PACIFIC HORIZON INVESTMENT TRUST PLC

Growth²: Embracing growth, disruption and innovation

Annual Report and Financial Statements
31 July 2022

BAILLIE GIFFORD

Contents

Investor Disclosure Document

The UK Alternative Investment Fund Managers Regulations requires certain information to be made available to investors prior to their making an investment in the Company. The Company's Investor Disclosure Document is available for viewing at **pacifichorizon.co.uk**.

Notes

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

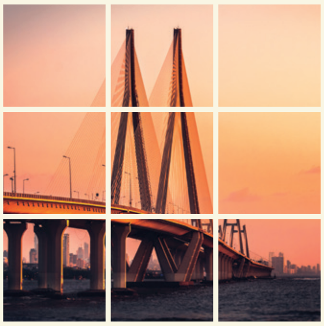
Investment trusts are UK public listed companies and as such comply with the requirements of the Financial Conduct Authority. They are not authorised or regulated by the Financial Conduct Authority.

Pacific Horizon Investment Trust PLC currently conducts its affairs, and intends to continue to conduct its affairs, so that the Company's Ordinary Shares can qualify to be considered as a mainstream investment product and can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority in relation to non-mainstream investment products.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom or, if not, from another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your ordinary shares in Pacific Horizon Investment Trust PLC, please forward this document, together with any accompanying documents, but not your personalised Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was or is being effected for delivery to the purchaser or transferee.



Growth²: Embracing growth, disruption and innovation

Pacific Horizon's objective is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth.

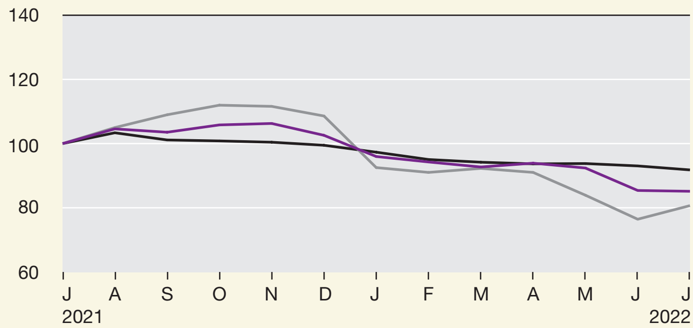
Financial Highlights – Year to 31 July 2022

Total Returns*

Share Price -19.3%	NAV -14.5%	Comparative Index† -8.2%

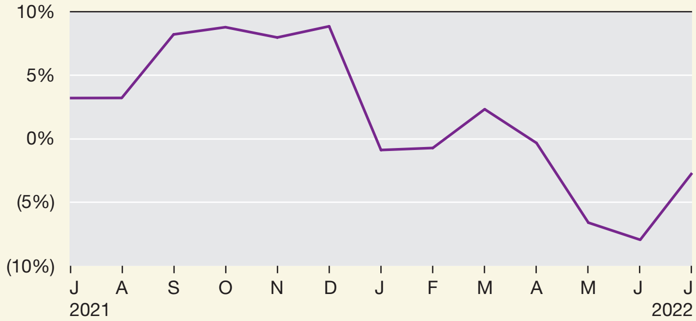
NAV, Share Price and Comparative Index† Total Returns*
(rebased to 100 at 31 July 2021)

Share price total return*
NAV total return*
Comparative Index† total return



Premium/(discount)*

Premium/(discount) plotted as at month end dates



* Source: Refinitiv/Baillie Gifford. Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

† The comparative index is the MSCI All Country Asia ex Japan Index (in sterling terms).

Source: Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer on page 70.

Past performance is not a guide to future performance.

Strategic Report

This Strategic Report, which includes pages 2 to 24 and incorporates the Chairman's Statement, has been prepared in accordance with the Companies Act 2006.

Chairman's Statement

Performance

I commented in my report last year that investors should expect that neither the Company's absolute, nor relative, returns would be consistent. Sadly, this cautionary note proved more prescient than I might have wished. In the year to 31 July 2022, the Company's net asset value per share (NAV) declined by 14.5% compared to a negative total return of 8.2%* from the MSCI All Country Asia ex Japan Index in sterling terms. The share price total return for the year was a negative 19.3%, resulting in the shares ending the period at a 2.7% discount to the NAV per share having been at a 3.2% premium a year earlier.

While this loss is disappointing, the causes of the weakness of Asian markets are well understood: inflation, US dollar interest rate increases and continued lockdowns in China have all led to market weakness. This does not however explain the significant relative underperformance of the portfolio.

Your Board believes the interests of shareholders are best served through having an actively managed portfolio. We believe the performance of the Company supports this view. The underperformance of the Company in the short term is significantly less than its outperformance in the longer term. The volatility of performance, like the management fees, is a price to be paid for the Company being managed on an active basis. Over the course of the last ten years, shareholders have enjoyed approximately 6.7 percentage points a year of excess returns above the comparative index†. Over the full period, this equates to an aggregate of 174 percentage points of excess total return over a passive investment strategy represented by the comparative index†.

The strategy that has achieved this outperformance is investment in high growth companies that have the potential to make exceptional returns over the long term. Growth investing has not been rewarded recently, in part because of higher interest rates which growth companies can be particularly sensitive to.

Volatility may continue and further significant losses cannot be ruled out; only an optimist would consider we are out of the woods yet. As you will see in the Managers' Report on pages 12 to 15, it is their intention to continue to focus on growth companies in the future. The Board believes that this strategy has the potential to continue to serve shareholders well and that the Managers have clearly demonstrated their ability as a growth investor in both the period under review and over the long term.

Gearing

The Board continues to set and regularly review the gearing parameters within which the portfolio manager is permitted to operate. At present, the agreed range of equity gearing is minus 15% (holding net cash) to plus 15%. As at 31 July 2022, invested gearing was minus 1% compared to 4% at the start of the Company's financial year, reflecting Mr Snell's current caution.

Gearing is achieved through the use of bank borrowings. At present the Company has a three year multi-currency revolving credit facility with The Royal Bank of Scotland International Limited for up to £100 million, which provides at present for potential invested gearing of 15.5%.

Earnings and Dividend

Earnings per share increased to a positive 4.21p per share compared to a deficit of 0.51p per share last year, resulting in the Company being in a position to pay a final dividend. The Board is therefore recommending that a final dividend of 3.00p should be paid, subject to shareholder approval at the Annual General Meeting ('AGM'). 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.

Issuance, Share Buy-backs and Treasury

Over the twelve months to 31 July 2022, the Company issued 3,645,257 shares at a premium to NAV, being 4.1% of the shares in issue at the start of the Company's financial year, and also bought back for treasury a total of 214,000 shares. All of the issuance occurred in 2021 and all of the buy-backs in 2022.

At the forthcoming AGM in November, the Board will be seeking 10% non pre-emptive issuance authority. Issuance will continue to be undertaken only at a premium to the NAV per share, thereby avoiding dilution for existing investors. When the 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; ongoing charges for the year were 0.74% compared to 0.78% in the prior year.

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

* Calculated on a total return basis. Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 70.

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

For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

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re-issuance of any shares held in treasury at a premium to the NAV per share. The Board intends to use the buy-back 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. The Board remains 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; 431,726 shares are held in treasury at present.

Private Company Investments

Last year, shareholders approved a change in the Company's investment policy which increased the maximum permissible investment in private companies from 10% to 15% (such percentage being measured at the point of initial investment). As at 31 July 2022, the Company had 6.1% of its total assets invested in five private companies compared to 7.2% and seven private companies a year earlier, Star Health & Allied Insurance Co having listed in December 2021 and Delhivery in May 2022.

Details on the process and quantum of private company valuations undertaken over the year can be found on page 16, immediately after the Managers' Review.

Governance and Stewardship

The Board has agreed with the Managers that they will consider Environmental, Social and Governance ('ESG') factors as part of the investment process. Baillie Gifford advised the Board that it aims to adopt a position of supportive and constructive engagement without prescriptive policies or rules, assessing matters on a case-by-case basis. Although Baillie Gifford has clearly articulated ESG principles and a detailed policy framework, the Board accepts that their application, particularly in some of the developing nations of Asia, and in often quite complex situations, is necessarily subjective. Some examples of such engagement can be found on page 18. The Board reviews and challenges the Managers' performance in meeting this ESG objective at each Board meeting and also covers ESG matters with the Managers as part of an annual strategy session.

A document outlining Baillie Gifford's Governance and Sustainability principles can be found on the Baillie Gifford website at **bailliegifford.com** and the Company's voting record can be found at page 37. Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 33.

Annual General Meeting

This year's AGM will take place on 24 November 2022 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 Mr Snell who, along with the Directors, will answer questions from shareholders. I hope to see many of you there.

Should the situation change, further information will be made available through the Company's website at **pacifichorizon.co.uk** and the London Stock Exchange regulatory news service.

Outlook

This is not an easy investment environment. The immediate future is one of elevated inflation levels, higher borrowing costs and likely tempered consumption. It is therefore important that the Managers remain alert to new investment opportunities, threats to existing holdings and maintain a close scrutiny of firms' operational performance and financial resilience.

Further underperformance cannot be ruled out. However, a portfolio containing both structural and cyclical growth companies seems prudent at present. Patient investors could be rewarded with significant returns once stock specific fundamentals reassert themselves.

Angus Macpherson
Chairman
15 September 2022

One Year Summary*

The following information illustrates how Pacific Horizon has performed over the year to 31 July 2022.

	31 July 2022	31 July 2021	% change
Total assets	£610.6m	£748.0m	
Borrowings	Nil	£60.8m	
Shareholders' funds	£610.6m	£687.2m	
Net asset value per ordinary share	664.65p	777.15p	(14.5%)
Share price	647.00p	802.00p	(19.3%)
MSCI All Country Asia ex Japan Index (in sterling terms)†#	527.8	590.2	(10.6%)
Dividend proposed per ordinary share in respect of the financial year	3.00p	Nil	
Revenue earnings per ordinary share	4.21p	(0.51p)	
Ongoing charges‡¶	0.74%	0.78%	
(Discount)/premium‡¶	(2.7%)	3.2%	
Active share‡	83%	93%	

Year to 31 July	2022	2021
Total return#‡		
Net asset value per ordinary share¶	(14.5%)	61.3%
Share price¶	(19.3%)	59.2%
MSCI All Country Asia ex Japan Index (in sterling terms)†	(8.2%)	12.7%

Year to 31 July	2022	2022	2021	2021
Year's high and low	**High**	**Low**	**High**	**Low**
Net asset value per ordinary share	871.11p	656.64p	804.34p	481.92p
Share price	948.00p	602.00p	906.00p	504.00p
Premium/(discount)‡¶	11.4%	(10.9%)	19.9%	(4.7%)

Year to 31 July	2022	2021
Net return per ordinary share		
Revenue return	4.21p	(0.51p)
Capital return	(123.01p)	253.70p
Total return	**(118.80p)**	**253.19p**

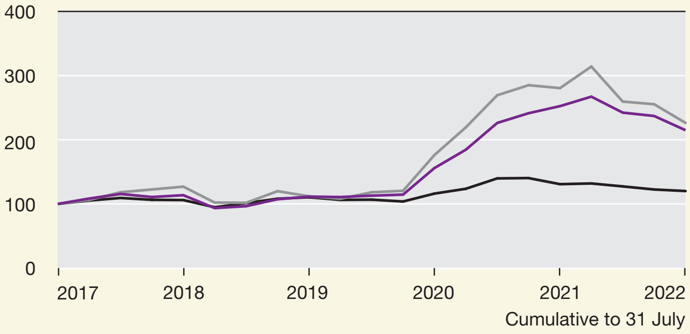
* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.
† The MSCI All Country Asia ex Japan Index (in sterling terms) is the principal index against which performance is measured.
# Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 70.
‡ Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.
¶ Key Performance Indicator.
Past performance is not a guide to future performance.

Five Year Summary

The following charts indicate how Pacific Horizon has performed relative to its comparative index* and the relationship between share price and net asset value over the five year period to 31 July 2022.

5 Year Total Return Performance†
Share Price, Net Asset Value and Index

(figures rebased to 100 at 31 July 2017)



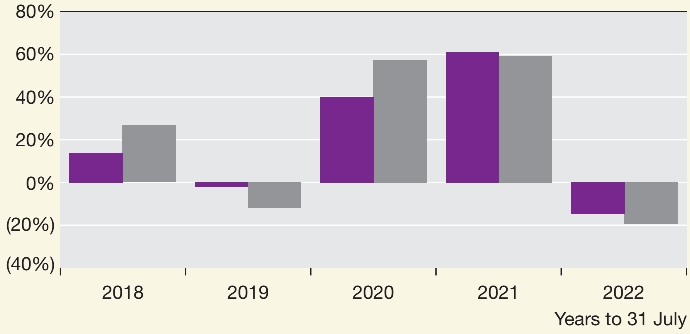
Source: Baillie Gifford/Refinitiv and relevant underlying index providers#. Dividends are reinvested.

NAV total return†

Share price total return†

Comparative index total return*

Annual Share Price and NAV Total Returns†



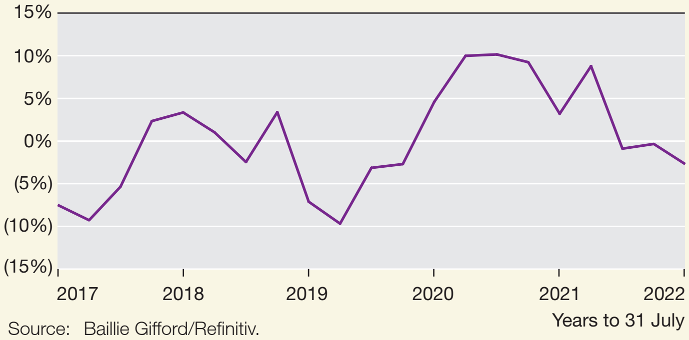
Source: Baillie Gifford/Refinitiv and relevant underlying index providers#. Dividends are reinvested.

NAV total return†

Share price total return†

Premium/(discount) to Net Asset Value†

(figures plotted on a monthly basis)

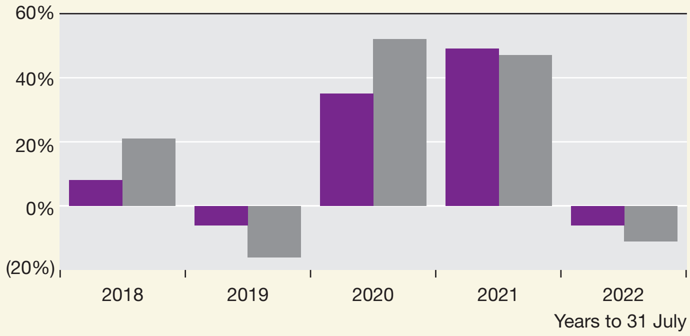


Source: Baillie Gifford/Refinitiv.

Pacific Horizon premium/(discount)†

Relative Annual Share Price and NAV Total Returns†

(compared to the MSCI All Country Asia ex Japan Index*)



Source: Baillie Gifford/Refinitiv and relevant underlying index providers#. Dividends are reinvested.

NAV total return compared to the total return on the comparative index*

Share price total return compared to the total return on the comparative index*

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

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

\# See disclaimer on page 70.

Past performance is not a guide to future performance.

Ten Year Record*

Capital

At 31 July	Total assets* £'000	Bank loans £'000	Shareholders' funds* £'000	Net asset value per share* p	Share price p	Premium/ (discount)* %
2012	129,097	–	129,097	172.01	149.50	(13.1)
2013	134,638	–	134,638	182.01	156.75	(13.9)
2014	145,063	4,146	140,917	200.95	177.75	(11.5)
2015	139,167	13,997	125,170	197.78	181.63	(8.2)
2016	132,702	5,000	127,702	223.58	201.00	(10.1)
2017	182,523	14,773	167,750	309.15	286.00	(7.5)
2018	225,063	20,183	204,880	351.26	363.00	3.3
2019	223,755	20,405	203,350	344.50	320.00	(7.1)
2020	329,044	24,641	304,403	481.92	504.00	4.6
2021	748,014	60,783	687,231	777.15	802.00	3.2
2022	**610,550**	**–**	**610,550**	**664.65**	**647.00**	**(2.7)**

Revenue

Year to 31 July	Gross revenue £'000	Available for ordinary shareholders £'000	Revenue earnings per ordinary shares† p	Dividend per ordinary share net p	Ongoing charges* %
2012	3,234	1,491	1.97	1.50	1.26
2013	2,967	1,242	1.66	1.50	1.15
2014	2,550	1,019	1.40	1.40	1.01
2015	1,886	231	0.35	0.35	1.02
2016	1,331	(182)	(0.30)	0.35	1.13
2017	1,559	(211)	(0.38)	Nil	1.07
2018	2,032	(328)	(0.60)	Nil	1.02
2019	2,473	8	0.01	Nil	0.99
2020	3,128	564	0.95	0.25	0.92
2021	3,561	(402)	(0.51)	Nil	0.78
2022	**11,067**	**3,830**	**4.21**	**3.00**	**0.74**

Gearing Ratios

Year to 31 July	Invested gearing* %	Potential gearing* %
2012	(2)	–
2013	(1)	–
2014	2	3
2015	8	11
2016	3	4
2017	7	9
2018	8	10
2019	8	10
2020	4	8
2021	4	9
2022	**(1)**	**–**

Cumulative Performance (taking 2012 as 100)

At 31 July	Net asset value per share*	Net asset value total return*#	Share price	Share price total return*#	Comparative Index#	Comparative Index total return#	Retail price index#
2012	100	100	100	100	100	100	100
2013	106	107	105	106	109	112	103
2014	117	119	119	121	113	120	105
2015	115	118	121	125	112	122	107
2016	130	133	134	138	127	142	108
2017	180	185	191	197	159	182	112
2018	204	210	243	250	164	193	116
2019	200	206	214	221	167	201	119
2020	280	288	337	348	171	211	121
2021	452	464	536	553	189	238	126
2022	**386**	**397**	**433**	**446**	**169**	**219**	**141**
Compound annual returns							
5 year	16.5%	16.5%	17.7%	17.7%	1.2%	3.7%	4.7%
10 year	14.5%	14.8%	15.8%	16.1%	5.4%	8.1%	3.5%

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

† The calculation of earnings per share is based on the net revenue from ordinary activities after taxation and the weighted average number of ordinary shares (see note 7 on page 51).

Source: Refinitiv and relevant underlying index providers. See disclaimer on page 70.

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Business Review

Business Model

Business and Status

The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust. Investment trusts are UK public listed companies and their shares are traded on the London Stock Exchange. They invest in a portfolio of assets in order to spread risk. The Company has a fixed share capital although, subject to shareholder approval, sought annually, it may purchase its own shares or issue shares. The price of the Company's shares is determined, like other listed shares, by supply and demand.

The Company has been approved as an investment trust by HM Revenue & Customs subject to the Company continuing to meet the eligibility conditions. The Directors are of the opinion that the Company has continued to conduct its affairs so as to enable it to comply with the ongoing requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011.

The Company is an Alternative Investment Fund ('AIF') for the purposes of the UK Alternative Investment Fund Managers Regulations.

Purpose

The Company's purpose is to conduct business as an investment trust, investing its assets in accordance with its Investment Objective, in order to achieve capital growth for shareholders.

Investment Objective

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

Investment Policy

Pacific Horizon aims to achieve capital growth principally through investment in companies listed on the stock markets of the Asia-Pacific region (excluding Japan) and the Indian Sub-continent. The Company may also invest in companies based in the region and in investment funds specialising in the region or particular countries or sectors within it even if they are listed elsewhere. The maximum permitted investment in one company is 15% of total assets at time of investment.

The portfolio contains companies which the Managers have identified as offering the potential for long term capital appreciation, irrespective of whether they comprise part of any index. The portfolio is actively managed and will normally consist principally of quoted equity securities although unlisted companies, fixed interest holdings or other non-equity investments may be held. The maximum exposure to unlisted investments is 15% of total assets at the time of initial investment. The Company is also permitted to invest in other pooled vehicles (general, country and sector specific) that invest in the markets of the region.

In constructing the equity portfolio a spread of risk is created through diversification and the portfolio will typically consist of between 40 and 120 companies. Although sector concentration and the thematic characteristics of the portfolio are carefully monitored, no maximum limits to stock or sector weights have been set by the Board except as imposed from time to time by banking covenants on borrowings.

The Company may use derivatives which will be principally, but not exclusively, for the purpose of reducing, transferring or eliminating investment risk in its investments. These typically take the form of index futures, index options and currency forward transactions.

The Company has a maximum approved equity gearing level of 50% of shareholders' funds but, in the absence of exceptional market conditions, equity gearing is typically less than 25% of shareholders' funds. Borrowings are invested in securities when it is considered that investment opportunities merit the Company taking a geared position. The Company is also permitted to be less than fully invested. Cash and equity gearing levels, and the extent of gearing, are discussed by the Board and Managers at every Board meeting.

Culture

As an externally managed investment company with no employees, Pacific Horizon's culture is expressed through its Board and its third party service providers, in particular its Managers, in their interactions with shareholders and other stakeholders. The Board's assessment of its own interactions is described in its Section 172 Statement on pages 10 and 11, and the Baillie Gifford Statement on Stewardship, which describes the Managers' culture of constructive engagement, is set out on page 17.

Performance

At each Board meeting, the Directors consider a number of performance measures to assess the Company's success in achieving its objectives.

Key Performance Indicators

The Board uses key performance indicators (KPIs) to measure the progress and performance of the Company over time when discharging its duties as set out on page 30. These KPIs are established industry measures and are as follows:

- the movement in net asset value per ordinary share on a total return basis;
- the movement in the share price on a total return basis;
- the premium/(discount) of the share price to the net asset value per share; and
- the ongoing charges.

An explanation of these measures can be found in the Glossary of Terms and Alternative Performance Measures on pages 71 and 72. The one, five and ten year records for the KPIs can be found on pages 4, 5 and 6, respectively.

In addition to the above, the Board also has regard to the total return of the Company's principal comparative index (MSCI All Country Asia ex Japan Index (in sterling terms)) and considers the performance of comparable companies.

Across these measures, the Board looks for relative outperformance over the long term, while remaining mindful that the nature of the investment policy and the growth characteristics of the portfolio investments may entail periods of underperformance over the short and medium term. The Board is satisfied with the Company's progress and performance.

Borrowings

During the year, the Company repaid its one year £60 million multi-currency revolving credit facility with Royal Bank of Scotland International Limited and obtained a new three year multi-currency revolving credit facility of up to £100 million with Royal Bank of Scotland International Limited which expires on 14 March 2025. At 31 July 2022 there were no outstanding drawings (31 July 2021 – £20,000,000 and US$56,704,000 at interest rates of 0.65977% and 0.74975% respectively). The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's net asset value should be at least £300 million. There were no breaches in the loan covenants during the year.

Principal and Emerging Risks

As explained on page 32 there is a process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including those that would threaten its business model, future performance, regulatory compliance, solvency or liquidity. There have been no material changes to the principal risks during the year other than Climate and Governance Risk being recognised as a principal risk as opposed to an emerging risk. A description of these risks and how they are being managed or mitigated is set out below.

The Board considers the ongoing Covid-19 pandemic, geopolitical tensions, such as those arising from the Russian invasion of Ukraine, tensions between the USA and China regarding tariffs and the impact of Brexit to be factors which exacerbate existing risks, rather than discrete risks, within the context of an investment trust. Their impact is considered within the relevant risks.

Financial Risk – the Company's assets consist mainly of listed securities (93.6% of the investment portfolio) and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note 18 to the Financial Statements on pages 56 to 62. The Board has, in particular, considered the impact of heightened market volatility during the Covid-19 pandemic and over recent months due to macroeconomic and geopolitical concerns. In order to oversee this risk, the Board considers at each meeting various metrics including regional and industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are discussed with the portfolio manager together with general views on the various investment markets and sectors. A strategy session is held annually.

Investment Strategy Risk – pursuit of an investment strategy to fulfil the Company's objective which the market perceives to be unattractive or inappropriate, or the ineffective implementation of an attractive or appropriate strategy, may lead to reduced returns for shareholders and, as a result, a decreased demand for the Company's shares. This may lead to the Company's shares trading at a widening discount to their net asset value. To mitigate this risk, the Board regularly reviews and monitors the Company's objective and investment policy and strategy, the investment portfolio and its performance, the level of discount/premium to net asset value at which the shares trade and movements in the share register and raises any matters of concern with the Managers.

Climate and Governance Risk – perceived problems on environmental, social and governance ('ESG') matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price, in addition to potential valuation issues arising from any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Managers to identify ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price. This is mitigated by the Managers' strong ESG stewardship and engagement policies which are available to view on the Managers' website, **bailliegifford.com**, and which have been reviewed and endorsed by the Company, and which have been fully integrated into the investment process. Due diligence includes assessment of the risks inherent in climate change (see page 33).

Discount Risk – the discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company. To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders.

Regulatory Risk – failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the UKLA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.

Custody and Depositary Risk – safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security. To mitigate this risk, the Audit Committee receives six-monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated unlisted portfolio holdings to confirmations from investee companies. The Custodian's assured internal controls reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, documentary evidence of the existence of assets is subject to annual external audit.

Operational Risk – failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets. To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption (including any disruption resulting from the Covid-19 pandemic) or major disaster. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. The other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.

Leverage Risk – the Company may borrow money for investment purposes. If the investments fall in value, any borrowings will magnify the impact of this loss. If borrowing facilities are not renewed, the Company may have to sell investments to repay borrowings. The Company can also make use of derivative contracts. To mitigate this risk, all borrowings require the prior approval of the Board and leverage levels are discussed by the Board and Managers at every meeting. Covenant levels are monitored regularly. The majority of the Company's investments are in quoted securities that are readily realisable. Further information on leverage can be found in note 19 on page 62 and the Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

Political and Associated Economic Risk – the Board is of the view that political change in areas in which the Company invests or may invest may have financial consequences for the Company. Political developments are closely monitored and considered by the Board, for example in respect of tensions between the USA and China regarding tariffs and unrest in Hong Kong and repercussions from the Russian invasion of Ukraine. It monitors portfolio diversification by investee companies' primary location, to mitigate against the negative impact of military action or trade barriers. Following the departure of the UK from the European Union and the subsequent trade agreement between the UK and the European Union, the Board continues to assess the potential consequences for the Company's future activities, including those that may arise from further constitutional change. The Board believes that the Company's portfolio, which predominantly comprises companies listed on the stock markets of the Asia-Pacific region (excluding Japan) and the Indian Sub-continent, positions the Company to be suitably insulated from Brexit-related risk.

Cyber Security Risk – a cyber attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems. To mitigate this risk, the Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.

Emerging Risks – as explained on page 32 the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of the global economy and the related exposure of the investment portfolio to external and emerging threats such as the societal and financial implications of an escalation of the Russia-Ukraine military conflict and the tensions between China and the US, cyber risk and new coronavirus variants or similar public health threats. This is mitigated by the Managers' close links to the investee companies and their ability to ask questions on contingency plans. The Managers believe the impact of such events may be to slow growth rather than to invalidate the investment rationale over the long term.

Viability Statement

Notwithstanding that the continuation of the Company is subject to approval of shareholders every five years, with the next vote at the Annual General Meeting in 2026, the Directors have, in accordance with provision 31 of the UK Corporate Governance Code, published by the Financial Reporting Council, assessed the prospects of the Company over a three year period. The Directors continue to believe this period to be appropriate as it is reflective of the Company's investment approach. In the absence of any adverse change to the regulatory environment and the favourable tax treatment afforded to UK investment trusts, such a period is one over which they do not expect there to be any significant change to the current principal risks and to the adequacy of the mitigating controls in place. The Directors do not envisage any change in the Company's strategy or objectives nor do they foresee any events that would prevent the Company from continuing in existence over that period.

In making this assessment regarding viability, the Directors have taken into account the Company's current position and have conducted a robust assessment of the Company's principal and emerging risks and uncertainties (as detailed on pages 8 and 9), in particular the impact of market risk where a significant fall in the Asia-Pacific (excluding Japan) and the Indian Sub-continent equity markets would adversely impact the value of the investment portfolio. The Directors have also considered the Company's investment objective and policy, the level of demand for the Company's shares, the nature of its assets, its liabilities and its projected income and expenditure. The vast majority of the Company's investments are readily realisable and can be sold to meet its liabilities as they fall due. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company during this period of remote working. In addition, as substantially all of the essential services required by the Company are outsourced to third party service providers, key service providers can be replaced at relatively short notice where necessary. Specific leverage and liquidity stress testing was conducted during the year, including consideration of the risk of further market deterioration resulting from the Covid-19 pandemic and increasing geopolitical tensions. The stress testing did not indicate any matters of material concern.

Based on the Company's processes for monitoring revenue projections, share price discount/premium, the Managers' compliance with the investment objective, asset allocation, the portfolio risk profile, leverage, counterparty exposure, liquidity risk and financial controls, the Directors have concluded that there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Promoting the Success of the Company (Section 172 Statement)

Under section 172 of the Companies Act 2006, the directors of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters and to the extent applicable) to: a) the likely consequences of any decision in the long term, b) the interests of the company's employees, c) the need to foster the company's business relationships with suppliers, customers and others, d) the impact of the company's operations on the community and the environment, e) the desirability of the company maintaining a reputation for high standards of business conduct, and f) the need to act fairly as between members of the company.

In this context, having regard to Pacific Horizon being an externally managed investment company with no employees, the Board considers the Company's key stakeholders to be: its existing and potential shareholders; its externally-appointed managers (Baillie Gifford); other professional service providers (corporate broker, registrar, auditors and depositary); lenders; wider society and the environment where applicable.

The Board considers that the interests of the Company's key stakeholders are aligned, in terms of wishing to see the Company deliver sustainable long-term growth in line with the Company's stated objective and strategy; and that the Company meets the highest standards of legal, regulatory, and commercial conduct, with the differences between stakeholders' interests being merely a matter of emphasis on those elements. The Board's methods for assessing the Company's progress in the context of its stakeholders' interests are set out below.

The Board places great importance on communication with shareholders. The Annual General Meeting provides the key forum for the Board and Managers to present to shareholders on the Company's performance and prospects. It also allows shareholders the opportunity to meet with the Board and Managers and raise questions and concerns. The Chairman is available to meet with shareholders as appropriate independently of the Managers and did so during the year. The Managers meet regularly with shareholders and their representatives, reporting their views back to the Board. Directors can also attend shareholder presentations, in order to gauge shareholder sentiment first hand. Shareholders may also communicate with members of the Board at any time by writing to them at the Company's registered office or to the Company's broker. These communication opportunities help inform the Board when considering how best to promote the success of the Company for the benefit of all stakeholders in aggregate over the long term.

The Board seeks to engage with its Managers and other service providers in a collaborative and collegiate manner, encouraging open and constructive discussion and debate, whilst also ensuring that appropriate and regular challenge is brought to the table and appropriate evaluation conducted. This approach aims to enhance service levels and strengthen relationships with the Company's investment managers and service providers, with a view to ensuring the interests of the Company are best served by keeping cost levels proportionate and competitive, and by maintaining the highest standards of business conduct.

The Company's operational capacity is limited, as third party service providers conduct all substantive operations. Nonetheless, the Board is aware of the need to consider the impact of the Company's investment strategy and policy on wider society and the environment. The Board considers that its oversight of environmental, social and governance ('ESG') matters is an important part of its responsibility to all stakeholders and that consideration of ESG factors is aligned with the Managers' longstanding aim of providing a sustainable basis for adding value for shareholders. The Board's review of the Managers includes an assessment of their ESG approach and its application in making investment decisions. The Board supports the Managers' long-term perspective as set out in their investment philosophy on page 12 and regularly reviews Governance Engagement reports, which document the Managers' interactions with investee companies on ESG matters.

The Board recognises the importance of keeping the interests of the Company and its stakeholders, in aggregate, firmly front of mind in its key decision making. The Company Secretaries are available at all times to the Board to ensure that suitable consideration is given to the range of factors to which the Directors should have regard. In addition to ensuring that the Company's stated investment objective was being pursued, key decisions and actions during the year which required the Directors to have regard to applicable section 172 factors included:

— arranging of a new £100 million three year multi-currency revolving credit facility with Royal Bank of Scotland International Limited on the expiry of the £60 million one year multi-currency revolving credit facility with Royal Bank of Scotland International Limited, which enables the Managers to deploy gearing to improve the Company's returns to shareholders in rising markets but retains the flexibility to reduce borrowings should the need arise;

— the raising of approximately £33 million from new share issuance, at a premium to net asset value, in order to satisfy investor demand, which also serves the interests of current shareholders by spreading the Company's operating costs over a wider capital base, thereby reducing costs per share, and helping to improve liquidity; and

— the buying back of 214,000 of the Company's own shares into treasury at a discount to net asset value, for subsequent reissue, in order to ensure the Company's shareholders found liquidity for their shares when natural market demand was insufficient, and on terms that enhance net asset value for remaining shareholders.

Employees, Human Rights and Community Issues

The Board recognises the requirement to provide information about employees, human rights and community issues. As the Company has no employees, all its Directors are non-executive and all its functions are outsourced, there are no disclosures to be made in respect of employees, human rights and community issues.

Gender Representation

As at 31 July 2022, and the date of this report, the Board comprises five Directors, three male and two female. The Company has no employees. The Board's policy on diversity is set out on page 31.

Environmental, Social and Governance Policy

Details of the Company's policy on socially responsible investment can be found under Corporate Governance and Stewardship on page 33 with more details of the Managers' approach to socially responsible investment set out under Environmental, Social and Governance Considerations in the Managers' Review on page 15 and the Baillie Gifford Statement on Stewardship on page 17. The Managers are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project, the Net Zero Asset Managers Initiative and are also members of the International Corporate Governance Network and the Asian Corporate Governance Association.

The Company considers that it does not fall within the scope of the Modern Slavery Act 2015 and it is not, therefore, obliged to make a slavery and human trafficking statement. In any event, the Company considers its supply chains to be of low risk as its suppliers are typically professional advisers. A statement by the Managers under the Act has been published on the Managers' website at **bailliegifford.com**.

Managers' Review

Overview

Over the coming decades we believe Asia will be one of the world's fastest growing regions 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^2'.

Our investment philosophy has added significant value for shareholders over the long term. However, by running a differentiated, high conviction portfolio, there will inevitably be short periods of time when we are out of favour with the market, and this has been one such year.

Surging global inflation, exacerbated by events such as war in Ukraine and continued lockdowns in China, led to rising interest rates, significantly tighter global monetary conditions and volatile markets. Such an environment has been a headwind for our growth-oriented investment style.

Consequently, after several years of extremely strong performance, this year saw the Company's NAV and share price decreasing by 14.5%* and 19.3%* respectively. This is compared to the comparative index, the MSCI All Country Asia ex Japan Index, in sterling terms, which had a negative total return of 8.2%*. Longer term performance remains strong; the Company's NAV having outperformed the comparative index by 12.8 percentage points per annum over the past 5 years.

Although the shorter-term outlook for Asian markets is uncertain, we remain optimistic. Following the significant falls in share prices across the region, valuations appear even more attractive, and we continue to have confidence in the outlook for the companies in the portfolio. It is noteworthy that over the next year our holdings on average are valued at nearly the same price to earnings multiple as that of the comparative index (12.6 vs. 12.2), yet they are expected to grow their earnings at a faster rate (14.7% vs. 9.1%).

The broad overall shape of the portfolio remains similar to last year, with significant exposure to both cyclical growth, particularly materials and energy, and secular growth, including technology and consumer, companies. However, notable changes have included a significant reduction in India, which funded increases in exposure to China, where we have been significantly underweight for some time, and Indonesia.

Gearing was reduced from 4% to zero over the period, and the unlisted portion of the portfolio decreased from 7.2% to 6.1% as two of our private companies listed on public markets.

Our long-term 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 growth of the Asian middle class. These fundamentals will underpin development in the region for decades to come. We believe that the best way to invest in this rapidly changing growth market is to find its best long-term growth companies.

Philosophy

We are growth investors endeavouring to invest in the top twenty percent of the fastest growing companies in the region. We are patient and 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 long 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:

1) **Underappreciated growth duration**
   We believe one of the greatest investment inefficiencies in Asia (excluding Japan) is to be found in companies with excellent long-term earnings growth where profits are volatile from one quarter to the next. The market typically 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 firms more willing to reinvest in their business and with greater ambition. This presents us with exciting investment opportunities, but it requires an approach 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 endeavour 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.

3) **Underappreciated growth surprise**
   The final significant inefficiency in Asia (excluding Japan) lies in the interaction between top-down and bottom-up investing. Asia (excluding 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.

* Source: Baillie Gifford/Refinitiv and relevant underlying index providers. See disclaimer on page 70.
For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.
Past performance is not a guide to future performance.

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 to 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 2022)	20.1%	10.5%
One year forecast earnings growth (to 31 July 2023)	14.7%	9.1%
Estimated p/e ratio for the current year (to 31 July 2022)	12.6x	12.2x
Percentage in under £1bn market cap companies	16.1%	0.1%
Percentage in under £5bn market cap companies	48.8%	10.7%
Active Share	83.3%	n/a
Portfolio Turnover	16.0%	n/a

Data as at 31 July 2022, source: Baillie Gifford, UBS PAS, APT, MSCI (see disclaimer on page 70).

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 12.6 versus 12.2 for the comparative index. Over the longer term, we believe the higher growth potential of our holdings more than justifies this multiple.

Portfolio overview

By sector, the shape of the portfolio remains similar to the start of the period. In absolute terms, our largest exposures remain focused on the key themes of the rising middle class, technology and innovation. However, we also have significant exposures to more cyclical industries including materials, industrials and energy that respectively make up the first, second and fourth largest relative positions, versus the comparative index, within the portfolio. The portfolio's distribution of assets by geography and sector are shown on page 24.

There have, however, been notable reductions to some of our cyclical holdings, in particular materials. Our exposure here can be divided into two – those materials that are exposed to the green transition, such as nickel and copper, and those that are not. It is in the latter where we have been reducing most significantly with complete sales of companies including Tata Steel and Jindal Steel & Power (both India steel companies), Vedanta (iron ore, zinc, aluminium) and RUSAL (aluminium). Most of these positions were taken during the Covid-19 pandemic when valuations reached extremely depressed levels despite sound and growing operations. However, with share prices of companies such as Vedanta having peaked at more than 500% above its Covid trough, we struggle to make a case for doubling our money over the next five years.

Our remaining materials exposure is predominantly to those metals at the core of the green revolution, copper and nickel. Copper, as the most cost-effective conductive material, is critical to capturing, storing and transporting new energy sources, and demand from green sources could easily grow ten-fold by 2030. To put that into perspective, green demand could match and quickly surpass the incremental demand China generated during the 2000s which created the last commodity super cycle. Nickel is a critical material in electric vehicle batteries, and demand will likely significantly outstrip supply as electric vehicle demand continues to grow exponentially.

By country there have been three noticeable changes.

The first is a reduction to our Indian exposure from a 28.9% absolute position to 24.2% being a 10 percentage point relative overweight position to the 14.2% of the comparative index. This reflects a mixture of macroeconomic factors and valuations, albeit we remain enthused by the country's long-term prospects as demonstrated by India still being the largest country overweight in the portfolio.

The key issue for the country is rising energy prices. India is arguably the most sensitive, large Asian country to high oil prices which will increasingly strain the current account, currency and growth. This is against a backdrop of rising domestic inflation, slowing domestic growth and already high valuations.

Fortunately, this is unlikely to lead to a crisis of old, as India enters this challenging period in reasonably sound financial strength with foreign exchange reserves of nearly $600bn (roughly double 2012 when the country last faced similar headwinds), decent import cover and a domestically focused economy less exposed to the slowing global economy.

Sales were predominantly in 'old economy' sectors including, as mentioned, materials and also housing (DLF) and banking (IDFC Bank). We are increasingly enthused by the 'new economy', in which 4G mobile networks have brought the internet to the masses and are catalysing the emergence of a new and exciting breed of innovative technology focused companies. Our largest holding in this new economy is Delhivery, the country's leading enabler of pan Indian ecommerce logistics. This was a privately held investment that listed over the period and now accounts for 5.5% of the portfolio. Other notable new economy companies include Dailyhunt (private company, 4.1%) and Zomato (1.3%).

As noted earlier, reductions in India were used to fund opportunities in both Indonesia and China. The macro-economic situation in Indonesia looks increasingly favourable. The country is one of the biggest beneficiaries of rising raw material prices across the region with significant exports of coal, palm oil and nickel (the latter potentially making Indonesia a regional hub for electric vehicle components). These exports will support a strong current account, (which is likely to be in a surplus of c.$50bn by the end the of the year), and the rupiah. Combined with an underleveraged banking system we believe the domestic economy looks better placed than it has for many years. During the period we purchased PT Astra International, Indonesia's leading automotive distributor and Bank Rakyat, arguably the best micro finance company in Asia.

Looking to North Asia, it has been a torrid time for investors in China. Regulatory clampdowns on the private sector, increasing geopolitical tensions, Covid-19 lockdowns and problems in the property market have led to a collapse in investor sentiment: the MSCI China index is down nearly 50% since its 2021 peak, while many Chinese companies listed in the USA have fallen more than 70%.

Whilst we acknowledge many of these issues are serious, we believe investors have become too pessimistic and significant long-term value may be emerging. In the technology space in particular, valuations appear extremely compelling (the core ecommerce business of Alibaba Group for instance trades on <5x P/E multiples), and in the long term many of the technology regulations, such as those combating monopoly practices in the internet sector, appear broadly sensible and arguably put China at the forefront of internet regulations globally.

We made significant additions to China taking it from a 18.1% position to 24.7%, making it the largest absolute country exposure in the portfolio (albeit still a 5.2 percentage point relative underweight). The most notable purchases were in the internet sector where new purchases were made in Baidu.com, Meituan and Alibaba Group, whilst we also added to a number of existing holdings including JD.com. Exposure to the Chinese consumer was increased with new holdings in Midea and Zhejiang Supor Co, and we added to our green technology holdings including LONGi Green Energy and Wuxi Lead Intelligent Equipment Co.

Finally, we have been watching geopolitical developments in Taiwan extremely closely, and it is perhaps here where the biggest risks to the region and our portfolio lie. It seems inevitable that China's position on Taiwan will become an ever more divisive topic with the West. China's ambitions for Taiwan are clear – reunification by 2049, but president Xi desires it much sooner.

Whilst military action is likely unviable within the next five years, increased non-military coercion appears likely to ratchet over the coming years. This comes at a time of already increased tensions between China and the West, and it is notable that an increasingly hawkish stance against China is the one topic American politicians appear to agree on. The result is likely to be rising Chinese and American tensions, and the world increasingly splitting into two spheres of political, technological and economic influences. We are considering the implications of such an eventuality carefully.

Performance

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. It is pleasing that over the past 5 years, the timescale on which we believe our performance should be judged, the portfolio has generated significant value for shareholders. However, against an extremely challenging global backdrop, performance over the past year, both in absolute and relative terms, was weak.

Soaring inflation and rising interest rates were major headwinds for our growth-oriented investment style. This was particularly pronounced in many of our higher growth companies, where the net present value of the businesses lies in cash flows far into the future and is greatly diminished by rising discount rates.

In the previous year our performance was helped significantly by our broadening of the portfolio into more cyclical growth companies. Unfortunately, as the likelihood of a global recession increased during the year, compounded by numerous world events including war in Ukraine, a European energy crisis, Chinese lockdowns and increasing tensions over Taiwan, our cyclical holdings were unable to offset the weakness elsewhere in the portfolio.

By sector, the largest positive contributors to performance were Consumer Discretionary, Energy and Industrials in that order. Consumer Discretionary was led by Tata Motors (Indian automotive company that owns the Jaguar Land Rover Brand) which was also the single largest stock contributor to returns. The company continues to see a strong turnaround in its domestic automotive business, with passenger vehicle market shares now nearing 15%, and commercial vehicles sales improving. Longer term, it is the company's investment in electric vehicles that could be most valuable. The company has approximately 90% market share of the domestic electric passenger car market, a strong EV pipeline and is working with other Tata Group companies, including Tata Power, Tata Chemicals, Tata Auto Components to build an EV ecosystem called the 'Tata UniEVerse'.

Elsewhere in the Consumer Discretionary sector, it was what we did not own that had the most positive impact on our relative performance. In particular, a significant underweight position in Alibaba Group and not holding Tencent were both top five stock contributors relative to the index. These companies continued to be impacted in the first half of the period by the continued regulatory clampdowns in China and broader negative investor sentiment towards the country. After a very challenging few years, we are starting to see opportunities emerge in China, and towards the end of the period started to buy back into the Chinese internet companies.

Energy was our second-best performing sector, led by the oil and gas company, Jadestone Energy, which benefitted significantly from the rising oil price while continuing to operate its assets extremely efficiently. Industrials were led by Delhivery, which listed at a premium to its unlisted valuation.

By country, Indonesia was our best performing market, led by our material holdings including Merdeka Copper Gold and Nickel Mines. This was followed by Russia, where our sole exposure was RUSAL, the aluminium producer listed in Hong Kong (now sold), and South Korea.

By some margin Singapore was our largest detractor. This was almost entirely due to the poor performance of Sea Limited, which fell 75.5% over the period and accounted for roughly half of the portfolio's entire underperformance. Operationally there were some moderate setbacks. The company's hit game, Free Fire, appears to be reaching peak user numbers, and the company exited India (having launched its ecommerce operations in August 2021) as it focused more on profitability.

However, Sea Limited appears to be part of a broader trend of sentiment turning against rapidly growing, loss making technology companies, especially those in emerging markets listed in the United States. While many of these share price corrections may be warranted, we believe the indiscriminate selling across the sector has failed to discriminate between genuinely strong long term business models and weaker players. With continued market share gains across its key ASEAN markets and weakened competition, we continue to believe Sea Limited is the best consumer play across the south east Asian region.

China was the other key detractor to performance led by technology companies Dada Nexus and Kingsoft Cloud. Unlike Sea Limited, operational deterioration was more prominent, especially at Kingsoft Cloud Holdings where the company has been losing market share and moves by the government to establish its own cloud infrastructure suggest the market will become significantly more competitive. This led to the holding being sold.

Our Korea and Taiwan exposure also underperformed, the former as a number of our industrial cyclicals came under pressure, such as Koh Young Technology, while Taiwan was the result of our underweight in TSMC.

By sector, the biggest detractor to our performance was Financials, which was the best performing sector in the index (and along with Utilities the only sector to produce positive absolute returns), but the largest underweight position in the portfolio. There was also notable weakness in the Information Technology and Communication Services for reasons already discussed.

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.

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 company, L&C Bio, 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. We are enthused by the number of exciting growth companies we can buy that are exposed to these themes, many of which are now trading on historically low valuations.

Against this long-term positive backdrop for Asia, we would however note that shorter term there are many challenges facing global markets and rarely has it been harder to predict outcomes. Our advantage in such a scenario is our long-term investment approach, ignoring volatility and focusing on finding great companies that will be winners in Asia over the coming decades.

We also see reasons for optimism. Many of the inflationary causes effecting the world are likely to subside with the ending of lockdowns and related monetary stimulus. Such a scenario would be extremely beneficial to the global economy and very supportive to growth companies more generally. Asia itself looks well placed, having run far more prudent fiscal and monetary policies over the Covid crisis compared to the profligacy of many developed countries. Over the coming years, the decent growth rates, sensible interest rates and limited balance sheet expansion across much of Asia, is likely to compare very favourably to other markets. The future is to the east.

Valuing Private Companies

We aim to hold our private company investments at 'fair value' i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations committee at Baillie Gifford which takes advice from an independent third party (S&P Global). The portfolio managers feed into the process, but the valuations committee owns the process and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For investment trusts, the prices are also reviewed twice per year by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering 'IPO'; or changes to the valuation of comparable public companies. Any ad hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value. There is no delay.

The valuations committee also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team undertakes these checks daily.

Recent market volatility has meant that recent pricing has moved much more frequently than would have been the case with the quarterly valuations cycle.

Pacific Horizon Investment Trust	
Instruments (lines of stock reviewed)*	6
Quantum of individual (lines of stock) reviewed	27
Quantum of revaluations post review	25
Percentage of portfolio revalued 2+ times	100%
Percentage of portfolio revalued 5+ times	50%

* Excludes Delhivery and Star Health & Allied Insurance Co which listed in the period.

Year to date, most revaluations have been decreases. A handful of companies have raised capital at an increased valuation. The average movement in both valuation and share price for those which have decreased in value is shown below.

	Average movement in company valuation*	Average movement in share price
Pacific Horizon†	(14.70%)	(19.31%)

* Excludes Dailyhunt (VerSe Innovation) following a fund raise at a notably higher valuation. Average movement in company value including Dailyhunt results in (2%) compared to (14.7%) shown in table .

† Data reflecting period 1 August 2021 – 31 July 2022 to align with the Trust's reporting period end.

Share prices have decreased more than headline valuations, which is a result of holding classes of stock with less preferential liquidation rights and therefore less down side protection.

The share price movement reflects a probability weighted average of both the regular valuation, which would be realised in an IPO, and the downside protected valuation, which would normally be triggered in the event of a corporate sale or liquidation.

Baillie Gifford Statement on Stewardship

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 our holdings to be ambitious and focus their investments on long-term value creation. We understand that it is easy 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 holdings away from destructive financial engineering towards activities that create genuine economic and stakeholder 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 all capital providers. There is no fixed formula, but it is our expectation that boards have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation able to assist, advise and constructively challenge 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 genuine long-term alignment with external capital providers. We are accepting of significant payouts 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 all enterprises to maintain strong relationships with all stakeholders – employees, customers, suppliers, regulators and the communities they exist within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and respect should be prioritised at all times.

Sustainable Business Practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly, and encourage the development of thoughtful environmental practices and 'net-zero' aligned climate strategies as a matter of priority. Climate change, environmental impact, social inclusion, tax and fair treatment of employees should be addressed at board level, with appropriately stretching policies and targets focused on the relevant material dimensions. Boards and senior management should understand, regularly review and disclose information relevant to such targets publicly, alongside plans for ongoing improvement.

Environmental, Social and Governance Engagement

By engaging with companies, we seek to build constructive relationships with them, to better inform our investment activities and, where necessary, effect change within our holdings, ultimately with the goal of achieving better returns for our shareholders. The three examples below demonstrate our stewardship approach through constructive, ongoing engagement.

LONGi Green Energy

LONGi Green Energy is a China-based semi-conductor company mainly engaged in the production of solar panels.

We engaged with LONGi Green Energy to address specific aspects of its supply chain oversight process. The supply chain for LONGi Green Energy is complex and extends into higher-risk countries and regions where monitoring can be restricted. Our direct engagement with company management provided the answers we required on on-site inspection, auditing and ongoing monitoring and mitigation steps if breaches are discovered.

We also engaged with LONGi Green Energy to understand the company's efforts on recycling and what factors hinder LONGi Green Energy from embracing a carbon neutrality goal at present. From the conversation, we know that LONGi Green Energy has recently formed a specialised team for recycling nearly retired solar modules. LONGi Green Energy's latest ESG report and White Paper on Climate Action detail the company's emission reduction targets. Based on a 2020 baseline, by 2030 carbon emissions within the scope of operations will be reduced by 60 per cent. and the carbon emissions intensity per ton of silicon material, per watt of cell and per ton of glass will be reduced by 20 per cent.

The company is a pioneer in setting a concrete firm-wide climate action plan, joining various climate-related initiatives, and constructing its first net-zero factory. We value the efforts and contributions of LONGi Green Energy to China's wider decarbonisation and green transition.

LONGi Green Energy

Samsung Electronics

Samsung Electronics is a Korea-based company principally engaged in the manufacture and distribution of memory chips, phones and electronic components.

While Samsung discloses its carbon emissions, it is yet to disclose updated carbon reduction targets. Through discussion with the company's sustainability team, they recognised the importance of having carbon reduction targets and explained that the process of defining and setting targets is under way. We strongly encouraged these targets to be set in line with science-based projections.

Following up on the progress Samsung Electronics was making towards implementing its ESG strategy, we heard that Samsung has become a signatory to the United Nations Global Compact earlier this year. In addition, the number of employees working in the central ESG team has quadrupled in the past 12 months and is continuing to grow – emphasising the investment Samsung is making to embed its sustainability strategy.

Li Ning

Li Ning is the leading domestic branded sportswear retailer in China. It is in the midst of a positive turnaround where the company's sales are playing catch-up to its strong brand image. The Chinese brand is attracting the younger market and is driving a significant increase in sales.

In April, we met with the CEO on a range of issues. One of the areas we wanted to learn more about was its approach to upholding international labour standards in its sourcing practices and supply chains. Li Ning confirmed that it does not use forced labour and provided more details on its supply chain due diligence. Li Ning reaffirmed its commitment to zero forced labour and supplier sourcing practices. We have encouraged further transparency in this area and are following up with the company to learn more about its plans.

Review of Investments

A review of the Company's ten largest investments as at 31 July 2022 is given below and on the following page.

Delhivery

© NurPhoto/Getty Images.

Delhivery

Delhivery is an Indian logistics company, and the leading independent provider of end-to-end delivery services, with a national network used by all ecommerce players. The scale and modernity of its network has allowed it to deliver both the lowest costs and a reliable delivery experience, making it one of the best-placed operators to benefit from the continued growth of Indian ecommerce.

This was previously a private company investment.

Geography	India
Valuation	£33,717,000
% of total assets*	5.5%
(Valuation at 31 July 2021	£19,501,000)
(% of total assets at 31 July 2021	2.6%)
(Net purchases in year to 31 July 2022	nil)

Samsung Electronics

Samsung is a global leader in semiconductors and electronics. Its core business is highly cash-generative, and the group has the financial and human capital that permits it to invest and innovate at scale.

Geography	Korea
Valuation	£33,653,000
% of total assets*	5.5%
(Valuation at 31 July 2021	£1,981,000)
(% of total assets at 31 July 2021	0.3%)
(Net purchases in year to 31 July 2022	£37,671,000)

Dailyhunt (VerSe Innovation)

A private company investment, Dailyhunt is an Indian consumer media company. Its short form video and news aggregator apps are popular across the country. Its localised and user-generated content ensures engagement, which is valued by advertisers looking to reach the Indian mass-market.

Geography	India
Valuation	£25,235,000
% of total assets*	4.1%
(Valuation at 31 July 2021	£14,412,000)
(% of total assets at 31 July 2021	2.0%)
(Net purchases in year to 31 July 2022	£6,373,000)

Jadestone Energy

Jadestone Energy is an exploration and production company with oil and gas fields across Asia-Pacific. They acquire smaller assets from the energy majors, as well as bringing expertise to previously state-owned fields, investing to boost production and extend their useful life.

Geography	Singapore
Valuation	£21,754,000
% of total assets*	3.6%
(Valuation at 31 July 2021	£16,920,000)
(% of total assets at 31 July 2021	2.3%)
(Net purchases in year to 31 July 2022	nil)

Samsung Electronics

© Samsung.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

JD.com

JD.com is the largest Chinese retailer, via its dominant share in the online ecommerce 3C market, and it is the second-largest player in overall Chinese ecommerce. It has a strong logistics network and a focus on customer service, which is driving increased revenue and market share.

Geography	Hong Kong and China
Valuation	£20,167,000
% of total assets*	3.3%
(Valuation at 31 July 2021	£14,885,000)
(% of total assets at 31 July 2021	2.0%)
(Net purchases in year to 31 July 2022	£6,345,000)

Merdeka Copper Gold

An Indonesian copper miner, with the rights to the country's second-largest copper and gold deposits. Operationally, it has an attractive combination of management with a track record, as well as supportive local shareholders.

Geography	Indonesia
Valuation	£17,027,000
% of total assets*	2.8%
(Valuation at 31 July 2021	£12,447,000)
(% of total assets at 31 July 2021	1.7%)
(Net sales in year to 31 July 2022	£1,233,000)

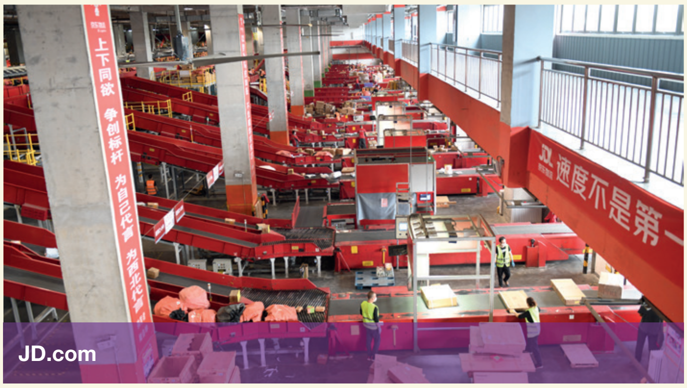
Li Ning

Li Ning is the leading domestic branded sportswear retailer in China. It is in the midst of a positive turnaround where the company's sales are playing catch-up to its strong brand image. The Chinese brand is attracting the younger market and is driving a significant increase in sales.

Geography	Hong Kong and China
Valuation	£16,368,000
% of total assets*	2.7%
(Valuation at 31 July 2021	£18,613,000)
(% of total assets at 31 July 2021	2.5%)
(Net sales in year to 31 July 2022	nil)

Li Ning

© Bloomberg/Getty Images.



JD.com

© VCG/Getty Images.

Sea Limited

Sea Limited is one of the leading players in South East Asia within the gaming markets and online ecommerce. It is an independent company with significant backing from Tencent. Its markets have the potential to grow exponentially over the next decade.

Geography	Singapore
Valuation	£13,839,000
% of total assets*	2.3%
(Valuation at 31 July 2021	£56,394,000)
(% of total assets at 31 July 2021	7.5%)
(Net sales in year to 31 July 2022	£665,000)

Reliance Industries

The leading conglomerate in India, Reliance's interests span three industries but all show ambitious long-term growth, characteristic of Mukesh Ambani's leadership. Heavy investment into renewable energy and modern retail sit alongside its Jio mobile network and long-standing petrochemicals business.

Geography	India
Valuation	£13,389,000
% of total assets*	2.2%
(Valuation at 31 July 2021	£7,015,000)
(% of total assets at 31 July 2021	1.0%)
(Net purchases in year to 31 July 2022	nil)

MMG

MMG is a Hong Kong listed mid-tier global resources company which explores, develops and mines base metal projects around the world. Among its portfolio holdings are world class copper assets in Peru.

Geography	Hong Kong and China
Valuation	£13,330,000
% of total assets*	2.2%
(Valuation at 31 July 2021	£20,152,000)
(% of total assets at 31 July 2021	2.7%)
(Net purchases in year to 31 July 2022	nil)

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

List of Investments as at 31 July 2022

Name	Geography	Business	2022 Value £'000	2022 % of total assets*
DelhiveryⓅ#	India	Logistics and courier services provider	33,717	5.5
Samsung Electronics	Korea	Memory, phones and electronic components manufacturer	33,653	5.5
Dailyhunt (VerSe Innovation) Series I PreferredⓊ	India	Indian news aggregator application	18,902	3.1
Dailyhunt (VerSe Innovation) Series EquityⓊ	India	Indian news aggregator application	3,774	0.6
Dailyhunt (VerSe Innovation) Series J Preferred Ⓤ	India	Indian news aggregator application	2,559	0.4
			25,235	4.1
Jadestone Energy	Singapore	Oil and gas explorer and producer	21,754	3.6
JD.com	HK/China	Online mobile commerce	20,167	3.3
Merdeka Copper Gold	Indonesia	Indonesian miner	17,027	2.8
Li Ning	HK/China	Sportswear apparel supplier	16,368	2.7
Sea Limited ADR	Singapore	Internet gaming and ecommerce	13,839	2.3
Reliance Industries	India	Indian petrochemical company	13,389	2.2
MMG	HK/China	Chinese copper miner	13,330	2.2
Tata Motors ADR	India	Indian automobile manufacturer	13,230	2.2
Zijin Mining Group Co H Shares	HK/China	Gold and copper miner	12,014	2.0
Samsung SDI	Korea	Electrical equipment manufacturer	11,911	2.0
ByteDance Series E-1 PreferredⓊ	HK/China	Social media	11,731	1.9
Bank Rakyat	Indonesia	Consumer bank	11,325	1.9
LONGi Green Energy	HK/China	Chinese semiconductor manufacturer	11,220	1.8
HDBank	Vietnam	Consumer bank	9,922	1.6
Alibaba Group	HK/China	Online and mobile commerce	9,888	1.6
Samsung Engineering	Korea	Korean construction	8,979	1.5
Hyundai Mipo Dockyard	Korea	Korean shipbuilder	8,918	1.5
Star Health & Allied Insurance CoⓅ‡	India	Health insurance company	8,769	1.4
PT Astra International	Indonesia	Automobile distributor	8,717	1.4
Lemon Tree Hotels	India	Owner and operator of a chain of Indian hotels and resorts	8,415	1.4
Dragon Capital Vietnam Enterprise Investments	Vietnam	Vietnam investment fund	8,308	1.4
Midea A shares	HK/China	Household appliance manufacturer	8,254	1.4
Meituan	HK/China	Local services aggregator	8,093	1.3
Phoenix Mills	India	Commercial property manager	8,059	1.3
ZomatoⓅ	India	Online restaurant search, ordering and discovery platform	7,939	1.3
Nickel Mines	Indonesia	Base metals miner	7,096	1.2
Jiangxi Copper Co	HK/China	Chinese copper miner	7,047	1.2
Indiabulls Real Estate	India	Domestic and commercial real estate provider	6,998	1.1
Ramkrishna Forgings	India	Auto parts manufacturer	6,966	1.1
China Oilfield Services H Shares	HK/China	Oilfield services	6,921	1.1
MediaTek	Taiwan	Taiwanese electronic component manufacturer	6,701	1.1
Hoa Phat Group	Vietnam	Steel and related products manufacturer	6,680	1.1
Zhejiang Supor Co	HK/China	Chinese manufacturer of cookware and home appliance products	6,571	1.1
TSMC	Taiwan	Semiconductor manufacturer	6,455	1.1

Name	Geography	Business	2022 Value £'000	2022 % of total assets*
Prestige Estate Projects	India	Owner and operator of residential real estate properties	6,398	1.0
Ping An Insurance H Shares	HK/China	Life insurance provider	6,372	1.0
Geely Automobile	HK/China	Automobile manufacturer	6,187	1.0
Accton Technology	Taiwan	Server network equipment manufacturer	6,134	1.0
Military Commercial Joint Stock Bank	Vietnam	Retail and corporate bank	5,749	0.9
Coupang	Korea	Ecommerce business	5,526	0.9
Kingdee International Software	HK/China	Enterprise management software distributor	5,490	0.9
Koh Young Technology	Korea	3D inspection machine manufacturer	5,471	0.9
Baidu.com	HK/China	Internet provider	5,452	0.9
PT Vale Indonesia	Indonesia	Nickel miner	5,224	0.9
SDI Corporation	Taiwan	Stationery and lead frames for semiconductors manufacturer	5,209	0.9
Ningbo Peacebird Fashion A Shares	HK/China	Chinese fashion	5,166	0.8
KH Vatec Company	Korea	Electronic component and device manufacturer	5,089	0.8
EO Technics	Korea	Manufacturer and distributor of semiconductor laser markers	5,001	0.8
Wuxi Lead Intelligent Equipment Co A Shares	HK/China	Manufacturer of electronic capacitors, solar energy and lithium battery equipment	4,875	0.8
HDFC	India	Indian mortgage provider	4,581	0.8
Flitto	Korea	Internet based service provider	4,479	0.7
PT Aneka Tambang	Indonesia	Nickel miner	4,215	0.7
Dada Nexus ADR	HK/China	Chinese ecommerce distributor of online consumer products	4,142	0.7
Korea Zinc	Korea	Non-ferrous metals smelter and manufacturer	3,785	0.6
PropertyGuru	Singapore	Real-estate platform	3,706	0.6
S-Fuelcell	Korea	Fuel cell manufacturer	3,314	0.5
Han's Laser Technology A Shares	HK/China	Electronic equipment manufacturer	3,203	0.5
Tsugami Precision	HK/China	Industrial machinery manufacturer	3,151	0.5
KE Holdings	HK/China	Chinese real-estate platform	2,559	0.4
KE Holdings ADR	HK/China	Chinese real-estate platform	560	0.1
			3,119	0.5
L&C Bio	Korea	Medical equipment manufacturer	3,111	0.5
LG Chem	Korea	Producer of EV batteries	3,088	0.5
Chalice Mining	HK/China	Miner	2,899	0.5
Ping An Bank A Shares	HK/China	Consumer bank	2,783	0.5
CIMC Vehicles H Shares	HK/China	Manufacturer of trailers and trucks	2,767	0.5
SK IE Technology	Korea	Refining and chemical company	2,623	0.4
Policybazaar	India	Online financial services platform	2,616	0.4
Kaspi.Kz JSC GDR	Kazakhstan	Kazakh fintech	2,582	0.4
Skipper	India	Transmission and distribution structures provider	2,429	0.4
Hypebeast	HK/China	Digital media and ecommerce company	2,287	0.4
AirTac International Group	Taiwan	Pneumatic components manufacturer	2,180	0.4
Techtronic Industries	HK/China	Power tool manufacturer	2,168	0.3
Vinh Hoan Corporation	Vietnam	Food producer	2,027	0.3

Name	Geography	Business	2022 Value £'000	2022 % of total assets*
China Conch Venture	HK/China	Provider of environmentally-friendly building materials and solutions	1,933	0.3
Douzone Bizon	Korea	Enterprise resource planning software developer	1,681	0.3
Nexteer Automotive	HK/China	Producer of automotive components	1,285	0.2
Huayu Automotive Systems A Shares	HK/China	Auto parts manufacturer	1,069	0.2
Binh Minh Plastics Joint Stock Company	Vietnam	Plastic piping manufacturer	807	0.1
China Conch Environment Protection	HK/China	Provider of environmentally-friendly building materials and solutions	788	0.1
Brilliance China Automotive†	HK/China	Minibus and automotive components manufacturer	495	0.1
Chime Biologics ⓤ	HK/China	Biopharmaceutical company	139	0.1
Eden Biologics ⓤ	Taiwan	Biopharmaceutical company	138	0.0
Philtown Properties ⓤ	Philippines	Property developer	0	0.0
Total Investments			**608,539**	**99.7**
Net Liquid Assets*			2,011	0.3
Total Assets			**610,550**	**1.00**

HK/China denotes Hong Kong and China.

Details of the ten largest investments are given on pages 19 and 20 along with comparative valuations.

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

ⓤ Denotes private company (unlisted) investment.

ⓟ Denotes listed security previously held in the portfolio as an unlisted security.

† Denotes suspended investment.

In line with the conditions of the IPO, investors with holdings prior to the listing are subject to a lock in period preventing trading of the holding. This expires on 24 November 2022.

‡ In line with the conditions of the IPO, investors with holdings prior to the listing are subject to a lock in period preventing trading of the holding. This expires on 10 December 2022.

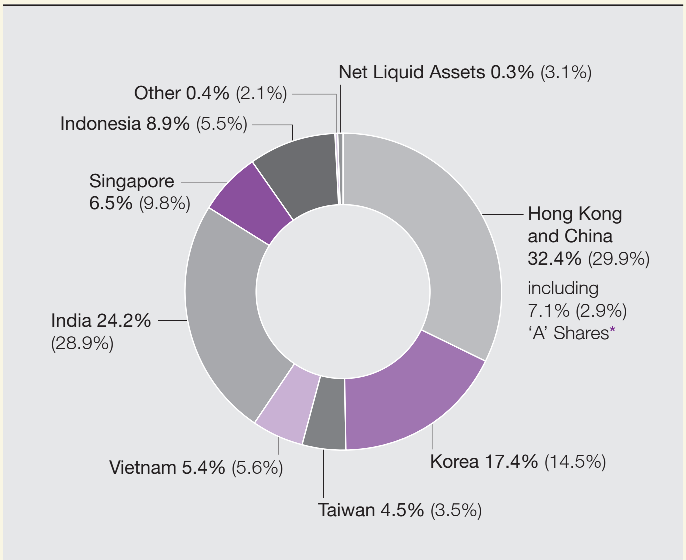
	Listed equities %	Unlisted (private company) securities # %	Net liquid assets %	Total assets %
31 July 2022	**93.6**	**6.1**	**0.3**	**100.0**
31 July 2021	**89.7**	**7.2**	**3.1**	**100.0**

Figures represent percentage of total assets.

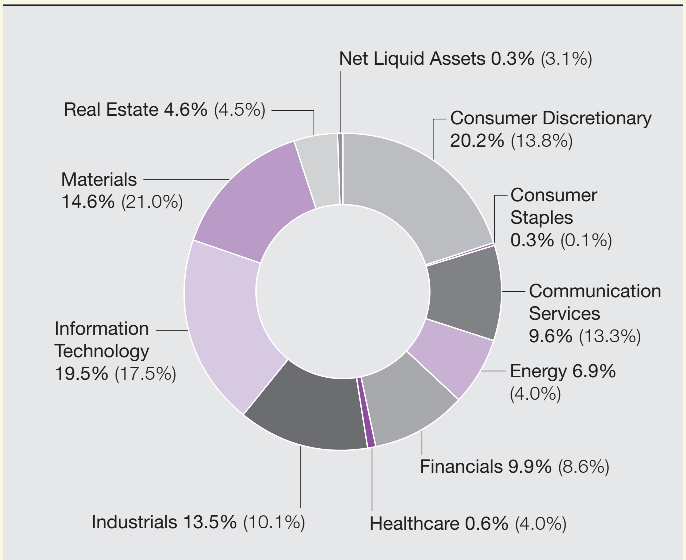
Includes holdings in ordinary shares and preference shares.

Distribution of Total Assets*, Active Share†, Turnover and Size Splits

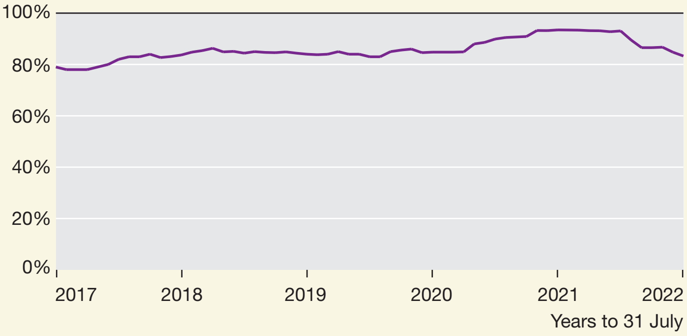
Geographical 2022 (2021)



Sectoral 2022 (2021)



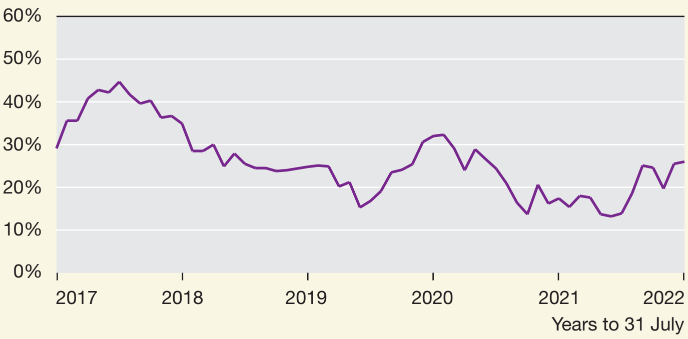
Active Share† (relative to MSCI All Country Asia ex Japan Index (in sterling terms))#



Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 70.

Turnover

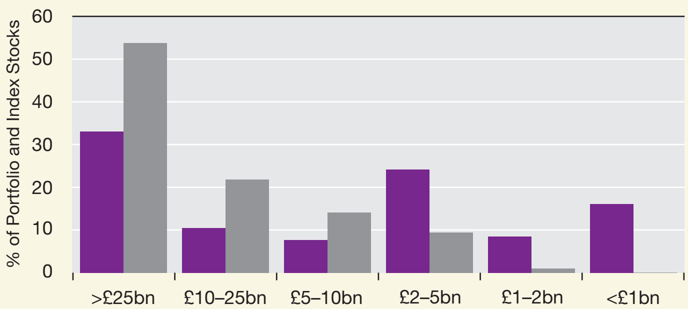
Rolling 12 months turnover over 5 years



Source: Baillie Gifford.

Size Splits (Market Capitalisation of Investments)

As at 31 July 2022



Source: Baillie Gifford and relevant underlying index providers. See disclaimer on page 70.

Pacific Horizon

MSCI All Country Asia ex Japan Index#

* For a definition of terms see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures on pages 71 and 72.

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

The Strategic Report which includes pages 2 to 24 was approved by the Board of Directors and signed on its behalf on 15 September 2022.

Angus Macpherson
Chairman

Directors and Management

Directors

Angus Macpherson

Angus Macpherson was appointed a Director in 2017 and Chairman in 2019. He is chief executive of Noble and Company (UK) Limited, an independent Scottish corporate finance business. He is currently chairman of Henderson Diversified Income Trust plc and a non-executive director of Schroder Japan Growth Fund plc, Hampden & Co PLC, and is the former chairman of JP Morgan Elect PLC. He was based in Asia between 1995 and 2004 in Singapore and Hong Kong, latterly as Head of Capital Markets and Financing for Merrill Lynch for Asia.

Sir Robert Chote

Sir Robert Chote was appointed a Director in 2020. He became chairman of the Northern Ireland Fiscal Council in 2021 and was chairman of the Office for Budget Responsibility to 2020. He previously served as Director of the Institute for Fiscal Studies, as an advisor to the International Monetary Fund and as Economics Editor of the Financial Times. He is a senior adviser to governance reform consultancy FMA and a visiting professor at the Department of Political Economy, Kings College London. He serves on advisory boards at the Warwick Manufacturing Group and the Centre for Economic Performance of the London School of Economics.

Wee-Li Hee

Wee-Li Hee was appointed a Director in 2020. She is an experienced Asian analyst and fund manager. 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 she became lead manager in 2014, stepping back as a result of family commitments to return to a co-manager role in 2017 and retiring at the end of 2019. She is a CFA Charterholder and a director of Melville Paisley Investments.

Angela Lane

Angela Lane was appointed a Director in 2018. She is Chairman of the Audit Committee and is the Senior Independent Director. She is a qualified accountant and has held several non-executive and advisory roles for small and medium capitalised companies across a range of industries. Previously she spent 18 years working as a private equity investor for 3i plc. She is a non-executive director of BlackRock Throgmorton Trust plc, Seraphim Space Investment Trust plc and Dunedin Enterprise Investment Trust PLC, where she is also chairman of its audit committee, and former non-executive chairman of Huntswood CTC.

Joe Studwell

Richard Frank ('Joe') Studwell was appointed a Director in 2018. He 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*.

All of the Directors are members of the Nomination, Management Engagement and Audit Committee.

Managers and Secretaries

The Company has appointed Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, as its Alternative Investment Fund Manager 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. Baillie Gifford & Co is an investment management firm formed in 1927 out of the legal firm Baillie & Gifford, WS, which had been involved in investment management since 1908.

Baillie Gifford is one of the largest investment trust managers in the UK and currently manages thirteen investment trusts. Baillie Gifford also manages a listed investment company and open ended investment companies, together with investment portfolios on behalf of pension funds, charities and other institutional clients, both in the UK and overseas. Funds under the management or advice of Baillie Gifford totalled around £247 billion at 31 July 2022. Based in Edinburgh, it is one of the leading privately owned investment management firms in the UK, with 51 partners and a staff of around 1,700.

The manager of Pacific Horizon's portfolio is Roderick Snell who was appointed deputy manager in September 2013 and became lead manager in June 2021. Roderick has been a member of the Emerging Markets team at Baillie Gifford since 2008, with a focus on Asia-Pacific.

Baillie Gifford & Co Limited and Baillie Gifford & Co are both authorised and regulated by the Financial Conduct Authority.

Directors' Report

The Directors present their Report together with the Financial Statements of the Company for the year to 31 July 2022.

Corporate Governance

The Corporate Governance Report is set out on pages 30 to 33 and forms part of this Report.

Managers and Company Secretaries

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, has been appointed as the Company's 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 Investment Management Agreement sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Managers may terminate the Management Agreement on six months' notice and the Company may terminate on three months' notice. Compensation fees would only be payable in respect of the notice period if termination were to occur within a shorter notice period. The Board is of the view that calculating the fee with reference to performance would be unlikely to exert a positive influence on performance.

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.

The Board considers the Company's investment management and secretarial arrangements on an ongoing basis and a formal review is conducted by the Management Engagement Committee annually.

The following topics, amongst others, are considered in the review:

— the quality of the personnel assigned to handle the Company's affairs;

— the investment process and the results achieved to date; and

— the administrative services provided by the Secretaries.

Following the most recent review, it is the opinion of the Management Engagement Committee that the continuing appointment of Baillie Gifford & Co Limited as AIFM and Secretaries, and the delegation of the investment management services to Baillie Gifford & Co and the further sub-delegation of dealing activity and transaction reporting to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited, on the terms agreed, is in the interests of shareholders as a whole due to the strength of the investment management team, the Managers' commitment to the investment trust sector and the quality of the secretarial and administrative functions. In undertaking the review, the Directors also considered the execution of the agreed investment strategy and the relative performance over the medium term.

Depositary

The Bank of New York Mellon (International) Limited has been appointed as the Company's Depositary in accordance with the requirements of the UK Alternative Investment Fund Managers Regulations.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Company's Depository also acts as the Company's Custodian.

Directors

Information about the Directors, including their relevant experience, can be found on page 25.

All of the Directors are retiring at the Annual General Meeting ('AGM') and all are offering themselves for re-election. Following formal performance evaluation, the Chairman confirms that the Board considers that each Director's performance continues to be effective and that they remain committed to the Company and capable of devoting sufficient time to their roles. The Board therefore recommends their re-election to shareholders.

Director Indemnification and Insurance

The Company has entered into qualifying third party deeds of indemnity in favour of each of its Directors. The deeds, which were in force during the year to 31 July 2022 and up to the date of approval of this report, cover any liabilities that may arise to a third party, other than the Company, for negligence, default or breach of trust or duty. The Directors are not indemnified in respect of liabilities to the Company, any regulatory or criminal fines, any costs incurred in connection with criminal proceedings in which the Director is convicted or civil proceedings brought by the Company in which judgement is given against him/her. In addition, the indemnity does not apply to any liability to the extent that it is recovered from another person. The Company also maintains Directors' and Officers' liability insurance.

Conflicts of Interest

Each Director submits a list of potential conflicts of interest to the Nomination Committee on an annual basis. The Committee considers these carefully, taking into account the circumstances surrounding them and makes a recommendation to the Board on whether or not the potential conflicts should be authorised. Board authorisation is for a period of one year.

Having considered the lists of potential conflicts there were no situations which gave rise to a direct or indirect interest of a Director which conflicted with interests of the Company.

Dividends

The Company's objective is that of generating capital growth. Consequently, the Managers do not invest in companies based on the level of income they may pay out as dividends.

As highlighted previously, the Board does not intend to draw on the Company's revenue reserve to pay or maintain dividends. This year the net revenue available for distribution to shareholders amounted to £3,830,000, which is of sufficient magnitude to require a distribution to be made to maintain investment trust status.

The Directors are therefore recommending the payment of a final dividend of 3.00 pence per share. If approved, the recommended final dividend on the ordinary shares will be paid on 29 November 2022 to shareholders on the register at the close of business on 28 October 2022. The ex-dividend date is 27 October 2022. The Company's Registrar offers a Dividend Reinvestment Plan (see page 67) and the final date for elections for this dividend is 8 November 2022.

Share Capital

Capital Structure

The Company's capital structure as at 31 July 2022 consists of 91,860,961 ordinary shares of 10p each (2021 – 88,429,704 ordinary shares), see note 13. At 31 July 2022, 214,000 shares were held in treasury. There are no restrictions concerning the holding or transfer of the Company's ordinary shares and there are no special rights attached to any of the shares.

Dividends

The ordinary shares carry a right to receive dividends. Interim dividends are determined by the Directors, whereas the proposed final dividend is subject to shareholder approval.

Capital Entitlement

On winding up, after meeting the liabilities of the Company, the surplus assets will be paid to ordinary shareholders in proportion to their shareholdings.

Voting

Each ordinary shareholder present in person or by proxy is entitled to one vote on a show of hands and, on a poll, to one vote for every share held.

Major Interests Disclosed in the Company's Shares

Name	Ordinary 10p shares held at 31 July 2022	% of issue
Sarasin and Partners LLP (indirect)*	7,757,676	8.4

* Previously disclosed as A&OT Investments Limited (direct).

Holdings above are stated as per the most recent notification to a Regulatory Information Service. There have been no changes to the major interests in the Company's shares disclosed up to 14 September 2022.

Annual General Meeting

The details of this year's AGM, including the proposed resolutions and information on the deadlines for proxy appointments, can be found on pages 63 to 66. Shareholders who hold shares in their own name on the main register will be provided with a Form of Proxy. If you hold shares through a share platform or other nominee, the Board would encourage you to contact these organisations directly as soon as possible to arrange for you to vote at the AGM. The resolutions relating to the renewal of the Directors' authorities to issue and buy back shares, are explained in more detail below.

Issuance of Shares

At the last Annual General Meeting, the Directors were granted shareholders' approval for a general authority to issue shares and also an authority to issue shares or sell shares held in treasury on a non pre-emptive basis (without first offering such shares to existing shareholders pro-rata to their existing holdings) for cash up to an aggregate nominal amount of £844,297. Both authorities expire at the forthcoming Annual General Meeting and the Directors are seeking shareholders' approval to renew them for a further year, as detailed below.

During the year to 31 July 2022 the Company bought back 214,000 shares (representing 0.2% of the issued share capital at 31 July 2021) at a discount to net asset value at a cost of £1,454,000 which are held in treasury. In addition, the Company issued a total of 3,645,257 shares on a non pre-emptive basis (nominal value £365,000 representing 4.1% of the issued share capital at 31 July 2021) at a premium to net asset value (on the basis of debt valued at par value) on 25 separate occasions at a weighted average price of 906.01 pence per share raising net proceeds of £32,957,000. Between 1 August and 14 September 2022, no further shares were issued and 217,726 shares were bought back. 431,726 shares were held in treasury as at 14 September 2022.

Resolution 11 in the Notice of Annual General Meeting seeks a general authority for the Directors to issue ordinary shares up to an aggregate nominal amount of £916,432. This amount represents approximately 10% of the Company's total ordinary share capital in issue at 14 September 2022, being the latest practicable date prior to the publication of this document, and meets institutional guidelines. No issue of ordinary shares will be made pursuant to the authorisation in Resolution 11 which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Resolution 12 which is being proposed as a special resolution, seeks to renew the Directors' authority to allot equity securities, or sell treasury shares, for cash without having to offer such shares to existing shareholders pro-rata to their existing holdings, up to a total nominal amount of £916,432 representing approximately 10% of the Company's total issued ordinary share capital as at 14 September 2022, being the latest practicable date prior to publication of this document.

The Directors consider that the authority proposed to be granted by Resolution 12 continues to be advantageous when the Company's shares trade at a premium to net asset value and the level of natural liquidity in the market is unable to meet demand. The Directors do not intend to use this authority to sell or issue ordinary shares on a non pre-emptive basis at a discount to net asset value. While the level of the authority being sought is greater than the 5% recommended by the Pre-Emption Group in their Statement of Principles on disapplying pre-emption rights, it is specifically recognised in the Statement of Principles that, where an investment trust is seeking authority to issue shares at a premium to the underlying net asset value per share, this should not normally raise concerns and the Directors consider the greater flexibility provided by this authority to be justified in the circumstances.

The authorities sought in Resolutions 11 and 12 will continue until the conclusion of the Annual General Meeting to be held in 2023 or on the expiry of 15 months from the passing of the resolutions, if earlier.

Such authorities will only be used to issue shares or sell shares from treasury at a premium to net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. The Directors believe that the ability to buy back shares at a discount and re-sell them or issue new shares at a premium are useful tools in smoothing supply and demand.

Market Purchase of Own Shares by the Company

Resolution 13 seeks shareholders' approval (by way of a special resolution) to renew the authority to purchase up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) as at 14 September 2022, being the latest practicable date prior to publication of this document (or, if less, up to 14.99 per cent. of the ordinary shares in issue (excluding treasury shares) on the date on which the resolution is passed). This authority will expire at the end of the Annual General Meeting of the Company to be held in 2023. Such purchases will only be made at a discount to the prevailing net asset value.

The Company may hold bought back shares in treasury and then:

(a) sell such shares (or any of them) for cash (or its equivalent under the Companies Act 2006); or

(b) cancel such shares (or any of them).

Shares will only be re-sold from treasury at (or at a premium to) the net asset value per ordinary share.

Treasury shares do not receive distributions and the Company will not be entitled to exercise the voting rights attaching to them. In accordance with the Listing Rules, the maximum price (exclusive of expenses) that may be paid on the exercise of the authority shall be an amount equal to the higher of:

(i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of the purchase; and

(ii) the higher of the price of the last independent trade and the highest current independent bid for such a share on the London Stock Exchange.

The minimum price (again exclusive of expenses) that may be paid will be the nominal value of an ordinary share. Purchases of ordinary shares will be made within guidelines established, from time to time, by the Board. The Company does not have any warrants or options in issue. The Directors intend that this authority, if conferred, will be exercised only if to do so would result in an increase in net asset value per ordinary share for the remaining shareholders and if it is in the best interest of shareholders generally.

Recommendation

The Board considers that all the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its shareholders as a whole. Accordingly, the Board unanimously recommends that you vote in favour of all of the Resolutions, as the Directors intend to do in respect of their own beneficial shareholdings.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, bank borrowings and debtors and creditors that arise directly from its operations such as sales and purchases awaiting settlement and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 18 to the financial statements.

Future Developments of the Company

The outlook for the Company is set out in the Chairman's Statement on pages 2 to 3 and the Managers' Review on pages 12 to 15.

Going Concern

In accordance with the Financial Reporting Council's guidance on going concern and liquidity risk, including its Covid-19 guidance, the Directors have undertaken a rigorous review of the Company's ability to continue as a going concern and specifically in the context of the Covid-19 pandemic.

The Company's principal and emerging risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 8 and 9 and in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and over recent months due to macroeconomic and geopolitical concerns, but it does not believe the Company's going concern is affected.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2026. The Financial Statements have been prepared on the going concern basis; having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 9 (which assesses the prospects of the Company over a period of three years) it is the Directors' opinion that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders.

Disclosure of Information to Auditor

The Directors confirm that so far as each of the Directors is aware there is no relevant audit information of which the Company's Auditor is unaware and the Directors have taken all the steps that they might reasonably be expected to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Independent Auditor

The Auditor, BDO LLP, is willing to continue in office and, in accordance with section 489 and section 491(1) of the Companies Act 2006, resolutions concerning BDO LLP's reappointment and remuneration will be submitted to the Annual General Meeting.

Post Balance Sheet Events

The Directors confirm that there have been no post Balance Sheet events which require adjustment of, or disclosure in, the Financial Statements or notes thereto up to 15 September 2022.

Greenhouse Gas Emissions and Streamlined Energy & Carbon Reporting ('SECR')

All of the Company's activities are outsourced to third parties. The Company therefore has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. For the same reasons as set out above, the Company considers itself to be a low energy user under the SECR regulations and therefore, is not required to disclose energy and carbon information.

Bribery Act

The Company has a zero tolerance policy towards bribery and is committed to carrying out business fairly, honestly and openly. The Managers also adopt a zero tolerance approach and have policies and procedures in place to prevent bribery.

Criminal Finances Act 2017

The Company has a commitment to zero tolerance towards the criminal facilitation of tax evasion.

On behalf of the Board
Angus Macpherson
Chairman
15 September 2022

Corporate Governance Report

The Board is committed to achieving and demonstrating high standards of Corporate Governance. This statement outlines how the principles of the 2018 UK Corporate Governance Code (the 'Code'), which can be found at **frc.org.uk**, and the relevant principles of the Association of Investment Companies Code of Corporate Governance (the 'AIC Code') issued in 2019 were applied throughout the financial year. The AIC Code provides a framework of best practice for investment companies and can be found at **theaic.co.uk**.

Compliance

The FRC has confirmed that AIC member companies who report against the AIC Code will be meeting their obligations in relation to the UK Code (the AIC Code can be found at **theaic.co.uk**). The Board confirms that the Company has complied throughout the year under review with the relevant provisions of the Code and the recommendations of the AIC Code with the exception that the Company does not have a separate internal audit function as explained on page 34.

The Board

The Board has overall responsibility for the Company's affairs. It has a number of matters formally reserved for its approval including strategy, investment policy, currency hedging, gearing, treasury matters, dividend and corporate governance policy. A strategy session is held annually. The Board also reviews the Financial Statements, investment transactions, revenue budgets and performance of the Company. Full and timely information is provided to the Board to enable the Board to function effectively and to allow Directors to discharge their responsibilities.

As at 31 July 2022 and up to the date of this report the Board comprises five Directors all of whom are non-executive and independent.

The Chairman, Mr RA Macpherson, is responsible for organising the business of the Board, ensuring its effectiveness and setting its agenda.

The executive responsibility for investment management has been delegated to the Company's Alternative Investment Fund Manager ('AIFM'), Baillie Gifford & Co Limited, and, in the context of a Board comprising only non-executive Directors, there is no chief executive officer. Ms AC Lane is the Senior Independent Director ('SID') and, as such, available to shareholders if they have concerns not properly addressed to the Chairman. The SID leads the Chairman's performance appraisal and chairs the Nomination Committee when it considers the Chairman's succession.

The Directors believe that the Board has a balance of skills and experience that enable it to provide effective strategic leadership and proper governance of the Company. Information about the Directors, including their relevant experience, can be found on page 25.

There is an agreed procedure for Directors to seek independent professional advice, if necessary, at the Company's expense.

Appointments to the Board

The terms and conditions of Directors' appointments are set out in formal letters of appointment which are available for inspection on request.

Under the provisions of the Company's Articles of Association, a Director appointed during the year is required to retire and seek approval by shareholders at the next Annual General Meeting.

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election.

The names of Directors retiring and offering themselves for re-election together with the reasons why the Board supports this are set out on page 26.

Independence of Directors

All the Directors are considered by the Board to be independent of the Managers and free of any business or other relationship which could interfere with the exercise of their independent judgement.

The Directors recognise the importance of succession planning for company boards and review the Board's composition annually. The Board is of the view that length of service will not necessarily compromise the independence or contribution of directors of an investment trust company, where continuity and experience can be a benefit to the Board. The Board concurs with the view expressed in the AIC Code that long serving Directors should not be prevented from being considered independent.

In accordance with the AIC Code of Corporate Governance, all Directors are subject to annual re-election. Following a formal performance evaluation, the Board concluded that its members continued to be independent in character and judgement and their skills and experience added significantly to the strength of the Board.

Meetings

There is an annual cycle of Board meetings which is designed to address, in a systematic way, overall strategy, review of investment policy, investment performance, marketing, revenue budgets, dividend policy and communication with shareholders. The Board considers that it meets sufficiently regularly to discharge its duties effectively. The table below shows the attendance record for the core Board and Committee Meetings held during the year, excluding ancillary and sub-committee meetings. The Annual General Meeting was attended by all Directors.

Directors' Attendance at Meetings

	Board	Audit Committee	Nomination Committee	Management Engagement Committee
Number of meetings	**4**	**2**	**1**	**1**
RA Macpherson	4	2	1	1
RW Chote	4	2	1	1
W Hee	4	2	1	1
AC Lane	4	2	1	1
RF Studwell	4	2	1	1

Chairperson and Directors' Tenure

The Nomination Committee has considered the question of tenure for directors and has concluded that there should not be a set maximum time limit for a director or chairperson to serve on the Board. The Nomination Committee keeps under review the balance of skills, knowledge, experience, performance and length of service of the Directors, ensuring the Board has the right combination of skills and preservation of knowledge and experience, balanced with the appointment of new Directors, bringing in fresh ideas and perspective.

Management Engagement Committee

The role of the Management Engagement Committee is to ensure that the Managers remain suitable to manage the portfolio, that the management contract is competitive and reasonable for the shareholders, and that the Company maintains appropriate administrative and company secretarial support. All Directors are members of the Management Engagement Committee, which is chaired by the Chairman of the Board. The Board considers each member of the Committee to be independent. To discharge its duties, the Committee met during the year to consider: the performance and suitability of the Manager; the terms and conditions of the AIFM Agreement, including fees; and the Committee's Terms of Reference. The Committee's Terms of Reference are available on request from the Company and on the Company's page of the Managers' website: **pacifichorizon.co.uk**.

Nomination Committee

The Nomination Committee consists of all the non-executive Directors and the Chairman of the Board is Chairman of the Committee. The Committee meets on an annual basis and at such other times as may be required. The Committee has written terms of reference that include reviewing the composition of the Board, identifying and nominating new candidates for appointment to the Board, Board appraisal, planning for an orderly succession including overseeing development of a diverse pipeline for succession, and training. The Committee also considers whether Directors should be recommended for re-election by shareholders. The Committee is responsible for considering Directors' potential conflicts of interest and for making recommendations to the Board on whether or not potential conflicts are material to an individual Director's performance.

Diversity Policy

Appointments to the Board are made on merit with due regard for the benefits of diversity including gender, social and ethnic backgrounds, cognitive and personal strengths. The priority in appointing new directors is to identify the candidate with the best range of skills and experience to complement existing Directors. The Board therefore does not consider it appropriate to set diversity targets.

Board Composition

In order to fulfil its obligations, the Board recognises the importance of having a range of skilled and experienced Directors, balancing the benefits of length of service and knowledge of the Company with the desirability of ensuring regular refreshment of the Board. The Board reviews its composition annually.

The Committee's terms of reference are available on request from the Company and are on the Company's page of the Managers' website: **pacifichorizon.co.uk**.

Performance Evaluation

An appraisal of the Chairman, each Director and a performance evaluation and review of both the Board as a whole and of the individual Committees was carried out during the year. After inviting each Director and the Chairman to consider and respond to an evaluation questionnaire, the performance of each Director was appraised by the Chairman and the Chairman's appraisal was led by Ms AC Lane, the Senior Independent Director.

The appraisals and evaluations considered, amongst other criteria, the balance of skills of the Board, training and development requirements, the contribution of individual Directors and the overall effectiveness of the Board and its Committees. Following this process, it was concluded that the performance of each Director, the Chairman, the Board and its Committees continues to be effective and each Director and the Chairman are committed to the Company. A review of the Chairman's and other Directors' commitments was carried out and the Board is satisfied that they are capable of devoting sufficient time to the Company. There were no significant changes to the Chairman's other commitments during the year.

The Board is of the opinion that the use of external consultants to assist with the evaluation is unlikely to bring any meaningful benefit to the process, though the option to do so is kept under review.

Induction and Training

New Directors are provided with an induction programme which is tailored to the particular circumstances of the appointee. During the year briefings on industry and regulatory matters were provided to the Board by the Managers and Secretaries. Directors receive other relevant training as necessary.

Remuneration

As all the Directors are non-executive there is no requirement for a separate Remuneration Committee. Directors' fees are considered by the Board as a whole within the limits approved by shareholders. The Company's policy on remuneration is set out in the Directors' Remuneration Report on pages 36 and 37.

Audit Committee

The report of the Audit Committee is set out on pages 34 and 35.

Internal Controls and Risk Management

The Directors acknowledge their responsibility for the Company's risk management and internal controls systems and for reviewing their effectiveness, including with regard to preparation of the Company's Annual Report and Financial Statements. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board confirms that there is a continuing process for identifying, evaluating and managing the significant risks faced by the Company in accordance with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting'.

The practical measures to be taken in relation to the design, implementation and maintenance of control policies and procedures to safeguard the Company's assets and to manage its affairs properly, including the maintenance of effective operational and compliance controls have been delegated to the Managers and Secretaries.

The Board oversees the functions delegated to the Managers and Secretaries and the controls managed by the AIFM in accordance with the UK Alternative Investment Fund Managers Regulations (as detailed below). Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provide the Audit Committee with regular reports on their monitoring programmes. The reporting procedures for these departments are defined and formalised within a service level agreement. Baillie Gifford & Co conducts an annual review of its system of internal controls which is documented within an internal controls report which complies with ISAE 3402 AAF 01/06 – Assurance Reports on Controls at a Service Organisation. This report is independently reviewed by Baillie Gifford & Co's Auditor and a copy is submitted to the Audit Committee.

A report identifying the material risks faced by the Company and the key controls employed to manage these risks is reviewed by the Audit Committee.

These procedures ensure that consideration is given regularly to the nature and extent of risks facing the Company and that they are being actively monitored. Where changes in risk have been identified during the year they also provide a mechanism to assess whether further action is required to manage these risks.

The Directors confirm that they have reviewed the effectiveness of the Company's risk management and internal controls systems which accord with the FRC guidance 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting', and they have procedures in place to review their effectiveness on a regular basis. No significant weaknesses were identified in the year under review and up to the date of this Report.

The Board confirms that these procedures have been in place throughout the Company's financial year and continue to be in place up to the date of approval of this Report.

To comply with the UK Alternative Investment Fund Managers Regulations, The Bank of New York Mellon (International) Limited act as the Company's Depositary and Baillie Gifford & Co Limited as its AIFM.

The Depositary's responsibilities include cash monitoring, safe keeping of the Company's financial instruments, verifying ownership and maintaining a record of other assets and monitoring the Company's compliance with investment limits and leverage requirements. The Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Company's Depositary also acts as the Company's Custodian. The Custodian prepares reports on its key controls and safeguards which are independently reviewed by its appointed auditors, KPMG LLP. The reports are reviewed by Baillie Gifford's Business Risk Department and a summary of the key points is reported to the Audit Committee and any concerns are investigated.

The Depositary provides the Audit Committee with a report on its monitoring activities.

The AIFM has established a permanent risk management function to ensure that effective risk management policies and procedures are in place and to monitor compliance with risk limits. The AIFM has a risk management policy which covers the risks associated with the management of the portfolio, and the adequacy and effectiveness of this policy is reviewed and approved at least annually. This review includes the risk management processes and systems and limits for each risk area.

The risk limits, which are set by the AIFM and approved by the Board, take into account the objectives, strategy and risk profile of the portfolio. These limits including leverage (see page 62 are monitored and the sensitivity of the portfolio to key risks is undertaken periodically as appropriate to ascertain the impact of changes in key variables in the portfolio. Exceptions from limits monitoring and stress testing undertaken by Baillie Gifford's Business Risk Department are escalated to the AIFM and reported to the Board along with remedial measures being taken.

Relations with Shareholders

The Board places great importance on communication with shareholders. The Company's Managers meet regularly with shareholders and their representatives and report shareholders' views to the Board. The Chairman and Directors also attend shareholder presentations in London and Edinburgh with the Managers, as well as maintaining open lines of communication with market participants and investors in the Company, separate of the Managers' involvement, in order to ascertain views on corporate matters. The Chairman is available to meet with shareholders as appropriate. Shareholders wishing to communicate with any members of the Board may do so by writing to them at the Secretaries' address or through the Company's Corporate Broker, JP Morgan Cazenove (see contact details on the back cover).

The Company's Annual General Meeting provides a forum for communication with all shareholders. The level of proxies lodged for each resolution is announced at the meeting and is published on the Company's page of the Managers' website **pacifichorizon.co.uk** subsequent to the meeting. The notice period for the Annual General Meeting is at least twenty working days.

Shareholders and potential investors may obtain up-to-date information on the Company at **pacifichorizon.co.uk**.

Corporate Governance and Stewardship

The Company has given discretionary voting powers to Baillie Gifford & Co. The Managers vote against resolutions they consider may damage shareholders' rights or economic interests and report their actions to the Board.

The Board believes that it is in the shareholders' interests to consider environmental, social and governance ('ESG') factors when selecting and retaining investments and has asked the Managers to take these issues into account as long as the investment objectives are not compromised. The Managers do not exclude companies from their investment universe purely on the grounds of ESG factors but adopt a positive engagement approach whereby matters are discussed with management with the aim of improving the relevant policies and management systems and enabling the Managers to consider how ESG factors could impact long term investment returns. The Managers' statement of compliance with the UK Stewardship code can be found on the Managers' website at **bailliegifford.com**. The Managers' policy has been reviewed and endorsed by the Board. Baillie Gifford & Co Limited as the Company's Manager has considered the Sustainable Finance Disclosures Regulation ('SFDR') and further details can be found on page 70.

Climate Change

The Board recognises that climate change poses a serious threat to our environment, our society and to economies and companies around the globe. Addressing the underlying causes is likely to result in companies that are high emitters of carbon facing greater societal and regulatory scrutiny and higher costs to account for the true environmental impact of their activities.

The Managers believe that carbon footprint metrics in isolation are unhelpful – that some firms pollute more than others is a mostly meaningless observation. More significant is the ability of Pacific Horizon to deploy patient capital into innovative new technologies with the potential to accelerate the transition away from carbon. More information is available on the Company's website at **pacifichorizon.co.uk**. An external provider was engaged to map the carbon footprint of the portfolio. This analysis estimates that the carbon intensity of Pacific Horizon is 51.1% less than the index (MSCI All Country Asia ex Japan) and is based on 66.8% of the value of the Company's equity portfolio which reports on carbon emissions and other carbon related characteristics.

Baillie Gifford's Task Force on Climate-Related Financial Disclosures ('TCFD') Climate Report is available on the Managers' Website at **bailliegifford.com**. Baillie Gifford will provide a TCFD climate report for Pacific Horizon which is expected to be available during 2023.

The Managers, Baillie Gifford & Co, are signatories to the United Nations Principles for Responsible Investment and the Carbon Disclosure Project and are also members of the Asian Corporate Governance Association and the International Corporate Governance Network.

On behalf of the Board
Angus Macpherson
Chairman
15 September 2022

Audit Committee Report

The Audit Committee consists of all the Directors. The members of the Committee consider that they have the requisite financial skills and experience to fulfil the responsibilities of the Committee. Ms AC Lane is Chairman of the Audit Committee. The Committee's authority and duties are clearly defined within its written terms of reference which are available on request from the Company Secretaries and at **pacifichorizon.co.uk**. The terms of reference are reviewed annually.

The Committee's effectiveness is reviewed on an annual basis as part of the Board's performance evaluation process.

At least once a year the Committee meets with the external Auditor without any representative of the Managers being present.

Main Activities of the Committee

The Committee met twice during the year and BDO LLP, the external Auditor, attended one of those meetings, having met with the Audit Chair prior to the other. Baillie Gifford & Co's Internal Audit and Compliance Departments and the AIFM's permanent risk function provided reports on their monitoring programmes for each of these meetings.

The matters considered, monitored and reviewed by the Committee during the course of the year included the following:

— the preliminary results announcement and the Annual and Interim Reports;

— the Company's accounting policies and practices;

— the regulatory changes impacting the Company;

— the fairness, balance and understandability of the Annual Report and Financial Statements and whether it provided the information necessary for shareholders to assess the Company's performance, business model and strategy;

— the effectiveness of the Company's internal control environment;

— the reappointment, remuneration and terms of engagement of the external Auditor;

— whether the audit services contract should be put out to tender;

— the policy on the engagement of the external Auditor to supply non-audit services;

— the independence and objectivity of the external Auditor and the effectiveness of the audit process;

— the need for the Company to have its own internal audit function;

— the internal controls reports received from the Managers and Custodian; and

— the arrangements in place within Baillie Gifford & Co whereby their staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

Internal Audit

The Committee continues to believe that the compliance and internal controls systems and the internal audit function in place within the Investment Managers provide sufficient assurance that a sound system of internal control, which safeguards shareholders' investment and the Company's assets, is maintained. An internal audit function, specific to the Company, is therefore considered unnecessary.

The external auditor has adopted a wholly substantive approach to testing and therefore the absence of an internal audit function has not had an impact on audit procedures.

Financial Reporting

The Committee considers that the most significant areas of risk likely to impact the Financial Statements are the existence and valuation of investments, as they represent 99.7% of total assets, and the accuracy and completeness of income from investments.

The majority of the investments are in quoted securities and market prices are readily available from independent external pricing sources. The Committee reviewed Baillie Gifford's Report on Internal Controls which details the controls in place regarding recording and pricing of investments and the reconciliation of investment holdings to third party data.

The value of all the listed investments as at 31 July 2022 were agreed to external price sources. The Committee reviewed the Manager's valuation policy for investments in unquoted companies (as described on page 16) and approved the valuation of the unlisted investments following a detailed review of the valuation of each investment and relevant challenge where appropriate. The listed portfolio holdings were agreed to confirmations from the Company's custodian and the private company holdings were agreed to confirmations from the investee companies.

The Committee reviewed the Managers' Report on Internal Controls which details the controls in place regarding completeness and accurate recording of investment income. The accounting treatment of each special dividend received or receivable during the year was reviewed by the Managers.

The Committee considered the factors, including the impact of Covid-19 and increasing geopolitical tensions, that might affect the Company's viability over a period of three years and its ability to continue as a going concern for at least twelve months from the date of signing of the Financial Statements, together with reports from the Managers on the cash position and cash flow projections of the Company, the liquidity of its investment portfolio, compliance with debt covenants, availability of borrowing facilities, and the Company's ability to meet its obligations as they fall due. The Committee also reviewed the Viability Statement on page 9 and statement on Going Concern on page 28 including the potential impact of Covid-19 and increasing geopolitical tensions. Following this assessment, the Committee recommended to the Board the appropriateness of the Going Concern basis in preparing the Financial Statements and confirmed the accuracy of the Viability Statement and statement on Going Concern.

The Managers and Auditor confirmed to the Committee that they were not aware of any material misstatements in the context of the Financial Statements as a whole and that the Financial Statements are in accordance with applicable law and accounting standards.

Internal Controls and Risk Management

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems as described on page 32. No significant weaknesses were identified in the year under review.

External Auditor

To fulfil its responsibility regarding the independence and objectivity of the external Auditor, the Committee reviewed:

— the Auditor's audit plan which includes a report from the Auditor describing its arrangements to manage auditor independence and received confirmation of its independence; and

— the extent of non-audit services provided by the external Auditor. There were no non-audit fees for the year to 31 July 2022.

To assess the effectiveness of the external Auditor, the Committee reviewed and considered:

— the Auditor's fulfilment of the agreed audit plan;

— feedback from the Secretaries on the performance of the audit team; and

— the Audit Quality Inspection Report from the FRC.

To fulfil its responsibility for oversight of the external audit process the Committee considered and reviewed:

— the Auditor's engagement letter;

— the Auditor's proposed audit strategy;

— the audit fee; and

— a report from the Auditor on the conclusion of the audit.

Following a competitive tender process, BDO LLP were appointed as the Company's Auditor at the Annual General Meeting held on 15 November 2017, with Neil Fung-On as the lead audit partner. The audit partners responsible for the audit are to be rotated at least once every five years in accordance with professional and regulatory standards in order to protect independence and objectivity and to provide fresh challenge to the business. Accordingly, this will be Neil's last Pacific Horizon audit as partner.

BDO LLP has confirmed that it believes it is independent within the meaning of regulatory and professional requirements and that the objectivity of the audit partner and staff is not impaired.

Having carried out the review described above, the Committee is satisfied that the Auditor remains independent and effective for the purpose of this year's audit and, as such, has not considered it necessary to put the audit services contract out to tender.

There are no contractual obligations restricting the Committee's choice of Auditor.

Accountability and Audit

The respective responsibilities of the Directors and the Auditor in connection with the Financial Statements are set out on pages 38 to 43.

On behalf of the Board
Angela Lane
Chairman of the Audit Committee
15 September 2022

Directors' Remuneration Report

This report has been prepared in accordance with the requirements of the Companies Act 2006.

Statement by the Chairman

The Directors' Remuneration Policy is subject to shareholder approval every three years or sooner if an alteration to the policy is proposed. The Remuneration Policy which is set out below was approved at the Annual General Meeting in November 2020 and no changes to the policy are proposed.

The Board reviewed the level of fees during the year taking into account responsibilities, the increase in RPI and CPI and peer trust remuneration levels and it was agreed that, with effect from 1 August 2022, the Chairman's fee would be increased from £37,500 to £42,000, the other Directors' fees would be increased from £25,000 to £28,000 and the additional fee for the Chairman of the Audit Committee would be increased from £5,000 to £7,000. Fees were last increased on 1 August 2021.

Directors' Remuneration Policy

The Board is composed wholly of non-executive Directors, none of whom has a service contract with the Company. There is no separate remuneration committee and the Board as a whole considers changes to Directors' fees from time to time. Baillie Gifford & Co Limited, the Company Secretaries, provide comparative information when the Board considers the level of Directors' fees.

The Board's policy is that the remuneration of Directors should be set at a reasonable level that is commensurate with the duties and responsibilities of the role and consistent with the requirement to attract and retain Directors of the appropriate quality and experience. The Board believes that the fees paid to the Directors should reflect the experience of the Board as a whole, be fair and should take account of the level of fees paid by comparable investment trusts. Any views expressed by shareholders on the fees being paid to Directors will be taken into consideration by the Board when reviewing the Board's policy on remuneration.

Non-executive Directors are not eligible for any other remuneration or benefits apart from the reimbursement of allowable expenses. There are no performance conditions relating to Directors' fees and there are no long term incentive schemes or pension schemes. There is no notice period and no compensation is payable on loss of office.

Limits on Directors' Remuneration

The fees for the non-executive Directors are payable monthly win arrears and are determined within the limit set out in the Company's Articles of Association which is currently £200,000 per annum in aggregate. Any change to this limit requires shareholder approval.

The fees paid to Directors in respect of the year ended 31 July 2022 and the expected fees payable in respect of the year ending 31 July 2023 are set out in the table below. The fees payable to the Directors in the subsequent financial periods will be determined following an annual review of the Directors' fees.

	Expected fees for the year ending 31 July 2023 £	Fees as at 31 July 2022 £
Chairman's fee	42,000	37,500
Non-executive Director fee	28,000	25,000
Additional fee for Audit Committee Chair	7,000	5,000
Total aggregate annual fees that can be paid to the Directors in any year under the Directors' Remuneration Policy, as set out in the Company's Articles of Association	200,000	200,000

Annual Report on Remuneration

An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires the Company's Auditor to audit certain of the disclosures provided in this report. Where disclosures have been audited, they are indicated as such. The Auditor's opinion is included in the Independent Auditor's Report on pages 39 to 43.

Directors' Remuneration for the Year (audited)

The Directors who served during the year received the following remuneration in the form of fees and taxable benefits. This represents the entire remuneration paid to the Directors.

Name	2022 Fees £	2022 Taxable benefits* £	2022 Total £	% change in year	2021 Fees £	2021 Taxable benefits* £	2021 Total £
RA Macpherson	37,500	337	**37,837**	9.7	34,500	–	**34,500**
RW Chote (appointed 25 November 2020)	25,000	4,072	**29,072**	85.3	15,687	–	**15,687**
W Hee	25,000	254	**25,254**	9.8	23,000	–	**23,000**
AC Lane (Audit Committee Chair from 10 November 2020)	30,000	3,989	**33,989**	35.3	25,114	–	**25,114**
RF Studwell	25,000	3,662	**28,662**	24.6	23,000	–	**23,000**
EG Creasy (retired 10 November 2020)	–	–	**–**	(100.0)	7,200	–	**7,200**
	142,500	12,314	**154,814**	**20.5**	**128,501**	**–**	**128,501**

* Comprises expenses incurred by Directors in the course of travel to attend Board and Committee meetings held at the Edinburgh offices of Baillie Gifford & Co Limited, the Company's Secretaries. Due to the Covid-19 pandemic, no travel expenses occurred in the year to 31 July 2021.

Directors' Interests (audited)

The Directors at the end of the year under review and their interests in the Company are as shown in the following table. There have been no changes intimated in the Directors' interests up to 14 September 2022.

Name	Nature of interest	Ordinary 10p shares held at 31 July 2022	Ordinary 10p shares held at 1 August 2021
RA Macpherson	Beneficial	42,000	42,000
RW Chote	Beneficial	–	–
W Hee	Beneficial	5,000	5,000
AC Lane	Beneficial	8,834	6,536
RF Studwell	Beneficial	5,000	5,000

As per the Articles of Association, it is not a requirement for Directors to hold shares in the Company.

Statement of Voting at Annual General Meeting

At the last Annual General Meeting, of the proxy votes received in respect of the Directors' Remuneration Report, 99.0% were in favour, 0.6% were against and votes withheld were 0.4%. At the last Annual General Meeting at which the Directors' Remuneration Policy was considered (November 2020), 99.3% of the proxy votes were in favour, 0.3% were against and votes withheld were 0.4%.

Relative Importance of Spend on Pay

The table below shows the actual expenditure during the year in relation to Directors' remuneration and distributions to shareholders.

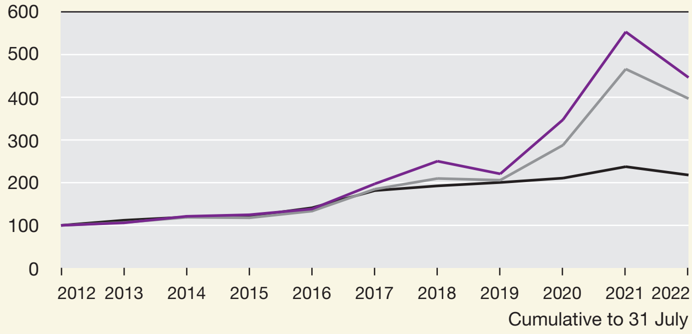
	2022 £'000	2021 £'000	Change %
Directors' remuneration	143	129	10.9
Dividends payable/paid to shareholders	2,756	nil	100.0

Company Performance

The following graph compares, for the ten financial years ended 31 July 2022, the share price total return (assuming all dividends are reinvested) to Pacific Horizon ordinary shareholders compared to the total shareholder return on a notional investment made up of shares in the component parts of the FTSE All-Share Index. This index was chosen for comparison purposes as it is a widely used measure of performance for UK listed companies. The Company's comparative index is provided for information purposes only.

Performance Graph

Pacific Horizon's Share Price, FTSE All-Share Index and Comparative Index (figures rebased to 100 at 31 July 2012)



Source: Refinitiv and underlying data providers. See disclaimer on page 70.

All figures are total return (see Glossary of Terms and Alternative Performance Measures on pages 71 and 72).

Pacific Horizon share price

FTSE All-Share Index

MSCI All Country Asia ex Japan Index (in sterling terms).

Past performance is not a guide to future performance.

Approval

The Directors' Remuneration Report on pages 36 and 37 was approved by the Board of Directors and signed on its behalf on 15 September 2022.

Angus Macpherson
Chairman

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', and applicable law).

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a Directors' Report, a Strategic Report and a Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the Annual Report and the Financial Statements are made available on a website. Financial Statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein. The Directors have delegated responsibility to the Managers for the maintenance and integrity of the Company's page of the Managers' website.

Each of the Directors, whose names and functions are listed within the Directors and Managers section confirm that, to the best of their knowledge:

- the Financial Statements, which have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Annual Report and Financial Statements taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Board
Angus Macpherson
Chairman
15 September 2022

Independent Auditor's Report

to the members of Pacific Horizon Investment Trust PLC

Opinion on the Financial Statements

In our opinion:

— give a true and fair view of the state of the Company's affairs as at 31 July 2022;

— have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pacific Horizon Investment Trust PLC (the 'Company') for the year ended 31 July 2022 which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standard, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the audit committee, we were appointed by the members of the Company on 15 November 2017 to audit the financial statements for the year ended 31 July 2018 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is five years, covering the years ending 31 July 2018 to 31 July 2022. We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided by the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

— Obtaining the Directors' assessment of the going concern status and cash flow forecasts of the Company and evaluating the Directors' method of assessing going concern in light of market volatility and the present uncertainties such as the impact of the political unrest in Ukraine and Russia.

— Challenging the Directors' assumptions and judgements made, such as revenue and expenditure against historic information.

— Assessing the available cash balance at year end and the liquidity of the investment portfolio.

— Performing stress testing on forecasted cash flows to take into account the impact of increased inflation.

— Performing an assessment of the Company's ability to meet its short-term obligations by assessing the net asset position and available cash balance.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2021 – 100%) of total assets		
		2022	**2021**
Key audit matters	Valuation and ownership of investments	✓	✓
	Revenue Recognition		✓
	Revenue recognition is no longer considered to be a key audit matter due to the outcome of our risk assessment procedures.		
Materiality	*Financial Statements as a whole* £6,105,000 (2021 – £6,872,000) based on 1% (2021 – 1%) of Net Assets		

An Overview of the Scope of Our Audit

Our audit was scoped by obtaining an understanding of the Company's environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

We assessed the administrators and custodian by obtaining internal controls reports and reviewing controls surrounding procedures that may impact the audit.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key Audit Matter	How the scope of our audit addressed the Key Audit Matter
Valuation and ownership of investments (Note 1 and Note 8 to the Financial Statements) The investment portfolio at the year end comprised of Level 1 listed equity investments valued at £570,801,000, Level 2 listed equity investments valued at £495,000 and Level 3 unlisted investments valued at £37,243,000. We consider the valuation and ownership of investments to be the most significant audit areas as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. There is also a risk that the investment balance includes investments which are no longer owned by the Company or that the bid price or last price used to value the investment is incorrect. The valuation of investments is a key accounting estimate where there is an inherent risk of management override arising from the investment valuations being prepared by the Alternative Investment Fund Manager (AIFM) and Investment Manager, who is remunerated based on the net asset value of the Company.	We responded to this matter by testing the valuation, existence and ownership of the portfolio of investments. We performed the following procedures: — Considered the appropriateness of the valuation methodology applied by the AIFM and Investment Manager under the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines and UK GAAP. — Agreed the exchange rates used to independent sources. With respect to 100% of the Level 1 and Level 2 listed equity investments we also: — Agreed the Investment holdings to independently received third party confirmations from the custodian. — Considered the adequacy of the relevant controls in place at the custodian through review of the latest available assurance report addressing the relevant controls in place at the custodian. — Assessed the liquidity of quoted investments to determine whether they were classified appropriately as level 1 or level 2. — Agreed the year-end price to externally quoted bid prices from reputable sources. — Recalculated the investment value as at year end by multiplying the independently confirmed holdings with external bid prices. With respect to 99% of the Level 3 unlisted investments we also: — Reviewed the valuations prepared by management's expert and challenged and corroborated the inputs to the valuation with reference to management information on investee companies, market data and our own understanding and assessed the impact of the estimation uncertainty concerning these assumptions and the disclosure of these uncertainties in the financial statements. — Considered the competence, capabilities and expertise of the management expert through consideration of the qualifications held by the expert and the position held in the firm employing the expert. We also considered the services provided by the firm which employs the expert. We considered the independence and objectivity of the expert through review of the independence declaration made by the expert to the Company in its valuation report. We considered the appropriateness of the methodology and assumptions employed by the expert through review of the accounting framework and valuation guidelines followed. — Challenged whether the valuation methodology was the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation ('IPEV') Guidelines and UK GAAP. — Agreed the investment holdings to third party confirmations direct from the Investee Company or alternative supporting documents such as investment agreements, as appropriate, to confirm existence. — Recalculated the value attributable to the Company. — Corroborated the inputs to source documents. — Performed sensitivity analysis where appropriate. We also considered the completeness, accuracy and presentation of investment related disclosures. **Key observations:** Based on our procedures performed we did not identify any matters to suggest that the valuation and ownership of investments was not appropriate.

Our Application of Materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Financial statements	
	2022	2021
Materiality	£6,105,000	£6,872,000
Basis for determining materiality	1% of the value of Net Assets	1% of the value of Net Assets
Rationale for the benchmark applied	— A principal consideration for members of the Company in assessing the financial performance given that the principal activity of the Company is that of an Investment Trust. — The nature and disposition of the investment portfolio.	
Performance materiality	£4,578,000	£5,154,000
Basis for determining performance materiality	75% of materiality	75% of materiality
Rationale for the benchmark applied	Performance materiality was deemed to be 75% (2021 – 75%) of total materiality as this is the fifth year of BDO auditing this entity and considering the relative simplicity of the balances being audited and the expected value of likely misstatements.	

Specific materiality

We also determined that for items impacting revenue return, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items to be £256,000 (2021 – £344,000) based on 5% of total expenses. We have changed the basis for calculating the specific testing threshold from the benchmark of 10% of revenue return before tax to 5% of total expenses. The basis provides us with a consistent threshold which is not impacted by the level of dividend income which can fluctuate year on year. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £256,000 (2021 – £344,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

Information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- The section describing the work of the Audit Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the entity and the industry in which it operates and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to the Companies Act 2006, sections 1158 and 1159 of the Corporation Tax Act, the UK Listing rules, the DTR rules, FRS 102 accounting standard, and VAT.

We focused on laws and regulations that could give rise to a material misstatement in the Company's financial statements and the susceptibility of the Company's financial statements to material misstatements including fraud. Refer to the 'Key Audit Matter' section in this report. Our tests included, but were not limited to:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- enquiries of the Alternative Investment Fund Manager (AIFM) and Those Charged with Governance;
- targeted testing of journal postings made during the year, in areas more susceptible to fraud to identify potential management override of controls;
- the procedures outlined in our key audit matters above;
- review of Board meeting and Audit Committee minutes throughout the period;
- reviewing the calculation in relation to Investment Trust compliance to check that the Company satisfied requirements to retain their Investment Trust status; and
- agreement of the financial statement disclosures to underlying supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Fung-On (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
15 September 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

For the year ended 31 July

	Notes	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
(Losses)/gains on investments	9	–	(118,594)	**(118,594)**	–	208,671	**208,671**
Currency gains	14	–	1,292	**1,292**	–	35	**35**
Income	2	11,067	–	**11,067**	3,561	–	**3,561**
Investment management fee	3	(4,036)	–	**(4,036)**	(3,475)	–	**(3,475)**
Other administrative expenses	4	(1,093)	–	**(1,093)**	(729)	–	**(729)**
Net return before finance costs and taxation		5,938	(117,302)	**(111,364)**	(643)	208,706	**208,063**
Finance costs of borrowings	5	(756)	–	**(756)**	(465)	–	**(465)**
Net return before taxation		5,182	(117,302)	**(112,120)**	(1,108)	208,706	**207,598**
Tax	6	(1,352)	5,288	**3,936**	706	(9,137)	**(8,431)**
Net return after taxation		**3,830**	**(112,014)**	**(108,184)**	**(402)**	**199,569**	**199,167**
Net return per ordinary share	7	**4.21p**	**(123.01p)**	**(118.80p)**	**(0.51p)**	**253.70p**	**253.19p**

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 after taxation is both the profit and comprehensive income for the year.

The accompanying notes on pages 48 to 62 are an integral part of the Financial Statements.

Balance Sheet

As at 31 July

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Investments held at fair value through profit or loss	9		608,539		725,122
Current assets					
Debtors	10	1,248		1,387	
Cash and cash equivalents	18	5,399		31,766	
		6,647		33,153	
Creditors					
Amounts falling due within one year	11	(1,620)		(61,966)	
Net current assets/(liabilities)			5,027		(28,813)
Total assets less current liabilities			613,566		696,309
Creditors					
Amounts falling due after more than one year:					
Provision for tax liability	12		(3,016)		(9,078)
Net assets			**610,550**		**687,231**
Capital and reserves					
Share capital	13		9,208		8,843
Share premium account	14		253,946		221,354
Capital redemption reserve	14		20,367		20,367
Capital reserve	14		319,573		433,041
Revenue reserve	14		7,456		3,626
Shareholders' funds			**610,550**		**687,231**
Net asset value per ordinary share	15		**664.65p**		**777.15p**

The Financial Statements of Pacific Horizon Investment Trust PLC (Company Registration number 02342193) on pages 44 to 62 were approved and authorised for issue by the Board and were signed on 15 September 2022.

Angus Macpherson
Chairman

The accompanying notes on pages 48 to 62 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 31 July 2022

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2021		8,843	221,354	20,367	433,041	3,626	**687,231**
Net return after taxation		–	–	–	(112,014)	3,830	**(108,184)**
Ordinary shares bought back into treasury	13	–	–	–	(1,454)	–	**(1,454)**
Ordinary shares sold from treasury	13	–	–	–	–	–	**–**
Ordinary shares issued	13	365	32,592	–	–	–	**32,957**
Dividends appropriated in the year	8	–	–	–	–	–	**–**
Shareholders' funds at 31 July 2022		**9,208**	**253,946**	**20,367**	**319,573**	**7,456**	**610,550**

For the year ended 31 July 2021

	Notes	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 August 2020		6,317	40,048	20,367	233,472	4,199	**304,403**
Net return after taxation		–	–	–	199,569	(402)	**199,167**
Ordinary shares bought back into treasury	13	–	–	–	(2,132)	–	**(2,132)**
Ordinary shares sold from treasury	13	–	442	–	2,132	–	**2,574**
Ordinary shares issued	13	2,526	180,864	–	–	–	**183,390**
Dividends appropriated in the year	8	–	–	–	–	(171)	**(171)**
Shareholders' funds at 31 July 2021		**8,843**	**221,354**	**20,367**	**433,041**	**3,626**	**687,231**

The accompanying notes on pages 48 to 62 are an integral part of the Financial Statements.

Cash Flow Statement

For the year ended 31 July

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Cash flows from operating activities					
Net return before taxation			(112,120)		207,598
Net losses/(gains) on investments			118,594		(208,671)
Currency gains			(1,292)		(35)
Finance costs of borrowings	5		756		465
Overseas withholding tax			(1,288)		(304)
Indian CGT paid on transactions			(774)		(135)
Corporation tax refunded			–		992
Changes in debtors and creditors			(589)		916
Cash from operations*			3,287		826
Interest paid			(765)		(430)
Net cash inflow from operating activities			2,522		396
Cash flows from investing activities					
Acquisitions of investments		(197,017)		(298,606)	
Disposals of investments		196,116		98,014	
Net cash outflow from investing activities			(901)		(200,592)
Cash flows from financing activities					
Ordinary shares bought back into treasury	13	(1,454)		(2,132)	
Ordinary shares sold from treasury	13	–		2,574	
Proceeds from Ordinary shares issued	13	32,957		183,368	
Borrowings drawn down		119,372		210,000†	
Borrowings repaid		(182,957)		(172,471)†	
Equity dividends paid		–		(171)	
Net cash (outflow)/inflow from financing activities			(32,082)		221,168
(Decrease)/increase in cash and cash equivalents			(30,461)		20,972
Exchange movements			4,094		(1,352)
Cash and cash equivalents at 1 August			31,766		12,146
Cash and cash equivalents at 31 July			**5,399**		**31,766**

* Cash from operations includes dividends received of £10,279,000 (2021 – £3,858,000) and interest received of £6,000 (2021 – £66,000).

† In the year to 31 July 2021, the Company had separate drawdown and repayment of borrowings. However, these separate cash flows had been netted off in the cash flow statement rather than being presented gross. Adjustment has been made to the prior year cash flow statement to gross up the cash flows of the drawdown and repayment of borrowings. This adjustment does not impact the net cash (outflow)/inflow from financing activities, the overall cash flow position, the result or the net assets of the Company.

The accompanying notes on pages 48 to 62 are an integral part of the Financial Statements.

Notes to the Financial Statements

The Company was incorporated under the Companies Act 2006 in England and Wales as a public limited company with registered number 02342193. The Company is an investment company within the meaning of section 833 of the Companies Act 2006 and carries on business as an investment trust.

1 Principal Accounting Policies

The Financial Statements for the year to 31 July 2022 have been prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' on the basis of the accounting policies set out below which are unchanged from the prior year and have been applied consistently.

(a) Basis of Accounting

All of the Company's operations are of a continuing nature and the Financial Statements are prepared on a going concern basis under the historical cost convention, modified to include the revaluation of fixed asset investments at fair value through profit or loss, and on the assumption that approval as an investment trust under section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011 will be retained.

The Company's principal risks are market related and include market risk, liquidity risk and credit risk. An explanation of these risks and how they are managed is contained on pages 8 and 9 and in note 18 to the Financial Statements. The Board has, in particular, considered the impact of heightened market volatility since the Covid-19 pandemic and over recent months due to macroeconomic and geopolitical concerns, but does not believe that the Company's going concern status is affected.

The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. The Board approves borrowing and gearing limits and reviews regularly the amounts of any borrowing and the level of gearing as well as compliance with borrowing covenants. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) Regulations 2011. The Company's primary third party suppliers, including its Managers and Secretaries, Custodian and Depositary, Registrar, Auditor and Broker, are not experiencing significant operational difficulties affecting their respective services to the Company. In accordance with the Company's Articles of Association, shareholders have the right to vote on the continuation of the Company every five years, the next vote being in 2026. The Financial Statements have been prepared on the going concern basis; having assessed the principal and emerging risks and other matters including the impact of the Covid-19 pandemic set out in the Viability Statement on page 9 (which assesses the prospects of the Company over a period of three years) it is the Directors' opinion that the Company will continue in operational existence for a period of at least twelve months from the date of approval of these Financial Statements.

The Financial Statements have been prepared in accordance with the Companies Act 2006, applicable UK Accounting Standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' issued by the Association of Investment Companies ('AIC') in April 2021.

In order to reflect better the activities of the Company and in accordance with guidance issued by the AIC, supplementary information which analyses the profit and loss account between items of a revenue and capital nature has been presented in the Income Statement. The allocation of items to revenue and capital is reviewed on an annual basis and is considered to remain appropriate for the current year.

The Directors consider the Company's functional currency to be sterling as the Company's shareholders are predominantly based in the UK, and the Company and its investment manager, who are subject to the UK's regulatory environment, are also UK based.

(b) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when it becomes a party to the contractual provisions of the instrument.

(c) Significant Accounting Estimates and Judgements

The preparation of the Financial Statements requires the use of estimates, assumptions and judgements. These estimates, assumptions and judgements affect the reported amounts of assets and liabilities, at the reporting date. While estimates are based on best judgement using information and financial data available, the actual outcome may differ from these estimates. The key sources of estimation and uncertainty relate to the assumptions used in the determination of the fair value of the unlisted investments, which are detailed in note 9 on page 52.

Judgements

The Directors consider that the preparation of the Financial Statements involves the following key judgements:

(i) the determination of the functional currency of the Company as sterling (see rationale in 1(a) above); and

(ii) the fair valuation of the unlisted investments.

The key judgements in the fair valuation process are:

(i) the Managers' determination of the appropriate application of the International Private Equity and Venture Capital Guidelines 2018 ('IPEV') to each unlisted investment; and

(ii) the Directors' consideration of whether each fair value is appropriate following detailed review and challenge. The judgement applied in the selection of the methodology used for determining the fair value of each unlisted investment can have a significant impact upon the valuation.

Estimates

The key estimate in the Financial Statements is the determination of the fair value of the unlisted investments by the Managers for consideration by the Directors. This estimate is key as it significantly impacts the valuation of the unlisted investments at the Balance Sheet date. The fair valuation process involves estimation using subjective inputs that are unobservable (for which market data is unavailable). The main estimates involved in the selection of the valuation process inputs are:

(i) the selection of appropriate comparable companies in order to derive revenue multiples and meaningful relationships between enterprise value, revenue and earnings growth. Comparable companies are chosen on the basis of their business characteristics and growth patterns;

(ii) the selection of a revenue metric (either historic or forecast);

(iii) the application of an appropriate discount factor to reflect the reduced liquidity of unlisted companies versus their listed peers;

(iv) the estimation of the probability assigned to an exit being through an initial public offering ('IPO') or a company sale;

(v) the selection of an appropriate industry benchmark index to assist with the valuation validation or the application of valuation adjustments, particularly in the absence of established earnings or closely comparable peers; and

(vi) the calculation of valuation adjustments derived from milestone analysis (i.e. incorporating operational success against the plan/forecasts of the business into the valuation).

(d) Investments

The Company's investments are classified, recognised and measured at fair value through profit or loss in accordance with sections 11 and 12 of FRS 102. Investment purchases and sales are recognised on a trade date basis. Expenses incidental to purchase and sale are written off to capital at the time of acquisition or disposal. Gains and losses on investments are recognised in the Income Statement as capital items.

Investments are designated as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value. The fair value of listed security investments is bid price or, in the case of FTSE 100 constituents and holdings on certain recognised overseas exchanges, last traded price. The fair value of suspended investments is the last traded price, adjusted for the estimated impact on the business of the suspension. Unlisted investments are valued at fair value by the Directors following a detailed review and appropriate challenge of the valuations proposed by the Managers. The Managers' unlisted investment policy applies methodologies consistent with the International Private Equity and Venture Capital Valuation guidelines ('IPEV'). These methodologies can be categorised as follows: (a) market approach (multiples, industry valuation benchmarks and available market prices); (b) income approach (discounted cash flows); and (c) replacement cost approach (net assets). The 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.

The Managers monitor the investment portfolio on a fair value basis and use the fair value basis for investments in making investment decisions and monitoring financial performance.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand and deposits repayable on demand. Deposits are repayable on demand if they can be withdrawn at any time without notice and without penalty or if they have a maturity or period of notice of not more than one working day.

(f) Income

(i) Income from equity investments is brought into account on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive payment is established.

(ii) If scrip dividends are taken in lieu of dividends in cash, the net amount of the cash dividend declared is credited to the revenue column of the Income Statement. Any excess in the value of the shares received over the amount of the cash dividend foregone is recognised in the capital column of the Income Statement.

(iii) Special dividends are treated as capital or income depending on the facts of each particular case.

(iv) Unfranked investment income and overseas dividends include the taxes deducted at source.

(v) Interest from fixed interest securities is recognised on an accruals basis using the effective interest rate basis.

(vi) Underwriting commission and interest receivable on deposits are recognised on an accruals basis.

(g) Expenses

All expenses are accounted for on an accruals basis and are charged through the revenue column of the Income Statement, except for expenses incidental to the acquisition or sale of investments, which are written off to capital when incurred.

(h) Borrowing and Finance Costs

Interest bearing bank loans are recorded at the proceeds received, net of direct issue costs and subsequently measured at amortised cost. Finance costs are accounted for on an accruals basis on an effective interest rate basis and are charged through the revenue column of the Income Statement.

(i) Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted at the reporting date.

(j) Deferred Taxation

Deferred taxation is provided on all timing differences, based on the taxable profit and the total comprehensive income as stated in the financial statements, calculated at the current tax rate relevant to the realisation of the benefit or liability. Deferred tax assets are recognised only to the extent that it will be more likely than not that there will be taxable profits from which underlying timing differences can be deducted.

(k) Foreign Currencies

Transactions involving foreign currencies are converted at the rate ruling at the time of the transaction. Assets and liabilities in foreign currencies are translated at the closing rates of exchange at the balance sheet date. Any gain or loss arising from a change in exchange rate subsequent to the date of the transaction is included as an exchange gain or loss in the Income Statement as capital or revenue as appropriate.

(l) Capital Redemption Reserve

The Capital Redemption Reserve is a statutory, non-distributable reserve into which amounts are transferred following the redemption or purchase of a company's own shares.

(m) Capital Reserve

Gains and losses on disposal of investments, changes in the fair value of investments held and realised and unrealised exchange differences of a capital nature are dealt with in this reserve after being recognised in the Income Statement. Purchases of the Company's own shares for cancellation, or to be held in treasury for subsequent reissue, may be funded from this reserve.

(n) Revenue Reserve

The revenue profit or loss for the year is taken to or from this reserve. The revenue reserve may be distributed by way of dividend.

(o) Single Segment Reporting

The Company is engaged in a single segment of business, being investment business, consequently no business segmental analysis is provided.

2 Income

	2022 £'000	2021 £'000
Income from investments		
Overseas dividends	11,060	3,495
Other income		
Deposit interest	7	66
Total income	**11,067**	**3,561**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	11,060	3,495
Interest from financial assets not at fair value through profit or loss	7	66
	11,067	**3,561**

3 Investment Management Fee

	2022 £'000	2021 £'000
Investment management fee	**4,036**	**3,475**

Details of the Investment Management Agreement are set out on page 26. 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.

4 Other Administrative Expenses

	2022 £'000	2021 £'000
General administrative expenses	918	573
Directors' fees	143	128
Auditor's remuneration for audit services	32	28
	1,093	**729**

There were no non-audit fees paid to the Auditor during the year (2021 – nil).

5 Finance Costs of Borrowings

	2022 £'000	2021 £'000
Interest on bank loans (see note 11)	**756**	**465**

Finance costs includes an arrangement fee of £300,000 for the new multi-currency revolving credit facility with The Royal Bank of Scotland International Limited.

6 Tax

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Overseas taxation	1,352	–	**1,352**	286	–	**286**
UK corporation tax refunded	–	–	**–**	(992)	–	**(992)**
Indian capital gains tax paid and provided for	–	(5,288)	**(5,288)**	–	9,137	**9,137**
	1,352	**(5,288)**	**(3,936)**	**(706)**	**9,137**	**8,431**

	2022 £'000	2021 £'000
Factors affecting the tax charge for the year		
The tax assessed for the year is higher (2021 – lower) than the average standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%). The differences are explained below:		
Net return before taxation	(112,120)	207,598
Net return multiplied by the average standard rate of corporation tax in the UK of 19.00% (2021 – 19.00%)	(21,303)	39,443
Capital loss not deductible/capital gain not taxable in the UK	22,287	(39,654)
Overseas dividends not taxable in the UK	(2,101)	(664)
Current year management expenses and non-trade loan relationship deficits not utilised	1,117	875
Overseas withholding tax incurred	1,352	286
Corporation tax refund in respect of prior years	–	(992)
Revenue tax charge for the year	**1,352**	**(706)**
(Decrease)/increase in provision for tax liability in respect of Indian capital gains tax	(6,062)	9,002
Payments of Indian tax in the period	774	135
Capital tax charge for the year	**(5,288)**	**9,137**
Total tax	**(3,936)**	**8,431**

As an investment trust, the Company's capital gains are not taxable in the United Kingdom.

Interest on the corporation tax repayment is included within interest income.

The capital tax charge results from the provision for tax liability in respect of Indian capital gains tax as detailed in note 12.

Factors that may affect future tax charges

At 31 July 2022 the Company had a potential deferred tax asset of £7,152,000 (2021 – £5,683,000) in respect of taxable losses which are available to be carried forward and offset against future taxable profits. A deferred tax asset has not been provided on these losses as it is considered unlikely that the Company will make suitable taxable revenue profits in excess of deductible expenses in future periods. The potential deferred tax asset has been calculated using a corporation tax rate of 25% (2021 – 25%).

7 Net Return per Ordinary Share

	2022 Revenue	2022 Capital	2022 Total	2021 Revenue	2021 Capital	2021 Total
Net return after taxation	**4.21p**	**(123.01p)**	**(118.80p)**	**(0.51p)**	**253.70p**	**253.19p**

Revenue return per ordinary share is based on the net revenue profit after taxation of £3,830,000 (2021 – net revenue loss of £402,000) and on 91,063,205 (2021 – 78,661,987) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Capital return per ordinary share is based on the net capital loss for the financial year of £112,014,000 (2021 – net capital gain of £199,569,000) and on 91,063,205 (2021 – 78,661,987) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

Total return per ordinary share is based on the total loss for the financial year of £108,184,000 (2021 – total gain of £199,167,000) and on 91,063,205 (2021 – 78,661,987) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) during the year.

There are no dilutive or potentially dilutive shares in issue.

8 Ordinary Dividends

	2022	2021	2022 £'000	2021 £'000
Amounts recognised as distributions in the year:				
Previous year's final	–	0.25p	–	171

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 surplus for the year to 31 July 2022 of £3,830,000 which is available for distribution by way of a dividend payment (2021– a revenue deficit of £402,000).

	2022	2021	2022 £'000	2021 £'000
Amounts paid and payable in respect of the financial year:				
Proposed final dividend per ordinary share (payable 29 November 2022)	3.00p	–	2,756	–

9 Fixed Assets – Investments

As at 31 July 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	570,801	495	–	**571,296**
Unlisted equities	–	–	4,051	**4,051**
Unlisted preference shares*	–	–	33,192	**33,192**
Total financial asset investments	**570,801**	**495**	**37,243**	**608,539**

As at 31 July 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	670,144	877	–	**671,021**
Unlisted equities	–	–	6,298	**6,298**
Unlisted preference shares*	–	–	47,803	**47,803**
Total financial asset investments	**670,144**	**877**	**54,101**	**725,122**

* The investments in preference shares are not classified as equity holdings as they include liquidation preference rights that determine the repayment (or multiple thereof) of the original investment in the event of a liquidation event such as a take-over.

During the year to 31 July 2022 investments with a book cost of £23,341,000 (31 July 2021 – £8,167,000) were transferred from Level 3 to Level 1 on becoming listed.

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.

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 2022 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.

9 Fixed Assets – Investments (continued)

	Listed overseas £'000	Unlisted £'000	2022 Total £'000	2021 Total £'000
Cost of investments at 1 August 2021	390,295	47,548	**437,843**	194,941
Investment holding gains and losses at 1 August 2021	280,726	6,553	**287,279**	122,011
Value of investments at 1 August 2021	671,021	54,101	**725,122**	316,952
Movements in year:				
Purchases at cost	191,090	6,373	**197,463**	298,335
Sales proceeds received	(195,452)	–	**(195,452)**	(98,836)
Gains and losses on investments	(118,704)	110	**(118,594)**	208,671
Changes in categorisation at book cost	23,341	(23,341)	**–**	–
Value of investments at 31 July 2022	**571,296**	**37,243**	**608,539**	**725,122**
Cost of investments at 31 July 2022	458,265	30,580	**488,845**	437,843
Investment holding gains and losses at 31 July 2022	113,031	6,663	**119,694**	287,279
Value of investments at 31 July 2022	**571,296**	**37,243**	**608,539**	**725,122**

The purchases and sales proceeds figures above include transaction costs of £225,000 (2021 – £344,000) and £308,000 (2021 – £164,000) respectively, total transaction costs being £533,000 (2021 – £508,000). The Company received £195,452,000 (2021 – £98,836,000) from investments sold during the year. The book cost of these investments when they were purchased was £146,461,000 (2021 – £55,433,000). 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 £48,991,000 (2021 – £43,403,000), a net gain of £82,164,000 (2021 – gain of £32,525,000) was included in investment holding gains at the previous year end.

	2022 £'000	2021 £'000
Net gains/(losses) on investments held at fair value through profit or loss		
Realised gains on sales	48,991	43,403
Changes in investment holding gains and losses	(167,585)	165,268
	(118,594)	**208,671**

Significant Holdings Disclosure Requirements – AIC SORP

Details are disclosed below in accordance with the requirements of paragraph 82 of the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (updated in April 2021) in relation to unlisted investments included in the ten largest holdings disclosed on page 19. As required, this disclosure includes turnover, pre-tax profits and net assets attributable to investors as reported within the most recently audited financial statements of the investee companies, where possible.

As at 31 July 2022

Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/(loss) ('000)	Net assets attributable to shareholders ('000)
Dailyhunt (VerSe Innovation)	Indian news aggregator application	n/a	1.1%	20,987	25,235	Nil	Information not publicly available		

As at 31 July 2021

Name	Business	Latest Financial Statements	Proportion of capital owned %	Book cost £'000	Market Value £'000	Income recognised from holding in the period £'000	Turnover ('000)	Pre-tax profit/(loss) ('000)	Net assets attributable to shareholders ('000)
Delhivery Series H Preference	Logistics and courier services provider	31/03/2021	0.8%	17,766	19,501	Nil	INR 38,383,000	INR (4,157,000)	INR 45,978,000

10 Debtors

	2022 £'000	2021 £'000
Amounts falling due within one year:		
Income accrued (net of withholding taxes)	691	259
Sales for subsequent settlement	402	1,066
Other debtors and prepayments	155	62
	1,248	**1,387**

None of the above debtors are financial assets designated at fair value through profit or loss. The carrying amount of debtors is a reasonable approximation of fair value. There were no debtors that were past due or impaired at 31 July 2022 or 31 July 2021.

11 Creditors – Amounts falling due within one year

	2022 £'000	2021 £'000
Royal Bank of Scotland International Limited multi-currency revolving credit facility	–	60,783
Investment purchases awaiting settlement	446	–
Investment management fee	915	1,020
Other creditors and accruals	259	163
	1,620	**61,966**

During the year, the Company repaid its one year £60 million multi-currency revolving credit facility with Royal Bank of Scotland International Limited and obtained a new three year multi-currency revolving credit facility of up to £100 million with Royal Bank of Scotland International Limited which expires on 14 March 2025. At 31 July 2022 there were no outstanding drawings (31 July 2021 – £20,000,000 and US$56,704,000 at interest rates of 0.65977% and 0.74975% respectively). The main covenants relating to the loan are that borrowings should not exceed 30% of the Company's adjusted net asset value and the Company's net asset value should be at least £300 million. There were no breaches in the loan covenants during the year.

None of the above creditors at 31 July 2022 or 31 July 2021 are financial liabilities designated at fair value through profit or loss.

12 Provision for Tax Liability

The tax liability provision at 31 July 2022 of £3,016,000 (31 July 2021 – £9,078,000) 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 (long term capital gains are taxed at 10% and short term capital gains are taxed at 15%). 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.

13 Share Capital

	2022 Number	2022 £'000	2021 Number	2021 £'000
Allotted, called up and fully paid ordinary shares of 10p each	91,860,961	9,186	88,429,704	8,843
Treasury shares of 10p each	214,000	22	–	–
	92,074,961	**9,208**	**88,429,704**	**8,843**

In the year to 31 July 2022, the Company issued 3,645,257 ordinary shares with a nominal value of £365,000, representing 4.1% of the issued share capital at 31 July 2021, at a premium to net asset value, raising net proceeds of £32,957,000 (2021 – 25,264,422 ordinary shares with a nominal value of £2,526,000, raising net proceeds of £183,832,000).

In the year to 31 July 2022, 214,000 ordinary shares, representing 0.2% of the issued share capital at 31 July 2021, were bought back at a total cost of £1,454,000 and are held in treasury (2021 – 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 2022 the Company had authority to allot or sell from treasury 8,127,970 ordinary shares without application of pre-emption rights and to buy back 13,041,612 ordinary shares on an ad hoc basis. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

Between 1 August 2022 and 14 September 2022, no further shares were issued and 217,726 shares were bought back.

14 Capital and Reserves

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Shareholders' funds £'000
At 1 August 2021	8,843	221,354	20,367	433,041	3,626	**687,231**
Net gains on sales of investments	–	–	–	48,991	–	**48,991**
Changes in investment holding gains and losses	–	–	–	(167,585)	–	**(167,585)**
Exchange differences on bank loan	–	–	–	(2,802)	–	**(2,802)**
Other exchange differences	–	–	–	4,094	–	**4,094**
Indian CGT paid and provided for	–	–	–	5,288	–	**5,288**
Ordinary shares bought back into treasury	–	–	–	(1,454)	–	**(1,454)**
Ordinary shares issued	365	32,592	–	–	–	**32,957**
Revenue return after taxation	–	–	–	–	3,830	**3,830**
At 31 July 2022	**9,208**	**253,946**	**20,367**	**319,573**	**7,456**	**610,550**

The capital reserve includes non-distributable investment holding gains of £119,694,000 (2021 – £287,279,000) as disclosed in note 9.

The revenue reserve may be distributed by way of dividend. The Company's Articles of Association prohibit distributions by way of dividends from realised capital profits.

15 Net Asset Value per Ordinary Share

The net asset value per ordinary share and the net assets attributable to the ordinary shareholders at the year end calculated in accordance with the Articles of Association were as follows:

	2022 Net asset value per share	2021 Net asset value per share	2022 Net assets attributable £'000	2021 Net assets attributable £'000
Ordinary shares	**664.65p**	**777.15p**	**610,550**	**687,231**

The movements during the year of the assets attributable to the ordinary shares are shown in note 14.

Net asset value per ordinary share is based on the net assets as shown above and 91,860,961 (2021 – 88,429,704) ordinary shares (excluding treasury shares), being the number of ordinary shares in issue at each date.

16 Analysis of Change in Net Debt

	At 1 August 2021 £'000	Cash flows £'000	Exchange movement £'000	At 31 July 2022 £'000
Cash at bank and in hand	31,766	(30,461)	4,094	5,399
Loans due within one year	(60,783)	63,585	(2,802)	–
	(29,017)	**33,124**	**1,292**	**5,399**

17 Transactions with Related Parties and the Managers and Secretaries

The Directors' fees for the year are detailed in the Directors' Remuneration Report on page 36. No Director has a contract of service with the Company. During the year no Director was interested in any contract or other matter requiring disclosure under section 412 of the Companies Act 2006.

Details of the management contract are set out in the Directors' Report on page 26. The management fee payable to the Manager by the Company for the year, as disclosed in note 3, was £4,036,000 (2021 – £3,475,000) of which £915,000 (2021 – £1,020,000) was outstanding at the year end, as disclosed in note 11.

18 Financial Instruments

As an Investment Trust, the Company invests in equities and makes other investments so as to achieve its investment objective of maximising capital appreciation from a focused and actively managed portfolio of investments from the Asia-Pacific region including the Indian Sub-continent. In pursuing its investment objective, the Company is exposed to various types of risk that are associated with the financial instruments and markets in which it invests.

These risks are categorised here as market risk (comprising currency risk, interest rate risk and other price risk), liquidity risk and credit risk. The Board monitors closely the Company's exposures to these risks but does so in order to reduce the likelihood of a permanent loss of capital rather than to minimise short term volatility. Risk provides the potential for both losses and gains. In assessing risk, the Board encourages the Managers to exploit the opportunities that risk affords.

The risk management policies and procedures outlined in this note have not changed substantially from the previous accounting period.

Market Risk

The fair value or future cash flows of a financial instrument or other investment held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements – currency risk, interest rate risk and other price risk. The Board of Directors reviews and agrees policies for managing these risks and the Company's Managers both assess the exposure to market risk when making individual investment decisions and monitor the overall level of market risk across the investment portfolio on an ongoing basis.

Details of the Company's investment portfolio are shown in note 9 and on pages 21 to 23.

The Company may, from time to time, enter into derivative transactions to hedge specific market, currency or interest rate risk. During the years to 31 July 2021 and 31 July 2022 no such transactions were entered into. The Company's Managers may not enter into derivative transactions without the prior approval of the Board.

18 Financial Instruments (continued)

(i) Currency Risk

The majority of the Company's assets, liabilities and income are denominated in currencies other than sterling (the Company's functional currency and that in which it reports its results). Consequently, movements in exchange rates may affect the sterling value of those items.

The Managers monitor the Company's exposure to foreign currencies and report to the Board on a regular basis. The Managers assess the risk to the Company of the foreign currency exposure by considering the effect on the Company's net asset value and income of a movement in the rates of exchange to which the Company's assets, liabilities, income and expenses are exposed. However, the country in which a company is listed is not necessarily where it earns its profits. The movement in exchange rates on overseas earnings may have a more significant impact upon a company's valuation than a simple translation of the currency in which the company is quoted.

Foreign currency borrowings can limit the Company's exposure to anticipated future changes in exchange rates which might otherwise adversely affect the value of the portfolio of investments.

Exposure to currency risk through asset allocation, which is calculated by reference to the currency in which the asset or liability is quoted, is shown below.

At 31 July 2022	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	134,762	–	–	507	**135,269**
Indian rupee	135,511	27	–	(3,001)	**132,537**
Korean won	101,103	–	–	168	**101,271**
US dollar	55,455	4,328	–	402	**60,185**
Indonesian rupiah	46,508	–	–	–	**46,508**
Chinese yuan	43,141	200	–	–	**43,341**
Taiwan dollar	26,817	157	–	–	**26,974**
Vietnam dong	25,185	138	–	–	**25,323**
Australian dollar	9,995	–	–	–	**9,995**
Chinese renminbi	–	446	–	(446)	**–**
Philippine peso	–	–	–	–	**–**
Total exposure to currency risk	578,477	5,296	–	(2,370)	**581,403**
Sterling	30,062	103	–	(1,018)	**29,147**
	608,539	**5,399**	**–**	**(3,388)**	**610,550**

* Includes non-monetary assets of £135,000.

At 31 July 2021	Investments £'000	Cash and cash equivalents £'000	Loans £'000	Other debtors and creditors * £'000	Net exposure £'000
Hong Kong dollar	111,566	(118)	–	156	**111,604**
Indian rupee	173,083	–	–	(9,078)	**164,005**
Korean won	108,794	23	–	7	**108,824**
US dollar	182,979	31,016	(40,783)	(43)	**173,169**
Indonesian rupiah	26,877	–	–	–	**26,877**
Chinese yuan	16,720	143	–	–	**16,863**
Taiwan dollar	26,287	238	–	808	**27,333**
Vietnam dong	33,300	410	–	–	**33,710**
Australian dollar	17,762	–	–	–	**17,762**
Chinese renminbi	–	–	–	–	**–**
Philippine peso	–	–	–	3	**3**
Total exposure to currency risk	697,368	31,712	(40,783)	(8,147)	**680,150**
Sterling	27,754	54	(20,000)	(727)	**7,081**
	725,122	**31,766**	**(60,783)**	**(8,874)**	**687,231**

* Includes non-monetary assets of £50,000.

18 Financial Instruments (continued)

(i) Currency Risk (continued)

Currency Risk Sensitivity

At 31 July 2022, if sterling had strengthened by 5% in relation to all currencies, with all other variables held constant, total net assets and total return would have decreased by the amounts shown below. A 5% weakening of sterling against all currencies, with all other variables held constant, would have had an equal but opposite effect on the Financial Statement amounts. The level of change is considered to be reasonable based on observations of current market conditions. The analysis is performed on the same basis for 2021.

	2022 £'000	2021 £'000
Hong Kong dollar	6,763	5,580
Indian rupee	6,627	8,200
Korean won	5,064	5,441
US dollar	3,009	8,658
Indonesian rupiah	2,325	1,344
Chinese yuan	2,167	843
Taiwan dollar	1,349	1,367
Vietnam dong	1,266	1,686
Australian dollar	500	888
Chinese renminbi	–	–
Philippine peso	–	–
	29,070	**34,007**

(ii) Interest Rate Risk

Interest rate movements may affect directly:

— the fair value of any investments in fixed interest rate securities;

— the level of income receivable on cash deposits;

— the fair value of any fixed-rate borrowings; and

— the interest payable on any variable rate borrowings.

Interest rate movements may also impact upon the market value of investments outwith fixed income securities. The effect of interest rate movements upon the earnings of a company may have a significant impact upon the valuation of that company's equity. The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions and when entering borrowing agreements. The Board reviews on a regular basis the amount of investments in cash and fixed income securities and the income receivable on cash deposits, floating rate notes and other similar investments.

The Company may finance part of its activities through borrowings at approved levels. The amount of any such borrowings and the approved levels are monitored and reviewed regularly by the Board. Movements in interest rates, to the extent that they affect the market value of the Company's fixed rate borrowings, may also affect the amount by which the Company's share price is at a discount or a premium to the net asset value (assuming that the Company's share price is unaffected by movements in interest rates).

The interest rate risk profile of the Company's financial assets and liabilities at 31 July is shown below.

Financial Assets

	2022 Fair value £'000	2022 Weighted average interest rate	2022 Weighted average fixed rate period *	2021 Fair value £'000	2021 Weighted average interest rate	2021 Weighted average fixed rate period *
Cash and cash equivalents:						
Overseas currencies	5,296	–	n/a	31,712	–	n/a
Sterling	103	–	n/a	54	–	n/a
	5,399			**31,766**		

* Based on expected redemption date.

18 Financial Instruments (continued)

(ii) Interest Rate Risk (continued)

Financial Liabilities

The interest rate risk profile of the Company's financial liabilities and the maturity profile of the undiscounted future cash flows in respect of the Company's contractual financial liabilities at 31 July are shown below.

Interest Rate Risk Profile

	2022 £'000	2021 £'000
Floating rate bank loan – sterling denominated	–	20,000
– US dollar denominated	–	40,783
	–	**60,783**

Maturity Profile

	2022 Within 1 year £'000	2021 Within 1 year £'000
Repayment of loans	–	60,783
Interest on loans	52	122
	52	**60,905**

Interest Rate Risk Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates at the Balance Sheet date and with the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

An increase of 100 basis points in interest rates, with all other variables being held constant, would have increased the Company's total net assets and total return for the year ended 31 July 2022 by £54,000 (2021 – a decrease of £290,000). This is mainly due to the Company's exposure to interest rates on its floating rate bank loan and cash balances. A decrease of 100 basis points would have had an equal but opposite effect.

(iii) Other Price Risk

Changes in market prices other than those arising from interest rate risk or currency risk may also affect the value of the Company's net assets. The Board manages the market price risks inherent in the investment portfolio by ensuring full and timely access to relevant information from the Managers. The Company's portfolio of unlisted level 3 investments is not necessarily affected by market performance, however the valuations are affected by the performance of the underlying securities in line with the valuation criteria in note 1(c). The Board meets regularly and at each meeting reviews investment performance, the investment portfolio and the rationale for the current investment positioning to ensure consistency with the Company's objectives and investment policies. The portfolio does not seek to reproduce the index. Investments are selected based upon the merit of individual companies and therefore performance may well diverge from the comparative index.

18 Financial Instruments (continued)

(iii) Other Price Risk (continued)

Other Price Risk Sensitivity

A full list of the Company's investments is given on pages 21 to 23. In addition, a geographical analysis of the portfolio and an analysis of the investment portfolio by broad industrial or commercial sector are contained on page 24.

93.6% (2021 – 97.6%) of the Company's net assets are invested in quoted equities. A 5% (2021 – 5%) increase in quoted equity valuations at 31 July 2022 would have increased total assets and total return on ordinary activities by £28,565,000 (2021 – £33,551,000). A decrease of 5% would have had an equal but opposite effect. The level of change is considered to be reasonable based on observations of current market conditions.

6.1% (2021 – 7.9%) of the Company's net assets are invested in private company investments. The fair valuation of the private company investments is influenced by the estimates, assumptions and judgements made in the fair valuation process (see note 1(c) on page 48).

A sensitivity analysis is provided below which recognises that the valuation methodologies employed involve subjectivity in their significant unobservable inputs and illustrates the sensitivity of the valuations to these inputs. The inputs have been flexed by +/-10% with the exception of the Recent Transaction Price valuation approach as it does not involve significant subjectivity. The table also provides the range of values for the key unobservable inputs.

As at 31 July 2022		Significant unobservable inputs*				
Valuation technique	Fair value as at 31 July 2022 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable trading multiples	11,869	EV/LTM revenue multiple	a,b,c,d,e	3.4x – 10.8x	10%	If EV/LTM multiples changed by +/- 10%, the fair value would change by £1,124,459 and -£1,124.889.
		Discount for lack of marketability		-10%	10%	If the transaction implied premium/discount is changed by +/- 10%, the fair value would change by £132,087 and -£131,657.
Comparable company performance	139	Selection of comparable companies	a,b	-23%	10%	If input comparable company performance changed by +/- 10%, the fair value would change by £22,748 and -£22,745.
Recent transaction price	25,235	n/a	a,b	n/a	n/a	n/a

As at 31 July 2021		Significant unobservable inputs*				
Valuation technique	Fair value as at 31 July 2021 £'000	Key unobservable inputs	Other unobservable inputs†	Range	Sensitivity %	Sensitivity to changes in significant unobservable inputs
Market approach using comparable trading multiples	13,891	EV/LTM revenue multiple	a,b,c,d,e	8.4x	10%	If EV/LTM multiples changed by +/-10%, the fair value would change by £1,143,328 and -£1,143,582
Comparable company performance	25,493	Selection of comparable companies	a,b	21.6%–24%	10%	If input comparable company performance changed by +/-10%, the fair value would change by £2,281,718 and -£2,232,638
Price of expected transaction	131	Application of execution risk discount	a,b	10%	10%	If the execution risk changed by +/-10%, the fair value would change by £12,809 and -£13,386
Recent transaction price	14,586	n/a	a,b	n/a	n/a	n/a

† See explanation for other unobservable inputs on page 61 (sections 'a' to 'e' as relevant).

*Significant Unobservable Inputs

The variable inputs applicable to each broad category of valuation basis will vary dependent on the particular circumstances of each private company valuation. An explanation of each of the key variable inputs is provided below. The assumptions made in the production of the inputs are described in note 1(c) on page 48.

18 Financial Instruments (continued)

(iii) Other Price Risk (continued)

Other Price Risk Sensitivity (continued)

(a) Application of valuation basis

Each investment is assessed independently, and the valuation basis applied will vary depending on the circumstances of each investment. When an investment is pre-revenue, the focus of the valuation will be on assessing the recent transaction and the achievement of key milestones since investment. Adjustments may also be made depending on the performance of comparable benchmarks and companies. For those investments where a trading multiples approach can be taken, the methodology will factor in revenue, earnings or net assets as appropriate for the investment, and where a suitable correlation can be identified with the comparable companies then a regression analysis will be performed. Discounted cash flows will also be considered where appropriate forecasts are available.

(b) Probability estimation of liquidation events

The probability of a liquidation event such as a company sale, or alternatively an initial public offering ('IPO'), is a key variable input in the transaction-based and multiples-based valuation techniques. The probability of an IPO versus a company sale is typically estimated from the outset to be 50:50 if there has been no indication by the company of pursuing either of these routes. If the company has indicated an intention to IPO, the probability is increased accordingly to 75% and if an IPO has become a certainty the probability is increased to 100%. Likewise, in a scenario where a company is pursuing a trade sale the weightings will be adjusted accordingly in favour of a sale scenario, or in a situation where a company is underperforming expectations significantly and therefore deemed very unlikely to pursue an IPO.

(c) Selection of comparable companies

The selection of comparable companies is assessed individually for each investment at the point of investment, and the relevance of the comparable companies is continually evaluated at each valuation. The key criteria used in selecting appropriate comparable companies are the industry sector in which they operate, the geography of the company's operations, the respective revenue and earnings growth rates and the operating margins. Typically, between 4 and 10 comparable companies will be selected for each investment, depending on how many relevant comparable companies are identified. The resultant revenue or earnings multiples or share price movements derived will vary depending on the companies selected and the industries they operate in.

(d) Estimated sustainable earnings

The selection of sustainable revenue or earnings will depend on whether the company is sustainably profitable or not, and where it is not then revenues will be used in the valuation. The valuation approach will typically assess companies based on the last twelve months of revenue or earnings, as they are the most recent available and therefore viewed as the most reliable. Where a company has reliably forecasted earnings previously or there is a change in circumstance at the business which will impact earnings going forward, then forward estimated revenue or earnings may be used instead.

(e) Application of illiquidity discount

The application of an illiquidity discount will be applied either through the calibration of a valuation against the most recent transaction, or by application of a specific discount. The discount applied where a calibration is not appropriate is typically 10%, reflecting that the majority of the investments held are substantial companies with some secondary market activity.

Liquidity Risk

This is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not significant as the majority of the Company's assets are investments in quoted securities that are readily realisable. The Board provides guidance to the Managers as to the maximum exposure to any one holding and to the maximum aggregate exposure to substantial holdings.

The Company has the power to take out borrowings, which give it access to additional funding when required. The Company's current borrowing facility is detailed in note 11 and the maturity profile of its borrowings is set out above. Under the terms of the borrowing facility, borrowings are repayable on demand at their current carrying value.

18 Financial Instruments (continued)

Credit Risk

This is the risk that a failure of a counterparty to a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

— where the Managers make an investment in a bond or other security with credit risk, that credit risk is assessed and then compared to the prospective investment return of the security in question;

— the Depositary is liable for the loss of financial instruments held in custody. The Depositary will ensure that any delegate segregates the assets of the Company. The Managers monitor the Company's risk by reviewing the Custodian's internal control reports and reporting its findings to the Board;

— investment transactions are carried out with a large number of brokers whose creditworthiness is reviewed by the Managers. Transactions are ordinarily undertaken on a delivery versus payment basis whereby the Company's custodian bank ensures that the counterparty to any transaction entered into by the Company has delivered on its obligations before any transfer of cash or securities away from the Company is completed;

— the creditworthiness of the counterparty to transactions involving derivatives, structured notes and other arrangements, wherein the creditworthiness of the entity acting as broker or counterparty to the transaction is likely to be of sustained interest, are subject to rigorous assessment by the Managers; and

— cash is only held at banks that are regularly reviewed by the Managers.

Credit Risk Exposure

The maximum exposure to credit risk at 31 July was:

	2022 £'000	2021 £'000
Cash and cash equivalents	5,399	31,766
Debtors and prepayments*	1,248	1,387
	6,647	**33,153**

* Includes non-monetary assets of £135,000 (2021 – £50,000).

None of the Company's financial assets are past due or impaired (2021 – none).

Fair Value of Financial Assets and Financial Liabilities

The Directors are of the opinion that the carrying amount of financial assets and liabilities of the Company in the Balance Sheet approximate their fair value.

Capital Management

The capital of the Company is its share capital and reserves as set out in note 14 together with its borrowings (see note 11). The objective of the Company is to invest in the Asia-Pacific region (excluding Japan) and in the Indian Sub-continent in order to achieve capital growth. The Company's investment policy is set out on page 7. In pursuit of the Company's objective, the Board has a responsibility for ensuring the Company's ability to continue as a going concern and details of the related risks and how they are managed are set out on pages 8, 9 and 32. The Company has the authority to issue and buy back its shares (see pages 27 and 28) and changes to the share capital during the year are set out in notes 13 and 14. The Company does not have any externally imposed capital requirements other than the covenants on its loan which are detailed in note 11.

19 Alternative Investment Fund Managers Regulations (AIFMR)

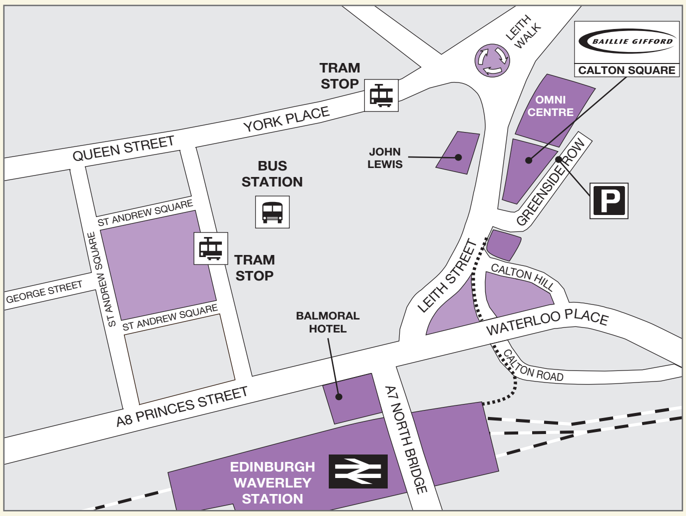
In accordance with the UK Alternative Investment Fund Managers Regulations, information in relation to the Company's leverage and the remuneration of the Company's AIFM, Baillie Gifford & Co Limited, is required to be made available to investors. In accordance with the Regulations, the AIFM's remuneration policy is available on the Managers' website at **bailliegifford.com** or on request (see contact details on the back cover). The numerical remuneration disclosures in respect of the AIFM's relevant reporting period (year ended 31 March 2022) are also available at **bailliegifford.com**.

The Company's maximum and actual leverage (see Glossary of Terms and Alternative Performance Measures (APM) on pages 71 and 72) levels at 31 July 2022 are shown below:

Leverage Exposure

	Gross method	Commitment method
Maximum limit	2.50:1	2.00:1
Actual	1.00:1	1.00:1

Notice of Annual General Meeting



The Annual General Meeting of the Company will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, on Thursday, 24 November 2022 at 11.00am.

If you have any queries as to how to vote or how to attend the meeting, please call us on 0800 917 2112.

Baillie Gifford may record your call.

	By Rail: Edinburgh Waverley – approximately a 5 minute walk away
	By Bus: Lothian Buses local services include: 1, 5, 7, 8, 10, 12, 14, 15, 15A, 16, 22, 25, 34
	By Tram: Stops at St Andrew Square and York Place
········	Access to Waverley Train Station on foot

The Company's AGM is being convened at 11.00am on Thursday, 24 November 2022 at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN. At present, the Board expects to be able to welcome shareholders to the meeting. Should public health advice and Government measures change, however, arrangements will be made by the Company to ensure that the minimum number of shareholders required to form a quorum will attend the meeting in order that the meeting may proceed and the business be concluded. The Board will continue to monitor developments and any changes will be made available on the Company's website and the London Stock Exchange regulatory news service. In the meantime, the Board encourages all shareholders to submit proxy voting forms as soon as possible and, in any event, by no later than 11.00am on 22 November 2022. We would encourage shareholders to monitor the Company's website at **pacifichorizon.co.uk**. Should shareholders have questions for the Board or the Managers or any queries as to how to vote, they are welcome as always to submit them by email to **trustenquiries@bailliegifford.com** or call 0800 917 2112. Baillie Gifford may record your call.

Notice is hereby given that an Annual General Meeting of Pacific Horizon Investment Trust PLC (the 'Company') will be held at the offices of Baillie Gifford & Co, Calton Square, 1 Greenside Row, Edinburgh EH1 3AN on Thursday, 24 November 2022 at 11.00am for the purposes of considering and, if thought fit, passing the following Resolutions, of which Resolutions 1 to 11 will be proposed as ordinary resolutions and Resolutions 12 and 13 will be proposed as special resolutions:

Ordinary Business

1. To receive and adopt the Company's Annual Report and Financial Statements for the financial year ended 31 July 2022, together with the Reports of the Directors and the Independent Auditor's Report thereon.
2. To approve the Directors' Annual Report on Remuneration for the financial year ended 31 July 2022.
3. To declare a final dividend of 3.00p per ordinary share.
4. To re-elect Mr RA Macpherson as a Director of the Company.
5. To re-elect Sir RW Chote as a Director of the Company.
6. To re-elect Ms W Hee as a Director of the Company.
7. To re-elect Ms AC Lane as a Director of the Company.
8. To re-elect Mr RF Studwell as a Director of the Company.
9. To reappoint BDO LLP as Independent Auditor of the Company to hold office until the conclusion of the next Annual General Meeting at which the Financial Statements are laid before the Company.
10. To authorise the Directors to determine the remuneration of the Independent Auditor of the Company.
11. That:
    (a) the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the 'Act') to allot shares in the Company, or to grant rights to subscribe for or convert any security into shares in the Company, up to a maximum nominal amount of £916,432; and
    (b) the authority given by this Resolution:
        (i) shall be in addition to all pre-existing authorities under section 551 of the Act; and
        (ii) unless renewed, revoked or varied in accordance with the Act, shall expire on 24 February 2024 or, if earlier, at the conclusion of the Annual General Meeting of the Company to be held in 2023 save that the Company may, before such expiry, make any offer or enter into an agreement which would or might require the allotment of shares in the Company, or the grant of rights to subscribe for or to convert any security into shares in the Company, after such expiry.

12. That, subject to the passing of Resolution 11 above, (the 'Allotment Authority'), the Directors be given power pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the Allotment Authority, and to sell treasury shares for cash, as if section 561(1) of the Act did not apply to such allotment or sale, provided that such power:
    (a) shall be limited to the allotment of equity securities or the sale of treasury shares up to an aggregate nominal amount of £916,432;
    (b) shall be in addition to all pre-existing powers under sections 570 and 573 of the Act; and
    (c) shall expire at the same time as the Allotment Authority, save that the Company may before expiry of the power conferred on the Directors by this Resolution make an offer or agreement which would or might require equity securities to be allotted after such expiry.
13. That, in substitution for any existing authority, but without prejudice to the exercise of any such authority prior to the date hereof, the Company be generally and unconditionally authorised, in accordance with section 701 of the Companies Act 2006 (the 'Act') to make market purchases (within the meaning of section 693(4) of the Act) of its ordinary shares, (either for retention as treasury shares for future reissue, resale, transfer or for cancellation), provided that:
    (a) the maximum number of ordinary shares hereby authorised to be purchased is 13,737,320 or, if less, the number representing approximately 14.99 per cent. of the issued share capital of the Company on the date on which this Resolution is passed;
    (b) the minimum price (excluding expenses) which may be paid for each ordinary share shall be the nominal value of that share;
    (c) the maximum price (excluding expenses) which may be paid for any ordinary share purchased pursuant to this authority shall not be more than the higher of:
        (i) 5 per cent. above the average closing price on the London Stock Exchange of an ordinary share over the five business days immediately preceding the date of purchase; and
        (ii) the higher price of the last independent trade of an ordinary share and the highest current independent bid for such a share on the London Stock Exchange; and
    (d) unless previously varied, revoked or renewed by the Company in general meeting, the authority hereby conferred shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 save that the Company may, prior to the expiry of such authority, enter into a contract or contracts to purchase ordinary shares under such authority which will or might be completed or executed wholly or partly after the expiration of such authority and may make a purchase of ordinary shares pursuant to any such contract or contracts.

By Order of the Board
Baillie Gifford & Co Limited
Company Secretaries
3 October 2022

Notes

1. As a member you are entitled to appoint a proxy or proxies to exercise all or any of your rights to attend, speak and vote at the AGM. A proxy need not be a member of the Company but must attend the AGM to represent you. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You can only appoint a proxy using the procedure set out in these notes and the notes to the proxy form. You may not use any electronic address provided either in this notice or any related documents (including the Financial Statements and proxy form) to communicate with the Company for any purpose other than those expressly stated.
2. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand at the Registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or **eproxyappointment.com** no later than 11.00am on 22 November 2022 (or 48 hours (excluding non-working days) before any adjourned meeting).
3. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and/or by logging on to the website **euroclear.com/CREST**. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
4. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrar (ID 3RA50) no later than 11.00am on 22 November 2022 (or 48 hours (excluding non-working days) before any adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Company's registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
5. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST service by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. The return of a completed proxy form or other instrument of proxy will not prevent you attending the AGM and voting in person if you wish.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 311 of the Companies Act 2006 the Company specifies that to be entitled to attend and vote at the AGM (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company no later than 48 hours (excluding non-working days) prior to the commencement of the AGM or any adjourned meeting. Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a 'Nominated Person') may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
10. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in those Notes can only be exercised by shareholders of the Company.

11. Under section 338 of the Companies Act 2006, members meeting the qualification criteria set out in note 14 below may, subject to certain conditions, require the Company to circulate to members notice of a resolution which may properly be moved and is intended to be moved at that meeting. The conditions are that: (a) the resolution must not, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise); (b) the resolution must not be defamatory of any person, frivolous or vexatious; and (c) the request: (i) may be in hard copy form or in electronic form; (ii) must identify the resolution of which notice is to be given by either setting out the resolution in full or, if supporting a resolution sent by another member, clearly identifying the resolution which is being supported; (iii) must be authenticated by the person or persons making it; and (iv) must be received by the Company not later than 12 October 2022.
12. Under section 338A of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to include in the business to be dealt with at the Annual General Meeting a matter (other than a proposed resolution) which may properly be included in the business (a matter of business). The request must have been received by the Company no later than 12 October 2022. The conditions are that the matter of business must not be defamatory of any person, frivolous or vexatious. The request must identify the matter of business by either setting it out in full or, if supporting a statement sent by another member, clearly identify the matter of business which is being supported. The request must be accompanied by a statement setting out the grounds for the request. Members seeking to do this should write to the Company providing their full name and address.
13. Under section 527 of the Companies Act 2006, members meeting the qualification criteria set out at note 14 below may require the Company to publish, on its website, (without payment) a statement (which is also passed to the Auditor) setting out any matter relating to the audit of the Company's Financial Statements, including the Auditor's Report and the conduct of the audit. Such requests must be made in writing and must state your full name and address.
14. In order to be able to exercise the members' rights in notes 11 to 13, the relevant request must be made by: (a) members representing at least 5% of the total voting rights of all the members who have a right to vote on the resolution to which the requests relate; or (b) at least 100 members who have a right to vote on the resolution to which the requests relate and hold shares in the Company on which there has been paid up an average sum, per member, of at least £100. Such requests should be sent to the Company at Calton Square, 1 Greenside Row, Edinburgh, EH1 3AN. Electronic requests permitted under section 338 (see note 11) should be sent to **trustenquiries@bailliegifford.com**.
15. Information regarding the Annual General Meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's page of the Managers' website at **pacifichorizon.co.uk**.
16. Members have the right to ask questions at the meeting in accordance with section 319A of the Companies Act 2006.
17. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
18. As at 14 September 2022 (being the last practicable date prior to the publication of this notice) the Company's issued share capital consisted of 91,643,235 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 14 September 2022 were 91,643,235 votes.
19. Any person holding 3 per cent. or more of the total voting rights of the Company who appoints a person other than the Chairman of the meeting as his proxy will need to ensure that both he/she and his/her proxy complies with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
20. No Director has a contract of service with the Company.

Further Shareholder Information

Pacific Horizon is an investment trust. Investment trusts offer investors the following:

— participation in a diversified portfolio of shares;

— constant supervision by experienced professional managers; and

— the Company is free from capital gains tax on capital profits realised within its portfolio although investors are still liable for capital gains tax on profits when selling their investment.

How to Invest

The Company's shares are traded on the London Stock Exchange. They can be bought by placing an order with a stockbroker, or by asking a professional adviser to do so. If you are interested in investing directly in Pacific Horizon, you can do so online. There are a number of companies offering real time online dealing services.

Sources of Further Information on the Company

The price of shares is quoted daily in the Financial Times (under 'Investment Companies') and can also be found on the Company's page of the Managers' website at **pacifichorizon.co.uk**, Trustnet at **trustnet.com** and on other financial websites. Monthly factsheets are also available on the Baillie Gifford website. These are available from Baillie Gifford on request.

Pacific Horizon Share Identifiers

ISIN	GB0006667470
Sedol	0666747
Ticker	PHI

Legal Entity Identifier VLGEI9B8R0REWKB0LN95

Key Dates

Any dividend in respect of a financial year will be paid by way of a single final payment shortly after the Annual General Meeting. The Annual General Meeting is normally held in October or November.

Capital Gains Tax

For Capital Gains Tax purposes, the cost to shareholders who subscribed for the conversion shares, subsequently converted into new ordinary shares (with warrants attached), is apportioned between the ordinary shares and the warrants as set out in the placing and offer document dated 5 March 1996. The attributable costs are:

Cost of each ordinary share	53.45p
Cost of each warrant	16.52p

Market values on 17 April 1996 (first day of dealing) were as follows (Source: Thomson Reuters):

Ordinary share	55.00p
Warrant	17.00p

Share Register Enquiries

Computershare Investor Services PLC maintains the share register on behalf of the Company. In the event of queries regarding shares registered in your own name, please contact the Registrars on 0370 707 1229. This helpline also offers an automated self-service functionality (available 24 hours a day, 7 days a week) which allows you to:

— hear the latest share price;

— confirm your current share holding balance;

— confirm your payment history; and

— order Change of Address, Dividend Bank Mandate and Stock Transfer forms.

You can also check your holding on the Registrars' website at **investorcentre.co.uk**. They also offer a free, secure share management website service which allows you to:

— view your share portfolio and see the latest market price of your shares;

— calculate the total market price of each shareholding;

— view price histories and trading graphs;

— register to receive communications from the Company, including the Annual Report and Financial Statements, in electronic format;

— update bank mandates and change address details; and

— use online dealing services.

To take advantage of this service, please log in at **investorcentre.co.uk** and enter your Shareholder Reference Number and Company Code (this information can be found on the last dividend voucher or your share certificate).

Dividend Reinvestment Plan

Computershare operate a Dividend Reinvestment Plan which can be used to buy additional shares instead of receiving your dividend via cheque or into your bank account. For further information log on to **investorcentre.co.uk** and follow the instructions or telephone 0370 707 1170.

Electronic Proxy Voting

If you hold stock in your own name you can choose to vote by returning proxies electronically at **eproxyappointment.com**. If you have any questions about this service please contact Computershare on 0370 707 1229.

CREST Proxy Voting

If you are a user of the CREST system (including a CREST Personal Member), you may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. For further information please refer to the CREST Manual.

Analysis of Shareholders at 31 July

	2022 Number of shares held	2022 %	2021 Number of shares held	2021 %
Institutions	15,385,298	16.7	13,588,608	15.4
Intermediaries	74,400,248	81	72,077,577	81.5
Individuals	1,750,123	1.9	2,417,541	2.7
Marketmakers	325,292	0.4	345,978	0.4
	91,860,961	**100.0**	**88,429,704**	**100.0**

Data Protection

The Company is committed to ensuring the confidentiality and security of any personal data provided to it. Further details on how personal data is held and processed on behalf of the Company can be found in the privacy policy available on the Company's website **pacifichorizon.co.uk**.

Risks

Past performance is not a guide to future performance.

Pacific Horizon is listed on the London Stock Exchange. The value of its shares, and any income from them, can fall as well as rise and investors may not get back the amount invested.

Pacific Horizon invests in overseas securities. Changes in the rates of exchange may also cause the value of your investment (and any income it may pay) to go down or up.

Pacific Horizon invests in emerging markets where difficulties in dealing, settlement and custody could arise, resulting in a negative impact on the value of your investment.

Pacific Horizon can borrow money to make further investments (sometimes known as 'gearing' or 'leverage'). The risk is that when this money is repaid by the Company, the value of the investments may not be enough to cover the borrowing and interest costs, and the Company will make a loss. If the Company's investments fall in value, any invested borrowings will increase the amount of this loss.

Pacific Horizon can buy back its own shares. The risks from borrowing, referred to above, are increased when the Company buys back its own shares.

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

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

Pacific Horizon's risk could be increased by its investment in unlisted investments. These assets may be more difficult to buy or sell, so changes in their prices may be greater.

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

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

Shareholders in Pacific Horizon have the right to vote every five years on whether to continue Pacific Horizon or wind it up. If the shareholders decide to wind the Company up, the assets will be sold and you will receive a cash sum in relation to your shareholding. The next vote will be held at the Annual General Meeting in 2026.

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

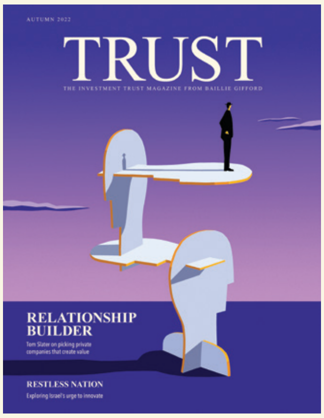
Further details of the risks associated with investing in the Company, including a Key Information Document and how charges are applied, can be found at **pacifichorizon.co.uk**, or by calling Baillie Gifford on 0800 917 2112. This information has been issued and approved by Baillie Gifford & Co Limited, the Managers and Secretaries, and does not in any way constitute investment advice.

Pacific Horizon Investment Trust PLC is a UK public listed company and as such complies with the requirements of the Financial Conduct Authority, but it is not authorised and regulated by the Financial Conduct Authority.

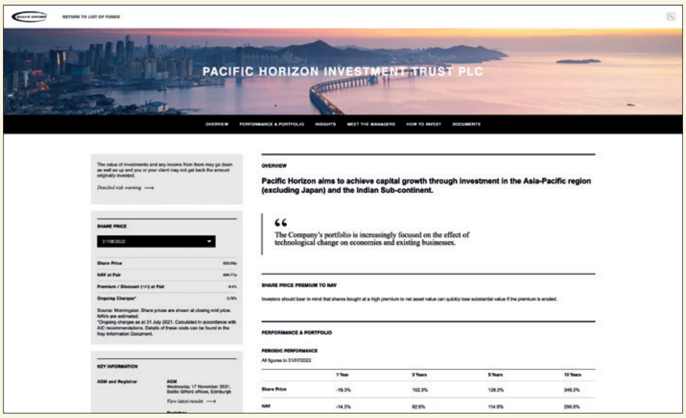
The Financial Statements have been approved by the Directors of Pacific Horizon. The information and opinions expressed within this Annual Report and Financial Statements are subject to change without notice.

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

Communicating with Shareholders



Trust magazine



Pacific Horizon Investment Trust web page at **pacifichorizon.co.uk**

Trust Magazine

Trust is the Baillie Gifford investment trust magazine which is published twice a year. It provides an insight to our investment approach by including interviews with our fund managers, as well as containing investment trust news, investment features and articles about the trusts managed by Baillie Gifford, including Pacific Horizon. *Trust* plays an important role in helping to explain our products so that readers can really understand them.

You can subscribe to *Trust* magazine or view a digital copy at **bailliegifford.com/trust**

Suggestions and Questions

Any suggestions on how communications with shareholders can be improved are welcomed. Please contact the Baillie Gifford Client Relations Team and give them your suggestions. They will also be very happy to answer questions that you may have about Pacific Horizon.

Pacific Horizon on the Web

Up-to-date information about Pacific Horizon, can be found on the Company's page of the Managers' website at **pacifichorizon.co.uk**. You will find full details on Pacific Horizon, including recent portfolio information and performance figures.

Client Relations Team Contact Details

You can contact the Baillie Gifford Client Relations Team by telephone, email or post:

Telephone: 0800 917 2112
Your call may be recorded for training or monitoring purposes.

Email: trustenquiries@bailliegifford.com
Website: bailliegifford.com

Address:
Baillie Gifford Client Relations Team
Calton Square
1 Greenside Row
Edinburgh EH1 3AN

Please note that Baillie Gifford is not permitted to give financial advice. If you would like advice, please ask an authorised intermediary.

Automatic Exchange of Information

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

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

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

For further information, please see HMRC's Quick Guide: Automatic Exchange of Information – information for account holders **gov.uk/government/publications/exchange-of-information-account-holders**.

Third Party Data Provider Disclaimer

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

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

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

MSCI Index Data

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such.

Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI Parties') expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (**msci.com**).

FTSE Index Data

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Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('SFDR') does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Pacific Horizon Investment Trust PLC is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR. The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions. Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long-term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment. More detail on the Managers' approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website **bailliegifford.com**.

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of alternative investment funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.

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

Total Assets

This is the Company's definition of Adjusted Total Assets, being 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.

	2022	2021
Net asset value per share (a)	664.65p	777.15p
Share price (b)	647.00p	802.00p
(Discount)/premium ((b) – (a)) ÷ (a)	**(2.7%)**	**3.2%**

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.

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:

	2022 £'000	2021 £'000
Investment management fee	4,036	3,475
Other administrative expenses	1,093	729
Total expenses	**5,129**	**4,204**
Average net asset value	691,596	538,343
Ongoing charges	**0.74%**	**0.78%**

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.

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.

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.

	2022 £'000	2021 £'000
Borrowings (at book cost) (a)	–	60,783
Less: cash and cash equivalents	(5,399)	(31,766)
Less: sales for subsequent settlement	(402)	(1,066)
Add: purchases for subsequent settlement	446	–
Adjusted borrowings (b)	(5,355)	27,951
Shareholders' funds (c)	610,550	687,231
Gearing: (b) as a percentage of (c)	**(1%)**	**4%**

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

	2022 £'000	2022 £'000
Borrowings (at book value) (a)	–	60,783
Shareholders' funds (b)	610,550	687,231
Potential gearing (a) as a percentage of (b)	**–**	**9%**

Leverage (APM)

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

Active Share (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.

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