



Pacific Horizon

Investment companies | Annual overview | 6 December 2023

Consistent growth and quality bias

Despite the significant headwinds that have faced both Asia and growth strategies during the last 12 months, Pacific Horizon's (PHI's) **net asset value (NAV)** has held up so that its long-term (five- and 10-year) track record of outperformance versus peers (see pages 20 and 21) remains intact.

PHI's portfolio continues to offer strong growth prospects (forecast earnings growth of 14.8%, versus 5.7% from its MSCI All Countries Asia Pacific ex Japan Index performance benchmark; and 8.0% forecast sales growth versus 3.5%. Both illustrate PHI's consistent bias to high growth and good quality stocks), but PHI's portfolio still looks cheap (a **price-earnings ratio** of 13.7x versus 12.9x for the benchmark – it has historically traded at a much higher premium).

With signs that interest rates have peaked, particularly in the US, there is potential both for a rerating of PHI's underlying holdings and a narrowing of its above long-term average share price **discount to NAV**. In addition, the managers have been adding to China to take advantage of the extreme valuation opportunity it offers.

Focused on Asia ex Japan growth stocks

PHI invests in the Asia-Pacific region (excluding Japan) and in the Indian subcontinent 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 mostly of quoted securities, although it may hold up to 15% of total assets in unlisted investment opportunities, measured at the time of initial investment.

Sector	Asia Pacific
Ticker	PHI LN
Base currency	GBP
Price	534.0p
NAV	598.9p
Premium/(discount)	(10.8%)
Yield	0.6%



PHI's shares are now trading at discounts that are at the wide end of its five-year discount range.



PHI could see a resurgence if the outlook for growth continues to improve.



Growth stocks will ultimately outpace the returns of structurally-challenged companies with lower or no growth prospects.





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Domicile	UK
Inception date	September 1989
Manager	Roderick Snell and Ben Durrant
Market cap	485.0m
Shares outstanding (exc. treasury shares)	90.8m
Daily vol. (1-yr. avg.)	140.6k shares
Net cash	1.0%

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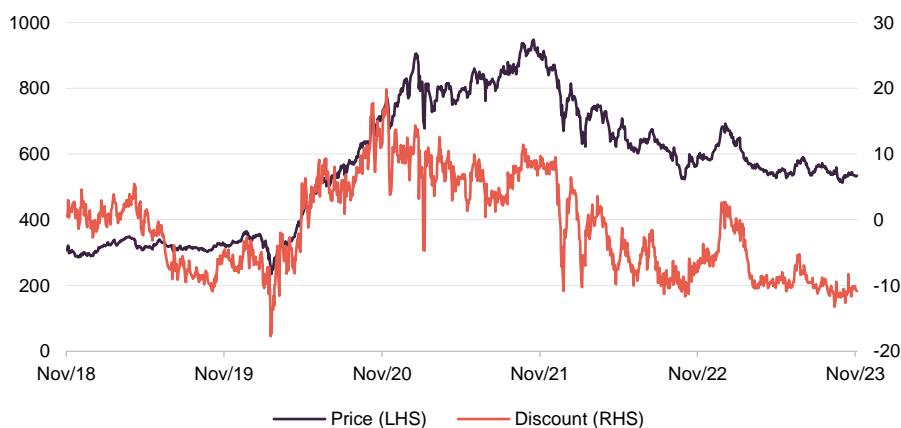


At a glance

Share price and discount

Whilst PHI has traded at a premium to NAV for a significant portion of the last five years, rising inflation expectations and interest rates have weighed on the trust as investors have rotated away from growth stocks. PHI is now trading at discounts that are at the wide end of its five-year discount range and, at this level, there is significant discount narrowing potential. If its holdings can achieve the level of performance that its managers expect, PHI should return to decent NAV growth, which should help narrow the discount.

Time period 30 November 2018 to 4 December 2023

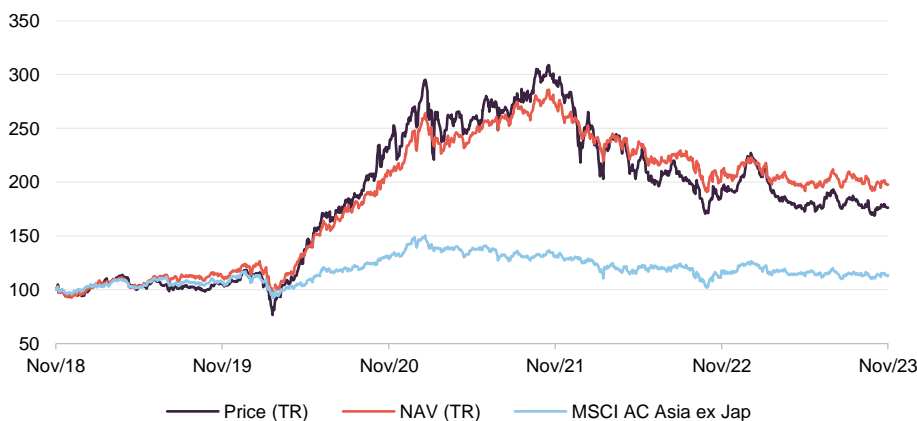


Source: Morningstar, Marten & Co

Performance over five years

PHI has a good long-term record of outperformance but has given back some of this as investors have rotated away from growth. More recently, as inflationary pressures have eased, there have been signs that PHI's relative performance has stabilised. PHI could see a resurgence if the outlook for growth continues to improve and, regardless, its managers believe its holdings returns should outpace those of structurally-challenged companies with lower or no growth prospects.

Time period 30 November 2018 to 30 November 2023



Source: Morningstar, Marten & Co

Year ended	Share price total return (%)	NAV total return (%)	MSCI AC Asia Ex-Japan total return (%)	MSCI AC World total return (%)
30/11/2019	5.2	11.9	6.3	12.1
30/11/2020	119.9	86.6	21.0	11.4
30/11/2021	26.1	30.3	1.3	20.4
30/11/2022	(33.6)	(22.4)	(9.4)	(1.8)
30/11/2023	(8.9)	(6.3)	(3.9)	5.4

Source: Morningstar, Marten & Co

Fund profile

Additional information is available at the managers' website:

www.bailliegifford.com

Pacific Horizon (PHI) is an Asia ex Japan investment trust that specialises in investing in growth companies. Baillie Gifford & Co (Baillie Gifford) has been appointed to manage PHI's portfolio on behalf of Baillie Gifford & Co Limited, the trust's alternative investment fund manager (AIFM). Baillie Gifford has managed PHI since 1992. Baillie Gifford is a long-term **growth investor** and it believes that there is a significant opportunity to outperform markets over the long term using this approach.

Pacific Horizon was promoted to the FTSE 250 index with effect from 27 January 2023.

About the manager

Well-resourced investment team.

Baillie Gifford has 155 investors/analysts based in its Edinburgh office, with a further four in the US and five in China (these exclude **ESG** analysts). It is structured as a partnership and encourages a collegiate approach to managing money, although it allows its portfolio managers the freedom to have the final say about their portfolios. It managed or advised on about £216.6bn at the end of September 2023. PHI and the Baillie Gifford Pacific Fund (its **open-ended** equivalent) had combined total assets of roughly £3.06bn as at 30 September 2023.

Roderick Snell, who is the senior fund manager for Baillie Gifford's Asia ex Japan strategies, is the lead manager of PHI's portfolio. He is supported by Ben Durrant, who was appointed as deputy manager in January 2023.

PHI is managed by Roderick Snell (lead manager) and Ben Durrant (deputy manager).

Roderick Snell joined Baillie Gifford in 2006 and became a partner in 2023. He has managed the Baillie Gifford Pacific Fund open-end investment company (OEIC) since 2010 and has been lead manager of PHI's portfolio since June 2021, having been its deputy manager since September 2013. Prior to joining Baillie Gifford's emerging markets team, Roderick spent time in its UK and European equity teams. Roderick is a co-manager on the Baillie Gifford China Growth Trust and co-manager of the emerging markets leading companies strategy. Roderick graduated from the University of Edinburgh in 2006 and a BSc (Hons) in Medical Biology.

Ben Durrant joined Baillie Gifford in 2017 and, prior to joining the emerging markets team, spent time in Baillie Gifford's UK, global discovery and private markets teams. Prior to joining Baillie Gifford, Ben worked for RBS in their group strategy and corporate finance team. Ben is a chartered accountant and a CFA charterholder. He graduated from the University of Edinburgh in 2012 with a BSc (Hons.) in Mathematics. Ben has co-managed the Baillie Gifford Pacific Fund since 2021.

PHI is a stock-picking fund that bears little resemblance to the MSCI All Country Asia ex Japan Index comparative index.

The process and philosophy that is used to manage PHI has been the same for the last 30 years.

Roderick says that their natural inclination is to be cognisant of political and macroeconomic influences in Asia and that thematic considerations are always in the back of their minds. However, they think that you only really get to see the big picture by being a bottom-up stock picker (looking first at the attractions of individual stocks). This is very much a stock-picking fund, and the portfolio bears very little resemblance to the fund’s MSCI All Country Asia ex Japan Index comparative index (the **active share** of PHI’s portfolio at the end of September 2023 was 83% – unchanged from when we last published).

The pair spend most of their time in meeting companies and undertaking stock-specific research. The process and philosophy that is used to manage PHI has been the same for the last 30 years.

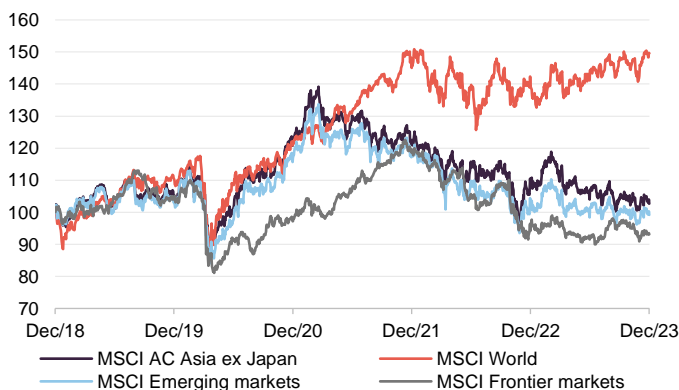
Market roundup – attractive valuations following Asia weakness

As we discussed in our December 2022 note, inflation has not been particularly high in Asia, but Asian markets have suffered as interest rates have risen overseas – especially in the US – leading to capital flows away from the region. This combined with economic weakness in China, has contributed to Asian market weakness.

However, aside from the Chinese market, which suffered as the authorities had clamped down on sectors such as technology, education and housing, Asia as a whole was a relative bright spot within the global economy.

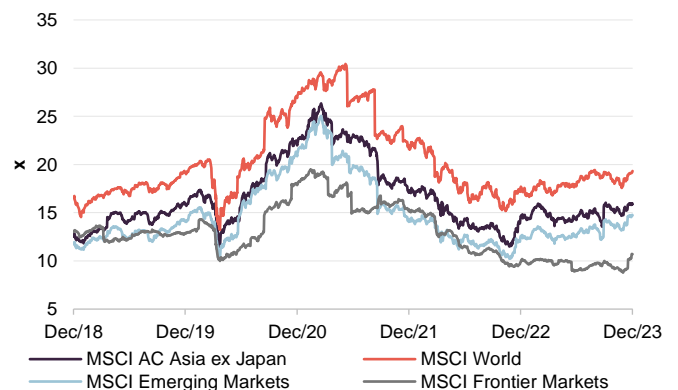
The last 12 months have been relatively tough for both growth-style investing and Asia and while many companies have continued to do well operationally, the macroeconomic outlook has outweighed other considerations and their progress has not been properly reflected in their share prices. This has left Asia ex Japan trading at attractive valuations versus history and global equities.

Figure 1: Index total return performance over five years, rebased to 100



Source: Bloomberg, Marten & Co

Figure 2: Index forward 12-month price/earnings ratios over five years



Source: Bloomberg, Marten & Co

Managers' view

The managers' long-term arguments for investing in growth companies in emerging Asia remain broadly unchanged, and we recommend that readers see our previous notes for more discussion (these are listed on page 29). It should be noted that, whilst the managers are cognisant of macroeconomic issues and takes long-term structural themes into consideration, the portfolio is very much managed **bottom-up**. A key summary is as follows:

- China and the broader Asia Pacific ex Japan region offer very strong growth prospects. PHI's mandate gives it exposure to more than 3bn consumers across Asia. Pre-pandemic, the International Monetary Fund forecast that the per-capita spending power of Chinese consumers would nearly double in US dollar terms over the five-year period to 2024. The Chinese government's regulatory interference appears to have peaked and there is an opportunity to add to tech at depressed valuations.
- The managers still have little appetite for domestic Hong Kong stocks. Hong Kong has been a hugely profitable gateway into the mainland, helped by tax-free price differentials, but the outlook for retail spending and tourism still appear to be challenged.
- PHI's managers still like India and the long-term structural growth opportunities that it offers (particularly those of the new economy companies in the country), but Indian valuations continue to look full, and the managers have been reducing exposure to India in favour of China, reflecting their view that the latter is now more constructive on a medium-term view (see below). However, India still remains the largest overweight.
- The managers continue to like Vietnam, where they continue to see strong long-term growth opportunities in this particularly under-researched market.
- The managers have continued to emphasise cyclical recovery over duration and pace (see pages 6 and 7 of our December 2022 note for more explanation of these terms).
- Digitalisation, technological change and the rise of the Asian middle class continue to be key themes within PHI's portfolio.
- Asian markets still look well-positioned. There is very little inflation and, unlike in the west, there are positive real interest rates. Asia has also been much less dependent on hot money (an influx of funds from short-term investors looking to make a quick profit) in recent years.
- Asian government balance sheets generally look healthy (they did not have to massively ramp up debt to provide economic support in the way that was seen in the west).
- The managers say that there are increasing signs that Asia's economy is starting to converge with those of developed markets. Despite the obvious challenges, there has not been a market crisis in Asia for over 20 years.

However, US dollar strength continues to be a significant headwind.

The managers have become more positive on some areas in China

While acknowledging that the macroeconomic outlook has weakened in China, at least in the short term, PHI's managers have become much more constructive in the medium term. They think that the worst of the downgrades have passed and that a lot is now factored into share prices. Ben and Roddy observe that both sales in bars and restaurants and inbound air-travel are back to pre-pandemic levels, while internet sales remain robust. While growth has slowed, the mood on the ground is that the slowdown is not severe and that, given time, sentiment in financial markets will improve.

The managers also think that there is a decent level of policy support for the private sector and note that the clampdown on technology companies has eased. With inflation at low levels and its finances in good shape, the government has room to ease off the brakes and stimulate the economy (it has a lot of levers it could pull, including **quantitative easing**). Despite this improved outlook, valuations still look to be at distressed levels. The managers have therefore added to PHI's overall Chinese exposure (by around 600 **basis points**) over the last 12 months, by bolstering existing holdings, mostly in the technology sector.

There have been concerns regarding the property market in China, but the managers are not expecting a hard landing. They acknowledge that transaction volumes are down by between 5-10% but say that this will not lead to a collapse in prices (this was also true in 2008-9 and 2014-16). They comment that real estate in China is less burdened by debt than is seen in western markets. Many buyers pay cash, so the average **loan-to-value ratio** is in the region of 30%, and there are not likely to be many forced sellers.

The managers observe that there has been considerable commentary in the media suggesting that affordability is a problem, but this is not what they are seeing on the ground, and they think that the problem is being overblown. Since 2005, prices have increased at 7% per annum, while income has increased at 10% per annum and so property ownership has actually become more affordable. The managers acknowledge that property is still expensive when compared to most peoples' income but say that prices are not out of line with other emerging markets and are still affordable for the middle class, which continue to be the key buying segment. Nevertheless, the slowdown could be an issue for property developers.

The ratio of debt to GDP at around 300% is quite high but the managers comment that this is not growing, and a lot has been done to clean up the debt in the last five years. Loans have been restructured and bad banks have been created to deal with the bad debts. The shadow banking system (non-bank lenders) was decimated, so this area is no longer an issue. Overall, the managers believe that China offers very attractive valuations and decent growth prospects.

Investment philosophy and process

The underlying approach

Baillie Gifford believes that markets are inefficient at pricing long-term growth, especially over a time horizon of at least five years, and that this creates an opportunity to generate **alpha**. For this reason, it aims to encourage a culture of long-term thinking within the firm. Baillie Gifford believes there is persistence of good company management, business models and stock prices. This translates into a culture of 'sticking with the winners'.

The manager uses Baillie Gifford's own research. The team undertakes much of this, but will often commission research from local research teams, academics and industry experts. Baillie Gifford also subjects some companies to forensic analysis, using the services of investigative journalists and forensic accountants. When it is talking to companies, the conversations with their management teams focus on the long-term prospects of the business.

The managers are able to draw on the resources of the whole investment team, when analysing companies, and can sit in on meetings with companies outside their geographic remit. This is especially beneficial when they are trying to identify how their companies compare with competitors domiciled in other markets.

Each member of the team is assigned a geographical focus for research, and these responsibilities are rotated every few years. Investment ideas are presented to the group, but the lead portfolio manager makes the final decision. Pre-COVID, Roderick would usually spend four to five weeks visiting Asia each year. He has started to do this again.

The OEIC and PHI are run in parallel, with some exceptions; a key driver being the need to keep the OEIC's portfolio relatively liquid to allow for inflows and the funding of redemptions. There is an internal limit of holding no more than 10% of the portfolio in illiquid holdings, but within this constraint, PHI has greater freedom to hold more illiquid investments than the OEIC. The OEIC has ended up with more of a large-cap bias as a result, while PHI has more exposure to small-cap names. There is considerable commonality in the stocks held, although the individual weightings may differ. PHI, unlike the OEIC, also has the option of using gearing (borrowing) and invests in unlisted companies.

Building the portfolio

Baillie Gifford is an active investor and does not hold stocks just because they are large constituents of any benchmark. Consequently, there are few limits on country, sector or stock weightings imposed on managers. The initial size of a position will reflect the strength of the manager's belief in the potential risks and rewards of the investment. One of the guiding principles of investing at Baillie Gifford is to 'run the winners' (reflecting the belief in the persistency of good business models). However, PHI has a 'soft' upper limit of 10% exposure to any one stock. Roderick looks at the shape of the overall portfolio to ensure that he does not have too many companies exposed to similar thematic dynamics.

The mandate allows PHI's managers to use derivatives to control risk and to alter the portfolio's exposure to markets. In practice, the managers are not undertaking

such activity. The managers have no plans to use hedging to alter the portfolio's currency exposure.

Sell discipline

Loss of faith in a company's management is an instant trigger for a sale. Roderick and Ben will also sell if they feel that the business model is not working, or if the market has caught up with their expectations.

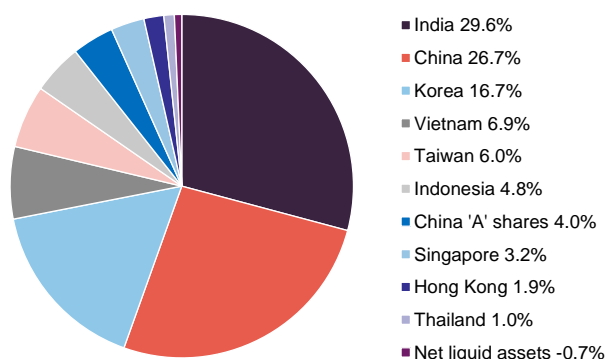
Portfolio allocation

As at 30 September 2023, PHI held 72 companies in the portfolio, down from 85 at 31 October 2022 (the most recent data available when we last published). PHI believes that it can achieve an appropriate level of diversification for its strategy by holding 40–120 companies.

The managers have continued to rationalise the portfolio. The number of stocks peaked at around 110 following the market collapse in 2020, when the managers took advantage of a wide range of opportunities that became available. In normal market conditions, the managers consider that, if a position is below half a percent, it needs to have a strong view if it is to remain in the portfolio.

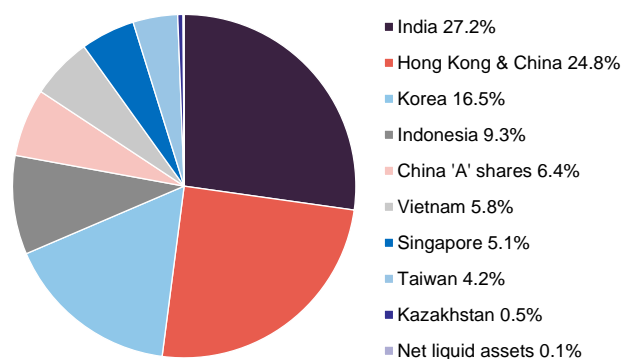
As noted above, the managers have continued to sell down Indian names, reflecting the strong valuations being seen in that market, and rotating into Chinese names where it believes that the economic picture is improving, and valuations look particularly weak. The managers have also been rationalising PHI's positions in Korea and has been reducing PHI's exposure to materials, particularly nickel, where supply has been more plentiful than expected. The managers have been adding to names exposed to semiconductors as they believe that we are at the bottom of the memory cycle (Samsung and SK Hynix) and they see the potential from disruptive new technologies (EO Technics – see page 15).

Figure 3: Geographic allocation as at 31 October 2023¹



Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

Figure 4: Geographic allocation as at 30 September 2022¹



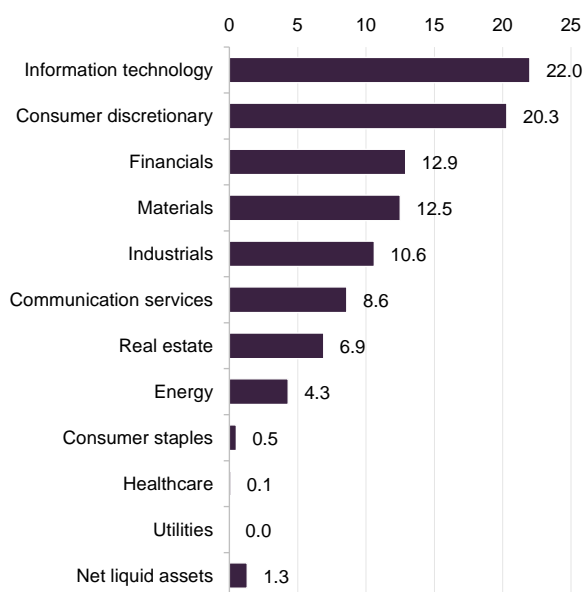
Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

The allocation to Korea remains broadly in line, while the exposures to Indonesia and Singapore have moved up. In Vietnam, where the managers note that the

economy is rebounding and valuations look cheap, they have added two new holdings (see below) and have added to Vin Hoan.

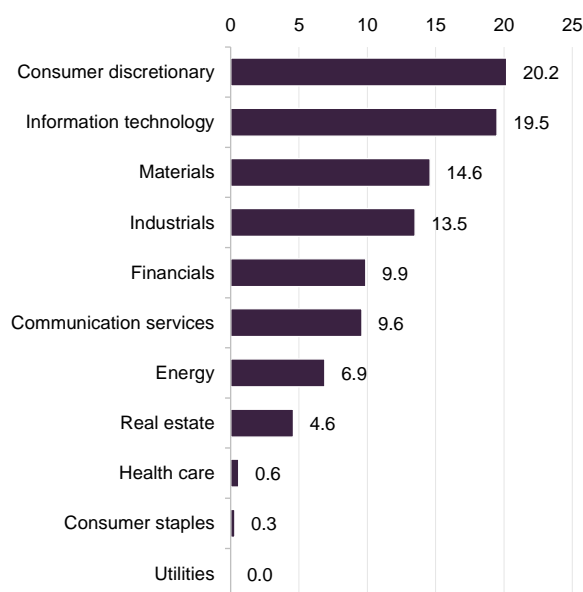
The allocation to Taiwan has moved up at the margin, reflecting the fact that the managers have been able to find more opportunities there. There continues to be little in the Philippines that the managers wish to invest in, once again seeing better opportunities elsewhere.

Figure 5: Industry sector allocation at 31 July 2023¹



Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

Figure 6: Industry sector allocation at 31 July 2022¹

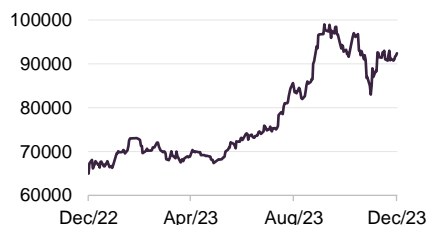


Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

A comparison of the sector allocations above illustrates that the managers have continued to take down the exposure to commodities (once again shifting away from base metals to those needed for the energy transition). The exposures to industrials and energy have also seen 2-3% reductions. Information technology, financials and real estate have all seen 2-3% increases (the managers think that a lot of pain has already been built into these shares prices in terms of a global slowdown).

New positions added to the portfolio include FPT, Jio Financial Services, Mobile World Investment Corporation, Silergy, SK Hynix and Tisco. We discuss some of these below.

Figure 7: FPT share price (VND)



Source: Bloomberg

Figure 8: Mobile World share price (VND)



Source: Bloomberg

Figure 9: Jio Financial Services share price (INR)



Source: Bloomberg

FPT – Vietnam’s largest IT services company

FPT (fpt.vn) develops software, provides IT and telecom services (including broadband internet), and is a distributor/retailer of IT and communication products. Like Mobile World below, it is a company that, with 49% foreign ownership, is at its foreign ownership limit (FOL). The company offers outsourcing services to more than 650 global customers and partners and also owns significant telecoms infrastructure, including a main north-south fibre link, and its private telecom network allows it to service all 64 of Vietnam’s provinces. PHI’s managers like the long-term growth story for FPT, noting that it has strong ties to Japan but is able to offer much cheaper solutions (FPT employs the largest software engineer workforce in Vietnam and benefits from Vietnam’s well-educated and hardworking workforce).

Mobile World – Building one of Vietnam’s largest grocery retail networks

Mobile World is Vietnam’s largest retailer and is focused on three key areas: mobile phone retail (The Gioi Di Dong), consumer electronics retail (Dien May Xanh) and grocery retail (Bach Hoa Xanh). It also has investments in pharmacy retail (An Khang). Mobile World is already Vietnam’s largest electronics retailer, with a strong track record in execution, which it is now applying to grocery retail (it has a proven ability to identify strong structural growth areas to enter), a key attraction for PHI’s managers. The company has opened some 2,000 stores to date (it achieved 1,000 stores within four years of opening) and has been very successful at taking market share from the traditional wet markets in Vietnam. After a period of consolidation – the company closed some underperforming stores in 2022 – it has been expanding its footprint during 2023, particularly in the north of the country. PHI’s managers think that the company has been successful in refining its grocery proposition and it is now well-positioned to see strong profitable growth. This stock is difficult to buy, as it is at its FOL, but some became available allowing the managers to buy into what they see as a strong long-term growth story.

Jio Financial Services – well positioned to leverage its huge database for cross selling

Jio Financial Services (www.jfs.in) is one of the largest non-banking financial companies in India. The company, which was spun out of Reliance Industries and listed in August 2023, describes itself as a ‘one stop shop’ for financial solutions in India. Following the demerger, PHI’s managers are excited about the prospects for the company over the next five to 10 years. The company’s customer base now has over 450m subscribers, for which it has their details allowing them to cross-sell a range of financial products. It is entering the insurance segment where it is offering life, general and health insurance policies. It is tied into lots of stores and merchants, for which it can offer products, and has also done a joint venture with BlackRock to add fund management products.

PHI’s managers say that, despite its high-profile backer, the company was spun out with very little information and is both under-researched and not well understood, resulting in a low valuation – c 1x price-to-book. They think that the opportunity could be huge, and have continued to add to the position since initiating a holding.

Top 10 holdings

Figure 10 shows PHI's top 10 holdings as at 31 October 2023 and how these have changed since September 2022. Holdings that have moved into the top 10 are Ramkrishna Forgings, Tata Motors, Ping An Insurance, Zijin Mining, EO Technics and India Bulls Real Estate.

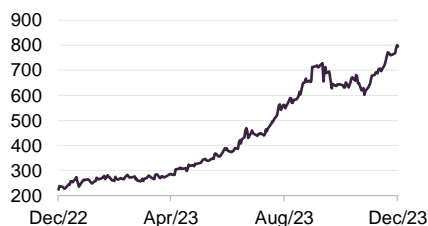
Names that have moved out of the top 10 are JD.com, Merdeka Copper Gold, Li Ning, Jadestone Energy, Reliance Industries and Bank Rakyat Indonesia. We discuss some of the more interesting changes in the following pages. Readers interested in other names in the top 10 should see our previous notes, where many of these have been previously discussed (see page 29 of this note).

Figure 10: Top 10 holdings as at 31 October 2023

Holding	Sector	Business focus	Country	Allocation 31 October 2023 (%)	Allocation 30 September 2022 (%)	Percentage point change
Samsung Electronics	Technology	Electrical equipment manufacturer	Korea	6.7	4.9	1.5
Ramkrishna Forgings	Industrials	Auto parts manufacturer	India	4.1	1.4	2.7
Delhivery	Consumer services	Ecommerce logistics	India	3.8	5.5	(1.9)
Daily Hunt	Media	Local news	India	3.7	4.5	(1.2)
Tata Motors	Industrials	Automotive OEM	India	3.2	2.1	1.1
Ping An Insurance	Financials	Life insurance provider	China	3.1	1.0	2.1
Zijin Mining	Materials	Gold and copper miner	China	3.0	1.8	1.2
EO Technics	Technology	Manufacturer and distributor of semiconductor laser markers	Korea	2.6	0.6	2.0
ByteDance	Communications	Owner of TikTok	China	2.5	2.3	0.2
Indiabulls Real Estate	Real estate	Real estate developer	India	2.5	1.3	1.2
Total of top 5				21.5	21.0	0.5
Total of top 10				35.1	33.1	2.0

Source: Pacific Horizon Investment Trust, Marten & Co *Note: as a proportion of gross assets

Figure 11: Ramkrishna Forgings share price (INR)



Source: Bloomberg

Ramkrishna Forgings (4.1%) – very strong share price growth on the back of a strong operational performance

Ramkrishna Forgings (www.ramkrishnaforgings.com) is one of India's largest manufacturers and exporters of forged components and is focused on the automotive and commercial vehicle sectors. Whilst its initial focus was on heavy commercial vehicles in India, the company now gets around 60% of its business from overseas, mainly from North America and Europe but it has also been growing its customer base in China. PHI's managers comment that the company has been well managed, generates high returns and given significant capacity expansion and order wins, is expected to continue on its strong growth path.

As is illustrated in Figure 18 on page 17, the company was the largest positive contributor to PHI's performance during the last financial year, with its share price rising 189% during the year. It was also the fifth-highest positive contributor to PHI's performance over the five years to 31 July 2023. Ramkrishna Forgings's share price has provided very strong growth over the last 12 months on the back of a strong operational performance. For example, for the six months ended 30 September 2023, total revenue rose by 20.8% year-on-year to INR 17,086m, while net profit increased by 40.0% year-on-year to INR 1,559m. The company has been benefitting from strong growth in both its domestic and export markets as well as cost control measures. It has also been diversifying into railways (for example, forged wheels) and castings and has added capacity to both hot and cold forging. The share price has tracked sideways recently, reflecting concerns that global commercial vehicle demand may be close to peaking. However, PHI's managers continue to see a long growth runway for the company.

Figure 12: Ping An Insurance share price (HKD)



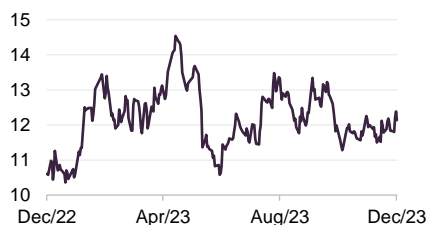
Source: Bloomberg

Ping An Insurance (3.2%) – investment in technology gives a strong advantage over competitors

Ping An Insurance (group.pingan.com) is the leading private insurance company in China, although since its founding in 1998 it has broadened its activities and now has subsidiaries that provide banking, asset management, financial and healthcare services. PHI's managers comment that, with a very low insurance penetration rate in China, the company has a very long growth runway in front of it and, having invested heavily in technology that gives it strong competitive advantage versus its state-owned peers, Ping An is well positioned to capture this opportunity. However, despite these obvious advantages, it remains cheap, trading significantly below book value.

On 8 November 2023, rumours emerged that Ping An had been asked by the Chinese government to takeover Country Garden, China's largest private property developer, in a state-engineered rescue package. The property sector, which accounts for around a quarter of economic activity in China, is struggling under heavy indebtedness and sluggish economic growth, and there are fears that its collapse could spark a broader financial crisis in China. Ping An responded quickly, denying the rumours, and the market's reaction looked relatively sanguine – the share price was down 0.8% on the day.

Figure 13: Zijin Mining share price (HKD)



Source: Bloomberg

Zijin Mining (2.8%) – Chinese mining company with global presence

Zijin Mining (www.zijinmining.com) describes itself as a large multinational mining group. Headquartered in China, the company is engaged in the exploration and development of assets related to copper, gold, zinc and lithium. Its projects are located in China, central Asia, Russia, Mongolia, Africa, Eastern Europe, South America and Oceania. Historically, Zijin Mining has been focused on gold, but increasingly its growth has come from copper. However, the company has been moving into materials required for battery production in order to take advantage of the long-term structural growth that the agenda to decarbonise and move to net zero offers. This has seen it purchase some lithium assets.

PHI's managers comment that having a social licence to operate is key to any mining operation's long-term success. PHI's managers have, for example, questioned Zijin on its human rights due diligence, community engagement in Peru and water use in Inner Mongolia. PHI's managers says that they have received detailed answers to their questions and that Zijin has established community grievance mechanisms at all of its sites and has committed to following the 15 principles of the Global Industry Standards on Tailings Management which govern how it handles its waste. The company was PHI's sixth-best-performing stock during the last financial year (see Figure 18 on page 17) and materials was the best-performing sector, with Zijin and MMG benefitting from the strong performance of copper. Its strong performance has helped push it up PHI's rankings.

Figure 14: Indiabulls Real Estate share price (INR)



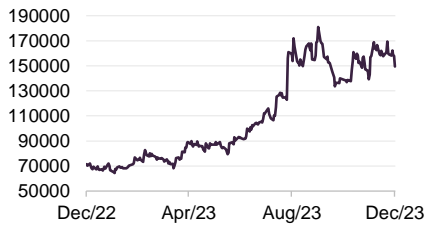
Source: Bloomberg

Indiabulls Real Estate (2.7%) – Potential merger could create one of the largest Indian real estate developers

Indiabulls Real Estate (www.indiabullsrealestate.com) is a position that PHI's managers added to, on share price weakness, during the last financial year. The company, which was established in 2006 and is a subsidiary of the Indiabulls group, is one of the largest real estate companies in India. It is focused on the construction and development of residential, commercial and 'special economic zone' property projects across major Indian metropolitan areas. Proposals for a merger between Indiabulls Real Estate and Embassy Group's NAM Estates, which would have created one of India's largest real estate development companies, were rejected by the National Company Law Appellate Tribunal (NCLT) in May 2023. However, Indiabulls Real Estate is appealing the decision.

Property was the second-best-performing sector for PHI during the last financial year, driven by the trust's holdings in India. While Indiabulls Real Estate does not feature in the top 10 list of contributors, it has nonetheless benefitted from the strong tailwinds behind Indian real estate.

Figure 15: EO Technics share price (KRW)



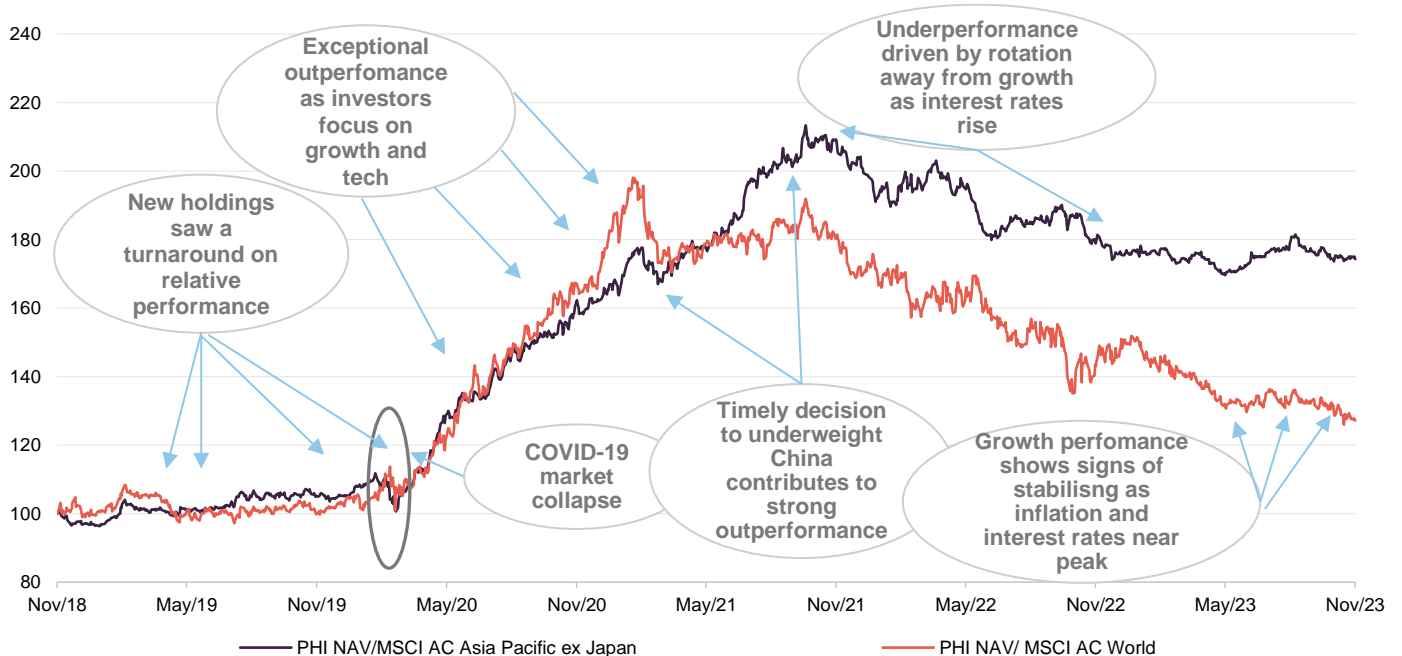
Source: Bloomberg

EO Technics (2.4%) – Approaching demand inflexion point as semiconductors become smaller and more complex

EO Technics (www.eotechnics.com) produces advanced lasers for semiconductor manufacturing. The company was the third-largest contributor to performance during the last financial year (see Figure 18 on page 17), benefitting from an acceleration in orders. PHI's managers are very excited about the long-term prospects for the company. Although the company has benefitted from increased demand on the back of recent semiconductor shortages, they believe there is a much greater opportunity to come, with demand for EO Technics' laser products expected to hit an inflexion point as semiconductors become smaller and more complex, making current manufacturing technology obsolete – ceramic blades and drills will have to be replaced by lasers. The managers added significantly to this holding towards the end of the last financial year and PHI has profited from its strong share price performance since.

Performance – growth performance stabilising as inflation and interest rates near peak

Figure 16: PHI's total return NAV performance relative to its comparative benchmark (MSCI AC Asia ex Japan) and the MSCI AC World, over five years to 30 November 2023



Source: Morningstar, Marten & Co

Figure 17: Cumulative total return performance over periods ending 30 November 2023

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	10 years (%)	Manager tenure ¹ (%)
PHI NAV	2.9	(2.9)	2.7	(6.3)	(5.2)	97.9	225.3	241.0
PHI share price	4.5	(3.3)	2.2	(8.9)	(23.7)	76.4	227.0	243.6
MSCI AC Asia Pacific ex Japan	2.5	0.2	(0.1)	(3.9)	(11.7)	13.5	80.5	81.6
MSCI AC World	4.7	1.7	6.0	5.4	24.5	55.6	169.3	175.7

Source: Morningstar, Marten & Co. Note: 1) Manager tenure is measured from the 11 September 2013, the date that Roderick Snell became co-manager of PHI's portfolio. Roderick subsequently became the lead manager on 30 June 2021.

As we have previously discussed, PHI has a good long-term record of outperformance of both its MSCI AC Asia Pacific ex Japan benchmark and the MSCI AC World Index, which is illustrated in Figure 17. This is particularly apparent in the five-year numbers, reflecting a significant improvement in performance that initially occurred as PHI rejigged its portfolio in 2018, which meant that a performance-based tender offer in 2019 was not required. PHI then found itself in a performance sweet spot following the COVID-related market collapse in March 2020 (in an environment of scarce growth and lower-interest-rates-for-longer, growth stocks were prized).

This trend of strong outperformance continued until the fourth quarter of 2021, aided by a timely decision by the manager to slash PHI's exposure to China. However, over the last two years, PHI has given back some of its previously strong outperformance.

Growth stocks have moved out of favour – driven by rising interest rates in response to rising inflation, and there has also been negativity towards Asia, particularly during 2022 (a function of lockdowns in China, a slowing global economy and rising interest rates globally). As Figure 16 shows, since around the middle of this year, there have been signs that PHI's relative performance has stabilised. This coincided with a growing narrative of inflation easing and interest rates being at or close to their peaks in developed markets, most importantly in the US.

PHI's managers retain their view that while there could be some volatility to come (as inflation reduction and interest rate moves may not follow a smooth path), over the long term, growth can be a significant defence against inflation. They believe that PHI's holdings should ultimately outpace the returns of structurally-challenged companies with lower or no growth prospects.

Performance attribution for the year ended 31 July 2023

Figure 18: Top 10 relative stock contributors over one-year to 31 July 2023

Stock	Fund average weight (%)	B'mark average weight (%)	Contribution (%)
Ramkrishna Forgings	1.8	0.0	2.2
Samsung Engineering	2.0	0.1	1.1
Eo Technics	0.9	0.0	1.1
Tata Motors	1.2	0.2	0.9
Skipper	0.8	0.0	0.9
Zijin Mining	2.5	0.1	0.7
Accton Technology	1.2	0.1	0.4
Bank Rakyat Indonesia	2.1	0.4	0.4
Lemon Tree Hotels	1.7	0.0	0.4
MMG	2.1	0.0	0.3

Source: StatPro, MSCI. Note: some stocks were only held for part of the period. All attribution figures are calculated against the index on a geometric gross of fees basis. Pacific Horizon Investment Trust relative to MSCI AC Asia ex Japan Index.

The top 10 and bottom 10 contributors to PHI's performance, for the year to 31 July 2023, are provided in Figures 18 and 19.

The strongest positive contributions have come from:

- Ramkrishna Forgings – see page 13.
- Samsung Engineering – This company provides engineering services to Samsung Group companies and the oil and gas, primarily in the Middle East and ASEAN countries. It performed strongly on the back of contract wins, particularly from the Middle East and Mexico. It is also making progress in developing its expertise in sustainable energy solutions.
- EO Technics – see page 15.
- Tata Motors – This company has benefitted as its domestic commercial vehicle and auto business continued to see strong demand, while its electric vehicle related investments continued to make good progress. We discussed Tata Motors in our January 2021 and November 2021 notes – see page 29 of this note.
- Skipper – This company, which manufactures pylons for electricity transmission and distribution, railways and telecoms towers, experienced very strong share price growth amid rising demand for power infrastructure in India.

Figure 19: Bottom 10 relative stock contributors over one-year to 31 July 2023

Stock	Fund average weight (%)	B'mark average weight (%)	Contribution (%)
Jadestone Energy	2.6	0.0	(3.0)
Delhivery	3.5	0.0	(2.3)
JD.com	3.1	0.9	(1.1)
LONGi Green Energy Technology	1.3	0.0	(1.0)
Dailyhunt	2.8	0.0	(1.0)
Li Ning	2.6	0.3	(0.7)
Tencent	0.0	4.6	(0.7)
Silergy	0.4	0.1	(0.6)
Wuxi Lead Intelligent Equipment	0.6	0.0	(0.4)
Merdeka Copper Gold	2.2	0.1	(0.4)

Source: StatPro, MSCI. Note: some stocks were only held for part of the period. All attribution figures are calculated against the index on a geometric gross of fees basis. Pacific Horizon Investment Trust relative to MSCI AC Asia ex Japan Index.

The largest negative contributions came from:

- **Jadestone Energy** –an upstream oil and gas development and production company operating in the South East Asia-Pacific region that specialises acquiring small- to medium-size lots that have been poorly managed by their previous owners (typically state-owned enterprises) and investing to boost production and extend their useful lives (we discussed in both in both our November 2021 and December 2022 notes (see page 29 of this note). Jadestone experienced a significant operational issue at its main cash-producing asset, Montara in Australia, that saw production halted for several months. This put significant pressure on the balance sheet at a time when the company was gearing up for a major investment phase to bring a number of new assets on stream. The company was forced to undertake a rights issue and its share price took a significant hit.
- **Delhivery** – India’s largest private logistics company (and until May 2022 a private holding in PHI’s portfolio), which posted poor quarterly results at the end of 2022. The main challenges appear to be integrating new acquisitions and a slowdown in Indian e-commerce growth, reflecting the fact that a significant amount of growth was pulled forward during COVID. However, PHI’s managers think that these issues should be short-term and believe that, as the number one player in the market, Delhivery should prosper in an environment where weaker competitors will struggle to get finance. We discussed Delhivery in our November 2021 and December 2022 notes – see page 29 of this note.
- **JD.com** – This is another example of a Chinese company that has provided reasonable operational performance (revenue growth has slowed and competition has increased at the margin), but its share price has suffered heavily due to negative sentiment. The company is focusing on increasing

cost efficiencies, which is resulting in improving profitability and PHI's managers say that JD.com is clearly demonstrating the benefits of its scale and in-house logistics capabilities.

- LONGi Green Energy Technology – This company is a major Chinese manufacturer of photovoltaics and a developer of solar projects. It is vertically integrated and supplies products to the utility scale, commercial and industrial, residential and hydrogen markets (it has recently set a new world record for the efficiency of crystalline silicon-perovskite solar cells at 33.9%). Chinese green energy companies have suffered both from global investors antipathy towards China and from a reduction in orders as customers have held back on purchases with the economic clouds darkening.
- Dailyhunt – PHI's managers describe this company, which is an Indian content and news aggregator application that provides local language content in 14+ Indian languages from over 3000+ content providers, as the TikTok of India. They say its unique selling point is its focus on local languages. The company is PHI's largest private investment and, while it continues to perform well at an operational level, its value has been reduced, reflecting that similar growth stocks have seen significant price reductions. We discussed Dailyhunt in our November 2021 and December 2022 notes – see page 29 of this note.

Peer group comparison – Asia Pacific sector

Please click [here](#) for an up-to-date peer group comparison of PHI versus its Asia Pacific peers.

PHI is a member of the AIC's Asia Pacific sector, which comprised five members at the end of November 2023 following the completion of the merger between Asia Dragon and its sister trust abrdn New Dawn that completed on 8 November 2023. We have included all six funds in Figure 20 (sector style map) but have included just the five funds in Figures 21 and 22 (cumulative NAV total return performance; and size, fees, discount, yield and gearing).

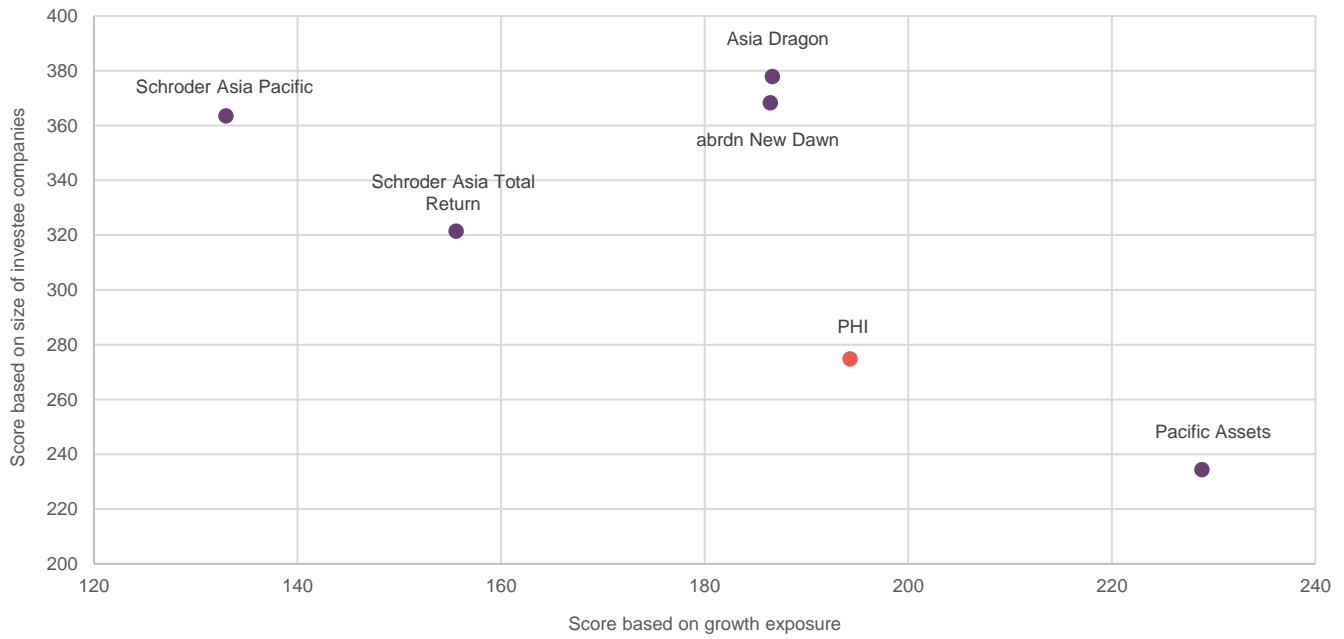
All of these are illustrated in Figures 20 through 22, and were members of the peer group when we last wrote about PHI. Members of Asia Pacific sector will typically have:

- over 80% invested in quoted Asia Pacific shares;
- less than 80% in any single geographic area;
- an investment objective/policy to invest in Asia Pacific shares;
- a majority of investments in medium to giant cap companies; and
- an Asia Pacific benchmark.

It is worth noting that, whilst the peer group is fundamentally capital-growth-focused, the Baillie Gifford approach is characterised by a particularly strong emphasis on growth, which is a differentiating factor when compared to the majority of its peer group, as illustrated in the next section.

A range of styles within the peer group

Figure: 20 Holdings-based style map¹



Source: Morningstar, Marten & Co. Note: 1) Scores use information retrieved on 6 November 2023.

The map in Figure 20 provides a graphical representation of PHI's investment style versus its Asia Pacific peers.

The Y-axis (or vertical axis) is a size score – the larger the score, the larger the underlying investments in the portfolio, while the X-axis (or horizontal axis) is a measure of the growth and value factors (the larger the score, the more growth orientated the trust's portfolio).

Looking at Figure 20, it is clear that, versus its peers, PHI is the second-most growth-orientated strategy and has the second-lowest size exposure within the peer group, and there is clear distance between it and Pacific Assets, whose strategy has both the smallest size score and highest growth score of the group. By and large, the funds within the group are distinguished by both their growth exposures and their size exposures and there is a range of distinctly different propositions on offer. However, it is clear that abrdrn New Dawn's style was very similar to that of Asia Dragon (both offered very similar growth and size exposures) and so the recently completed merger made sense from that point of view.

Peer group performance

In our previous notes (see page 29 of this note), we have discussed how PHI's strong emphasis on growth has been very successful for the trust over the longer term.

As PHI's strategy is one of the most growth-focused of its peers, it is not surprising that for some of the shorter periods in Figure 21, PHI's NAV has underperformed the sector averages. It is clear that recent performance has eaten into the long-term performance records of all members of the peer group and it is the more growth-

focused funds that have suffered the most. However, PHI still has a commanding outperformance of its peers over the longer-term five- and 10-year periods and has outperformed the fund with the highest growth score, Pacific Assets.

We think that longer-term periods are generally better suited to assessing a long-term strategy such as PHI's. It is worth remembering that PHI's managers want to be invested in the top 20% of the fastest-growing companies in the Asia Pacific region and say that they explicitly look for companies that they believe can double their earnings over a five-year time horizon.

Figure 21: Peer group cumulative NAV total return performance to 30 November 2023

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	10 years (%)
PHI	2.9	(2.9)	2.7	(6.3)	(5.2)	97.9	225.3
Asia Dragon	2.3	(1.5)	(4.1)	(12.2)	(20.3)	7.7	61.6
Pacific Assets	2.0	(0.2)	(2.0)	(2.1)	19.6	41.1	160.2
Schroder Asia Total Return	5.6	3.4	2.3	0.8	2.7	45.5	179.4
Schroder AsiaPacific	1.7	(1.0)	(1.8)	(4.8)	(7.8)	26.5	129.8
PHI rank	2/5	5/5	1/5	4/5	3/5	1/5	1/5
Sector arithmetic avg.	2.9	(0.4)	(0.6)	(4.9)	(2.2)	43.7	151.3

Source: Morningstar, Marten & Co

While the trend for all of the funds individually has been a reduction in market cap since we last published, the merger of the abrdn funds, which has the effect of reducing the number of funds by one, pushes up the size of the average fund. It also nudges PHI down into third place in terms of its market cap ranking.

As discussed on page 25, PHI's **ongoing charges ratio** has been on a declining trend in recent years and is now the lowest in the sector by a margin at 0.72% (the next lowest being Schroder Asia Total Return at 0.82% (both including and excluding its performance fee as there was not one payable in its last year of account)). When we published in December 2022, we commented that all of the peers had seen their asset bases retrench and that, all things being equal, this would put upward pressure on the ongoing charges ratio across the sector. This has come to pass, although the quantum is small at 2 basis points, with the average ongoing charges ratio for the sector increasing from 0.86% to 0.88%. As discussed on page 25, PHI has bucked this trend by trimming its administrative expenses.

All of the members of the peer group are trading at a discount, as was the case when we last published in December 2022, although the sector average discount has widened from 8.3% then to 9.4% as at 4 December 2023. PHI has tended to trade at a small premium to the sector average, which likely reflects its peer-group-beating performance over the longer term, as well the board's efforts at repurchasing PHI stock.

As we have previously noted, it is little surprise that, given its focus on capital growth, PHI's **dividend yield** remains the lowest in the sector (PHI pays dividends to the extent required to maintain its investment trust status – see page 22 – and while it intends to pay one for the year ended 31 July 2023, it frequently pays no dividend).

Figure 22: Peer group comparison – size, fees, discount, yield and gearing as at 4 December 2023

	Market cap (£m)	St. dev. of NAV returns over 5 years	Ongoing charges (%)	Performance fee	Premium/ (discount) (%)	Dividend yield (%)	Gross gearing (%) ²	Net gearing (%) ²
PHI	485.0	20.58	0.72	No	(10.8)	0.61	Nil	(1.0)
Asia Dragon	575.4	18.98	0.91	No	(13.7)	1.89	8.9	10.1
Pacific Assets	439.1	13.43	1.10	No	(6.1)	0.63	Nil	(0.9)
Schroder Asia Total Return	403.4	16.59	0.82/0.82¹	Yes	(5.8)	2.66	11.1	9.6
Schroder AsiaPacific	740.5	17.46	0.84	No	(10.5)	2.49	3.0	2.9
PHI rank³	3/5	5/5	1/5		2/5	5/5	1/5	1/5
Sector arithmetic avg.	528.7	17.41	0.88/0.88¹		(9.4)	1.66	4.6	5.1

Source: Morningstar, The AIC, Marten & Co 1) Schroder Asia Total Return's ongoing charges ratio is 0.82% excluding performance fee and 0.82% including performance fee. The average ongoing charges ratio for the sector is 0.88% excluding performance fees and 0.88% including performance fees. 2) Gross and net gearing figures as at 31 October 2023. 3) Market cap and dividend yield are ranked in increasing size order (the larger the market cap or dividend yield, the higher the ranking). All other rankings are in decreasing size order (the lower the standard deviation of returns, the lower the ongoing charges ratio, the lower the value of the premium/(discount), the lower the gross and net gearing, all correspond to a higher ranking).

In terms of net gearing levels (a measure of indebtedness after allowing for any cash on the balance sheet – calculated by taking any borrowings and deducting cash, and expressing as a percentage of the trust's net assets), PHI continues to have one of the lowest levels in the sector – at the end of October 2023 it was the lowest, just surpassing Pacific Assets. Its NAV returns continue to exhibit the greatest volatility, but as we have previously commented, these are by no means high, and are more than compensated for by its superior long-term performance.

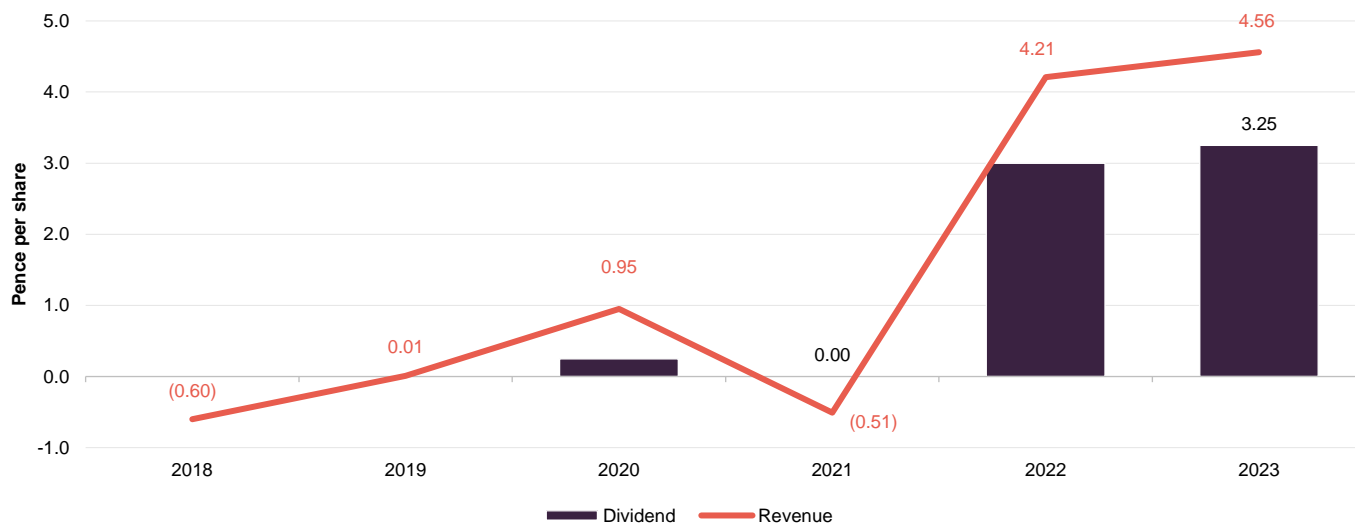
Dividend

PHI's primary objective is to generate capital growth. Any dividend paid is by way of one final payment per year, following approval at the annual general meeting (AGM). For the avoidance of doubt, PHI's board has made it clear that investors should not consider investing in the company if they require income from their investment (in four of the last 10 years – 2017, 2018, 2019 and 2021 – PHI did not pay a dividend at all). In years of a revenue deficit, PHI is not required to pay a dividend and the board has also said that it does not intend to draw on PHI's revenue reserve to pay or maintain dividends.

For the year ended 31 July 2023, PHI generated a revenue surplus of £4.16m, equivalent to 4.56p per share (2022: a revenue surplus of £3.83m, equivalent to 4.21p per share), which is an 8.3% increase over the prior year. Reflecting this, the board proposed a final dividend of 3.25p per share (payable on 29 November 2022) for the 2023 financial year. The 3.25p, which is a dividend yield of 0.6% on PHI's share price of 534.0p as at 4 December 2023, represents an increase of 8.3% over the prior year.

Capital growth-focused; any dividend is the minimum required to maintain PHI's investment trust status.

Figure 23: PHI ordinary dividends over the last five financial years (ended 31 July)



Source: Pacific Horizon Investment Trust, Marten & Co

Premium/(discount)

As at 4 December 2023, PHI was trading at a discount to NAV of 10.8%, which is markedly wider than its one-, three- and five-year discount averages of 7.5%, 1.1% and 1.1% respectively. PHI's one-year trading range is from a discount to NAV of 13.2% to premium to NAV of 2.7%.

As illustrated in Figure 24, PHI has traded at a premium to NAV for a significant portion of the last five years, largely attributable to PHI's strong performance.

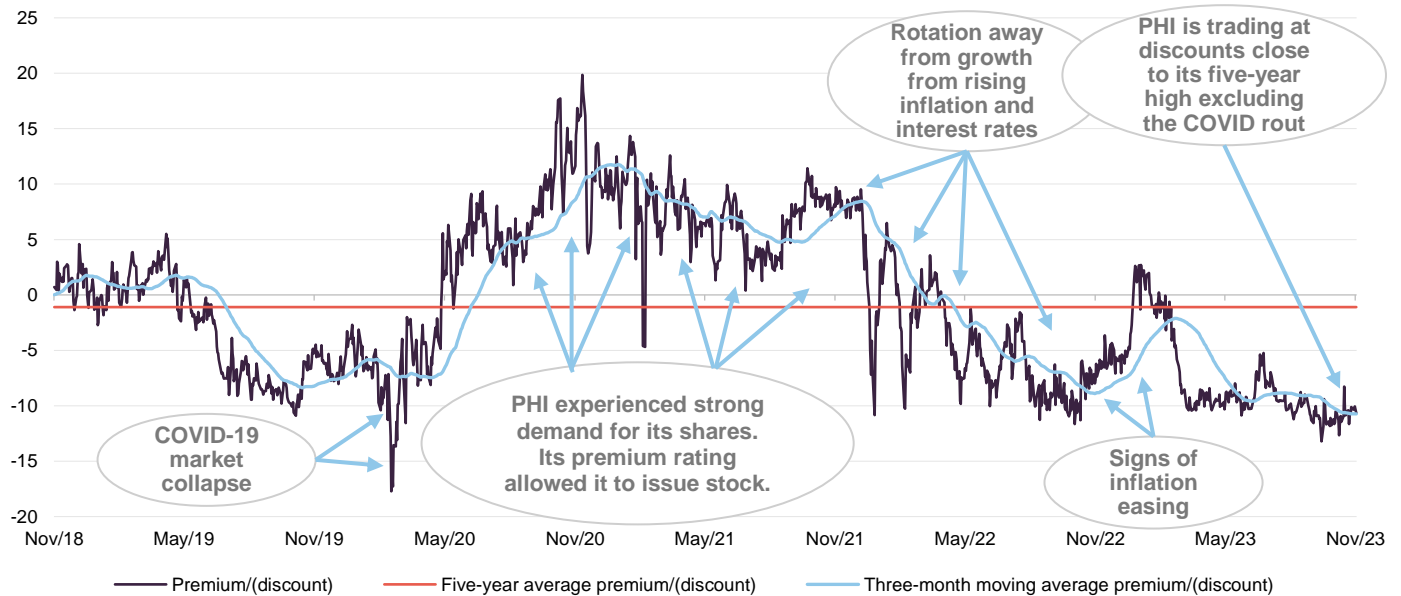
It may be worth examining the two extended periods where PHI has traded at a discount to NAV in the last five years. The first occurs during the summer of 2019, where PHI's discount widened as risk aversion increased (we discussed this in detail in our November 2019 note) but narrowed again as markets settled, before briefly spiking out to a five-year high of 17.7% on the 17 March 2020 as markets collapsed in the face of an accelerating COVID-19 infection rate. However, as illustrated in Figure 24, PHI found itself in a performance sweet spot and the extreme post-COVID discount was brief, with PHI quickly reverting to a strong premium to NAV (it reached a five-year high of 19.9% in December 2020). The second period begins in January 2022 as signs of rising inflation and interest rates caused investors to rotate away from growth stocks.

PHI's discount to NAV year-to-date (YTD) has largely reflected the market moving in response to expected interest rate rises. A clear narrowing was seen earlier this year as signs emerged that inflation was easing. Furthermore, with signs that we are close to the end of the rate-rising cycle, discount volatility has reduced during the last nine months.

PHI is now trading at discounts to NAV that are at the wide end of its five-year discount range. At this level, there is significant discount narrowing potential. We

also continue to think that, if PHI's holdings are able to achieve the level of performance that its managers expect, PHI should return to decent NAV growth, which would put downward pressure on the discount to NAV.

Figure 24: PHI premium/(discount) over five years



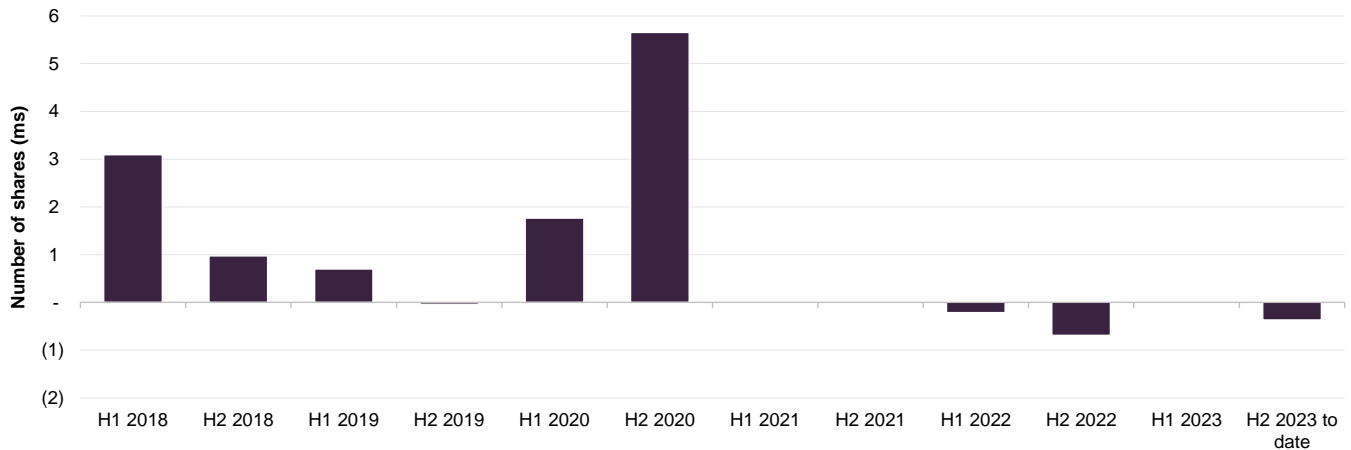
Source: Morningstar, Marten & Co

Premium/(discount) management

PHI has authority to repurchase up to 14.99% of its issued share capital, as well as to issue up to 10% at a premium to NAV. These authorities give the board mechanisms through which it can manage PHI's discount or moderate any premium that should arise. Shares repurchased can be held in treasury and reissued by the company to meet demand. Any reissue of treasury shares would only be undertaken at a premium to NAV.

PHI's board continues repurchase PHI shares proactively to help moderate the discount. PHI has repurchased some 357k shares year-to-date (equivalent to 0.39% of its issued share capital at the start of the year). These repurchases not only provide liquidity to exiting shareholders, but also benefit remaining shareholders as repurchasing shares at a discount is NAV accretive. As noted in the fund profile section on page 4, PHI was promoted to the FTSE 250 Index in January 2023. This stimulated buying that allowed for some share issuance in the first half of 2023 that just offset the level of repurchases so that net issuance was a small positive during the first half.

Figure 25: Net share issuance, by half-year, since 2018¹



Source: Pacific Horizon, Marten & Co Note:1) A performance-related tender was offered in 2019 but this was not triggered as PHI comfortably beat the hurdle that would have otherwise triggered this.

Fees and costs

Tiered management fee structure, with no performance fee.

PHI's ongoing charges ratio fell year-on-year due to a tight rein on costs.

Baillie Gifford & Co Limited acts as PHI's alternative investment fund manager and has delegated portfolio management services to Baillie Gifford & Co. PHI has a tiered management fee that is 0.75% on the first £50m of net assets, 0.65% on the next £200m of net assets and 0.55% on the remaining net assets.

Management fees are calculated and paid quarterly in arrears and there is no performance fee. The managers may terminate the management agreement on six months' notice and the company may terminate it on three months' notice.

Reflecting both its tiered fee structure, a reduction in the management fee and strong share issuance (prior to the last 18 months), PHI's ongoing charges ratio has been on a declining trend in recent years. For the accounting year ended 31 July 2023, it was 0.72%, down from 0.74% for 2022, 0.78% for 2021, and 0.92% the year before that. Baillie Gifford & Co Limited also provides company secretarial services, which are included as part of the management agreement.

Looking at FY 2023, the management fee was £3.42m, down from £4.04m for the year prior, reflecting a reduction in average net assets, which puts upwards pressure on the ongoing charges ratio. However, the effect of this was offset by a reduction in other administrative expenses (from £1.09m to £762k) so that the ongoing charges fell marginally. PHI continues to have the lowest ongoing charges ratio in its peer group (see Figure 22 in the peer group comparison on page 22).

Capital structure and trust life

PHI has a simple capital structure with one class of ordinary share in issue.

PHI has a simple capital structure with just one class of ordinary share in issue. Its ordinary shares have a premium main market listing on the London Stock Exchange and, as at 4 December 2023, there were 92,074,961 of these in issue, of which 1,257,112 were held in treasury. The number of shares in issue with voting rights was 90,817,849.

Each year, the company takes powers to buy back up to 14.99% of its shares at a discount to NAV. It also asks for permission to issue up to 10% of its issued share capital at a premium to NAV. As discussed on page 24, these authorities give the board a means by which they can manage PHI's premium/discount.

Gearing (borrowing)

PHI has a three-year £100m multi-currency revolving credit facility.

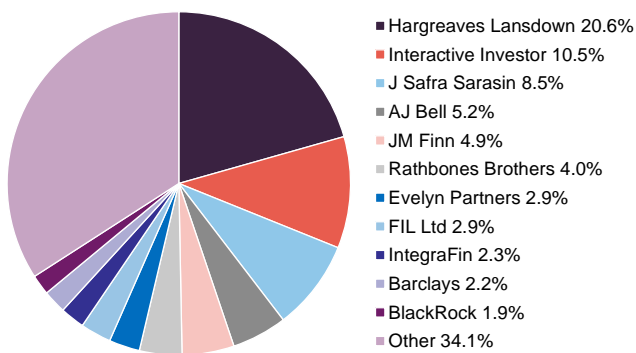
PHI has a £100m multi-currency revolving credit facility (RCF) with The Royal Bank of Scotland International Limited, which expires on 14 March 2025. Gearing parameters are set by the board and the managers operate within these, currently the range is set at -15% (i.e. a net cash position) to +15%.

PHI's gross gearing was nil as at the end of October 2023 and it was running a net cash position of 1.0%. The main covenants relating to the RCF are that PHI's borrowings should not exceed 30% of its adjusted net asset value, and its net asset value should be at least £300m.

Major shareholders

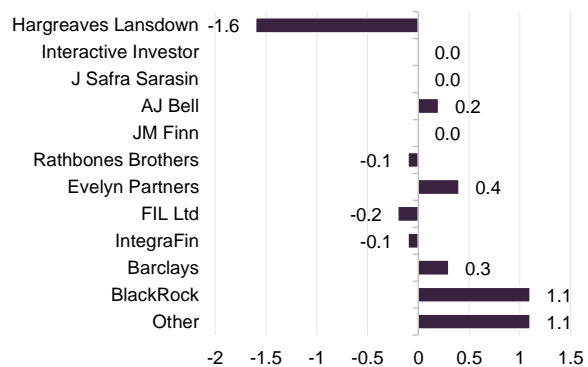
Figure 26 illustrates that PHI has a significant retail presence within its share register, reflected by the prominence of the major platforms, which account for over 40%. Wealth managers are also a significant element, accounting for over 20%.

Figure 26: Major shareholders as at 1 December 2023



Source: Bloomberg, Marten & Co

Figure 27: Percentage point changes in shareholdings since 2 December 2022¹



Source: Bloomberg, Marten & Co. Note: 1) The date of the shareholder data used when we last published on PHI.

The next continuation vote is due at the 2026 AGM.

Five-yearly continuation votes

Shareholders are given the opportunity to vote on the continuation of the company every five years. Most recently, shareholders approved PHI's continuation at the trust's annual general meeting on 17 November 2021. The next continuation vote is due at the 2026 AGM.

Financial calendar

PHI's financial year-end is 31 July. It usually publishes its annual results in September (interims in March) and holds its AGMs in November. Where applicable, it pays its annual dividend shortly after its AGM.

Board

PHI's board comprises five directors, all of which are non-executive, considered to be independent of the investment manager and do not sit together on other boards. The directors put themselves forward for re-election at the first AGM following their appointment. Thereafter, directors submit themselves annually for re-election. In PHI's most recent annual report, Angus Macpherson announced his decision to step down from the board once a suitable successor has been found, which is expected to be around the end of the first quarter of 2024. Angus is currently the longest-serving director of PHI's board, with 6.8 years of service under his belt.

Figure 28: Board member – length of service and shareholdings

Director	Position	Date of appointment	Length of service (years)	Annual fee (GBP)	Shareholding ¹	Years of fee invested*
Angus Macpherson	Chairman	28 February 2017	6.8	45,000	42,000	5.0
Angela Lane	Audit committee chairman and senior independent director	1 October 2018	5.2	37,500	8,862	1.3
Sir Robert Chote	Director	25 November 2020	3.0	30,000	500	0.1
Wee-Li Hee	Director	1 June 2020	3.5	30,000	10,000	1.8
Joe Studwell	Director	9 November 2018	5.1	30,000	5,000	0.9
Average (service length, annual fee, shareholding, years of fee invested)			4.7	34,500	13,272	1.8

Source: Pacific Horizon Investment Trust, Marten & Co 1) Note: shareholdings as per most recent company announcements as at 4 December 2023. Years of fee invested based on PHI's ordinary share price of 534p as at 4 December 2023.

Directors' fees

There is a limit of £200,000 for the aggregate of fees paid to directors, which forms part of the company's articles of association. Shareholders would have to vote to approve any change to this limit (the last change was at the November 2020 AGM, where the limit was increased from £150,000).

For the current financial year, the chairman's fee has increased by 7.1% to £45,000 (previously £42,000), the fee for the audit committee chair has increased by 7.1% to £37,500 (previously £35,000) and the fee for other directors has increased by 7.1% to £30,000 (previously £28,000). At these fee rates, the total directors' fees

amount to £172,500 (£161,000 for the prior year), which is comfortably within the £200,000 limit.

Recent share purchase activity by directors

Since we last published in December 2022, Sir Robert Chote has made his inaugural purchase of PHI shares, acquiring 500 shares on 15 December 2022. All other directors' holdings have remained the same. The average level of fees invested is 1.8 years, which is favourable, in our view, as it shows commitment and helps to align directors' interests with those of shareholders.

As we have previously observed, against a challenging backdrop for growth-orientated investments during the last couple of years, the board has been steadfast in its commitment to PHI, with not a single share being sold.

Angus Macpherson (chairman)

Angus has been chairman of the trust on 12 November 2019. He was based in in Singapore and Hong Kong between 1995 and 2004, latterly as head of capital markets and financing for Merrill Lynch for Asia.

Currently, Angus is chief executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is also chairman of Henderson Diversified Income Trust Plc, is a non-executive director of Schroder Japan Growth Fund Plc and Hampden & Co Plc. Angus was the former chairman of JP Morgan Elect Plc.

Angela Lane (audit committee chair and senior independent director)

Angela became both PHI's audit committee chair and senior independent director on 10 November 2020. She is a qualified accountant and previously spent 18 years working as a private equity investor for 3i Plc.

Angela has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries. She is a non-executive director and chair of the audit committee of BlackRock Throgmorton Trust Plc and Dunedin Enterprise Investment Trust Plc, Seraphim Space Investment Trust Plc. Previously, Angela was non-executive chairman of Huntswood CTC.

Sir Robert Chote (director)

Sir Robert is an economist, journalist and academic.

He became chairman of the Northern Ireland Fiscal Council in 2021, chairman of the UK Statistic Authority in 2022, and was chair of the Office for Budget Responsibility from 2010 to 2020.

Sir Robert served as director of the Institute for Fiscal Studies from 2002 to 2010, as an advisor to the International Monetary Fund from 1999 to 2002, and as economics editor of the *Financial Times* from 1995 to 1999.

He is a visiting professor at the Department of Political Economy, Kings College London. Sir Robert also serves on advisory boards at the Warwick Manufacturing Group and the Centre for Economic Performance at the London School of Economics.

Wee-Li Hee (director)

Wee-Li is an experienced Asian analyst, fund manager and CFA Charterholder. Brought up in Singapore, she speaks fluent Mandarin and studied in the UK at the University of Leeds and the London School of Economics and Political Science.

After graduation, in 2002 she joined First State Investments in Singapore as an analyst, subsequently moving to the firm's Edinburgh office in 2005. Having co-managed Scottish Oriental Smaller Companies Trust Plc, Wee-Li became lead manager in 2014, stepping back due to family commitments to return to a co-manager role in 2017 and retiring at the end of 2019. She is a director of Melville Paisley Investments.

Joe Studwell (director)

Richard Frank ('Joe') Studwell has spent over 25 years working in East Asia as a journalist, independent researcher at Dragonomics and author under the name of Joe Studwell. His published works include *Asian Godfathers: Money and Power in Hong Kong and South East Asia* and *How Asia Works: Success and Failure in the World's Most Dynamic Region*.

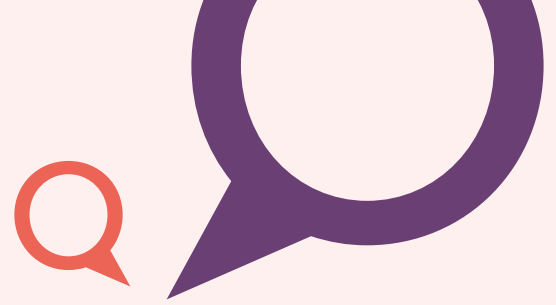
Previous publications

Readers interested in further information about PHI may wish to read our previous notes (details are provided in Figure 29 below). You can read the notes by clicking on them in Figure 29 or by visiting our website.

Figure 29: QuotedData's previously published notes on PHI

Title	Note type	Publication date
Invest in Asian growth	Initiation	21 March 2016
Brave new world	Update	10 October 2016
Top of the pops!	Annual overview	30 October 2017
Pause for breath?	Annual overview	8 November 2018
2018 re-calibration paying off	Annual overview	8 November 2019
Powered by technology	Annual overview	20 January 2021
Blistering performance	Annual overview	25 November 2021
Convergence opportunity	Annual overview	8 December 2022

Source: Marten & Co



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