator of a chain of Indian hotels and resorts	5,376	0.7
KH Vatec Company	Korea	Electronic component and device manufacturer	5,208	0.7
Phoenix Mills	India	Commercial property manager	5,175	0.7
Jindal Steel & Power	India	Steel, power, mining and infrastructure company	5,146	0.7
S-Fuelcell	Korea	Fuel cell manufacturer	5,008	0.7
Prestige Estate Projects	India	Owner and operator of residential real estate properties	4,912	0.7
Kaspi.Kz JSC GDR	Kazakhstan	Kazakh fintech	4,864	0.6
Douzone Bizon	Korea	Enterprise resource planning software developer	4,325	0.6
Lufax Holdings	HK/China	Online internet finance marketplace	4,324	0.6
Alibaba Group ADR	HK/China	Online and mobile commerce	4,305	0.6
Korea Zinc	Korea	Non-ferrous metals smelter and manufacturer	4,286	0.6
Skipper	India	Transmission and distribution structures provider	3,969	0.5
Wuxi Lead Intelligent Equipment Co A Shares	HK/China	Manufacturer of electronic capacitors, solar energy and lithium battery equipment	3,946	0.5
Saigon Securities	Vietnam	Brokerage and securities company	3,839	0.5
Chalice Mining	HK/China	Miner	3,775	0.5
AU Small Finance Bank	India	Consumer finance bank	3,676	0.5
HUYA ADR	HK/China	Live-streaming game platform	3,658	0.5
L&C Bio	Korea	Medical equipment manufacturer	3,476	0.5
ST Pharm	Korea	Manufacturer of specialist pharmaceutical ingredients	3,470	0.5
Han's Laser Technology A Shares	HK/China	Electronic equipment manufacturer	3,396	0.5

# Pacific Horizon Investment Trust PLC

## List of Investments as at 31 July 2021 (ctd)

Name	Geography	Business	Value £'000	% of total assets ‡
Genexine	Korea	Therapeutic vaccine researcher and developer	3,272	0.4
Tsugami Precision	HK/China	Industrial machinery manufacturer	3,264	0.4
China Conch Venture Holdings	HK/China	Provider of environmentally-friendly building materials and solutions	3,187	0.4
Techtronic Industries	HK/China	Power tool manufacturer	3,060	0.4
Ping An Insurance H Shares	HK/China	Life insurance provider	3,024	0.4
Big Hit Entertainment	Korea	Korean media company	2,946	0.4
China Oilfield Services	HK/China	Oilfield services	2,905	0.4
CIMC Vehicles H Shares	HK/China	Manufacturer of trailers and trucks	2,872	0.4
iClick Interactive Asia Group	HK/China	Online marketing technology platform	2,805	0.4
CNOOC	HK/China	Oil and gas producer	2,794	0.4
NCSOFT	Korea	Computer games developer	2,765	0.4
India Capital Growth Fund	India	Indian investment trust	2,577	0.3
Hypebeast	HK/China	Digital media and ecommerce company	2,492	0.3
Indigo Paints	India	Indian paint manufacturer	2,388	0.3
Flitto	Korea	Internet based service provider	2,345	0.3
Genius Electronic Optical	Taiwan	Lens manufacturer for phones and cameras	2,243	0.3
Vingroup JSC	Vietnam	Property developer	2,198	0.3
Burning Rock Biotech ADR	HK/China	Chinese developer of oncology and early cancer detection technology	2,153	0.3
AirTac International Group	Taiwan	Pneumatic components manufacturer	2,150	0.3
SK Hynix	Korea	Electronic component and device manufacturer	2,043	0.3
ICICI Lombard	India	General insurance provider	2,021	0.3
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	1,981	0.3
Enzychem Lifesciences	Korea	Biopharmaceutical company	1,972	0.3
Intron Biotechnology	Korea	Antibiotics drug researcher	1,951	0.3
Nexteer Automotive	HK/China	Producer of automotive components	1,737	0.2
KE Holdings ADR	HK/China	Chinese real-estate platform	1,541	0.2
ICICI Prudential Life Insurance	India	Life insurance provider	1,493	0.2
Guangzhou Kingmed Diagnostics A Shares	HK/China	Chinese healthcare provider	1,218	0.2
Shennan Circuits	HK/China	Chinese printed circuit board manufacturer	1,021	0.1
Vinh Hoan Corporation	Vietnam	Food producer	906	0.1
Brilliance China Automotive <sup>S</sup>	HK/China	Minibus and automotive components manufacturer	877	0.1
Huayu Automotive Systems A Shares	HK/China	Auto parts manufacturer	860	0.1
Ping An Bank A Shares	HK/China	Consumer bank	788	0.1
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	679	0.1

# Pacific Horizon Investment Trust PLC

## List of Investments as at 31 July 2021 (ctd)

Name	Geography	Business	Value £'000	% of total assets ‡
Venustech	HK/China	Chinese software developer	412	0.1
Beijing Thunisoft Corp	HK/China	Chinese software developer	313	0.0
Chime Biologics <sup>Ⓛ</sup>	HK/China	Biopharmaceutical company	174	0.0
Eden Biologics <sup>Ⓛ</sup>	Taiwan	Biopharmaceutical company	131	0.0
Philtown Properties <sup>Ⓛ</sup>	Philippines	Property developer	0	0.0
<b>Total Investments</b>			<b>725,122</b>	<b>96.9</b>
<b>Net Liquid Assets<sup>‡</sup></b>			<b>22,892</b>	<b>3.1</b>
<b>Total Assets</b>			<b>748,014</b>	<b>100.0</b>

HK/China denotes Hong Kong and China.

‡ For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Ⓛ Denotes private company (unlisted) investment.

Ⓢ Denotes suspended investment.

	Listed equities %	Unlisted (private company) securities <sup>†</sup> %	Net liquid assets %	Total assets %
<b>31 July 2021</b>	<b>89.7</b>	<b>7.2</b>	<b>3.1</b>	<b>100.0</b>
31 July 2020	95.1	1.2	3.7	100.0

Figures represent percentage of total assets.

† Includes holdings in ordinary shares and preference shares.

# Pacific Horizon Investment Trust PLC

## Distribution of Total Assets‡

### Geographical Analysis

		At 31 July 2021 %	At 31 July 2020 %
Equities:	Hong Kong and China	<b>27.0</b> (inc 2.9 A Shares‡)	41.1 (inc 2.6 A Shares‡)
	Korea	<b>14.5</b>	19.5
	Taiwan	<b>3.5</b>	7.9
	Vietnam	<b>5.6</b>	5.0
	India	<b>28.9</b>	6.8
	Singapore	<b>9.8</b>	10.3
	Indonesia	<b>5.5</b>	5.2
	Other	<b>2.1</b>	0.5
Total equities		<b>96.9</b>	96.3
Net liquid assets		<b>3.1</b>	3.7
Total assets		<b>100.0</b>	100.0

### Sectoral Analysis

		At 31 July 2021 %	At 31 July 2020 %
Equities:	Consumer Discretionary	<b>13.8</b>	18.6
	Communication Services	<b>13.3</b>	16.6
	Consumer Staples	<b>0.1</b>	0.7
	Energy	<b>4.0</b>	3.5
	Financials	<b>8.6</b>	7.2
	Healthcare	<b>4.0</b>	10.8
	Industrials	<b>10.1</b>	6.9
	Information Technology	<b>17.5</b>	22.9
	Materials	<b>21.0</b>	8.5
	Real Estate	<b>4.5</b>	0.6
Total equities		<b>96.9</b>	96.3
Net liquid assets		<b>3.1</b>	3.7
Total assets		<b>100.0</b>	100.0

‡ For a definition of terms see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

# Pacific Horizon Investment Trust PLC

## Notes to the Financial Statements

1. The Financial Statements for the year to 31 July 2021 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and on the basis of the accounting policies set out in the Annual Report and Financial Statements which are unchanged from the prior year and have been applied consistently.

	31 July 2021 £'000	31 July 2020 £'000
<b>2. Income from Investments</b>		
Overseas dividends	<b>3,495</b>	3,027
Overseas interest	-	89
	<b>3,495</b>	<b>3,116</b>
<b>Other income</b>		
Deposit interest	<b>66</b>	12
<b>Total income</b>	<b>3,561</b>	<b>3,128</b>

3. The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager (AIFM) and Company Secretaries. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice.

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

	31 July 2021 £'000	31 July 2020 £'000
<b>4. Net return per ordinary share</b>		
Revenue return on ordinary activities after taxation	<b>(402)</b>	564
Capital return on ordinary activities after taxation	<b>199,569</b>	80,090
<b>Total return</b>	<b>199,167</b>	<b>80,654</b>
<b>Weighted average number of ordinary shares in issue</b>	<b>78,661,987</b>	<b>59,331,304</b>

The figures for net return per ordinary share are based on the above totals for revenue and capital and the weighted average number of ordinary shares (excluding treasury shares) in issue during the year.

There are no dilutive or potentially dilutive shares in issue.

5. **Fixed Assets - Investments**

As at 31 July 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	670,144	<b>877</b>	-	<b>671,021</b>
Unlisted equities	-	-	54,101	<b>54,101</b>
<b>Total financial asset investments</b>	<b>670,144</b>	<b>877</b>	<b>54,101</b>	<b>725,122</b>

# Pacific Horizon Investment Trust PLC

## Notes to the Financial Statements (ctd)

### 5. Fixed Assets – Investments (ctd)

As at 31 July 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	312,835	-	-	312,835
Unlisted equities	-	-	4,117	4,117
<b>Total financial asset investments</b>	<b>312,835</b>	<b>-</b>	<b>4,117</b>	<b>316,952</b>

Investments in securities are financial assets held at fair value through profit or loss. In accordance with Financial Reporting Standard 102, the tables above provide an analysis of these investments based on the fair value hierarchy described below, which reflects the reliability and significance of the information used to measure their fair value. During the year, a listed equity investment with a fair value at the previous year end of £2,024,000 was transferred from Level 1 to Level 2 when its shares were suspended and a write-down from the last traded price was applied, to reflect the reputational impact of the suspension on the underlying business.

#### Fair Value Hierarchy

The fair value hierarchy used to analyse the fair values of financial assets is described below. The levels are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

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

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

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

The Company's unlisted ordinary share investments at 31 July 2021 were valued using a variety of techniques. These include using comparable company performance, comparable scenario analysis and assessment of milestone achievement at investee companies. The determinations of fair value included assumptions that the comparable companies and scenarios chosen for the performance assessment provide a reasonable basis for the determination of fair value. In some cases the latest dealing price is considered to be the most appropriate valuation basis, but only following assessment using the techniques described above.

The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The valuation process recognises also, as stated in the IPEV Guidelines, that the price of a recent investment may be an appropriate starting point for estimating fair value, however it should be evaluated using the techniques described above.

6. The purchases and sales proceeds figures above include transaction costs of £344,000 (2020 – £116,000) and £164,000 (2020 – £133,000) respectively, total transaction costs being £508,000 (2020 – £249,000). The Company received £98,836,000 (2020 – £77,364,000) from investments sold during the year. The book cost of these investments when they were purchased was £55,433,000 (2020 – £57,558,000). These investments have been revalued over time and, until they were sold, any unrealised gains/losses were included in the fair value of the investments. Of the realised gains on sales of investments during the year of £43,403,000 (2020 - £19,806,000), a net gain of £32,525,000 (2020 – gain of £11,114,000) was included in investment holding gains at the previous year end.

# Pacific Horizon Investment Trust PLC

## Notes to the Financial Statements (ctd)

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### 7. Creditors – Amounts falling due within one year

The Company has a one year multi-currency revolving credit facility of up to £60 million with Royal Bank of Scotland International Limited (31 July 2020 – up to £30 million) which expires on 13 March 2022. At 31 July 2021 there were outstanding drawings of £20,000,000 and US\$56,704,000 at interest rates of 0.65977% and 0.74975% respectively (31 July 2020 – £12,500,000 and US\$15,935,500 at interest rates of 0.71891% and 0.83874% respectively), maturing in September 2021. The main covenants relating to the loan are that borrowings should not exceed 20% of the Company's adjusted net asset value and the Company's net asset value should be at least £240 million. There were no breaches in the loan covenants during the year.

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

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### 8. Provision for Deferred Tax Liability

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

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	2021 Number of shares	2020 Number of shares
<b>Called up share capital: ordinary shares of 10p each</b>	<b>88,429,704</b>	63,165,282

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In the year to 31 July 2021, the Company issued 25,264,422 ordinary shares with a nominal value of £2,526,000, representing 40% of the issued share capital at 31 July 2020, at a premium to net asset value, raising net proceeds of £183,832,000 (2020 – 4,138,000 ordinary shares with a nominal value of £414,000, raising net proceeds of £20,399,000). 325,134 shares (representing 1% of the issued share capital at 31 July 2020) were bought back during the year and subsequently reissued from treasury. At 31 July 2021 the Company had authority to buy back 10,086,063 ordinary shares on an ad hoc basis and to allot or sell from treasury 20,945,164 ordinary shares without application of pre-emption rights. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

# Pacific Horizon Investment Trust PLC

## 10. Ordinary Dividends

	2021	2020	2021 £'000	2020 £'000
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### Amounts recognised as distributions in the year:

Previous year's final (paid 13 November 2020)	0.25p	-	171	-
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We set out below the total dividends proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. There is a revenue deficit for the year to 31 July 2021 (revenue available for distribution by way of dividend for 2020 - £564,000).

	2021	2020	2021 £'000	2020 £'000
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### Amounts paid and payable in respect of the financial year:

Proposed final (2020 final paid 13 November 2020)	-	0.25p	-	171
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11. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 July 2021 or 2020 but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies, and those for 2021 will be delivered in due course. The auditor has reported on these accounts; the reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under sections 498 (2) or 498(3) of the Companies Act 2006.

12. The Annual Report and Financial Statements will be available on the Company's page on the Managers' website [pacifichorizon.co.uk](http://pacifichorizon.co.uk) on or around 1 October 2021.

‡ Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

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

## Glossary of Terms and Alternative Performance Measures (APM)

### Total Assets

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

### Shareholders' Funds and Net Asset Value

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

### Net Liquid Assets

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

### Discount/Premium (APM)

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

### Total Return (APM)

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

# Pacific Horizon Investment Trust PLC

## Glossary of Terms and Alternative Performance Measures (APM) (Ctd)

### Ongoing Charges (APM)

The total recurring expenses (excluding the Company's cost of dealing in investments and borrowing costs) incurred by the Company as a percentage of the daily average net asset value, as detailed below.

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

### China 'A' Shares

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

### Treasury Shares

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

### Gearing (APM)

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

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

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

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

### Leverage (APM)

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

# Pacific Horizon Investment Trust PLC

## Active Share (APM)

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

## Compound Annual Return (APM)

The compound annual return converts the return over a period of longer than one year to a constant annual rate of return applied to the compound value at the start of each year.

## Unlisted (Private) Company

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

## Third Party Data Provider Disclaimer

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**Pacific Horizon Investment Trust PLC (Pacific Horizon) aims to achieve capital growth through investment in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent. The Company has total assets of £748.0 million (before deduction of loans of £60.8 million) at 31 July 2021.**

Pacific Horizon is managed by Baillie Gifford & Co Limited, the Edinburgh based fund management group.

Past performance is not a guide to future performance. Pacific Horizon is a public listed company and is not authorised or regulated by the Financial Conduct Authority. The value of its shares and any income from those shares can fall as well as rise and you may not get back the amount invested. Pacific Horizon invests in overseas securities, changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up. Pacific Horizon invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment. 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

## Pacific Horizon Investment Trust PLC

decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2021. You can find up to date performance information about Pacific Horizon on the Pacific Horizon page of the Managers' website at [www.pacifichorizon.co.uk](http://www.pacifichorizon.co.uk).†

† Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement.

22 September 2021

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