Pacific Assets Trust plc

Annual Report

for the year ended 31 January 2022

www.pacific-assets.co.uk

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Pacific Assets Trust plc

www.pacific-assets.co.uk

For more information about Pacific Assets Trust plc visit our website. Please use the ‘contact us’ button to ask a question or to register for fact sheets, quarterly and annual reports, and webcasts.

The photograph on the front cover depicts a solar power station in Hangzhou, Zhejiang, China.

Financial Highlights

9.1%
Net asset value per share total return*^

2022[1] 9.1%
2021[2] 22.3%

2.9%
Share price total return*^

2022[1] 2.9%
2021[2] 25.8%

11.5%
UK Consumer Price Index ("CPI") + 6%[3]†

2022[1] 11.5%
2021[2] 6.8%

7.3%
Average discount of share price to net asset value per share during the year*^

2022[1] 7.3%
2021[2] 9.1%

(9.2)%
MSCI All Country Asia ex Japan Index total return sterling adjusted*

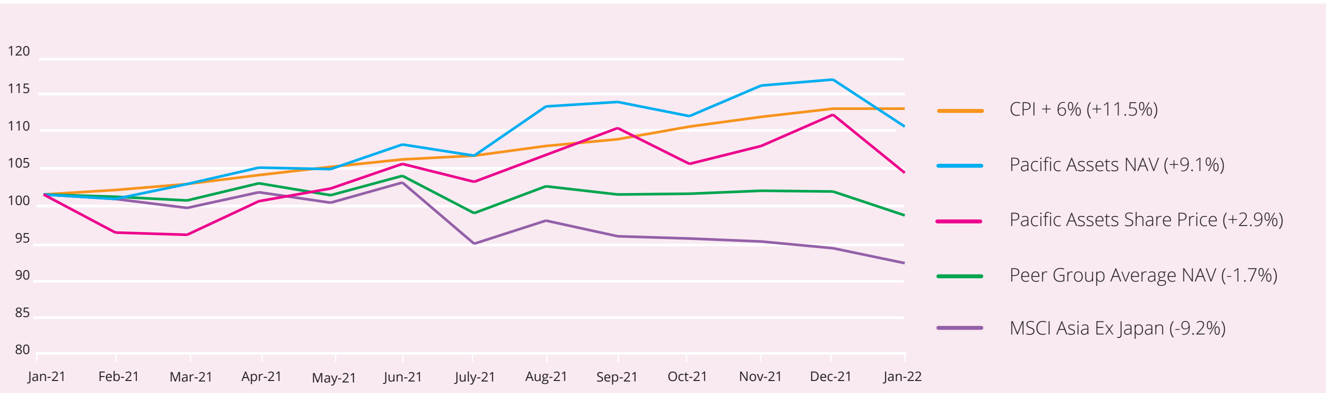
2022[1] (9.2%)
2021[2] 30.7%

1.1%
Ongoing charges[3]^

2022[1] 1.1%
2021[2] 1.1%

1 For the year ended 31 January 2022
2 For the year ended 31 January 2021
3 Source: Frostrow Capital LLP
* Source: Morningstar
† The Company's Performance Objective (See Glossary beginning on page 82)
^ Alternative Performance Measure (See Glossary beginning on page 82)

Net Asset Value Per Share Total Return for the Year to 31 January 2022



Source: Morningstar. Chart shows the growth of £100 invested at the start of the period as at 31 January 2022.

Key Information

Pacific Assets Trust plc (the "Company" or the "Trust") aims to achieve long-term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan, Australia and New Zealand (the "Asia Pacific Region"). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region (as defined above); at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

Portfolio Manager

Stewart Investors have been the Company's Portfolio Manager since 1 July 2010 and they adopt a sustainable investment strategy in selecting the investments that make up the Company's portfolio. Stewart Investors is a semi-autonomous business within First Sentier Investors (previously known as First State Investments). It operates through the legal entities and regulatory licences of First Sentier Investors. First Sentier Investors (UK) IM Limited is the legal entity that Pacific Assets Trust plc has, together with Frostrow Capital LLP (the "AIFM"), appointed as Portfolio Manager and is part of a group owned by Mitsubishi UFJ Trust and Banking Corporation.

Investment Aims

Stewart Investors aim to generate strong long-term, risk-adjusted returns by investing in the shares of high-quality companies that are particularly well positioned to contribute to and benefit from sustainable development in the Asia Pacific Region. Sustainability is fully integrated into the management of risk and return. The team seeks to improve sustainable outcomes by avoiding businesses linked to harmful activities, investing in companies contributing to solutions, and engaging and voting for positive change.

Investment Philosophy

The foundations of Stewart Investors' investment philosophy and approach remain largely unchanged since 1988 and since their first dedicated sustainability strategy was launched in 2005.

The Stewart Investors investment philosophy is summarised below:

- They are stewards. They believe their role is to allocate society's capital to productive uses, in accordance with their Hippocratic Oath[1].
- They are long term. Their time horizon is measured in years, not weeks, and they value companies accordingly.
- They invest only in companies they believe are contributing to a more sustainable future. They engage constructively as owners to help companies on their sustainability journeys.
- They invest only in high-quality companies. They invest in companies with exceptional cultures, strong franchises and resilient financials.
- They believe capital preservation is important for capital growth. They define risk as the possibility of the permanent loss of client capital.

1 https://www.stewartinvestors.com/all/about-us/our-hippocratic-oath.html

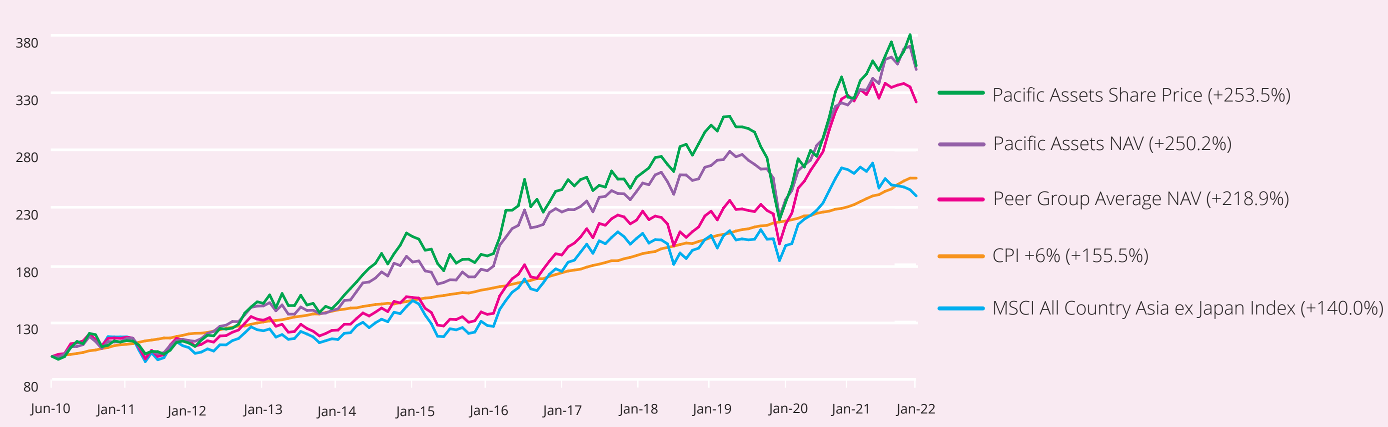
Company Performance

Performance Summary

	As at 31 January 2022	As at 31 January 2021
Shareholders' funds	£450.7m	£416.2m
Market capitalisation	£411.3m	£402.8m
Performance	**One year to 31 January 2022**	**One year to 31 January 2021**
Share price total return*^	2.9%	25.8%
Net asset value per share total return*^	9.1%	22.3%
CPI +6%[1]	11.5%	6.8%
MSCI All Country Asia ex Japan Index total return, sterling adjusted*	(9.2)%	30.7%
Average discount of share price to net asset value per share*^	7.3%	9.1%
Ongoing charges^	1.1%	1.1%
Revenue return per share†	2.0p	2.6p
Dividend per share	1.9p	2.4p

*Source: Morningstar
† See Glossary beginning on page 82
^ Alternative Performance Measure (see Glossary beginning on page 82)
1 The Company's Performance Objective (see Glossary beginning on page 82)

Total Return Performance since the Appointment of Stewart Investors as Portfolio Manager



Source: Morningstar. Chart shows the growth of £100 invested at the start of the period as at 31 January 2022.

Performance Assessment

The Company's performance objective, against which the Portfolio Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6%, calculated on an annual basis and measured over three to five years.

The Board also monitors the Company's performance against its peer group. The Board reviewed the peer group during the year and the revised peer group is presented for the first time, below. It was agreed to exclude investment trusts with smaller companies or higher income-focused mandates and therefore Invesco Asia, JP Morgan Asia and Fidelity Asian Values have been removed. It was agreed to add Aberdeen New Dawn which has a similar mandate to the Company.

An analysis of performance and the Board's approach to monitoring it can be found below and in the Chairman's Statement beginning on page 6; further information can be found in the Portfolio Manager's Review beginning on page 13 and details of the Key Performance Indicators begin on page 22.

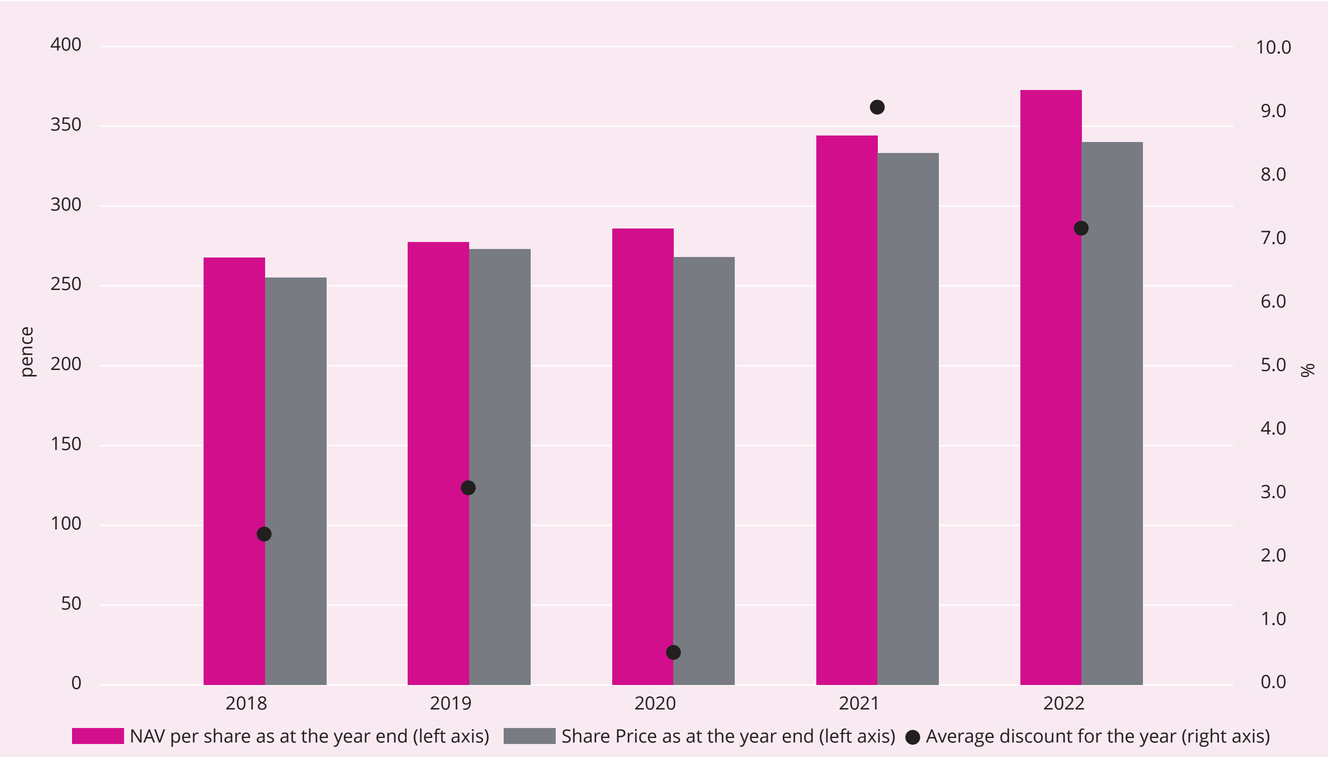
Peer Group Net Asset Value per Share Total Return

	1 Year £	Rank	3 years £	Rank	5 years £	Rank
Pacific Assets Trust	**109.1**	**1**	**138.2**	**5**	**162.8**	**4**
Pacific Horizon	107.1	2	251.0	1	306.2	1
Schroder Asian Total Return	98.9	3	153.4	2	189.9	2
Schroder Asia Pacific	95.4	4	142.6	3	170.0	3
Aberdeen New Dawn	94.7	5	139.6	4	160.6	5
Asia Dragon Ord	91.6	6	135.4	6	157.8	6
iShares MSCI Asia ex Jpn ETF	91.4	7	123.5	7	142.8	7
Peer Group Average	**98.3**		**154.8**		**184.3**	
CPI + 6%	**111.5**		**128.8**		**152.3**	
MSCI AC Asia ex Japan	**90.8**		**124.6**		**146.2**	

Source: Morningstar. Figures show the value of £100 invested at the start of the period as at 31 January 2022.

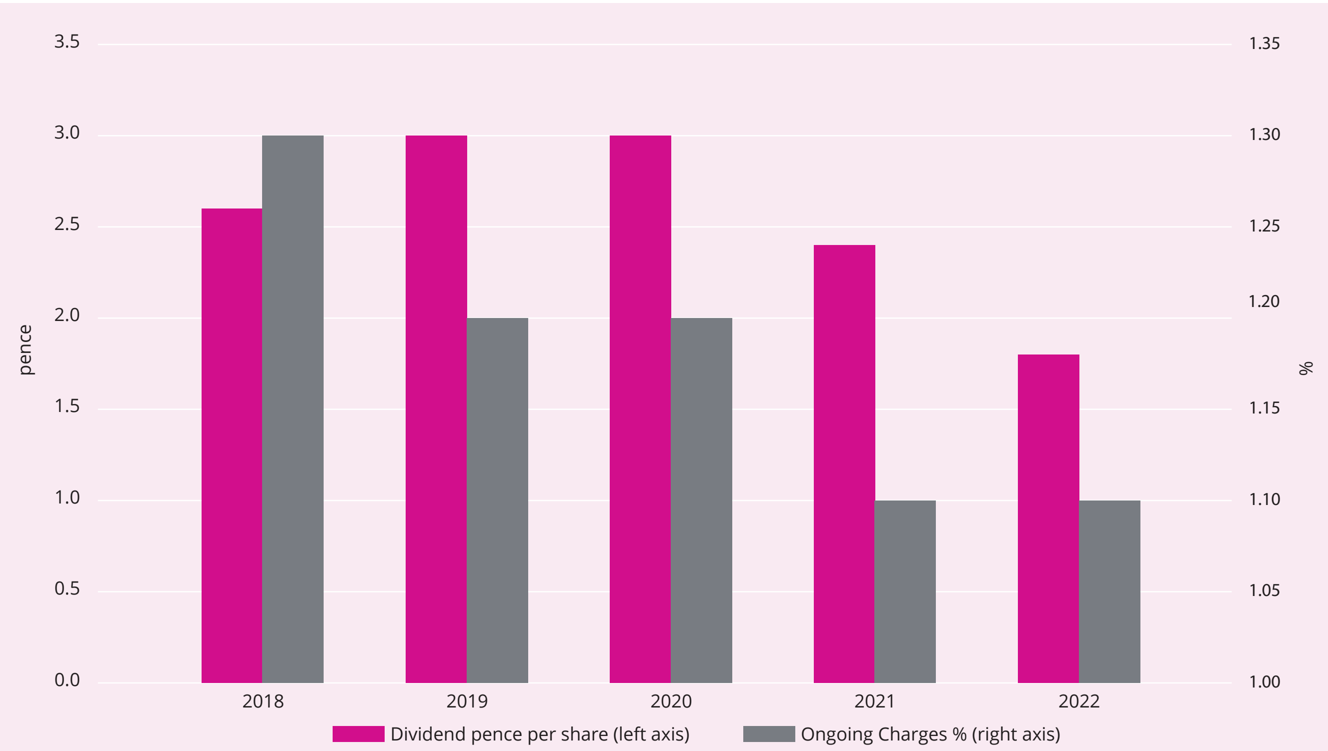
† The Company's Performance Objective (see Glossary beginning on page 82)

Five Year Record – Net Asset Value Per Share, Share Price and Discount



Source: Morningstar. Data for Pacific Assets Trust plc.

Five Year Record – Dividend and Costs



Source: Frostrow. Data for Pacific Assets Trust plc.

Chairman's Statement

"The Company produced a positive return for shareholders, against a challenging economic and political background"

We observe wrenching and dramatic change in the world around us. The decisions on how to protect our capital are hard enough at the best of times. Yet nowhere in the world has been isolated from the economic and social destructiveness of the pandemic, and increasingly assets of all types are under threat from rising producer and consumer prices. Thrown into this situation has been the invasion of Ukraine with the apparent destruction of the post-cold war accord in Europe, bringing with it a ratcheting up of uncertainty over food and energy prices.

My formative investing years were in the 1970s when at one point inflation was halving our spending power every four and a half years. Levels of price rises that are around us today would still halve your purchasing power in 12 years. So, protection against such destructive forces must be a priority for the professional guardians of people's savings. This is challenging with the quite comfortable certainties of near deflation and negative interest rates, long evaporated. 'Real assets' were thought to be the answer to inflation, and these included equities of all types. However even a slight whiff of higher bond yields has caused a dramatic fall in values in what have been determined as 'long duration growth stocks'.

The Past Year

Pacific Assets Trust produced a positive return both in terms of its net asset value and in terms of its share price. The net asset value per share total return* of 9.1% (2021: 22.3%) compares with the return of the Performance Objective (CPI+6%) of 11.5% (2021: 6.8%) and the average of our peer group of Asian investment trusts which showed a decline in net asset value of 1.7% (2021: +42.8%). During the year, the Board approved changes to the constituents of the peer group. These changes are explained in full on page 4 of this report, where the performance data can also be seen in full.

*Alternative Performance Measure (see Glossary beginning on page 82)

Over longer periods, the annualised NAV per share total return was 9.9% over three years, 10.2% over five years, and 11.4% since Stewart Investors were appointed as the Portfolio Manager in June 2010. This compares with the Performance Objective return of 6.0% over three years, 8.8% over five years and 8.4% since Stewart Investors were appointed.

We are satisfied that the Trust was able to generate a positive return in absolute terms and at a time when the overall market index for the Asia Pacific region fell by 9.2% during the year. The Trust under Stewart Investors' management has always sought to characterise itself as being a relative haven in difficult market conditions, and this has proved to be the case in the 12 months to the end of January.

The statistics of returns and the comparative measures that the Board uses to assess the Portfolio Manager's performance can be found on page 3 of this annual report.

The Portfolio Manager explains the outcomes in detail in their report. We would however point to their sceptical view, held for a long time, of the risks of political interference in companies in China, which has been one of the most harmful features of last year's investing environment. The Trust's lack of exposure particularly to large capitalisation Chinese internet stocks has been an important driver of good relative returns in the last 12 months, although over the three and five year period for the Trust against its peer group, the Trust has still lost some ground. Whatever happens from here on, the Portfolio Manager's concerns over the risks of political interference in the running of some key franchises in China, have been justified. Notwithstanding this, we are still committed to seeking out good companies in China, and the positioning of the portfolio in both China and in Hong Kong supports the opinion that there will be valuable investment opportunities and more to be found.

The backdrop to the year contained two destabilising forces, neither new but of increasing note. First the many years of almost 'free' money has led to unprecedented debt accumulation, much of which may be in invisible form, off balance sheet and off market. Secondly the speed of change as technological innovation drives disruption in business is creating both fear and opportunity. This was prior to the destabilising event of Russia's invasion of Ukraine, which could potentially have far reaching effects upon globalisation. All of these factors are very much in the minds of the Trust's Portfolio Manager when selecting and holding onto Asian companies. The corporate world contains visionary minds and boundless energies, and our best protection in these times is to engage with the companies and their creativity. However, we must keep in mind that having passed the trough of interest rates, as seems likely, asset markets of all types may have questions asked of them.

Benchmarking against Inflation

We introduced a Performance Objective of CPI plus 6% more than two years ago to measure the achievement of the Trust's investment objective. The MSCI All Country Asia ex Japan Index (which was previously our primary performance comparator) has always been unrelated to the way in which the Trust's assets are managed, which is with an absolute return mindset. However, the Board does review the extent to which the portfolio deviates from the Index, enabling us to ask questions of the Portfolio Manager if it appears that there is a move toward greater conformity. I should say that in all my time with the Trust, we have never had to question this. The last year we have provided a positive return against the Index's negative one which is not a cause of joy in the same way as two previous years' underperformance was not a cause for disappointment.

CPI plus 6% recognises the home base of our shareholders (predominately UK based) and the inflation bogey they must exceed to protect purchasing power. The 6% is the premium that you should expect from the faster growing, younger economies that provide our investment mandate. We would typically look at this comparison over three years at least, and more likely five years. This is coincident with the Trust's very long-term investment approach combined with portfolio turnover averaging around 20%, theoretically implying that the portfolio is turned over only over a five year period.

If the trend of rising prices is sustained and is not 'transitory' (as some central bankers have suggested), we may have to work very hard to exceed this objective. Indeed, in the year to 31 January 2022, this is already the case. However, we would hope that by thinking in an absolutist way about the portfolio, our shareholders can achieve some consistency in protecting their funds from erosion and providing a meaningful real return. However, this must be looked at over longer periods.

Interaction of the Board and the Portfolio Manager

A closed-end investment company such as the Trust is overseen by a board which is independent of the portfolio manager. All five members of the Board are non-executive, but they are accountable for the governance and the wellbeing of the Company. Oversight of the Portfolio Manager and other service providers is an essential part of the role.

Formal Board meetings are held four to five times a year, including an on-site visit to one of the Asian markets in which the Company has investments (although, sadly, that has not been possible since 2019). The Board would expect to have in depth understanding of the structure and the investment process of the Portfolio Manager, and of the key members of the team that are responsible for managing the portfolio of the Trust. The Board monitors both investment risk and financial risk by receiving detailed reports of the controls at the Portfolio Manager and at other principal providers of services, such as the AIFM and the Custodian.

The management of the Trust's portfolio is delegated fully to the Portfolio Manager, and the Board should not try to second guess investment decisions in any way. The Board will have detailed knowledge of the principal investments, recent purchases and sales, the make-up of the assets by sector and by country, and the key risks within the portfolio. There are also metrics tabled at meetings that show the contributors and detractors of investment return. All of this enables dialogue with the Portfolio Manager as to the direction of investment strategy and enables constructive challenge.

More strategic decisions are taken by the Board in consultation with the Portfolio Manager and the AIFM. For instance, the widening of the mandate to enable up to 20% of the portfolio to be invested in companies outside the regional mandate, where a significant part of their economic activities (at the time of investment) are within the region, was a decision taken three years ago. This has broadened the scope of potential investments and has added value to the portfolio.

In extremis, the Board does have the ultimate authority to takes steps to replace the Portfolio Manager, and there are several examples of UK listed closed end investment companies that have done this in recent times. Such action might have to be considered should there be a deep level of dissatisfaction with the management arrangements, or in the worst case a disintegration of the Portfolio Manager's investment team. It should be said clearly that this is not the situation now and the Directors retain a high degree of confidence in the abilities of the Portfolio Manager.

Total Return

We think of this when considering the discount that may exist between the share price and the net asset value of the Trust.

The Trust's shares traded at an average discount to net asset value per share* of 7.3% through the 12 month period to the end of January. While this is not unusual amongst Asian investment companies, we would rather this was not the case. Better relative performance after two difficult years is assisting investor sentiment, as will the Portfolio Manager's high level of credibility as a sustainable investor, attractive to shareholders who are seeking exposure to Asia through genuinely responsible investing.

The Board is working to introduce improvements to the visibility of the Trust. We wish to see a broader range of shareholders including retail investors who are less present on our shareholder register than we would like. Stewart Investors, on their marketing side, are raising their already high standards of paper materials and electronic communications. All of this will be helpful in ensuring continuing demand for the Trust's shares, but only if the Trust can continue to provide positive relative returns in the way that it has done over the last 12 months.

There will be a resolution at the Annual General Meeting (please refer to the notice of the meeting, which begins on page 86, for full details) asking shareholders to approve a new investment policy enabling the Company to gear using up to 10% of its net asset value. This arises because of a change in the AIFMD status of the Company, enabling it to incur borrowing, when previously this was not permissible. This power has always been available under the Company's Articles of Association but has not been used in the last 12 years. I should state here that the Company has no borrowing facilities in place and has no intention of using gearing in the immediate future. However, the Board will continue to keep the position under review with the AIFM and the Portfolio Manager.

Dividend

The Company generated a revenue return of 2.0p per share during the year (2021: 2.6p per share) and, as a result, the Board recommends to shareholders the payment of a final dividend to allow the Company to comply with the investment trust rules regarding distributable income.

Subject to shareholder approval at the AGM, a final dividend of 1.9p per share will be paid on 1 July 2022 to shareholders on the register on 10 June 2022. The associated ex-dividend date will be 9 June 2022.

Annual Costs

We are aware that the ongoing charges ratio* of the Trust as measured by conventional means (in line with AIC guidance) is higher than the peer group of comparable funds. The figure stands at 1.1% of net asset value compared with an average of 0.9% of the other Asian trusts.

The comparative figures take no account of the costs associated with investment turnover, where typically the Trust has a low turnover and holds stocks for the long term, or gearing, which is present in many of the peer group companies.

Stewart Investors, as Portfolio Manager, charges the Trust a flat fee of 0.85%, reduced from a higher level two years ago. We recognise the scope of engagement which the Portfolio Manager has, often with smaller

* Alternative Performance Measures (see Glossary beginning on page 82 for further information).

companies in areas that are very under researched. The engagement involves a continuous dialogue with company managers on sustainability or environmental, social and governance ("ESG") adherence. We recognise that this level of research and contact is both time consuming and expensive, but we believe it is in the best interests of shareholders who wish to participate in successful companies that adhere to the highest principles of sustainability and corporate governance.

We also employ Frostrow Capital LLP as AIFM and Company Secretary, which is separate from the Portfolio Manager. This is an arrangement that has worked very well for the last 12 years.

The Board remains focused on achieving value for money for shareholders, and all costs, including management fees, are regularly scrutinised.

The Board

We adhere to good corporate governance principles that we should be looking to replace a director after they have served on the Board for nine years. We do not agree with the assertion that extreme longevity compromises independence, but we do believe that there is room for fresh thinking and approach after a certain time.

My own tenure of nine years comes up towards the end of this calendar year, and we have already put in practice a process for replacing me in 2023 both as a board member and as Chairman. There will be other retirements in subsequent years. The challenge of ensuring continuity of the Board and managing the relationships with the Portfolio Manager and others is something that we are aware of. We are very focused on successfully managing the transitions with the right individuals and mix of people.

The Annual General Meeting

This year's Annual General Meeting will be held at 12 noon on Tuesday, 28 June 2022, at the offices of Stewart Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB. As well as the formal proceedings, there will be an opportunity for shareholders to meet the Board and the Portfolio Manager, and to receive an update on the Company's strategy and its key investments.

After Covid restrictions have prevented us from welcoming shareholders to this event for the past two years, I very much look forward to seeing as many shareholders as possible on that day. Of course, should circumstances change and restrictions be reintroduced, we will update shareholders on the final arrangements for the meeting through the Company's website: www.pacific-assets.co.uk

I encourage all shareholders to exercise their right to vote at the Company's annual meeting. The Board strongly encourages shareholders to register their votes online in advance (information on how to vote can be found on page 94). Registering your vote in advance will not restrict shareholders from attending and voting at the meeting in person should they wish to do so, subject to any Government guidance to the contrary. As investors we take corporate governance seriously among the companies that we own in the Trust's portfolio, and we urge you, our shareholders, to follow suit and vote on the resolutions that are proposed.

The Outlook

The near future appears to hold little promise of reward for investors. After many years of rising asset prices, circumstances point to challenging times as central banks withdraw liquidity. A belief that Russia's invasion of Ukraine will become a limited 'distant' struggle away from the headlines would be naïve. Economic dislocation will be inevitable, in Asia as well. Rising food prices and rising energy prices may beget other unforeseen political problems elsewhere in the world. This is a backdrop that may not be possible to escape in the shorter term.

However as always, we seek out investments that will be resilient in tough times; a strong balance sheet and a risk aware management should be at a premium as we look ahead. Meanwhile the Asian countries that Pacific Assets Trust invests in have populations whose wealth is growing and who have appetite for products and services that in the West are taken for granted. This dynamic will not alter in the face of the adversity that appears to surround us.

James Williams
Chairman
9 May 2022

Investment Portfolio

as at 31 January 2022

Company	Country	MSCI Sector	Market valuation £'000	% Net assets
Tube Investments of India	India	Consumer Discretionary	25,847	5.7%
CG Power & Industrial Solutions	India	Industrials	22,877	5.1%
Mahindra & Mahindra	India	Consumer Discretionary	21,716	4.8%
Marico	India	Consumer Staples	13,962	3.1%
Hoya*	Japan	Health Care	13,720	3.0%
Unicharm Corporation*	Japan	Consumer Staples	13,284	3.0%
Voltronic Power Technology	Taiwan	Industrials	11,703	2.6%
Elgi Equipments	India	Industrials	10,997	2.4%
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	10,448	2.3%
Koh Young Technology	South Korea	Information Technology	10,229	2.3%
Top 10 Investments			**154,783**	**34.3%**
Housing Development Finance Corporation	India	Financials	10,097	2.2%
Tata Consumer Products	India	Consumer Staples	9,415	2.1%
Techtronic Industries	Hong Kong	Industrials	9,322	2.1%
Advantech	Taiwan	Information Technology	9,196	2.0%
Vitasoy International	Hong Kong	Consumer Staples	9,097	2.0%
Kotak Mahindra Bank	India	Financials	8,889	2.0%
Vinda International	China	Consumer Staples	8,597	1.9%
Aavas Financiers	India	Financials	8,402	1.9%
Tata Consultancy Services	India	Information Technology	8,335	1.9%
Delta Electronics	Taiwan	Information Technology	8,293	1.8%
Top 20 Investments			**244,426**	**54.2%**
NAVER	South Korea	Communication Services	8,270	1.8%
Chroma Ate	Taiwan	Information Technology	8,050	1.8%
Dr Lal Pathlabs	India	Health Care	7,379	1.6%
Cholamandalam Financial	India	Financials	7,339	1.6%
Info Edge	India	Communication Services	7,079	1.6%
Dabur India	India	Consumer Staples	6,584	1.5%
Dr. Reddy's Laboratories	India	Health Care	6,397	1.4%
Unicharm Indonesia	Indonesia	Consumer Staples	6,213	1.4%
Tokyo Electron*	Japan	Information Technology	6,089	1.4%
Vitrox	Malaysia	Information Technology	5,771	1.3%
Top 30 Investments			**313,597**	**69.6%**

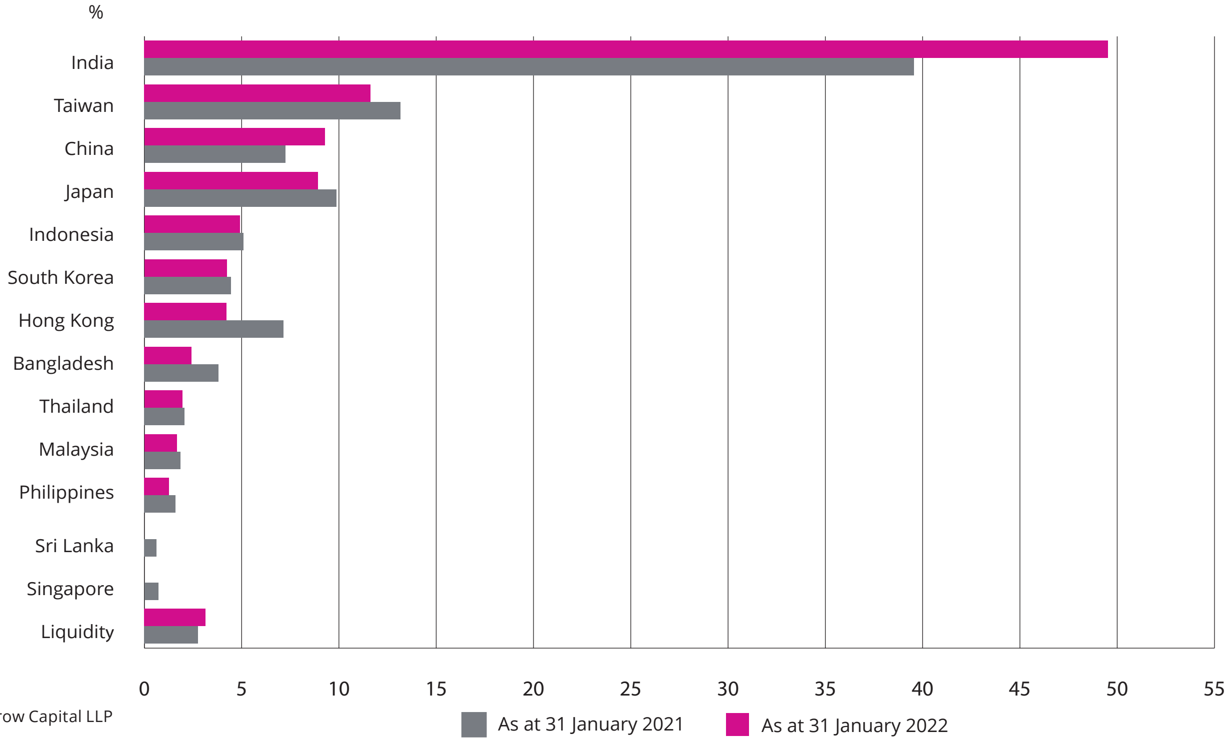
*at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

Company	Country	MSCI Sector	Market valuation £'000	% Net assets
Godrej Consumer Products	India	Consumer Staples	5,678	1.3%
Philippine Seven	Philippines	Consumer Staples	5,489	1.2%
Humanica	Thailand	Information Technology	5,286	1.2%
Tata Communications	India	Communication Services	5,259	1.2%
PT Industri Jamu dan Farmasi Sido Muncul	Indonesia	Consumer Staples	5,209	1.1%
Selamat Sempurna	Indonesia	Consumer Discretionary	5,038	1.1%
Silergy	China	Information Technology	4,954	1.1%
Infosys	India	Information Technology	4,954	1.1%
Bank OCBC	Indonesia	Financials	4,945	1.1%
Syngene International	India	Health Care	4,879	1.1%
Top 40 Investments			**365,288**	**81.1%**
Tech Mahindra	India	Information Technology	4,816	1.1%
Marico Bangladesh	Bangladesh	Consumer Staples	4,799	1.1%
Pigeon Corporation*	Japan	Consumer Staples	4,420	1.0%
Tarsons Products	India	Health Care	4,372	1.0%
Shenzhen Inovance Technology	China	Industrials	3,812	0.9%
Hualan Biological	China	Health Care	3,776	0.8%
Guangzhou Kingmed Diagnostics	China	Health Care	3,747	0.8%
Mahindra Logistics	India	Industrials	3,586	0.8%
Indiamart Intermesh	India	Industrials	3,488	0.8%
Shanthi Gear	India	Industrials	3,416	0.7%
Top 50 Investments			**405,520**	**90.1%**
Centre Testing International Group	China	Industrials	3,332	0.7%
Kasikornbank	Thailand	Financials	3,231	0.7%
Airtac International Group	Taiwan	Industrials	3,141	0.7%
Glodon	China	Information Technology	3,111	0.7%
Brac Bank	Bangladesh	Financials	3,052	0.7%
Delta Brac Housing Finance Corporation	Bangladesh	Financials	2,754	0.6%
Amoy Diagnostics	China	Health Care	2,606	0.6%
Yifeng Pharmacy Chain	China	Consumer Staples	2,346	0.5%
Foshan Haitian Flavouring & Food	China	Consumer Staples	2,140	0.5%
Estun Automation	China	Industrials	2,108	0.5%
Nippon Paint*	Japan	Materials	1,504	0.3%
Pentamaster International	Malaysia	Information Technology	1,498	0.3%
Sundaram Finance	India	Financials	640	0.1%
Total Investments			**436,983**	**97.0%**
Net current assets			13,683	3.0%
Total Shareholders' Funds			**450,666**	**100.0%**

*at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

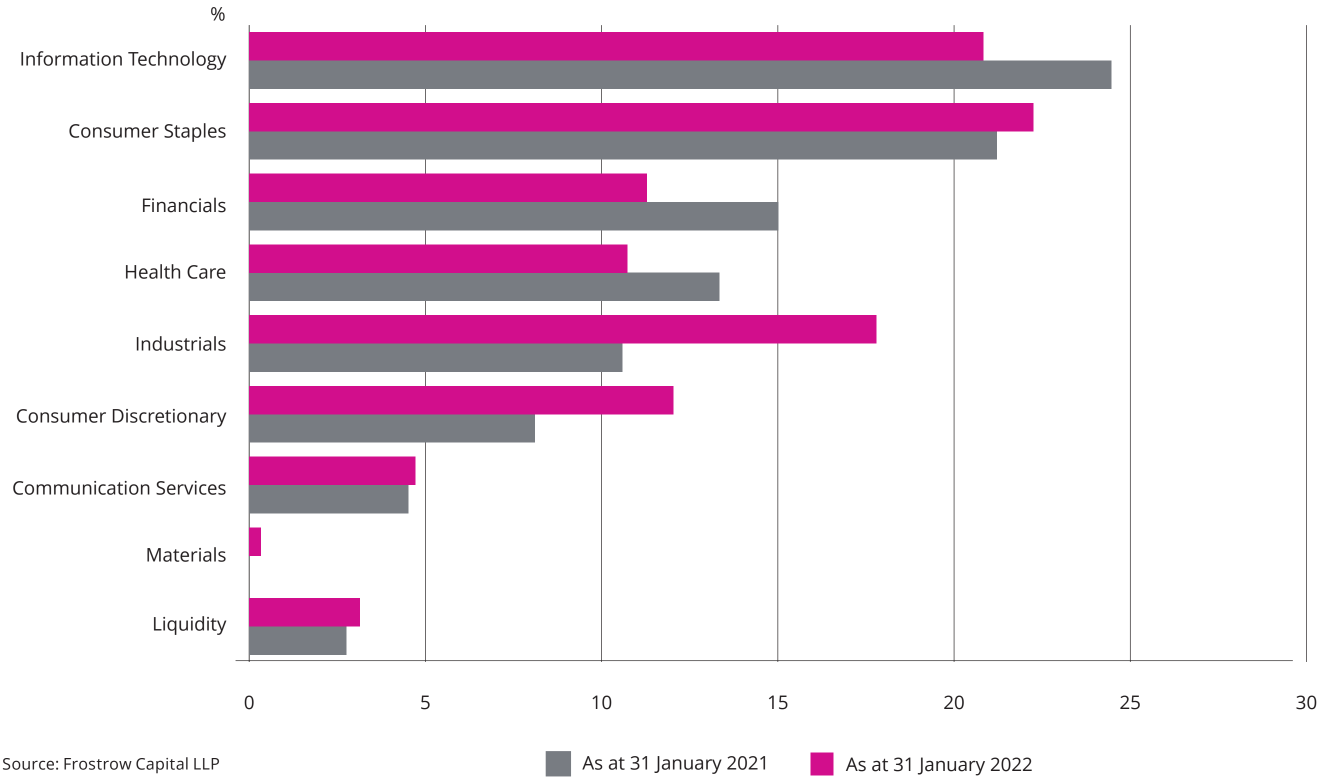
Portfolio Distribution

Geographical Analysis



Source: Frostrow Capital LLP

Sector Analysis



Source: Frostrow Capital LLP

Portfolio Manager's Review

"The large differential in performance between China and India complemented strong stock selection and helped to drive positive returns during the year."

Return for the year

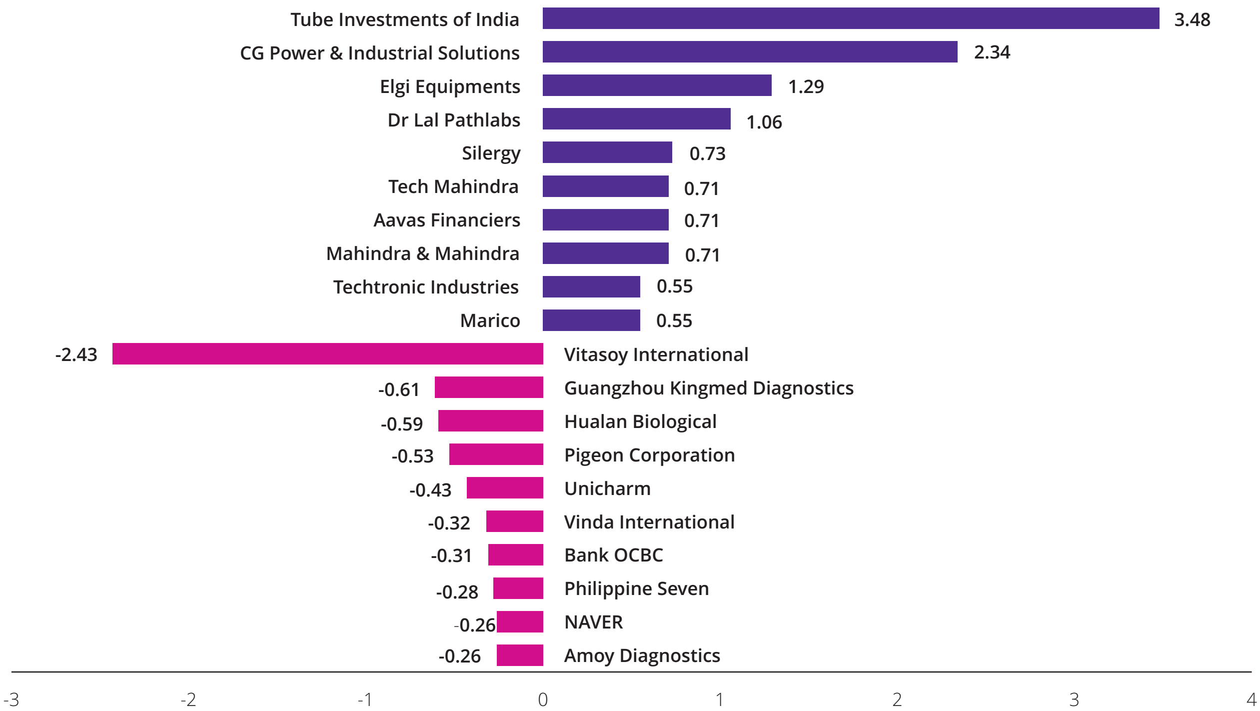
The net asset value per share of Pacific Assets Trust plc returned 9.1% in the 12 months to 31 January 2022. This compares with an increase in the Performance Objective of CPI plus 6% of 11.5%*. However, this comparison only becomes relevant over a longer time period. Over five years, the annualised net asset value total return of the Trust has been 10.2%, against the Performance Objective return of 8.8%* and over 10 years the annualised return of 12.3% compares with 8.2%* for the Performance Objective. For the year there has been a decrease in the MSCI AC Asia ex Japan index (measured on a total return sterling adjusted basis) of 9.2%[1].

The divergence in performance between equity markets in China and India was highlighted in the interim report. During the remainder of the year, many equities in China suffered sharper falls while most equities in India recorded strong gains. Country weightings are purely an outcome - a residual - of bottom-up stock selection. Nonetheless, the large differential in performance between China and India complemented strong stock selection and helped to drive positive returns during the year. This report will outline the main drivers of performance and the most significant transactions made by the Trust. It will then illustrate how we examine international peers as a means of assessing possible pathways of development, also known as growth runways, using two of the smaller companies in the Trust as examples.

What contributed to our return?

Since 1988, the typical performance outcome of our investment philosophy has been the preservation of capital when markets are weak and steady, but trailing capital growth during rapidly rising markets. Last year local equity markets within the Asia Pacific region delivered both of these performance outcomes. Equities in Hong Kong, South Korea and China, in particular, fell sharply while equities in Taiwan and India were impressively strong. Within this context, our typical performance outcome was evident at the country level.

Contribution by investment for the year ended 31 January 2022
Top 10 contributors to and detractors from absolute performance (%)



* Source: Frostrow
1 Source: Morningstar

As always, we held true to our investment philosophy and we did not succumb to despondency in China or euphoria in India. Accordingly, the majority of the Trust's investments in Hong Kong, South Korea and China fell less than local equity comparisons while the majority of investments in Taiwan and India failed to keep pace with markets that were driven by strong investor enthusiasm. This is evidenced by examination of the top ten contributors to performance.

Eight of the Trust's top ten contributors were listed in India. India enjoyed a 'blockbuster year'[2] for new equity raisings in 2021. Record numbers, both in terms of the number of listings (63) and the value of capital raised (almost US$13 billion), were matched by bullish adjectives such as 'wild', 'buzzing' and 'frenzy'. We tend not to participate in new issues unless we fully understand and can cross-reference the track record of the founders. Moreover, the pressures of being listed, with investors eager for quarterly updates, can have a corrosive influence on a culture, which we prefer to be long-term focused. For IPOs, it is often better to be patient and wait until a track record is established and the culture has settled. In this regard, it is noteworthy that, in accordance with our investment philosophy, the majority of the top contributors had been held in the Trust for over five years.

Examination of the Indian portion of the Trust shows that we held true to our investment philosophy and did not get carried away with over-exuberance. We did not participate in hot IPOs or invest in fashionable areas such as clean energy, fintech, electric vehicles or big data analytics. In stark contrast, the main business of the top contributor (Tube Investments) is the manufacture of bicycles. Tube Investments did not perform because it is fashionable. It performed because this family-controlled conglomerate is undertaking a powerful transformation under the excellent leadership of Vellayan Subbiah, a family member. Part of this restructuring involved the purchase and rejuvenation of another old franchise in India, CG Power and Industrial Solutions Limited, which is owned by the Trust and performed strongly over the period. Other strong contributors were Aavas Financiers, Dr Lal Pathlabs, Elgi Equipments, Tech Mahindra Mahindra & Mahindra and Marico. Each of these businesses boast high quality stewardship, improving franchises and robust financials. These were, at one time, each small businesses accounting for a small portion of the Trust, but they have grown into more significant holdings thanks to the long growth runways available in India and the rest of Asia.

Outside India, Techtronic Industries (Hong Kong), a manufacturer of power tools, Voltronic Power Technology (Taiwan), an original design manufacturer of uninterruptable power supplies and Silergy Corp, a manufacturer of analogue semiconductors in China for Chinese customers, contributed positively to the Trust's performance.

What detracted from our return?

The most significant detractor of performance was Vitasoy International (Hong Kong) where politically motivated commotions, distinct from the management or the products – plant based beverages – of the company, conspired to disrupt sales in mainland China during the peak summer months. The quality of the stewardship, franchise and financials of Vitasoy is undiminished. In addition, we note that Vitasoy has renewed advertising activities, is placing orders with suppliers and has restarted production, which increases our confidence that the worst of this unfortunate episode is in the past. The rest of the detractors from performance were significantly smaller. Sometimes it is hard to determine any meaningful patterns in contributors or detractors. Last year, however, seven of the top ten detractors were either listed in, or had significant operations in, China. The seven companies are: Guangzhou Kingmed Diagnostics, Hualan Biological, Amoy Diagnostics, Vinda International, Vitasoy International, Pigeon Corporation and Unicharm.

Over the course of the year, the Chinese economy slowed and political headwinds strengthened. In pockets of the economy, notably property, there was economic stress. The second order impact of the weaker property sector was reduced confidence in banks, insurance and retail. The once popular internet and education sectors suffered from penalties as they were deemed to be no longer compatible with the common prosperity of the Chinese population. The combination of these connected but distinct factors reduced equity valuations of these sectors dramatically and almost all listed Chinese companies more generally. The Trust was not invested in any of these specific sectors and the focus on high quality sustainable businesses insulated the shareholders from the worst of the falls in China in 2021.

Covid restrictions and rising input costs were two additional factors impacting certain equities in the financial year. In this regard, lockdowns and reduced economic activity help to explain weak performance

2 "2021: A blockbuster year for public offers despite hiccups", The Economic Times, Sanam Mirchandani. 01/01/22

at Philippine Seven (Philippines) and Bank OCBC (Indonesia). Rising input costs, alongside weaker domestic demand in China, had a chilling effect on sentiment and operations at manufacturers such as Unicharm Corporation (Japan, Diapers), Pigeon Corporation (Japan, Baby accessories) and Vinda International (China, Tissues).

Transactions

The most significant purchase was CG Power and Industrial Solutions Limited (India) which manufactures equipment for power manufacturing, distribution and transmission. Formerly known as Cromptom Greaves, CG Power is an old and high quality franchise that suffered from weak governance. We are confident this will change as the franchise was recently acquired by the Murugappan family who have an excellent record on governance and franchise optimisation. Such is our confidence in the possibilities for this group that Tube and CG Power are now two of the larger investments in the Trust.

The largest sale was MediaTek (Taiwan) which designs semiconductor chips, particularly but not exclusively, suited for mobile telecommunications in China. Over the course of the year we have become increasingly concerned with cyclicality, valuations and sustainability of companies operating along the semiconductor supply chain. Geopolitical headwinds have also strengthened.

In addition to these larger transactions, we added to five companies in China which were weak over the year and we trimmed five companies in India and in Indonesia where valuations had run ahead of fundamentals.

Growth Runways

The closed end nature of the Trust allows us to explore a number of smaller companies. Liquidity considerations often confine smaller companies to smaller holdings in the Trust. This portion of a portfolio is often described, rather unflatteringly, as ‘the tail’, as if it is an unattractive appendage. In the case of the Trust, this pejorative description could not be less apt. We believe that these smaller companies will contribute meaningfully to future returns as they possess all the requisite qualities but are simply at an earlier stage of development. As such, their small size is an asset, a harbinger of superior growth. Often we reassure ourselves of this growth by studying the history of companies or industries in Europe or the USA. Two examples of this approach are Elgi Equipments (India) and Humanica (Thailand).

Elgi Equipments manufactures and services air compressors, an essential product in almost every manufacturing processes. “From the paint on your wall to the car you drive, from the medicines you take to the leather bag you carry, Elgi’s products have been used either in their production, maintenance or usage”[3]. Elgi Equipments is a family business and Dr Varadaraj, the current CEO, is second generation. Since becoming CEO in 1994 his words and actions have displayed quality decision making with a preference for long-term prosperity over short-term enrichment. Study of Atlas Copco, the Swedish multinational corporation, provides an interesting development pathway which Dr Varadaraj emulates and improves upon. The result is an extremely competent industrial engineering franchise replete with high quality products and clients, which competes admirably with international peers.

Elgi now dominates the compressor market in India with 30% market share. The consolidated nature of this industry coupled with the frequent need for reliable servicing of compressors, protects this market share and provides recurrent cash-flows which Dr Varadaraj has reinvested in growth over and above the rate determined by the Indian industrial cycle. Today, Elgi has one of the broadest product ranges in the industry and derives half of its revenue from overseas markets. The beauty of this model is that incremental product sales in India, a market with many decades of growth ahead of it, generate more servicing revenues, therefore greater cash-flow predictability, higher R&D expenditure and the possibility for new geographic expansion. It is a virtuous cycle without the need for debt or equity capital raisings. After identifying the growth pathway, the question turns to how long the cycle can continue and in this regard, the small revenues at Elgi Equipment (only US$300m) are encouraging.

No company is perfect, and there will be many difficulties along the way not least the need to find a successor for Dr Varadaraj, who in his words will require ‘temerity and grit’. Fortunately, the family has instilled a wonderful culture with sustainability at its core and it is for this reason that we are confident that Elgi Equipments will overcome any difficulties and generate strong shareholder returns for many years to come.

This approach was similar at Humanica, the outsourcing specialist. Humanica provides HR software and accounting solutions, mostly in Thailand and potentially overseas, and is the smallest company in the Trust in

3 Stewart Investors’ Sustainable Funds Group company report.

terms of revenues. The steward here is the founder and CEO Mr Dentham who built a strong track record managing similar businesses at PricewaterhouseCoopers (PwC). On leaving the partnership and forming Humanica, Mr Dentham has created an excellent franchise in a market capable of mid-teen growth for many years to come. Confidence in this growth comes from observing that American and European companies have been outsourcing for decades whereas 98% of Thai corporations retain these functions in-house. Despite a dominant market position and excellent reputation, Humanica recorded only US$24 million of revenues last year. Herein lies the opportunity as this small figure confirms industry nascence and the prospect of strong structural tailwinds. Moreover, outsourcing can offer counter cyclical growth as it enables firms to reduce costs when economic activity is weak. Of course, sales growth is necessary but not sufficient, as it must translate into cash-flow growth to generate shareholder returns. For Humanica, their relatively short record is encouraging with operating cash flow eclipsing net profits since listing in 2015. As a people-based business the opportunity might be great but the risks are also high with a quality reputation taking a long time to establish and only seconds of misjudgement to destroy. In this regard, we are convinced that the talented Mr Dentham has a strong appreciation of the risks as well as keen sense of the opportunity. He is an excellent steward and we anticipate Humanica being a much larger portion of the Trust in the years ahead.

Outlook

The only certainty about the outlook is that it is uncertain. As we write this report, newspapers are consumed with the direction of inflation, interest rates, economic growth, heavily indebted national accounts, heightened political uncertainties, a pandemic and the outbreak of war in Europe. This is on top of longer-term structural headwinds such as biodiversity loss, inequality and climate change. Reasons for despondence are many but, as always, we rely on our investment principles as alluded to in our Hippocratic Oath: "*We will not succumb to irrational exuberance in good times, nor to unjustified gloom in bad times*". The current context might seem grim but we are confident that the Trust's capital is invested in the highest quality people, operating the finest franchises with some of the strongest balance sheets in the region. This financial strength gives high quality people such as Dr Varadaraj and Mr Dentham the ability to endure difficulties and take advantage of the plentiful runways of growth that exist in Asia.

Stewart Investors
Portfolio Manager
9 May 2022

Sustainability and ESG

Environmental, Social & Governance Policy

The Board believes that consideration of environmental, social and governance ("ESG") issues within its operations is of importance to shareholders and other stakeholders, not least because long-term returns are much more likely to be generated by companies that have embedded corporate governance strengths, and which respect the environment and the society in which they operate. The Board believes that this investment approach is readily applicable in the markets in Asia in which the Company invests.

As the Company delegates the management of the portfolio to Stewart Investors, the Board has chosen to adopt and endorse their approach to integrating sustainability into portfolio construction and investee company engagement. This approach is described in detail in this section. As part of this focus on sustainability, the Board expects ESG concerns to be a key topic of engagement with investee companies. The Company, through its Portfolio Manager, expects to maintain a continuous constructive dialogue with the owners and the managers of the companies where it owns shares. Such a relationship is enhanced by the long-term nature of the investment inherent in the Portfolio Manager's investment approach, reassuring companies of stability.

In the same way as the Board expects the Portfolio Manager to test investee companies on their ESG adherence, the Board will also assess the Company's principal service providers. The Board asks for assurances that a service provider has taken the necessary steps to mitigate any negative environmental impact their operations might have, to ensure that their internal governance is compliant with expected high standards, and that they strive to avoid negative social impacts resulting from their activities.

Similarly, the Board itself strives to uphold the highest ESG standards. The Board's operations mainly consist of governance related matters, where it is important to the Directors to be at the forefront of best practice.

As best practice, regulation and disclosure is evolving rapidly in this area both for the Company and for the companies in which it invests, the Board regularly discusses sustainability, including ESG policy and practice, with the Portfolio Manager, encouraging where possible further enhancements in both the policy and in reporting to shareholders.

Stewart Investors' Approach to Sustainable Investing and ESG

Sustainability is core to Stewart Investors investment philosophy and integrated into their investment process. They do not have a separate team that looks at sustainability – every investment analyst in the team analyses the sustainability positioning of a business, and is also responsible for engaging with companies.

Stewart Investors only invest in high-quality companies that contribute to and benefit from sustainable development. They define development as sustainable if it furthers human development and has an ecological footprint that respects planetary boundaries. All members of the investment team sign the Stewart Investors Hippocratic Oath[1], pledging to uphold the principles of stewardship.

They approach sustainability as a means to mitigate risks and as a driver of investment returns. Integrating sustainability into their analysis is a natural extension of having a long-term investment horizon; the sustainability headwinds and tailwinds that affect companies are different from the shorter-term risks that businesses face.

Their consideration of sustainability is holistic; it includes ESG but is more than ESG. They consider financial sustainability – conservatism around the balance sheet, for example – and stewardship by management – the treatment of all stakeholders through a crisis, for example – to be as essential to the sustainability positioning of a company as the product or service the company sells.

When assessing a company's sustainability, they ask themselves the following questions:

- **Commercial proposition** – Do the products and services make a valuable contribution to sustainable development?
- **Operational impact** – Is the company trying to reduce impacts from its operations?
- **Company ethos** – Do the culture and values embody sustainability and continuous improvement?
- **Context** – Can the company benefit from sustainability tailwinds and negative headwinds?

[1] https://www.stewartinvestors.com/all/about-us/our-hippocratic-oath.html

They avoid companies that have unsustainable business models and engage with companies to improve sustainability outcomes.

The team have established a materiality threshold for harmful or controversial activities at 5% of revenues – 0% for tobacco production and controversial weapons. They explicitly seek to invest in companies that are making a positive contribution to society. Full details of the activities and practices Stewart Investors finds inconsistent with their investment philosophy are available on their website, www.stewartinvestors.com[2].

The team employ the services of an external ESG research provider to supplement their internal research around sustainability and provide a quarterly check on the portfolio to ensure companies meet global norms for best practices and raise no red flags against their thresholds for harmful activities. They also receive regular updates from an external controversy monitoring service.

Case Study – Mahindra and Mahindra

Mahindra & Mahindra

Website: https://www.mahindra.com/

Company profile: One of India's most respected and successful industrial groups.

Stewardship: 74% Free Float and now run by the third generation of the family.

What Stewart Investors like:

- The heart of the group is the country's dominant tractor franchise. The Portfolio Manager believes there are few companies better placed to contribute to and benefit from India's sustainable development than this, since rural productivity will hinge on greater farm mechanisation.
- Stewart Investors believe they are backing a well-regarded steward to allocate capital successfully in nurturing new businesses using existing cash flows. As such, the group is utilising its scale, reputation and capital to cultivate a range of businesses ranging from clean energy to IT-outsourcing and social housing development to inclusive financial services.
- The Portfolio Manager believes that the group's palpable sense of purpose and stellar track record provides a lot of comfort on the group's quality, and they can easily imagine Mahindra evolving into a much more diversified conglomerate in ten years' time.

Risks: Stewart Investors believe the company faces risks of continued capital allocation to weak businesses such as autos and commercial vehicles and an inability to transition quickly to an electric vehicle world.

Areas for engagement:

- Better capital allocation and diversification away from businesses with sustainability headwinds.
- Diversity in senior management.

Relevant Sustainable Development Goals:

1 – No Poverty

Provider of affordable finance and financial products for rural communities.

8 – Decent Work and Economic Growth

Agricultural machinery improves productivity and supports India's sustainable development.

[2] Our position on harmful and controversial products and services: https://www.stewartinvestors.com/uk/en/institutional/insights/sfg/our-position-on-harmful-and-controversial-products-and-services.html

Engagement and Voting

Stewart Investors believe that no company is perfect and engagement and voting are key responsibilities for them as long-term shareholders. Engagement is a means to mitigate business risks, protect against potential headwinds and improve sustainability outcomes.

Their engagement activity is prioritised from a bottom-up perspective by the investment analysts. The way each company responds to engagement is integrated into the analysts' conviction level in the company. Engagements are on issues such as:

- Pollution, natural resource degradation, biodiversity and climate change – packaging, plastic pellets, deforestation, sustainability of supply chains (soy, palm oil and coffee), fossil fuel versus renewables, water, waste and energy efficiency.
- Aligned remuneration and incentives – living wage, gender pay-gap and complexity of incentives.
- Diversity, equity and inclusion – diversity, particularly gender, in senior management and on boards.
- Addictive products – indirect exposure to tobacco and sugar content in food.
- Governance – corporate strategy and legal structure.

In addition to direct engagement with companies, the team take part in collaborative engagements as both a participant and a leader. Recent examples have included conflict minerals, deforestation, plastic pellets, micro insurance and access to medicine. The team uses the PRI Collaboration Platform to work with other investment firms and asset owners to collectively encourage companies to improve their approaches to ESG issues.

They consider each proxy vote individually and on its own merits in the context of their knowledge about that particular company. This process is not outsourced to an external provider or separate proxy voting / engagement team. The investment analysts use proxy voting as an extension of their engagement activities and are guided by the principle that, where possible, voting should be used to improve sustainability outcomes.

They vote against management to influence companies to improve E, S and G issues, particularly when engagement has been unproductive. A contrary vote is an important part of the engagement process. They aim to explain their rationale for voting against management before voting and will continue to engage following the vote if appropriate. Contrary votes most frequently relate to overly complex management remuneration packages, a curtailment of minority shareholder rights, and director appointments. Given their focus on investing in companies contributing to sustainable development, votes on environmental and social issues are less common than they would be for more index-constrained strategies, but where relevant, they support votes against management to improve social and environmental outcomes. Quarterly voting records for the portfolio are available on the Trust's website.

Thematic Engagement Example – Reducing Plastic Waste

In July 2018, Stewart Investors hosted an interactive forum with 11 Indian consumer goods companies (four of which remain in the Trust today). The forum was set up to discuss the challenges around plastic waste and to find a way for the companies to work together to improve the situation in India. The forum established that there was demand for a new industry body to work with government and agree on industry wide targets.

Since the forum, Stewart Investors have been working with WRAP, a UK based global sustainability charity, who have experience in rolling out nationwide 'Plastic Pacts' in the UK, Europe, US, Canada, South Africa and Chile. India was next on their list and so Stewart Investors provided funding to support the operational set up of the India Plastics Pact, which subsequently launched in September 2021. So far, over 33 organisations have signed up to the pact, including major fast-moving consumer goods ("FMCG") brands, manufacturers, retailers and recyclers, to create a unified national framework for a circular economy for plastics, with agreed targets and associated reporting by businesses in India.

Transparency

The Portfolio Manager is transparent about portfolio holdings within the Trust and has developed a Portfolio Explorer tool (available on the Trust's website: https://www.pacific-assets.co.uk/trust-information/portfolio-explorer.html) to tell the stories of the companies they invest in on behalf of the Trust. These stories have been written by the investment team so that shareholders and other stakeholders can see why they believe that the companies they invest in are making the world a better place.

Portfolio Explorer provides four views of sustainable development for the Trust:

Map: This global view provides detailed company information including investment rationales, risks and engagement priorities.

Sustainable Development Goals ("SDGs"): The 17 SDGs are globally agreed goals that countries have committed to achieving by 2030. The SDGs offer a vision for the future towards which sustainable investment efforts can be directed.

Climate solutions: Companies are mapped to Project Drawdown's 80 climate change solutions. Project Drawdown is a non-profit organisation providing analysis of the solutions which can help the world reach 'drawdown' – i.e. the future point in time when levels of greenhouse gases in the atmosphere stop climbing and start to decline. The solutions are diverse and cross-cutting, and show the systemic change needed to avoid catastrophic warming.

Human development pillars: Stewart Investors have developed 10 human development pillars inspired by the UN Human Development Index that they believe are essential for lifting people out of poverty and empowering them to achieve their potential.

Sustainable Finance Disclosure Regulation

The Portfolio Manager's report on the achievement of the Trust's sustainable investment objective, in accordance with the requirements of the Sustainable Finance Disclosure Regulation ("SFDR"), begins on page 77 of this Annual Report.

Business Review

The Strategic Report, set out on pages 1 to 31, contains a review of the Company's business model and strategy, an analysis of its performance during the financial year and its future developments as well as details of the principal risks and challenges it faces. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Business Model

The Company is an externally managed investment trust and its shares are listed on the premium segment of the Official List and traded on the main market of the London Stock Exchange.

The purpose of the Company is to provide a vehicle for investors to gain exposure to a portfolio of companies in the Asia Pacific Region, through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective, which is set out on page 2.

As an externally managed investment trust, all of the Company's day-to-day management and administrative functions are outsourced to service providers. As a result, the Company has no executive directors, employees or internal operations.

The Company employs Frostrow Capital LLP ("Frostrow") as its Alternative Investment Fund Manager (AIFM) and they provide corporate management, risk management, company secretarial and administrative services. The Company employs Stewart Investors as its Portfolio Manager (see pages 43 and 44 for further information).

The Board remains responsible for all aspects of the Company's affairs, including setting the parameters for monitoring the investment strategy and the review of investment performance and policy. It also has responsibility for all strategic policy issues, including share issuance and buy backs, share price and discount/premium monitoring, corporate governance matters, dividends and gearing.

Further information on the Board's role and the topics it discusses with the Portfolio Manager is provided in the Corporate Governance report beginning on page 34.

Investment Objective

The Company's investment objective along with Stewart Investors' investment approach is set out on page 2.

The Board measures Stewart Investors' performance against a performance objective, which is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6% (calculated on an annual basis) measured over three to five years (the "Performance Objective"). Please refer to the Chairman's Statement beginning on page 6 and the Glossary on page 83 for further information.

Investment Policy

The Company invests in companies which Stewart Investors believe will be able to generate long-term growth for shareholders.

The Company invests principally in listed equities although it is able to invest in other securities, including preference shares, debt instruments, convertible securities and warrants. In addition, the Company may invest in open and closed-ended investment funds and companies.

The Company is only able to invest in unlisted securities with the Board's prior approval. It is the current intention that such investments are limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Company decides to continue to hold or is required to do so.

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. There are no defined limits on countries or sectors but no single investment may exceed 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

The Company has the power under its Articles of Association to borrow up to two times the adjusted total of capital and reserves. During the year the Company appointed an external AIFM which means that, in principle, the Company is now able to employ gearing with the Board's approval.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, Stewart Investors are unlikely to use derivatives as they do not form part of their investment strategy.

Change to Investment Policy

As noted above and in the Chairman's Statement on page 8, the Company has appointed an external AIFM which means that in principle the Company is now able to employ gearing with the Board's approval. The Board proposes to shareholders that any gearing be limited to 10% of the Company's net assets.

An ordinary resolution to approve the new investment policy is included in the Notice of AGM, beginning on page 86 and the full text of the proposed new investment policy can be found in the explanatory notes on page 94. The proposed amendment has been approved in principle by the Financial Conduct Authority in accordance with the requirements of the Listing Rules. The Company currently has no gearing facilities in place and there is no intention to employ gearing in the immediate future. However, the Board will keep the position under review, together with the AIFM and the Portfolio Manager.

Dividend Policy

It is the Company's policy to pursue capital growth for shareholders with income being a secondary consideration. This means that the Portfolio Manager is frequently drawn to companies whose future growth profile is more important than the generation of dividend income for shareholders.

The Company complies with the United Kingdom's investment trust rules which require investment trusts to retain no more than 15% of their distributable income each year. The Company's dividend policy is that the Company will pay a dividend as a minimum to maintain investment trust status.

The Board

At the date of this report, the Board of the Company comprises James Williams (Chairman), Charlotta Ginman, Sian Hansen, Robert Talbut and Edward Troughton. All of these Directors are non-executive, independent Directors and served throughout the year.

Further information on the Directors can be found on pages 32 and 33.

Key Performance Indicators

The Board of Directors reviews performance against the following measures ("KPIs"). The KPIs are unchanged from the prior year.

- Net asset value total return against the Consumer Price Index +6% (the "Performance Objective")* ^
- Net asset value per share total return against the peer group* ^
- Average discount/premium of share price to net asset value per share over the year^
- Ongoing charges ratio^

* Calculated on an annual basis and measured over three to five years
^ Alternative Performance Measure (see Glossary beginning on page 82)

Net asset value per share total return – Performance Objective

The Directors regard the Company's net asset value total return as being the overall measure of value delivered to shareholders over the long term. Total return reflects both the net asset value growth of the Company and the dividends paid to shareholders. The performance objective of the Company is inflation (represented by the Consumer Price Index) plus 6% (a fixed element to represent what the Board considers to be a reasonable premium on investors' capital which investing in the faster-growing Asian economies ought to provide over time), measured over three to five years. The Performance Objective is designed to reflect that the Portfolio Manager's approach does not consider index composition when building and monitoring the portfolio.

During the year under review, the net asset value per share total return was 9.1% underperforming the Performance Objective by 2.4% (2021: net asset value per share total return of 22.3%, outperforming the Performance Objective by 15.5%). Over the past three years, the annualised net asset value per share total return was 9.9%, outperforming the Performance Objective by 3.9% per annum. Over five years, the annualised net asset value per share total return was 10.2%, outperforming the Performance Objective by 1.4% per annum.

A full description of performance during the year under review is contained in the Portfolio Manager's Review beginning on page 13.

Net asset value total return – peer group

The Board also monitors the Company's performance against its peer group of five other investment trusts with similar investment mandates and one exchange traded fund ("ETF"). The Board has agreed changes to the peer group which are explained on page 4.

Over the three years ended 31 January 2022, the Company ranked fifth in its peer group, over five years it was ranked fourth. The Company's performance and the Board's approach to monitoring it is discussed in the Chairman's Statement beginning on page 6; further information can be found in the Portfolio Manager's Review beginning on page 13.

Average discount/premium of share price to net asset value per share

The Board believes that the principal drivers of an investment trust's share price discount or premium over the long term are investment performance and a proactive marketing strategy. However, there can be volatility in the discount or premium during the year. Therefore, the Board takes powers each year to buy back and issue shares with a view to limiting the volatility of the share price discount or premium.

During the year under review no new shares were issued by the Company and no shares were bought back by the Company. The Company's share price discount to the net asset value per share was at times wider than the peer group average and the Board kept this under close review. Please see pages 28 and 29 for information regarding how the Board addressed this issue during the year.

Average discount of share price to net asset value per share*^ during the year ended	
31 January 2022	31 January 2021
7.3%	**9.1%**
Peer group average discount **5.0%**	Peer group average discount **7.0%**

* Source: Morningstar
^ Alternative Performance Measure (see Glossary beginning on page 82)

Ongoing charges ratio

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and seeks to maintain a sensible balance between high quality service and costs. The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in relation to the Company's peers.

Ongoing charges ratio^	
31 January 2022	31 January 2021
1.1%	**1.1%**
Peer group average* **0.9%**	Peer group average* **0.9%**

^ Alternative Performance Measure (see Glossary beginning on page 82).
* Peer group average excludes performance fees

Shareholders should be aware that the Company's relatively low turnover, and the absence of any cost of capital associated with gearing, will mean that the Company's overall running costs are not necessarily as high as some other investment vehicles, should these costs be added into the calculation of ongoing charges. It should also be noted that the Trust does not have a performance fee. Performance fees are not included in the peer group average ongoing charges ratio.

Risk Management

The Board is responsible for managing the risks faced by the Company. Through delegation to the Audit Committee, the Board has established procedures to manage risk, to review the Company's internal control framework and to establish the level and nature of the principal risks the Company is prepared to accept in order to achieve its long-term strategic objective. The Board, meeting as the Audit Committee, has carried out a robust assessment of the principal and emerging risks facing the Company with the assistance of the AIFM. A process has been established to identify and assess risks, their likelihood and the possible severity of impact.

These principal risks are detailed below with a high-level summary of their management through mitigation and status arrows to indicate any change in assessment during the year. The risks faced by the Company have been categorised under three headings as follows:

- Investment risks (including financial risks)
- Strategic risks
- Operational risks (including cyber crime, corporate governance, accounting, legal and regulatory)

A summary of these risks and their mitigation is set out below:

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year
Investment Risks (including financial risks)		
Market and Foreign Exchange Risk		
The Company's portfolio is exposed to fluctuations in market prices (from both individual security prices and foreign exchange rates) in the regions and sectors in which it invests. Emerging markets in the Asia Pacific region, in which the portfolio companies operate, are expected to be more volatile than developed markets. Stewart Investors' approach is expected to lead to performance that will deviate from that of comparators, including both market indices and other investments companies investing in the Asia Pacific Region.	To manage these risks the Board has appointed Stewart Investors to manage the portfolio within the remit of the investment objective and policy. Compliance with the investment objective and investment policy limits is monitored daily by Frostrow and Stewart Investors and reported to the Board monthly. The investment policy limits ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Stewart Investors report at each Board meeting on the performance of the Company's portfolio, which encompasses the rationale for investment decisions, the make-up of the portfolio, and the investment strategy. As part of its review of the going concern and viability of the Company, the Board also considers the sensitivity of the Company to changes in market prices and foreign exchange rates (see note 14 beginning on page 73), how the portfolio would perform during a market crisis, and the ability of the Company to liquidate its portfolio if the need arose. Further details are included in the Going Concern and Viability Statements on pages 47 and 42 respectively.	

No change Increased Decreased

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year

Counterparty Risk

(Change in assessment: Decreased)

The Company is exposed to credit risk arising from the use of counterparties. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets. The most significant counterparty to which the Company is exposed is J.P. Morgan Chase Bank, the Custodian, which is responsible for the safekeeping of the Company's assets.

Counterparty risk is managed by the Board through:

- reviews of the arrangements with, and services provided by, the Custodian to ensure that the security of the Company's custodial assets is maintained;
- monitoring of the Custodian, including reviews of internal control reports and sub-custodial arrangements, as appropriate; and
- reviews of Stewart Investors' approved list of counterparties, the process for monitoring and adding to the approved counterparty list, and the Company's use of those counterparties.

Under the terms of the contract with J.P. Morgan Chase Bank, the Company's investments are required to be segregated from J.P. Morgan Chase Bank's own assets.

Further information on other financial risks can be found in note 14 beginning on page 73.

Strategic Risks

Geopolitical Risk

(Change in assessment: Increased)

Geopolitical events may have an adverse impact on the Company's performance by causing exchange rate volatility, changes in tax or regulatory environments, a reduced investment universe and/or a fall in market prices.

The Board regularly discusses global geopolitical issues and general economic conditions and developments.

Political changes in recent years, particularly in the US and Asia Pacific region and more recently in Ukraine and Eastern Europe, have increased uncertainty and volatility in financial markets. The Board discusses developments and how they may impact decision making processes with Stewart Investors.

Climate Change Risk

(Change in assessment: No change)

The Board is cognisant of risks arising from climate change and the impact climate change events could have on portfolio companies and their operations, as well as on service providers to the Company.

The Board regularly reviews global geopolitical and economic developments with the Portfolio Manager and the implications of these risks and events on portfolio construction and the Company's operations. Given Stewart Investors' focus on sustainability and ESG as set out on pages 17 to 20, the Board considers the portfolio to be relatively well positioned to deal with climate change events as they arise.

No change | Increased | Decreased

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year
Black Swan Risk		Increased
A black swan event (e.g. a pandemic/war/closure of a major shipping route) could lead to increased market volatility, and in a worst-case scenario, major global trade and supply chain breakdown resulting in significant volatility/declines in market prices. The Company's service providers and their operational systems may also be affected.	The Board seeks to manage this risk by monitoring emerging risks and the robustness of Stewart Investors' and other service providers' processes for taking account of these risks. Stewart Investors' investment approach includes a focus on sustainability and stewardship, which emphasises quality investments with strong balance sheets, a proven track record in previous crises, and on protecting shareholders' funds, leaving them well positioned to deal with unforeseen events. All service providers are required to have business continuity / disaster recovery policies and test them at least annually. Service providers provide updates on contingency plans for coping with major disruption to their operations. The Board recognises that the emergence and spread of new coronavirus variants represents a continuing risk. The Portfolio Manager has maintained contact with investee companies and the Board has stayed in close contact with the Portfolio Manager, regularly monitoring portfolio and share price developments. The Board has also received assurances from all of the Company's service providers in respect of: • their business continuity plans and the steps taken to guarantee the efficiency of their operations while ensuring the safety and well-being of their employees; • their cyber security measures including safe remote working; and • any increased risks of fraud as a result of weakness in user access controls. As global vaccination rates continue to grow, the outlook is cautiously positive, but the Board will continue to monitor developments as they occur.	
Portfolio Management Key Person Risk		No change
There is a risk that the individual(s) responsible for managing the Company's portfolio may leave their employment or may be prevented from undertaking their duties.	The Board manages this risk by: • appointing a Portfolio Manager which operates a team environment such that the loss of any one individual should not impact on service levels; • receiving regular reports from the Portfolio Manager, including any significant changes in the make-up of the team supporting the Company; • meeting the wider team supporting the designated lead manager, at both Board meetings and at the Portfolio Manager's offices; and • delegating to the Engagement & Remuneration Committee responsibility to perform an annual review of the service received from the Portfolio Manager, including, *inter alia*, the team supporting the lead manager and their succession planning.	

No change   Increased   Decreased

Principal Risks and Uncertainties	Mitigation	Change in assessment of risk over the last financial year
Share Price Risk		Decreased
The Company is exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company underperforms its peer group and fails to achieve its Performance Objective, resulting in the Company becoming unattractive to investors and a widening of the share price discount to the net asset value per share.	In managing this risk the Board: • reviews the Company's investment objective and policy, and Stewart Investors' investment approach in relation to investment performance, market and economic conditions and the operation of the Company's peers; • regularly discusses the Company's future development and strategy; • undertakes a regular review of the level of the share price discount/premium to net asset value per share and considers ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and share buybacks, where appropriate; and • reviews an analysis of the shareholder register at each Board meeting and is kept informed of shareholder sentiment.	

Operational Risk

Operational Risk		Increased
As an externally-managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administration, financial and other functions. If such systems were to fail or be disrupted (including, for example, as a result of cyber-crime or a pandemic) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.	To manage these risks the Board: • periodically visits all key service providers to gain a better understanding of their control environment, and the processes in place to mitigate any disruptive events; • receives a monthly report from Frostrow, which includes, *inter alia*, confirmation of compliance with applicable laws and regulations; • reviews internal control reports and key policies (including disaster recovery procedures and business continuity plans) of its service providers; • maintains a risk matrix with details of risks to which the Company is exposed, the approach to managing those risks, key controls relied on and the frequency of the controls operation; • receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes; and • has considered the increased risk of cyber-attacks and received reports and assurance from its service providers regarding the information security controls in place.	

Emerging Risks

Emerging risks are discussed in detail as part of the risk review process and also throughout the year to try to ensure that emerging (as well as known) risks are identified and, so far as practicable, mitigated. Current identified emerging risks are as follows:

1. Corporations are looking to simplify and shorten supply chains in response to the disruptions during the pandemic and increased concerns over the impact of geopolitical uncertainty on their operations. In effect, security of supply is becoming of greater importance than the efficiency of supply. Having been beneficiaries of globalisation, this 'onshoring' trend will increase uncertainty over future corporate investment plans and may damage the growth prospects of companies in the Asia Pacific Region.

2. The increase in passive funds investing in the Asia Pacific Region may make markets more volatile as the prices of companies in the Index are inflated by substantial inflows and deflated by substantial outflows. The Company's relative performance may suffer as a result.

No change | Increased | Decreased

Stakeholder Interests and Board Decision-Making (Section 172 of the Companies Act 2006)

The following disclosure, which is required by the Companies Act 2006 and the AIC Code, describes how the Directors have had regard to the views of the Company's stakeholders in their decision-making.

STAKEHOLDER GROUP	HOW THE BOARD HAS ENGAGED WITH THE COMPANY'S STAKEHOLDERS
Investors	The Board's key mechanisms of engagement with investors include: • The Annual General Meeting • The Company's website which hosts reports, articles and insights, and monthly factsheets • One-to-one investor meetings • Group meetings with professional investors • The Annual and Half yearly Reports The Portfolio Manager and the Company's broker, on behalf of the Board, completed a programme of investor relations throughout the year, reporting to the Board on the feedback received. In addition, the Chairman has been available to engage with the Company's shareholders where required.
Portfolio Manager	The Board met regularly with the Portfolio Manager throughout the year, both formally at quarterly Board meetings and informally, as required. The Board engaged primarily with key members of the portfolio management team, discussing the Company's overall performance, as well as developments in individual portfolio companies and wider macroeconomic developments. The Board, meeting as the Audit Committee, also met with members of the risk management and investment compliance teams to better understand the Portfolio Manager's internal controls.
Service Providers	The Board met regularly with the AIFM, representatives of which attend every quarterly Board meeting to provide updates on risk management, accounting, administration and corporate governance matters. The Board, meeting as the Management Engagement Committee, reviewed the performance of all the Company's service providers, receiving feedback from Frostrow in their capacity as AIFM and Company Secretary. The AIFM, which is responsible for the day to day operational management of the Company, meets and interacts with the other service providers including the Depositary, Custodian and Registrar, on behalf of the Board, on a daily basis. This can be through email, one-to-one meetings and/or regular written reporting. The Audit Committee met with BDO LLP ("BDO") to review the outcome of the annual audit and assess the quality and effectiveness of the audit process. The Audit Committee then recommended that the Board propose to shareholders that BDO be reappointed as the Company's auditor. The Audit Committee also met with BDO to review the audit plan for the subsequent year and to set their remuneration. Please refer to the Audit Committee Report beginning on page 49 for further information.

As an externally managed investment trust, the Company has no employees, customers, operations or premises. Therefore, the Company's key stakeholders (other than its shareholders) are considered to be its service providers. The need to foster good business relationships with service providers and maintain a reputation for high standards of business conduct are central to the Directors' decision-making as the Board of an externally managed investment trust.

KEY AREAS OF ENGAGEMENT	MAIN DECISIONS AND ACTIONS TAKEN
• Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio. • The impact of market volatility caused by, *inter alia*, the Covid-19 pandemic and certain geopolitical events on the portfolio. • Share price performance. • The Portfolio Manager's approach to sustainable development and investment.	The Board and the Portfolio Manager provided updates on performance via RNS, the Company's website and the usual financial reports and monthly fact sheets. The Board continued to monitor share price movements closely, both in absolute terms and in relation to the Company's peer group. As the discount remained relatively stable throughout the year, the Board did not initiate any share buybacks. While recognising that buybacks can generate shareholder value in the short term, the Board decided that buybacks were not in the long-term interests of shareholders, as they would reduce the size of the Company, increase the ongoing charges ratio and reduce the liquidity of the Company's shares. The Board decided to take steps to improve the visibility of the Company and the Portfolio Manager's sustainability credentials, in particular to retail investors. Further information is provided in the Chairman's Statement beginning on page 6.
• Portfolio composition, performance, outlook and business updates. • The ongoing impact of the Covid-19 pandemic on the Portfolio Manager's business and the businesses of the portfolio companies. • The integration of sustainability and ESG factors to the Portfolio Manager's investment process. • The promotion and marketing strategy of the Company. • The Portfolio Manager's system of internal controls and investment risk management.	The Board concluded that the Portfolio Manager had successfully implemented temporary remote working with no material adverse impact on service delivery. The Board agreed that high standards of research have been maintained and the Portfolio Manager's strategy has been implemented consistently, leading to good returns over the past year. The Board concluded that it was in the interests of shareholders for Stewart Investors to continue in their role as Portfolio Manager on the same terms and conditions. Further information is provided on pages 44 and 45. The Board decided to take steps to improve the marketing strategy of the Company, to highlight in particular the Portfolio Manager's sustainability credentials. Further information is provided in the Chairman's Statement beginning on page 6. The Board, meeting as the Audit Committee, concluded that the Portfolio Manager's internal controls were satisfactory. See the Audit Committee Report, beginning on page 49, for further information.
• The ongoing impact of the Covid-19 pandemic and restrictions on service providers' businesses and service provision. • The assessment of the effectiveness of the audit and the Auditor's reappointment. • The terms and conditions under which the Auditor is engaged.	The Board concluded that the Company's principal service providers had successfully implemented temporary remote working with no material adverse impact on service delivery. The Board concluded that it was in the interests of shareholders for Frostrow to continue in their role as AIFM on the same terms and conditions. See pages 44 and 45 for further details. The Board approved the Audit Committee's recommendation to propose to shareholders that BDO LLP to be re-appointed as the Company's auditor for a further year. Please refer to the Audit Committee Report beginning on page 49 and the Notice of AGM beginning on page 86 for further information.

Social, Human Rights and Environmental Matters

As an externally-managed investment trust, the Company does not have any employees or maintain any premises, nor does it undertake any manufacturing or other physical operations itself. All its operational functions are outsourced to third party service providers. Therefore the Company has no material, direct impact on the environment or any particular community and, as a result, the Company itself has no environmental, human rights, social or community policies.

The Portfolio Manager engages with the Company's underlying investee companies in relation to their corporate governance practices and the development of their policies on social, community and environmental matters. The Portfolio Manager (under their parent, legal entity name, First Sentier Investors) is a Tier 1 signatory to the UN Principles of Responsible Investment, an investor signatory of Climate Action 100+ and an investor member of the Institutional Investors Group on Climate Change.

Taskforce for Climate-Related Financial Disclosures ("TCFD")

The Company notes the TCFD recommendations on climate-related financial disclosures. The Company is an investment trust with no employees, internal operations or property and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework.

The Portfolio Manager reports annually on progress against their own climate change objectives and these reports can be found on their website. Stewart Investors' climate change statement, which sets out their climate related commitments to investing, engagement and reporting, as well as their approach to TCFD reporting, can be found at: https://sfg.stewartinvestors.com/climate-change-statement

Integrity and Business Ethics

The Company is committed to carrying out business in an honest and fair manner with a zero-tolerance approach to bribery, tax evasion and corruption. As such, policies and procedures are in place to prevent this and can be found on the Company's website. In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues.

Performance and Future Developments

A review of the Company's performance over the year and the outlook for the Company can be found in the Chairman's Statement on pages 6 to 9 and in the Portfolio Manager's Review on pages 13 to 16.

The Company's overall strategy remains unchanged.

By order of the Board

Frostrow Capital LLP
Company Secretary
9 May 2022

Board of Directors

James Williams
Independent Non-Executive Chairman

Joined the Board in 2013 and became Chairman in June 2015

James is Chairman of the Nomination Committee.

Shareholding in the Company: 56,000

Skills and Experience

James has worked in investment management for 50 years. He was formerly the Chief Investment Officer of Baring Asset Management. He was a founder in Asia of the Henderson Baring group. James has also held several non-executive directorships and senior advisory roles.

His leadership of the Board draws on his long and varied experience on investment and public company boards, and his knowledge of the fund management industry. His focus is on long-term strategic issues, which are a key characteristic of Board discussion.

Standing for re-election

Yes

Charlotta Ginman, FCA
Independent Non-Executive Director

Joined the Board in 2014

Charlotta is Chair of the Audit Committee and the Senior Independent Director.

Shareholding in the Company: 13,789

Skills and Experience

Charlotta has held senior positions in the investment banking and the technology/ telecom sectors.

As a chartered accountant (FCA) Charlotta brings to the Board, and especially the Audit Committee under her Chairship, an incisive and detailed perspective of the Company's financial position and its risk control environment. Charlotta is not afraid to confront complex issues on a range of topics.

Other Appointments

Charlotta is a non-executive Director and Chair of the Audit Committee of Polar Capital Technology Trust plc, Keywords Studios plc and Gamma Communications plc. She is also a non-executive Director of Unicorn AIM VCT plc, a Venture Capital Trust, and Boku Inc.

As three of Charlotta's roles are with investment companies which typically have only 4-5 meetings a year and the other companies are AIM listed, with less regulatory burden than a premium listing on the Main Market, Charlotta has sufficient time to devote to each of her roles.

Standing for re-election

Yes

Sian Hansen
Independent Non-Executive Director

Joined the Board in 2015

Sian is Chair of the Engagement & Remuneration Committee.

Shareholding in the Company: 13,907

Skills and Experience

Previously Sian was Executive Director of the Legatum Institute and before this, Managing Director of the UK think tank Policy Exchange. Earlier in her career, Sian was a senior equity analyst and Co-Director of Sales for Asian Emerging Markets at Société Générale.

Sian enhances the Board's knowledge of sustainability, enabling meaningful debates with the Portfolio Manager to take place. As a thought leader in political and other forums, she brings a valuable perspective on geo-political matters.

Other Appointments

Sian is currently Chief Operating Officer of CIT Group and a non-executive Director of JP Morgan Multi-Asset Growth and Income plc.

Standing for re-election

Yes

Robert Talbut
Independent Non-Executive Director

Joined the Board in 2016

Shareholding in the Company: 9,611

Skills and Experience

Robert was formerly a director and Chief Investment Officer at Royal London Asset Management Limited.

His ongoing knowledge of the asset management industry and the strategic challenges it faces is useful in many board debates. His understanding of today's corporate governance best practice and the matters that a Board must confront, helps to ensure that the Company is run in accordance with best practice.

Given his wide-ranging board and sector experience Robert is well positioned to bring alternative perspectives on issues that may arise.

Other Appointments

Robert is non-executive Chairman of Shires Income PLC and Schroder UK Mid Cap Fund PLC. He is a non executive Director of JP Morgan American Investment Trust plc.

Standing for re-election

Yes

Edward Troughton
Independent Non-Executive Director

Joined the Board in 2019

Shareholding in the Company: 18,157

Skills and Experience

Edward was previously the Principal Representative Officer of Bank of London and the Middle East in Dubai. Before that he was Managing Director of Alliance Trust Investments for seven years and Managing Director at BlackRock with various responsibilities including Head of Asia, based in Hong Kong. He started his career at Baring Asset Management as an Asian Equity portfolio manager.

Edward's experience in the investment sector and first-hand knowledge of living and working in Asia enables the Board to engage authoritatively with the Portfolio Manager on their investment strategy.

Other Appointments

Edward is a partner at Oldfield Partners LLP.

Standing for election

Yes

Corporate Governance

The Board and Committees

Responsibility for effective governance lies with the Board whose role is to promote the long-term success of the Company. The governance framework of the Company reflects the fact that as an externally-managed investment company it has no employees and outsources portfolio management to Stewart Investors and risk management, corporate management, company secretarial and administrative services to Frostrow Capital LLP. The Board generates value for shareholders through its oversight of the service providers and management of costs associated with running the Company.

The Board

Chairman – James Williams

Senior Independent Director – Charlotta Ginman

Three additional non-executive Directors, all considered independent.

Key responsibilities:

- to provide leadership and set strategy, values and standards within a framework of effective controls which enable risk to be assessed and managed;
- to ensure that a robust corporate governance framework is implemented; and
- to challenge constructively and scrutinise performance of all outsourced activities.

Engagement & Remuneration Committee

Chair

Sian Hansen

All Independent Directors

Key responsibilities:

- to review the contracts, the performance and remuneration of the Company's principal service providers;
- to set the remuneration policy of the Company; and
- to review the terms and conditions of the Directors' appointments.

Audit Committee

Chair

Charlotta Ginman, FCA

All Independent Directors

Key responsibilities:

- to review the Company's financial reports;
- to oversee the risk and control environment; and
- to have primary responsibility for the relationship with the Company's external auditor, to review their independence and performance, and to determine their remuneration.

Nomination Committee

Chairman

James Williams

All Independent Directors

Key responsibilities:

- to review the Board's structure and composition; and
- to make recommendations for any changes or new appointments.

Copies of the full terms of reference, which clearly define the responsibilities of each Committee, can be obtained from the Company Secretary and will be available for inspection on the day of the Annual General Meeting. They can also be found on the Company's website at www.pacific-assets.co.uk.

Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance published in February 2019 (the "AIC Code"). The AIC Code addresses all the principles set out in the UK Corporate Governance Code (the "UK Code"), as well as setting out additional provisions on issues that are of specific relevance to the Company.

The Board considers that reporting against the principles and provisions of the AIC Code (which has been endorsed by the Financial Reporting Council) will provide better information to shareholders. By reporting against the AIC Code, the Company meets its obligations under the UK Code (and associated disclosure requirements under paragraph 9.8.6 of the Listing Rules) and as such does not need to report further on issues contained in the UK Code which are irrelevant to the Company as an externally-managed investment company, including the provisions relating to the role of the chief executive, executive directors' remuneration and the internal audit function.

The AIC Code is available on the AIC's website www.theaic.co.uk and the UK Code can be viewed on the Financial Reporting Council website www.frc.org.uk. The AIC Code includes an explanation of how the AIC Code adapts the principles and provisions set out in the UK Code to make them relevant for investment companies.

The Company has complied with the principles and provisions of the AIC Code.

This Corporate Governance report on pages 34 to 40 forms part of the Report of the Directors on pages 41 to 46.

Board Leadership and Purpose

Purpose and Strategy

The purpose and strategy of the Company are described in the Strategic Report on page 21.

Strategy issues and all material operational matters are considered at Board meetings.

Board Culture

The Board aims to enlist fully differences of opinion, unique vantage points and areas of expertise. The Chairman encourages open debate to foster a supportive and co-operative approach for all participants. Strategic decisions are discussed openly and constructively. The Board aims to be open and transparent with shareholders and other stakeholders, and for the Company to conduct itself responsibly, ethically and fairly in its relationships with service providers.

Shareholder Relations

Representatives of Stewart Investors and Investec Bank plc, the Company's corporate stockbroker, meet regularly with institutional shareholders and private client asset managers to discuss investment strategy, any issues or concerns and, if applicable, corporate governance matters. Reports on investor sentiment and the feedback from investor meetings are discussed with the Directors at the following Board meeting.

Shareholder Communications

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chairman, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow Capital LLP (25 Southampton Buildings, London WC2A 1AL). While the Covid-19 pandemic has necessitated different arrangements for the past two years, shareholders are usually encouraged to attend the Annual General Meeting ("AGM"), where they are given the opportunity to question the Chairman, the Board and representatives of Stewart Investors. In addition, Stewart Investors make a presentation to shareholders covering the investment performance and strategy of the Company at the AGM. Further details of this year's AGM are provided in the Chairman's Statement beginning on page 6 and in the Notice of AGM beginning on page 86.

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company's shares, the Directors' authorities to issue and repurchase the Company's shares, and the voting rights of the shares are set out in the Report of the Directors on pages 41 to 46.

Conflicts of Interest

Company directors have a statutory obligation to avoid a situation in which they (and connected persons) have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. In line with the Companies Act 2006, the Board has the power to authorise any potential conflicts of interest that may arise and impose such limits or conditions as it thinks fit. A register of interests and potential conflicts is maintained and is reviewed at every Board meeting. No conflicts of interest arose during the year under review.

Division of Responsibilities

Responsibilities of the Chairman and the SID

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the Company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making;
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making;
- taking a leading role in determining the Board's composition and structure;
- overseeing the induction of new directors and the development of the Board as a whole;
- leading the annual board evaluation process and assessing the contribution of individual Directors;
- supporting and also challenging the Portfolio Manager (and other suppliers) where necessary;
- ensuring effective communications with shareholders and, where appropriate, stakeholders; and
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views.

The Senior Independent Director ("SID") serves as a sounding board for the Chairman and acts as an intermediary for the other Directors and the shareholders. The SID is responsible for:

- working closely with the Chairman and providing support;
- leading the annual assessment of the performance of the Chairman;
- holding meetings with the other non-executive Directors without the Chairman being present, on such occasions as necessary;
- carrying out succession planning for the Chairman's role;
- working with the Chairman, other Directors and shareholders to resolve major issues; and
- being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the Portfolio Manager).

Director Independence

The Board consists of five non-executive Directors, each of whom is independent of Stewart Investors and the Company's other service providers. Each of the Directors, including the Chairman, was independent on appointment and continues to be independent when assessed against the circumstances set out in Provision 13 of the AIC Code (and Provision 12 of the AIC Code which relates specifically to the Chairman). The Board carefully considers these guidelines but places particular weight on the view that independence is evidenced by an individual being independent of mind, character and judgement. The Board considers that all of the Directors are independent and there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

Directors' Other Commitments
Prior approval is obtained from the Chairman for any new appointment. All of the Directors consider that they have sufficient time to discharge their duties.

Board Meetings
The Board meets formally at least four times each year. The primary focus at regular Board meetings is the review of investment performance and associated matters, including asset allocation, marketing/investor relations, peer group information and industry issues. The Board reviews key investment and financial data, revenue and expense projections, analyses of asset allocation, transactions, customised performance metrics and performance comparisons, share price and net asset value performance. The Board's approach to addressing the Portfolio Manager's and the Company's share price performance during the year is described in the Chairman's Statement beginning on page 6.

The Board is responsible for setting the Company's corporate strategy and reviews the continued appropriateness of the Company's investment objective, investment strategy and investment restrictions at each meeting.

Matters Reserved for Decision by the Board
The Board has adopted a schedule of matters reserved for its decision. This includes, *inter alia*, the following:

- Decisions relating to the strategic objectives and overall management of the Company, including the appointment or removal of the Portfolio Manager and other service providers, establishing the investment objectives, strategy and performance comparators, the permitted types or categories of investments, the proportion of assets that may be invested in them, and the markets in which transactions may be undertaken.
- Requirements under the Companies Act 2006, including approval of the half yearly and annual financial statements, recommendation of the final dividend (if any), declaration of any interim dividends, the appointment or removal of the Company Secretary, and determining the policy on share issuance and buybacks.
- Matters relating to certain Stock Exchange requirements and announcements, the Company's internal controls, and the Company's corporate governance structure, policies and procedures.
- Matters relating to the Board and Board committees, including the terms of reference and membership of the committees, and the appointment of directors (including the Chairman and the SID).

Day-to-day portfolio management is delegated to Stewart Investors and operational management is delegated to Frostrow.

The Board takes responsibility for the content of communications regarding major corporate issues, even if Stewart Investors or Frostrow acts as spokesman. The Board is kept informed of relevant promotional material that is issued by Stewart Investors.

Relationship with the Portfolio Manager
A representative from Stewart Investors is in attendance at each Board meeting to provide updates and address questions on specific matters and to seek approval for specific transactions which they are required to refer to the Board.

The Engagement and Remuneration Committee evaluates Stewart Investors' performance and suitability as well as reviewing the terms of the Portfolio Management Agreement at least annually. The outcome of this year's review is described on pages 44 and 45.

Relationship with Other Service Providers
Representatives from Frostrow are in attendance at each Board meeting to address questions on the Company's operations, administration and governance requirements. The Engagement and Remuneration Committee monitors and evaluates all of the Company's other service providers, including Frostrow, and also the Depositary, the Custodian, the Registrar and the Broker. At the most recent review in January 2022, the Committee concluded that all the service providers were performing well and should be retained on their existing terms and conditions.

Stewardship and the Exercise of Voting Powers

The Board and the Portfolio Manager support the UK Stewardship Code, which sets out the principles of effective stewardship by institutional asset owners and asset managers. Stewart Investors (under their legal parent entity name, First Sentier Investors) is a Tier 1 signatory to the UK Stewardship Code. First Sentier Investors produce an annual Responsible Investment and Stewardship Report which is published on their website www.firstsentierinvestors.com/UK/en/private/responsible-investment/responsible-investment-resource-centre.html.

The Board has delegated authority to Stewart Investors (as Portfolio Manager) to engage with companies held in the portfolio and to vote the shares owned by the Company.

Stewart Investors have a strong commitment to effective stewardship and their approach, including their consideration of environmental, social and governance issues, is set out in their Stewardship and Corporate Engagement policy which can be found on their website www.stewartinvestors.com. During the year, the Board reviewed quarterly reports from Stewart Investors on their voting and engagement and is satisfied with their approach.

Independent Professional Advice

The Board has formalised arrangements under which the Directors, in the furtherance of their duties, may seek independent professional advice at the Company's expense. No such advice was sought during the year.

Company Secretary

The Directors have access to the advice and services of a specialist investment trust company secretary, Frostrow Capital LLP, which is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

Composition, Succession and Evaluation

Board Evaluation

During the year an internal review of the Board, its committees and individual Directors (including each Director's independence) was carried out by the Board, in the form of electronic performance evaluation questionnaires.

The review concluded that the Board worked in a collegiate, efficient and effective manner, and there were no material weaknesses or concerns identified.

The Board is satisfied that the structure, mix of skills and operation of the Board, its committees, and individual Directors continue to be effective and relevant for the Company.

All Directors submit themselves for election and annual re-election thereafter by shareholders (unless they intend to retire from the Board). The particular contribution of each individual Director is summarised on pages 32 and 33. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' re-election at the forthcoming AGM.

The number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each Director is set out below:

Number of meetings	Board (4)	Audit Committee (3)	Engagement & Remuneration Committee (1)	Nomination Committee (3)
James Williams	4	3	1	3
Edward Troughton	4	3	1	3
Charlotta Ginman	4	3	1	3
Sian Hansen	4	3	1	3
Robert Talbut	4	3	1	3

Other ad hoc meetings of the Board and Committees are held in connection with specific events as and when necessary.

Succession Planning

The Board, meeting as the Nomination Committee, regularly considers its structure and recognises the need for progressive refreshment. While there were no changes to the Board during the year under review, the Board is in the process of recruiting a successor for the Chairman, who intends to retire in 2023. Please refer to the Chairman's Statement beginning on page 6 for further information.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board is comprised of members who collectively display the necessary balance of professional skills, experience, length of service and industry/Company knowledge. The policy is reviewed annually and at such other times as circumstances may require.

Policy on the Tenure of the Chairman and other Non-Executive Directors

The tenure of each independent, non-executive director, including the Chairman, is not ordinarily expected to exceed nine years. It should be noted that, in practice, the date of departure from the Board may be the date of the Annual General Meeting following this anniversary. However, the Board has agreed that the tenure of the Chairman may be extended provided such an extension is conducive to the Board's overall orderly succession. The Board believes that this more flexible approach to the tenure of the Chairman is appropriate in the context of the regulatory rules that apply to investment companies, which ensure that the chair remains independent after appointment, while being consistent with the need for regular refreshment and diversity.

Appointments to the Board

The Nomination Committee considers annually the skills possessed by the Directors and identifies any skill shortages to be filled by new directors. The rules governing the appointment and replacement of directors are set out in the Company's Articles of Association and the aforementioned succession planning policy. Where the Board appoints a new director during the year, that director will stand for election by shareholders at the next AGM. The minimum number of directors is two and the maximum is seven. When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the most qualified candidates.

Board Diversity

The Board supports the principle of boardroom diversity, of which gender and ethnicity are two important aspects.

The Company's policy is that the Board should be comprised of directors who collectively display the necessary balance of professional skills, experience, length of service and industry knowledge and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense. The objective of the policy is to have a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. The Directors believe that this will make the Board more effective at promoting the long-term sustainable success of the Company and generating value for all shareholders by ensuring there is a breadth of perspectives among the Directors and the challenge needed to support good decision-making. To this end, achieving a diversity of perspectives and backgrounds on the Board will be a key consideration in any director search process.

Although the Company is not in scope, the Board notes that the current gender balance of three men and two women exceeds the recommendation of the Hampton-Alexander Review and meets the recommendation of the FTSE Women Leaders Review.

The Board is aware that the FCA has recently introduced new Listing Rules, which will take effect for financial years starting on or after 1 April 2022, to require listed companies to report on specific diversity targets. The Board anticipates making the relevant disclosures next year.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on pages 47 and 48 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 49, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee throughout the year, and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 24 to 27.

The Board's assessment of the Company's longer-term viability is set out in the Report of the Directors on pages 42 and 43.

Remuneration

The Directors' Remuneration Report beginning on page 54 sets out the levels of remuneration for each Director and explains how Directors' remuneration is determined.

Frostrow Capital LLP
Company Secretary
9 May 2022

Report of the Directors

The Directors present this Annual Report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 January 2022.

Business and Status of the Company

The Company is registered as a public limited company in Scotland (Registered Number SC091052) and is an investment company within the terms of Section 833 of the Companies Act 2006 (the "Act"). Its shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Act.

The Company has been accepted as an investment trust under Section 1158 of the Corporation Taxes Act 2010 and Part 2 Chapter 1 of Statutory Instrument 2011/2999. This approval relates to accounting periods commencing on or after 1 February 2012. The Directors are of the opinion that the Company has conducted its affairs so as to be able to retain such approval.

It is the Directors' intention that the Company should continue to manage its affairs so as to be a qualifying investment for inclusion in the stocks and shares components of an Individual Savings Account ("ISA") and Junior ISA.

The Company is a member of the Association of Investment Companies ("AIC").

Alternative Performance Measures

The financial statements (on pages 64 to 65) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts, which are summarised on page 3 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on pages 22 to 24. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company's performance.

The measures used for the year under review have remained consistent with the prior year.

Definitions of the terms used and the basis of their calculation are set out in the Glossary beginning on page 82.

Annual General Meeting

THE FOLLOWING INFORMATION TO BE DISCUSSED AT THE FORTHCOMING ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the action you should take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or transferred all of your ordinary shares in the Company, you should pass this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Resolutions relating to the following items of special business will be proposed at the forthcoming Annual General Meeting.

Resolution 11 Authority to allot shares

Resolution 12 Authority to disapply pre-emption rights

Resolution 13 Authority to buy back shares

Resolution 14 Authority to hold General Meetings (other than the AGM) on at least 14 clear days' notice

Resolution 15 Authority to amend the Investment Policy

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 86 to 91. Explanatory notes regarding the resolutions can be found on pages 92 to 94.

Results and Dividend

The results attributable to shareholders for the year are shown on page 64. Details of the Company's dividend record can be found on page 5 and the dividend policy is outlined in the Strategic Report on page 22.

A final dividend of 1.9p per ordinary share has been proposed and, subject to shareholder approval, will be paid on 1 July 2022 to shareholders on the register on 10 June 2022. The associated ex-dividend date is 9 June 2022.

Capital Structure

As at 31 January 2022, there were 120,958,386 ordinary shares of 12.5p each ('shares') in issue (2021: 120,958,386). All shares rank equally for dividends and distributions. Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. Details of the substantial shareholders in the Company are listed on page 45.

At the start of the year under review, the Directors had shareholder authority to issue up to 12,095,838 shares on a non-pre-emptive basis and to buy back up to 18,131,662 shares in the market. At the Company's annual general meeting held on Tuesday, 29 June 2021, these authorities expired and new authorities to allot up to 12,095,838 shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis and to buy back up to 18,131,662 shares (representing 14.99% of the Company's issued share capital) were granted.

During the year, no new shares were issued (2021: nil). No shares were repurchased during the year and there are no shares held in Treasury.

The giving of powers to issue or buy-back the Company's shares requires the relevant resolution to be passed by shareholders. Proposals for the renewal of the Board's authorities to issue and buy-back shares are detailed in the Notice of AGM beginning on page 86.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no restrictions on voting rights; no agreements between holders of securities regarding their transfer known to the Company; and no agreements which the Company is party to that might affect its control following a successful takeover bid.

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors which 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 14 to the financial statements, beginning on page 73.

Viability Statement

The Directors have carefully assessed the Company's financial position and prospects as well as the principal risks and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years. The Board has chosen a five year horizon in view of the long-term outlook adopted by the Portfolio Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due:

- The portfolio is principally comprised of investments traded on major international stock exchanges. Based on historic analysis, it is estimated that approximately 70% of the current portfolio could be liquidated within seven trading days. There is no expectation that the nature of the investments held within the portfolio will be materially different in future;
- The expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments foreseen which would alter that position; and
- The Company has no employees, only non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities.

The Audit Committee, as well as considering the potential impact of the principal risks and various severe but plausible downside scenarios, has also made the following assumptions in considering the Company's longer-term viability:

- There will continue to be demand for investment trusts;
- The Board and the Portfolio Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years;
- The Company invests principally in the securities of listed companies traded on international stock exchanges to which investors will wish to continue to have exposure;
- The closed ended nature of the Company means that, unlike open ended funds, it does not need to realise investments when shareholders wish to sell their shares;
- Regulation will not increase to a level that makes running the Company uneconomical; and
- The performance of the Company will continue to be satisfactory.

The ongoing pandemic and certain geopolitical events were factored into the assumptions made by assessing their impact on markets, the Company's portfolio, and the Company's service providers and their operations and considering whether the likelihood of the key risks materialising had increased. As part of the viability assessment, the Board considered the impact of one or more of the principal risks (as identified on pages 24 to 27) materialising, modelling substantial falls in the value of the portfolio and the Company's NAV, as well as severely reduced market liquidity. In all scenarios the Board concluded that the Company would be able to meet its liabilities as they fall due.

Principal Service Providers

Portfolio Manager

The Company's investment portfolio is managed by Stewart Investors which had approximately £18.8 billion in assets under management as at 31 December 2022. Stewart Investors are engaged under the terms of a Portfolio Management Agreement (the "PMA") effective from 30 April 2021, which replaced the previous investment management agreement that had been in place since 1 February 2015.

Under the terms of the Portfolio Management Agreement, Stewart Investors provide, *inter alia*, the following services:

- seeking out and evaluating investment opportunities;
- recommending the manner by which cash should be invested, divested, retained or realised;
- advising on how rights conferred by the investments should be exercised;
- analysing the performance of investments made; and
- advising the Company in relation to trends, market movements and other matters which may affect the investment objective and policy of the Company.

The PMA is terminable by six months' notice. Stewart Investors have complied with the terms of the PMA throughout the year to 31 January 2022. Stewart Investors are entitled to a fee, paid quarterly, of 0.85% of the Company's net assets.

Alternative Investment Fund Manager ("AIFM")

Frostrow Capital LLP acts as the AIFM. It is an independent provider of services to the investment companies sector and currently has 17 investment company clients whose assets totalled approximately £16.4 billion as at 31 January 2022.

The Board resolved to appoint Frostrow Capital LLP as the Company's AIFM with effect from 30 April 2021 on the terms and subject to the conditions of the alternative investment fund management agreement between the Company and Frostrow (the "AIFM Agreement"). The AIFM Agreement assigns to Frostrow overall responsibility to manage the Company, subject to the supervision, review and control of the Board, and ensures that the relationship between the Company and Frostrow is compliant with the requirements of the AIFMD. Frostrow, under the terms of the AIFM Agreement provides, *inter alia*, the following services:

- risk management services;
- administrative and secretarial services;

- advice and guidance in respect of corporate governance requirements;
- maintenance of the Company's accounting records;
- preparation and dispatch of the annual and half yearly reports; and
- ensuring compliance with applicable tax, legal and regulatory requirements.

Under the AIFM Agreement, Frostrow receives a fixed fee of £75,000 per annum plus 0.11% per annum of net assets up to £250 million, plus 0.075% per annum of net assets in excess of £250 million .

The AIFM Agreement is terminable on six months' notice given by either party.

Further details of the fees payable to Stewart Investors and Frostrow Capital LLP during the year are set out in note 3 to the financial statements on page 67.

Depositary and Custodian

The Board resolved to appoint J.P. Morgan Europe Limited (the "Depositary") as the Company's depositary in accordance with the AIFMD on the terms and subject to the conditions of the depositary agreement between the Company, Frostrow and the Depositary (the "Depositary Agreement"), with effect from 30 April 2021.

The Depositary provides the following services, *inter alia*, under its agreement with the Company:

- safekeeping and custody of the Company's custodial investments and cash;
- processing of transactions; and
- foreign exchange services.

The Depositary must take reasonable care to ensure that the Company is managed in accordance with the Financial Conduct Authority's Investment Funds Sourcebook, the AIFMD and the Company's Articles of Association.

Under the terms of the Depositary Agreement, the Depositary is entitled to receive an annual fee of the higher of £30,000 or 0.015% of the net assets of the Company up to £150 million, 0.0125% of the net assets in excess of £150 million and up to £300 million, 0.01% of the net assets in excess of £300 million and up to £500 million and 0.005% of the net assets in excess of £500 million.

The Depositary has delegated the custody and safekeeping of the Company's assets to JPMorgan Chase Bank N.A., London branch (the "Custodian") under a Global Custody Agreement ("GCA"). Custody fees are charged according to the jurisdiction in which the holdings are based. Variable transaction fees are also chargeable.

The notice period on the Depositary Agreement is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

Portfolio Manager and AIFM Evaluation and Re-Appointment

The review of the performance of Stewart Investors as Portfolio Manager and Frostrow Capital LLP as AIFM is a continuous process carried out by the Board and the Engagement and Remuneration Committee (the "ERC"), with a formal evaluation being undertaken each year. As part of this process the Board monitors the services provided by Stewart Investors and Frostrow and receives regular reports and views from them. The Board also receives comprehensive performance measurement reports to enable it to determine whether or not the Performance Objective set by the Board has been met.

The ERC formally reviewed the appointment of Stewart Investors in January 2022 with a recommendation being made to the Board.

The Board believes the continuing appointment of Stewart Investors, under the terms described above, is in the interests of shareholders. In coming to this decision the Board took into consideration the following reasons:

- the terms of the Portfolio Management Agreement, in particular the level and method of remuneration and the notice period, and the comparable arrangements of a group of the Company's peers; and
- the quality and depth of experience of Stewart Investors and the level of performance of the portfolio in absolute terms and also by reference to the Performance Objective and the Company's peer group over the medium to longer term.

The ERC also formally reviewed Frostrow's appointment in January 2022 with a formal recommendation being made to the Board. The Board believes the continuing appointment of Frostrow Capital LLP, under the terms described on page 44 is in the interests of shareholders. In coming to this decision, the Board took into consideration the quality and depth of experience of the management, administrative and company secretarial team that Frostrow Capital LLP allocates to the Company.

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Board during the year ended 31 January 2022 and to the date of this report. It is intended that this cover will continue throughout the year ending 31 January 2023 and subsequent years.

Directors' Indemnities

As at the date of this report, a deed of indemnity has been entered into by the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities as a result of carrying out his or her role as a Director of the Company. Each Director is indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred provided that where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third party indemnity provisions for the purposes of the Companies Act 2006.

A copy of each deed of indemnity is available for inspection at Frostrow's offices during normal business hours and will be available for inspection at the Annual General Meeting.

Articles of Association

Amendment of the Company's Articles of Association requires a special resolution to be passed by shareholders.

At the 2021 AGM, shareholders approved changes to the Articles of Association to ensure the Company can comply with international tax reporting obligations, to allow the Company to hold hybrid (in person/virtual) shareholder meetings, and to increase the maximum aggregate fees payable to the Directors. Further details can be found in the Annual Report for the year ended 31 January 2021.

The Directors have not proposed any changes to the Articles of Association this year.

Substantial Interests in Share Capital

As at 31 March 2022, being the latest practicable date before publication of the Annual Report, the Company was aware of the following substantial interests in the voting rights of the Company:

	Number of shares held	% held
Rathbones	11,283,989	9.3
Brewin Dolphin (Ireland)	9,269,400	7.7
Smith & Williamson	8,995,959	7.4
Brewin Dolphin, stockbrokers	7,724,080	6.4
Charles Stanley	6,858,710	5.7
Interactive Investor	6,388,007	5.3
Hargreaves Lansdown	5,457,845	4.5

Beneficial Owners of Shares – Information Rights

The beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Equiniti, or to the Company directly.

Modern Slavery Act 2015

The Company does not provide goods or services in the normal course of business, and as a financial investment vehicle, does not have customers. Therefore, the Directors do not consider that the Company is required to make a statement under the Modern Slavery Act 2015 in relation to slavery or human trafficking. The Company's suppliers are typically professional advisers and the Company's supply chains are considered to be low risk in this regard.

Anti-Bribery and Corruption Policy

The Board has adopted a zero tolerance approach to instances of bribery and corruption. Accordingly, it expressly prohibits any Director or associated persons when acting on behalf of the Company, from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit for themselves or for the Company.

The Board applies the same standards to its service providers in their activities for the Company.

A copy of the Company's Anti Bribery and Corruption Policy can be found on its website at www.pacific-assets.co.uk. The policy is reviewed annually by the Audit Committee.

Prevention of the Facilitation of Tax Evasion

In response to the implementation of the Criminal Finances Act 2017, the Board adopted a zero-tolerance approach to the criminal facilitation of tax evasion. A copy of the Company's policy on preventing the facilitation of tax evasion can be found on the Company's website www.pacific-assets.co.uk. The policy is reviewed annually by the Audit Committee.

Global Greenhouse Gas Emissions

The Company is an investment trust, with no employees or premises, nor has it any financial or operational control of the assets it owns. It 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 Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio. The Company consumed less than 40,000 kWh of energy during the year and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Political Donations

The Company has not made and does not intend to make any political donations.

Corporate Governance

The Corporate Governance report, which includes the Company's corporate governance policies and forms part of the Report of the Directors, is set out on pages 34 to 40.

Common Reporting Standard ("CRS")

CRS is a global standard for the automatic exchange of information commissioned by the Organisation for Economic Cooperation and Development and incorporated into UK law by the International Tax Compliance Regulations 2015. CRS requires the Company to provide certain additional details to HMRC in relation to certain shareholders. The reporting obligation began in 2016 and is an annual requirement. The Registrar, Equiniti, has been engaged to collate such information and file the reports with HMRC on behalf of the Company.

By order of the Board

Frostrow Capital LLP
Company Secretary
9 May 2022

Statement of Directors' Responsibilities

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 they are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a 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 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. The Directors are responsible for ensuring that the Annual Report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement which comply with that law and those regulations.

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on the Company's website, which is maintained by the Portfolio Manager. 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.

Going Concern

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints on the Company's NAV, cash flows and expenses. Based on the information available to the Directors at the date of this report, the conclusions drawn in the Viability Statement (including the results of the stress tests undertaken) in the Report of the Directors on pages 42 and 43 and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of signing this report and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he/she might reasonably be expected to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Responsibility Statement of the Directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and the return of the Company for the year ended 31 January 2022; and
- the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

On behalf of the Board

James Williams
Chairman
9 May 2022

Audit Committee Report

Introduction from the Chair

I am pleased to present my seventh Audit Committee report to shareholders, for the year ended 31 January 2022.

Composition

The Committee comprises all of the Company's independent non-executive Directors. As a result, the Committee comprises the whole Board.

At least one member of the Committee has recent and relevant financial experience and the Committee as a whole has competence relevant to the investment trust sector. I am a Fellow of the Institute of Chartered Accountants in England and Wales and I chair the audit committees of three other companies, one of which is an investment trust; the other Committee members have a combination of financial, investment and other relevant experience. The experience of the Committee members can be assessed from the Directors' biographies set out on pages 32 and 33.

The Committee met three times during the year with all members attending each meeting. Two of the three Committee meetings were held via video conference. I am pleased to confirm that this worked well and that there was no adverse impact on the Committee's effectiveness. The Committee is pleased, however, to have been able to return to in person meetings since the year end.

Role and Responsibilities

A comprehensive description of the Committee's role, its duties and responsibilities, can be found in its terms of reference, which are available on the Company's website www.pacific-assets.co.uk.

Significant Issues Considered by the Audit Committee During the Year

Significant Reporting Matter	How the issue was addressed
Annual Report and Financial Statements	The Board asked the Audit Committee once again to confirm that, in its opinion, the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. In doing so, the Committee considered: • the comprehensive control framework around the production of the Annual Report, including the verification process in place to deal with the factual content; • the detailed levels of review that were undertaken in the production process, by Frostrow and by the Committee; and • the internal control environment as operated by Stewart Investors (the Portfolio Manager), Frostrow (the AIFM), JP Morgan (the Custodian) and other service providers.
Valuation of Investments	The Audit Committee received assurance that the valuation of assets had been carried out in accordance with the adopted accounting policies set out in note 8 on page 71. The Committee also spoke with members of the Portfolio Manager's risk management and investment compliance teams to ensure their processes for recording investment transactions are robust.
Existence and Ownership of Investments	Once again the Committee received assurance that all investment holdings and cash/deposit balances had been agreed by Frostrow to an independent confirmation from the Custodian or relevant bank. The Committee reviewed the internal controls reports of Frostrow, Stewart Investors and JP Morgan.

Other Reporting Matters

COVID-19

The Committee continued to pay particular attention to the effects and potential effects on the Company of the Covid-19 pandemic. This risk is captured in the Company's risk register under 'Black Swan Risk'.

In order to mitigate the business risks caused by the pandemic, the Committee continues to review the operational resilience of the Company's various service providers, which have continued to demonstrate their ability to provide services to the expected level, whilst doing so remotely.

There have been no breaks in the services provided or operational failures. Many businesses will not have had business continuity plans that envisaged operating remotely for this length of time, but the Committee believes that the Company's service providers have adapted their businesses well in this regard.

Now that the situation appears to be improving and in person meetings are resuming, the Audit Committee is planning to visit the offices of each of the principal service providers in the coming year, to review their internal controls in more depth. The Committee intends to look in particular at our service providers' cyber security arrangements.

Audit Regulation

The Committee has not had to consider any new audit regulations in the past year. It has, however, taken note of reporting guidance and thematic reviews published by the FRC and determined how to apply any relevant best practice to the Company's reporting. The Committee also reviews the outcomes of the FRC's annual Audit Quality Reviews and discusses the findings with our Auditor.

The Committee is aware of the extensive proposals outlined by the Department of Business, Enterprise, Industry and Skills consultation which seek to strengthen the UK's audit and corporate governance framework. The Committee awaits the outcomes of the consultation.

Recognition of Revenue from Investments

Frostrow confirmed to the Committee, as in previous years, that all dividends had been accounted for correctly. It was noted that there was an appropriate segregation of duties between Frostrow and JP Morgan.

Accounting Policies

The Committee ensured that the accounting policies set out in the notes to the financial statements were applied consistently throughout the year. In light of there being no unusual transactions during the year or other possible reasons, there were no changes to these policies.

Going Concern

The Audit Committee, at the request of the Board, considered the ability of the Company to adopt the going concern basis for the preparation of the financial statements. Having reviewed the Company's financial position, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements for the year ended 31 January 2022 on a going concern basis.

The Committee's review of the Company's financial position included consideration of the cash and cash equivalents position; the diversification of the portfolio; and an analysis of portfolio liquidity, which estimated liquidation of c.70% of the portfolio within seven trading days (based on current market volumes). Stress testing was also conducted as described below. Further information is provided on page 47.

Viability Statement

The Committee considered, again on behalf of the Board, the longer-term viability of the Company in connection with the Board's statement in the Report of the Directors (see pages 42 and 43). The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties and the results of stress tests.

The stress tests modelled the impact of one or more of the principal risks occurring. The tests assumed falls in the Company's NAV and reductions in the liquidity of the portfolio and then modelled the effect this would have on the Company's expenses and the Company's ability to meet its liabilities as they fell due. The modelling considered the extent of market falls experienced over the last 100 years and applied the reductions to the Company's portfolio, as well as modelling the closure of certain markets in the liquidity tests. A reverse stress test was also conducted to understand the extent of a decline that would threaten the Company's long-term viability. Based on the results of these tests the Committee concluded it was reasonable for the

Board to expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Internal Controls and Risk Management

The Board has overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. Operational responsibility is delegated to the Audit Committee. The Company applies the guidance published by the Financial Reporting Council on internal controls. Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained, and that the Company's financial information is reliable.

A description of the principal risks facing the Company and an explanation of how they are managed is provided in the Strategic Report on pages 24 to 27. The Directors have a robust process for identifying, evaluating and managing the risks faced by the Company, including emerging risks, which are recorded in a risk matrix. The Committee reviewed the risk matrix at each of its three meetings during the year. One of the Committee meetings was a dedicated meeting to evaluate the Company's risks, identify emerging risks, and discuss the Board's approach to monitoring and managing them. The Audit Committee, on behalf of the Board, assesses the likelihood of occurrence and the possible impact of each risk. The Committee then records the mitigating controls in place.

As an externally managed investment trust, the Company is reliant on the operational systems of its service providers. Therefore, the Audit Committee also examines internal control reports from the Company's principal service providers. The Audit Committee then reports its findings to the Board.

The Committee reviewed the effectiveness of the Company's risk management and internal controls systems during the year. There were no changes to the Company's risk management processes during the year and no significant failings or weaknesses were identified.

Following its annual review of internal controls reports from Stewart Investors, Frostrow, JP Morgan and Equiniti (the Registrar), the Committee concluded that there were no significant control weaknesses or other issues that were required to be brought to the attention of the Board. The Committee is satisfied that appropriate systems have been in place for the year under review and up to the date of approval of this report.

Half Year Report

The Committee reviewed the Half Year Report including the unaudited financial statements, to ensure that the accounting policies were consistent with those applied in the annual financial statements and that the report portrayed a fair, balanced and understandable account of the period.

Depositary

During the year, the Board appointed JP Morgan Europe Limited (the "Depositary") as the Company's depositary as part of a change of status under the AIFMD. The Committee reviewed reports from the Depositary on their regulatory oversight and due diligence duties.

As part of this appointment, the Company's accounting records were transferred to JP Morgan. While Frostrow retains responsibility for the accounting records, the Committee obtained an understanding of the controls in place during the transfer and assurances from Frostrow regarding the transfer process.

Investment Trust Status

The Committee sought and received confirmation from Frostrow that the Company continues to comply with Section 1158 of the Corporation Tax Act 2010, so that its status as an investment trust is maintained.

Withholding Tax

The Committee monitored the reclamation of withholding tax, receiving regular updates from Frostrow on the process and the appointment of specialist local agents. In the year under review, Grant Thornton LLP provided services to the Company as tax agents in Taiwan and S.F. Ahmed & Co. acted as tax agents in Bangladesh.

Taxation

The Committee has been monitoring the provision for Indian capital gains tax, which has increased to £8,395,000 as at 31 January 2022 (2021: £5,322,000), receiving regular updates on the position. A local tax specialist (Ernst & Young LLP) has been appointed to ensure that tax returns and any tax due are calculated accurately and in line with the relevant legislation.

Internal Audit

The Committee considered whether there was a need for the Company to have an internal audit function. As the Company delegates its day-to-day operations to third parties and has no employees, the Committee concluded that there was no such need.

Other Activities During the Year

In addition to carrying out its principal duties, the Committee also reviewed:

- the Committee's terms of reference;
- compliance reports submitted by Frostrow and Stewart Investors;
- Stewart Investors' list of approved brokers, commission rates and the amount of commission paid by the Company throughout the year;
- the Company's anti-bribery and corruption policy;
- the Company's commitment to the prevention of the criminal facilitation of tax evasion; and
- the Company's audit tender guidelines.

External Auditor

Appointment and Tenure

BDO LLP ("BDO") was the Auditor for the financial year and this was their second audit of the Company.

Peter Smith was the audit partner for the financial year under review and he has confirmed BDO's willingness to continue to act as Auditor for the forthcoming financial year. BDO's re-appointment is subject to shareholder approval at the next Annual General Meeting ("AGM") to be held in June, and details can be found in the Notice of AGM beginning on page 86.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. Based on these requirements, another tender process will be conducted no later than 2030.

The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons.

The Audit

The Committee reviewed BDO's audit plan on 19 October 2021. The review considered, *inter alia*, the scope of the audit, the level of materiality, the audit risks identified by BDO, the Auditor's approach to testing the portfolio, and pertinent regulatory developments. The Committee met with BDO on 7 April 2022 to discuss the progress of the audit and the draft Annual Report. The Committee then met BDO on 28 April 2022 to review formally the outcome of the audit.

Amongst other areas, including the areas set out in the Auditor's Report on pages 57 to 63, the Auditor challenged the Company's risk, going concern and longer-term viability disclosures, looking in particular at the effects that the war in Ukraine and increased geopolitical uncertainty in general might have on the Board's assessments in those areas.

The Auditor was provided with an opportunity to meet with the Committee without the AIFM or the Portfolio Manager being present. No concerns were raised by the Auditor or the Audit Committee in relation to the service provided by the AIFM, the Portfolio Manager, or any other third-party service provider. There were no material or significant adverse matters brought to the Audit Committee's attention in respect of the 2022 audit, which should be brought to shareholders' attention.

Remuneration

The Committee approved a fee of £36,500 for the audit of the year ended 31 January 2022 (2021: £34,000). This represents an increase of 7.4% compared to the previous year's fee and is in line with the average inflation rate in financial services, as provided by the ONS. The Committee believes that the fee is in line with audit fees payable for the investment trust sector and is reflective of the level of work required to audit a listed company.

Independence and Effectiveness

The Committee evaluated the independence of the Auditor and the effectiveness of the external audit. In order to fulfil this responsibility, the Committee reviewed:

- the senior audit personnel in the audit plan, in order to ensure that there were sufficient, suitably experienced staff with knowledge of the investment trust sector working on the audit;
- the steps the Auditor takes to ensure its independence and objectivity;
- the statement by the Auditor that they remain independent within the meaning of the relevant regulations and their professional standards;

- the extent of any non-audit services provided by the Auditor (there were none during the year under review);
- the Company's policy on former employees of the Auditor (and other service providers) joining the Board;
- the Auditor's fulfilment of the agreed audit plan, including their ability to communicate with management and to resolve any issues promptly and satisfactorily;
- the presentation of the audit findings; and
- feedback from BDO and Frostrow as the AIFM and Company Secretary on their working relationship.

The Committee is satisfied with the Auditor's independence and the effectiveness of the audit process.

Non-Audit Services

BDO LLP did not carry out any non-audit work during the year. Pursuant to the Company's non-audit services policy, the Committee is required to approve the engagement of the Auditor for any non-audit work. A copy of the Company's non-audit services policy can be found on the Company's website at www.pacific-assets.co.uk.

Effectiveness of the Committee

The Committee's performance over the past year was reviewed as part of the annual Board evaluation. The evaluation considered the composition of the Committee and the efficacy of Committee meetings, as well as assessing the Committee's role in monitoring and overseeing the Company's financial reporting and accounting, risk management and internal controls, compliance with corporate governance regulations and the assessment of the external audit.

I am pleased to confirm that the evaluation result was positive and no matters of concern or requirements for change were highlighted.

Charlotta Ginman FCA
Chair of the Audit Committee
9 May 2022

Directors' Remuneration Report

Statement from the Chair

As Chair of the Engagement and Remuneration Committee, I am pleased to present the Directors' Remuneration Report to shareholders. The Directors' Remuneration Report is subject to an annual advisory vote and therefore an ordinary resolution for the approval of this report will be put to shareholders at the Company's forthcoming Annual General Meeting ("AGM").

The law requires the Auditor to audit certain disclosures in this report. Where disclosures have been audited, they are indicated as such and the audit opinion is included in the Auditor's report to shareholders on pages 57 to 63.

The Engagement & Remuneration Committee considers the framework for the remuneration of the Directors. It reviews the ongoing appropriateness of the Company's remuneration policy and the individual remuneration of Directors by reference to the activities of the Company and in comparison with other companies of a similar structure and size. This is in line with the AIC Code.

The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally-managed investment trust (please refer to the Business Review beginning on page 21 for more information). Accordingly, statutory requirements relating to executive directors' and employees' pay do not apply.

The Engagement & Remuneration Committee met once during the year and approved a small inflationary increase in the level of fees paid to the Directors, to take effect from 1 February 2022, as follows:

Directors' Fees

The Directors as at the date of this report received the fees listed in the table on page 55. These exclude employer's national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

No communications have been received from shareholders regarding Directors' remuneration and no remuneration consultants were engaged during the year.

Article 100 of the Company's Articles of Association provides that Directors are entitled to be reimbursed for reasonable expenses incurred by them in connection with the performance of their duties and attendance at Board and General Meetings.

Under HMRC guidance, travel expenses and other out of pocket expenses may be considered as taxable benefits for the Directors. Where expenses reimbursed to the Directors are classed as taxable under HMRC guidance, they are shown in the taxable expenses column of the Directors' remuneration table overleaf and include the associated tax liability settled by the Company.

Director	Year Ending 31 January 2023 Fee Level (per annum)	2023 % Change	Year Ended 31 January 2022 Fee Level (per annum)	2022 % Change
Chairman	£42,000	3.7	£40,500	6.6
Audit Chair	£35,000	4.5	£33,500	8.0
Director	£30,000	3.4	£29,000	7.4

Directors' Remuneration for the Year (audited)

The Directors who served in the year received the following remuneration:

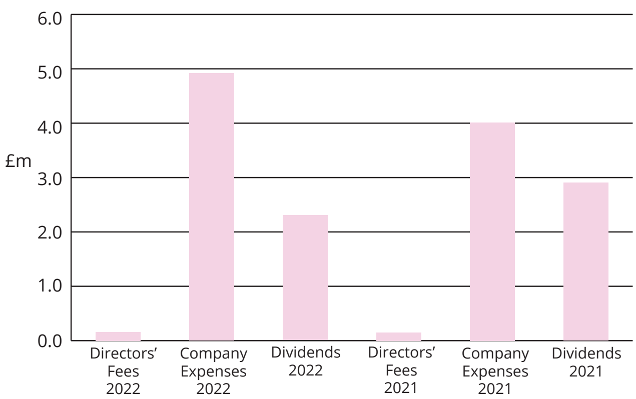
	Date of Appointment to the Board	Fixed Fees 2022 £	Taxable Expenses 2022 £	Total Remun-eration 2022 £	Fixed Fees 2021 £	Taxable Expenses 2021 £	Total Remun-eration 2021 £
James Williams	1 October 2013	40,500	416	40,916	38,000	512	38,512
Charlotta Ginman	9 October 2014	33,500	–	33,500	31,000	–	31,000
Sian Hansen	3 August 2015	29,000	–	29,000	27,000	–	27,000
Robert Talbut	23 September 2016	29,000	–	29,000	27,000	39	27,039
Edward Troughton	18 December 2019	29,000	–	29,000	27,000	–	27,000
		161,000	416	161,416	150,000	551	150,551

Loss of Office

Directors do not have service contracts with the Company but are engaged under letters of appointment. These specifically exclude any entitlement to compensation upon leaving office for whatever reason.

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 January 2021 and 2022.



Directors' Interests in Shares (audited)

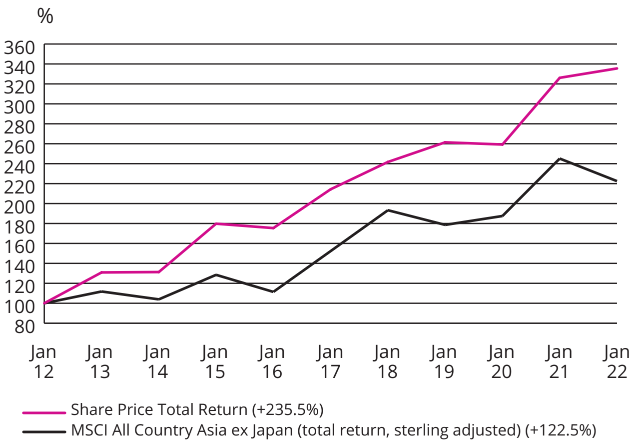
The Directors' interests in the share capital of the Company at the year end are shown in the table below:

		Number of shares held 31 January 2022	31 January 2021
James Williams	Beneficial	50,000	50,000
Charlotta Ginman	Beneficial	13,789	13,789
Sian Hansen	Beneficial	13,907	13,907
Robert Talbut	Beneficial	9,611	9,611
Edward Troughton	Beneficial	18,157	18,157
Total		105,464	105,464

Since the year end, James Williams has increased his interests in the share capital of the Company, having purchased 6,000 shares on 9 March 2022.

None of the Directors are required to own shares in the Company.

Total Shareholder Return for the Ten Years to 31 January 2022



Source: Morningstar
Rebased to 100 as at 31 January 2012

In accordance with statutory reporting purposes, the Directors' Remuneration Report is required to compare the Company's share price total return with that of a market index. The Board has adopted the MSCI All Country Asia ex Japan Index measured on a total return, sterling adjusted basis as a comparator for the Company's performance.

Approval

A resolution to approve the Directors' Remuneration Report for the year ended 31 January 2021 was put to shareholders at the AGM of the Company held on 29 June 2021. Of the votes cast, 99.92% were in favour and 0.08% were against.

Directors' Remuneration Policy

The Directors' Remuneration Policy is subject to a binding shareholder vote every three years. It was last approved at the AGM held in 2020 and it is due to be brought before shareholders again at the 2023 AGM. There have been no changes to the Remuneration Policy during the year and no changes are proposed for the year ending 31 January 2023. If, however, the Remuneration Policy is varied, shareholder approval for the new policy will be sought at the AGM following such variation. The Board reviews the Remuneration Policy annually to ensure that it remains appropriate.

The Remuneration Policy provides that fees payable to the Directors should reflect the time spent by the Board on the Company's affairs and the responsibilities borne by the Directors. Remuneration should be sufficient to enable candidates of a high calibre to be recruited. Directors are remunerated in the form of fees payable monthly in arrears, paid to the Director personally. There are no long-term incentive schemes, bonuses, share option schemes or pension arrangements and the fees are not specifically related to the Directors' performance, either individually or collectively. The Company does not have any employees.

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £250,000 in aggregate per annum.

Any new Director appointed to the Board who has not been appointed as either Chairman, Chair of the Audit Committee or Senior Independent Director will, under the increased level of fees, receive £30,000 per annum.

None of the Directors has a service contract. The terms of their appointment provide that Directors shall be subject to election at the first AGM after their appointment and to re-election annually thereafter. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Sian Hansen
Chair of the Engagement & Remuneration Committee
9 May 2022

Independent Auditor's Report

to the Members of Pacific Assets Trust plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 January 2022 and of the Company's profit for the year then ended;
- 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 Assets Trust plc (the 'Company') for the year ended 31 January 2022 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position and the 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 Board of Directors on 17 November 2020 to audit the financial statements for the year ending 31 January 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ending 31 January 2021 to 31 January 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 to 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:

- Evaluating management's method of assessing going concern in light of market volatility and the present uncertainties, including assessing how the Directors have factored in the potential impact of the Ukraine/ Russia conflict on the business, and checking that this had been appropriately considered as part of the Directors' going concern assessment.
- Challenging management's assumptions and judgements made with regards to stress-testing forecasts including whether cash flow assumptions used were appropriate; validating data assumptions used, that could have a material impact, by agreeing these to supporting documentation where possible.
- Re-calculating financial ratios, namely net asset value per share, ongoing charges, revenue return per share, and share price total return to ascertain the financial health of the Company.
- Considering any other factors which could impact on going concern such as non-compliance with laws and regulation, legal matters and the presence of contingencies and commitments.

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

		2022	2021
Key audit matters	Valuation and ownership of investments	✓	✓
	Revenue recognition	✓	✓
Materiality	*Financial statements as a whole* £4,500,000 (2019: £4,160,000) based on 1% of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its 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.

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. These matters were 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 these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation and ownership of investments Note 8	The investment portfolio comprises quoted investments. We consider that the valuation and ownership of investments is the most significant audit area as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity. Given the significance of the investments there is a risk that an error in their valuation could have a material impact on the financial statements. Additionally, there is also a risk that the investment balance includes investments which are not owned by the Company or for which the bid price used to value the investment is incorrect. Due to the significance of this balance we consider this to be a key audit matter.	In respect of the quoted investments valuation testing we have for 100% of the portfolio: • Confirmed that bid price has been used by agreeing to externally quoted prices using our data analytics software; • Checked that there are no contra indicators, such as liquidity considerations, to suggest the bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; • Confirmed the foreign exchange rates used in the valuations are appropriate by corroborating these to independent sources; • Recalculated the valuation by multiplying the number of shares held by the valuation per share; • Obtained direct confirmation of the number of shares held at the balance sheet date from the custodian, J.P Morgan Chase Bank. **Key observations:** Based on our procedures performed we did not identify any material exceptions with regards to valuation or ownership of investments.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue recognition
Note 2</td><td>Income arises from the overseas quoted investments in the form of overseas dividends and can be volatile, but is often a key factor in demonstrating the performance of the portfolio. We have identified the following risks:
• A fraud risk over the existence of revenue and further that the classification of dividend income between revenue and capital is not appropriate
• That revenue is incomplete as dividends that have been announced but not received, may not have not been recognised.
Investment income impacts the Company's net asset value and distributable reserves and, given the risks identified, we believed this was an area requiring significant auditor attention and was therefore identified as a key audit matter.</td><td>Our audit procedures included the following:
• We have used data analytics to test 100% of the portfolio by deriving an independent expectation of income based on the investment holding and distributions per independent sources, and compared that to what was recognised;
• For 100% of the portfolio, we reviewed dividend yields for any indications of potential capital dividends and investigated whether these have been appropriately classified;
• We traced a sample of dividend income through from the nominal ledger to bank;
• For all investments held at the year end, we inspected pre-year end dividend announcements and checked that revenue was recognised appropriately even where the dividends were not yet received.
Key observations:
Based on our procedures performed we did not identify any material exceptions with regards to existence, presentation and completeness of revenue.</td></tr>
</table>

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 £m	**2021 £m**
Materiality	£4,500,000	£4,160,000
Basis for determining materiality		1% of net assets
Rationale for the benchmark applied		As an investment trust, net asset value is considered to be the key measure of performance.
Performance materiality	£3,380,000	£3,120,000
Basis for determining performance materiality		75% of materiality This threshold was selected taking account of the complexity of the entity, brought forward uncorrected misstatements from the prior year and the history of misstatement which informs our expectation about misstatements in the current year.

Specific testing threshold

We also determined that for items impacting on revenue return, a misstatement of less than materiality for the financial statements as a whole, could influence the economic decisions of users. As a result, we determined a specific testing threshold for these items based on 10% of revenue return before tax, being £290,000 (2021: 10%, £370,000).

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £225,000 (2021: £208,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the 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 the 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 by the Company, 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.

We gained an understanding of the legal and regulatory framework applicable to the Company and industry in which the Company 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 compliance with Companies Act 2006, the FCA listing and DTR rules, the principles of the UK Corporate Governance Code, industry practice represented by the AIC SORP and FRS 102.

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 obtained an understanding of the legal and regulatory framework applicable to the company and industry in which it operates and the laws and regulations which we identified of being of significance in the context of the entity included but were not limited to Section 1158 of the Corporation Tax Act 2010.
- We also assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur and identified these areas as being revenue recognition and management override of controls.
- We obtained an understanding of the control environment established for monitoring compliance with laws and regulations.
- We made enquiries of the Alternative Investment Fund Manager and Those Charged With Governance about known or suspected non-compliance with laws and regulations and fraud;
- We reviewed minutes of board meetings throughout the period to corroborate our enquiries with the Alternative Investment Fund Manager and Those Charged With Governance, and identify any matters not already covered by our enquiries;
- We reviewed legal invoices and legal correspondence to identify any matters relating to compliance with laws and regulations not already covered by our enquiries;
- We considered the Company's qualification as an Investment Trust under UK tax legislation. We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary;
- We agreed the financial statement disclosures to underlying supporting documentation;
- We performed a multi-tier review of the financial statements, including the completion of a disclosure checklists; and
- In addition to the procedures on revenue recognition as set out in the key audit matters section of our report, we also tested journal postings made during the year to identify potential management override of controls

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: www.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.

Peter Smith (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
9 May 2022

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

Income Statement

for the year ended 31 January 2022

	Notes	Year ended 31 January 2022 Revenue £'000	Capital £'000	Total £'000	Year ended 31 January 2021 Revenue £'000	Capital £'000	Total £'000
Gains on investments	8	-	43,614	43,614	-	77,226	77,226
Exchange differences		-	(114)	(114)	-	(123)	(123)
Income	2	4,657	-	4,657	5,163	-	5,163
Portfolio management and AIFM fees	3	(1,070)	(3,212)	(4,282)	(851)	(2,553)	(3,404)
Other expenses	4	(692)	-	(692)	(606)	-	(606)
Return before taxation		**2,895**	**40,288**	**43,183**	**3,706**	**74,550**	**78,256**
Taxation	5	(487)	(5,343)	(5,830)	(555)	(3,574)	(4,129)
Return after taxation		**2,408**	**34,945**	**37,353**	**3,151**	**70,976**	**74,127**
Return per share (p)	7	**2.0**	**28.9**	**30.9**	**2.6**	**58.7**	**61.3**

The Total column of this statement represents the Company's Income Statement. The Revenue and Capital columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies ("AIC").

All revenue and capital items in the Income Statement derive from continuing operations.

The Company had no recognised gains or losses other than those shown above and therefore no separate Statement of Other Comprehensive Income has been presented.

Statement of Changes in Equity

for the year ended 31 January 2022

	Note	Ordinary Share Capital £'000	Share premium £'000	Capital Redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 January 2020		**15,120**	**8,811**	**1,648**	**14,572**	**298,299**	**7,267**	**345,717**
Return after taxation		-	-	-	-	70,976	3,151	74,127
Ordinary dividends paid	6	-	-	-	-	-	(3,628)	(3,628)
At 31 January 2021		**15,120**	**8,811**	**1,648**	**14,572**	**369,275**	**6,790**	**416,216**
Return after taxation		-	-	-	-	34,945	2,408	37,353
Ordinary dividends paid	6	-	-	-	-	-	(2,903)	(2,903)
At 31 January 2022		**15,120**	**8,811**	**1,648**	**14,572**	**404,220**	**6,295**	**450,666**

The accompanying notes are an integral part of these statements.

Statement of Financial Position
as at 31 January 2022

		2022		2021	
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Investments	8		436,983		404,714
Current assets					
Debtors	9	242		232	
Cash and cash equivalents		24,192		17,823	
		24,434		18,055	
Creditors (amounts falling due within one year)	10	(2,356)		(1,231)	
Net current assets			**22,078**		**16,824**
Total assets less current liabilities			**459,061**		**421,538**
Non-current liabilities					
Provision for liabilities	11		(8,395)		(5,322)
Net assets			**450,666**		**416,216**
Capital and reserves					
Called up share capital	12		15,120		15,120
Share premium account			8,811		8,811
Capital redemption reserve	15		1,648		1,648
Special reserve	15		14,572		14,572
Capital reserve	15		404,220		369,275
Revenue reserve	15		6,295		6,790
Equity shareholders' funds			**450,666**		**416,216**
Net asset value per Ordinary Share (p)	13		**372.6p**		**344.1p**

The financial statements on pages 64 to 76 were approved and authorised for issue by the Board of Directors on 9 May 2022 and signed on its behalf by:

James Williams
Chairman

The accompanying notes are an integral part of these statements.

Pacific Assets Trust Public Limited Company – Company Registration Number: SC091052 (Registered in Scotland)

Notes to the Financial Statements

1. Accounting Policies

A summary of the principal accounting policies adopted is set out below or as appropriate within the relevant note to the financial statements.

(a) Basis of Accounting

These financial statements have been prepared under UK Company Law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and in accordance with guidelines set out in the Statement of Recommended Practice ('SORP'), published in February 2021, for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies ('AIC'), the historical cost convention, as modified by the valuation of investments at fair value through profit or loss.

The Board has considered a detailed assessment of the Company's ability to meets its liabilities as they fall due, including stress and liquidity tests which modelled the effects of substantial falls in markets and significant reductions in market liquidity (including further stressing the current economic conditions caused by the Covid-19 pandemic and certain geopolitical events) on the Company's assets and liabilities. In light of the results of these tests, the Company's cash balances, the liquidity of the Company's investments and the absence of any gearing, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of approval of these financial statements and that, accordingly, it is appropriate to adopt the going concern basis in preparing these financial statements.

The Company has taken advantage of the exemption from preparing a Cash Flow Statement under FRS 102, as it is an investment fund whose investments are substantially highly liquid, carried at fair (market) value and provides a statement of changes in net assets.

The Board is of the opinion that the Company is engaged in a single segment of business, namely investing in accordance with the Investment Objective, and consequently no segmental analysis is provided.

Significant Judgement

There is one significant judgement involved in the presentation of the Company's accounts being the judgement on the functional and presentational currency of the Company.

The Company's investments are made in foreign currencies, however the Board considers the Company's functional and presentational currency to be sterling. In arriving at this conclusion, the Board considered that the shares of the Company are listed on the London Stock Exchange, it is incorporated in the United Kingdom and pays dividends and expenses in sterling. All values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Section 1158 of the Corporation Tax Act 2010.

(b) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the Statement of Financial Position. Profits or losses on the translation of foreign currency balances, whether realised or unrealised, are taken to the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature.

(c) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

2. Income

	2022 £'000	2021 £'000
Income from investments		
Overseas dividends	4,657	5,158
Bank interest	-	5
	4,657	**5,163**

Dividends receivable are recognised on the ex-dividend date. Where no ex-dividend date is quoted, dividends are recognised when the Company's right to receive payment is established. Foreign dividends are gross of withholding tax.

Special dividends of a revenue nature are recognised through the revenue column of the Income Statement. Special dividends of a capital nature are recognised through the capital column of the Income Statement.

Where the Company has elected to receive its dividends in the form of additional shares rather than cash the amount of the stock dividend is recognised in the revenue column.

3. Portfolio Management and AIFM Fees

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Portfolio management fee						
– Stewart Investors	949	2,850	3,799	755	2,265	3,020
AIFM fee – Frostrow	121	362	483	96	288	384
	1,070	**3,212**	**4,282**	**851**	**2,553**	**3,404**

Further information regarding Stewart Investors and Frostrow's fees can be found on pages 43 and 44.

All expenses and interest are accounted for on an accruals basis. Expenses and interest are charged to the Income Statement as revenue items except where incurred in connection with the maintenance or enhancement of the value of the Company's assets and taking account of the expected long-term returns, when they are split as follows:

- Portfolio Management and AIFM fees payable have been allocated 25% to revenue and 75% to capital.
- Transaction costs incurred on the purchase and sale of investments are taken to the Income Statement as a capital item, within gains on investments held at fair value through profit or loss.

4. Other Expenses

	2022 £'000	2021 £'000
Directors' fees	161	150
Employers NIC on directors' remuneration	13	13
Auditor's remuneration for:		
– annual audit	37	41[1]
Depository fees	41	-
Custody fees	217	185
Registrar fees	26	25
Broker retainer	30	30
Listing fees	26	28
Legal and professional fees	43	46
Other expenses	98	88
Total expenses	**692**	**606**

[1] Included £7,000 payable to KPMG (the Company's external auditor at the time) relating to additional work required during the 2020 audit as a result of the COVID pandemic

For accounting policy, see note 3 on the prior page.

5. Taxation

(a) Analysis of Charge in the Year

	2022			2021		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Overseas taxation	591	-	591	585	3	588
Indian capital gains tax charge	(104)	5,343	5,239	-	3,571	3,571
Overseas tax recoverable	-	-	-	(30)	-	(30)
	487	**5,343**	**5,830**	**555**	**3,574**	**4,129**

Overseas tax arose as a result of irrecoverable withholding tax on overseas dividends and Indian capital gains tax ("CGT").

As an investment trust, the Company is generally not subject to tax on capital gains. However, Indian capital gains tax arises on capital gains on the sale of Indian securities at a rate of 15% on short-term capital gains (defined as those where the security was held for less than a year) and 10% on long-term capital gains. £3,037,000 (2021: £3,571,000) of the charge arose on unrealised long-term capital gains on securities still held and is included in deferred taxation on unrealised capital gains on Indian securities as set out in note 11 on page 72. £2,202,000 (2021: nil) of the charge relates to capital gains tax paid on disposals during the year.

(b) Reconciliation of Tax Charge

The revenue account tax charge for the year is lower than the standard rate of corporation tax in the UK of 19.0% (2021: 19.0%).

The differences are explained below:

	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000	2021 Revenue £'000	2021 Capital £'000	2021 Total £'000
Total return on ordinary activities before tax	2,895	40,288	43,183	3,706	74,550	78,256
Corporation tax charged at 19.0% (2021: 19.0%)	550	7,655	8,205	704	14,165	14,869
Effects of:						
Gains on investment not subject to UK corporation tax	-	(8,287)	(8,287)	-	(14,673)	(14,673)
Non-taxable exchange differences	-	22	22	-	23	23
Expenses not deductible for tax purposes	335	610	945	276	485	761
Income not subject to corporation tax	(885)	-	(885)	(980)	-	(980)
Indian capital gains tax charge (see note 5a)	(104)	5,343	5,239	-	3,571	3,571
Overseas taxation	591	-	591	585	3	588
Overseas tax recovered	-	-	-	(30)	-	(30)
Tax charge for the year	**487**	**5,343**	**5,830**	**555**	**3,574**	**4,129**

As at 31 January 2022 the Company had unutilised management expenses and other reliefs for taxation purposes of £52,693,000 (2021: £47,719,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised. A reduction in the UK corporation tax rate from 19% to 17% (effective from 1 April 2021) was substantively enacted on 6 September 2016. In the 11 March 2021 budget, it was announced that the UK tax rate would remain at 19%.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate has been enacted as at the date of the Statement of Financial Position.

The tax effect of different items of income/gain and expenditure/loss is allocated between capital and revenue as set out in this note. The standard rate of corporation tax is applied to taxable net revenue. Any adjustment resulting from relief for overseas tax is allocated to the revenue reserve.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more, or right to pay less, tax in future have occurred at the Statement of Financial Position date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences arising between the Company's taxable profits and its results as stated in the accounts which are capable of reversal in one or more subsequent periods. Deferred tax is measured without discounting and based on enacted tax rates. Due to the Company's status as an investment trust, and the intention to meet the conditions required to obtain approval under Section 1158 of the Corporation Tax Act 2010, the Company has not provided for deferred UK tax on any capital gains and losses arising on the revaluation or disposal of investments.

Deferred tax has been provided for on capital gains arising on Indian securities as noted in 5(a) above.

6. Dividends

Amounts recognised as distributable to shareholders for the year ended 31 January 2022, were as follows:

	2022 £'000	2021 £'000
Final dividend paid for the year ended 31 January 2021 of 2.4p per share	2,903	-
Final dividend paid for the year ended 31 January 2020 of 3.0p per share	-	3,628

In respect of the year ended 31 January 2022, a final dividend of 1.9p per share has been proposed and will be reflected in the Annual Report for the year ending 31 January 2023. Details of the ex-dividend and payment dates are provided on page 42.

The Board's current policy is to pay dividends only out of revenue reserves. Therefore the amount available for distribution as at 31 January 2022 is £6,295,000 (2021: £6,790,000).

The dividends payable in respect of both the current and the previous financial year, which meet the requirements of Section 1158 CTA 2010, are set out below:

	2022 £'000	2021 £'000
Revenue available for distribution by way of dividend for the year	2,408	3,151
Final dividend of 1.9p per share (2021: final dividend of 2.4p)	(2,298)	(2,903)
Transfer to revenue reserves	**110**	**248**

Dividends paid by the Company on its shares are recognised in the financial statements in the year in which they are paid and are shown in the Statement of Changes in Equity.

7. Return per Share

The return per share is as follows:

	2022			2021		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	2.0p	28.9p	30.9p	2.6	58.7	61.3

The total return per share is based on the total return attributable to shareholders of £37,353,000 (2021: £74,127,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £2,408,000 (2021: £3,151,000).

The capital return per share is based on the net capital return attributable to shareholders of £34,945,000 (2021: return of £70,976,000).

The total return, revenue return and the capital return per share are based on the weighted average number of shares in issue during the year of 120,958,386 (2021: 120,958,386).

The calculations of the returns per Ordinary Share have been carried out in accordance with IAS 33 Earnings per Share.

8. Investments

	2022 £'000	2021 £'000
Investments		
Cost at start of year	267,140	222,736
Investment holding gains at start of year	137,574	86,781
Valuation at start of year	404,714	**309,517**
Purchases at cost	82,266	110,858
Disposal proceeds	(93,611)	(92,887)
Gains on investments	43,614	77,226
Valuation at end of year	436,983	**404,714**
Cost at 31 January	290,337	267,140
Investment holding gains at 31 January	146,646	137,574
Valuation at 31 January	**436,983**	**404,714**

The Company received £93,611,000 (2021: £92,887,000) from investments sold in the year. The book cost of these investments when they were purchased was £59,069,000 (2021: £66,454,000). 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.

During the year the Company incurred transaction costs on purchases of £121,000 (2021: £156,000) and transaction costs on sales of £206,000 (2021: £231,000).

Valuation of Investments

Investments are measured initially and at subsequent reporting dates at fair value. Purchases and sales are recognised on the trade date where a contract exists whose terms require delivery within the time frame established by the market concerned. For quoted securities fair value is either bid price or last traded price, depending on the convention of the exchange on which the investment is listed. Changes in fair value and gains or losses on disposal are included in the Income Statement as a capital item.

In addition, for financial reporting purposes, fair value measurements are categorised into a fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 – Quoted prices in active markets.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data), either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable).

All investments have been classified as Level 1 (2021: All Level 1).

9. Debtors

	2022 £'000	2021 £'000
Accrued income	204	163
Other debtors	38	69
	242	**232**

10. Creditors: Amounts Falling Due Within One Year

	2022 £'000	2021 £'000
Amounts due to brokers	1,016	143
Portfolio management fee – Stewart Investors	996	868
AIFM fee – Frostrow	125	106
Other creditors	219	114
	2,356	**1,231**

11. Provisions for liabilities

	2022 £'000	2021 £'000
Deferred taxation on unrealised capital gains on Indian securities	8,395	5,322

See note 5 for further details and accounting policy.

12. Share Capital

	2022 £'000	2021 £'000
Allotted and fully paid:		
120,958,386 Ordinary shares of 12.5p each (2021: 120,958,386)	15,120	15,120

During the year, no Ordinary shares were issued (2021: nil).

The capital of the Company is managed in accordance with its investment policy which is detailed in the Strategic Report on pages 21 and 22.

The Company does not have any externally imposed capital requirements.

13. Net Asset Value Per Share

The net asset value per share of 372.6p (2021: 344.1p) is calculated on net assets of £450,666,000 (2021: £416,216,000), divided by 120,958,386 (2021: 120,958,386) shares, being the number of shares in issue at the year end.

14. Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, and debtors and creditors that arise directly from its operations. As an investment trust, the Company holds an investment portfolio of financial assets in pursuit of its investment objective.

Fixed asset investments (see note 8 on page 71) are valued at fair value in accordance with the Company's accounting policies. The fair value of all other financial assets and liabilities is represented by their carrying value in the Statement of Financial Position shown on page 65.

The main risks that the Company faces arising from its financial instruments are:

(i) market risk, including:

- other price risk, being the risk that the value of investments will fluctuate as a result of changes in market prices;
- interest rate risk, being the risk that the future cash flows of a financial instrument will fluctuate because of changes in interest rates;
- foreign currency risk, being the risk that the value of financial assets and liabilities will fluctuate because of movements in currency rates;

(ii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and

(iii) liquidity risk, being the risk that the Company will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments. Under normal market trading volumes, the investment portfolio could be substantially realised within a week.

Other price risk

The management of other price risk is part of the portfolio management process and is typical of equity investment. The investment portfolio is managed with an awareness of the effects of adverse price movements through detailed and continuing analysis with an objective of maximising overall returns to shareholders. Further information on how the investment portfolio is managed is set out on page 2. Although it is the Company's current policy not to use derivatives they may be used from time to time, with prior Board approval, to hedge specific market risk or gain exposure to a specific market.

If the investment portfolio valuation rose or fell by 10% at 31 January, the impact on the net asset value would have been £41.1 million (2021: £39.9 million). The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Interest rate risk

Floating rate

When the Company retains cash balances the majority of the cash is held in overnight call accounts. The benchmark rate which determines the interest payments received on cash balances is the bank base rate for the relevant currency for each deposit.

Foreign currency risk

The Company invests in overseas securities and holds foreign currency cash balances which give rise to currency risks. Foreign currency risks are managed alongside other market risks as part of the management of the investment portfolio. It is currently not the Company's policy to hedge this risk on a continuing basis but it can do so from time to time.

Foreign currency exposure:

	2022				2021			
	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000	Investments £'000	Cash £'000	Debtors £'000	Creditors £'000
Chinese renminbi	26,979	-	-	-	15,613	-	-	-
Indian rupee	216,401	254	22	(9,355)	164,672	5,331	-	(5,427)
New Taiwanese dollar	55,785	69	10	-	61,342	33	5	-
Hong Kong dollar	28,513	-	-	-	39,573	-	-	-
Philippine peso	5,489	-	-	-	6,677	-	-	-
Indonesian rupiah	21,405	-	-	-	21,222	-	-	
Japanese yen	39,018	-	100	-	41,142	-	69	-
Bangladesh taka	10,606	35	-	-	15,857	-	72	-
Thai baht	8,517	-	-	-	8,623	-	-	-
Malaysian ringgit	5,771	9	-	-	5,903	-	-	-
Sri Lankan rupee	-	-	-	-	2,594	-	-	-
Singapore dollar	-	6,940	-	-	2,967	207	-	-
US dollar	-	7,147	-	-	-	190	-	-
Korean won	18,499	-	68	(56)	18,529	-	8	-
Total	436,983	14,454	200	(9,411)	404,714	5,761	154	(5,427)

At 31 January 2022 the Company had £9,738,000 of sterling cash balances (2021: £12,062,000).

During the year sterling strengthened by an average of 0.4% (2021: strengthened by 1.5%) against all of the currencies in the investment portfolio (weighted for exposure at 31 January). If the value of sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the net asset value would have been negative £41.0 million (2021: negative £36.8 million). If the value of sterling had weakened against each of the currencies in the investment portfolio by 10%, the impact on the net asset value would have been positive £50.2 million (2021: positive £45.0 million). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year as a whole.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company. The Portfolio Manager has in place a monitoring procedure in respect of counterparty risk which is reviewed on an ongoing basis. The carrying amounts of financial assets best represents the maximum credit risk exposure at the Statement of Financial Position date, and the main exposure to credit risk is via the Custodian which is responsible for the safeguarding of the Company's investments and cash balances.

At the reporting date, the Company's financial assets exposed to credit risk amounted to the following:

	2022 £'000	2021 £'000
Cash and cash equivalents	24,192	17,823
Debtors	242	232
	24,434	18,055

All the assets of the Company which are traded on a recognised exchange are held by J.P. Morgan Chase Bank, the Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk as described in the Strategic Report on pages 24 to 27.

The credit risk on cash is controlled through the use of counterparties or banks with high credit ratings (rated AA or higher), assigned by international credit rating agencies. Cash is currently held at JP Morgan Chase Bank and Lloyds Bank plc. Bankruptcy or insolvency of such financial institutions may cause the Company's ability to access cash placed on deposit to be delayed, limited or lost.

Liquidity risk

The Company's liquidity risk is managed on an ongoing basis by the Portfolio Manager. Substantially all of the Company's portfolio would be realisable within one week, under normal market conditions. There may be circumstances where market liquidity is lower than normal. Stress tests have been performed to understand how long the portfolio would take to realise in such situations. The Board is comfortable that in such a situation the Company would be able to meet its liabilities as they fall due.

Capital management policies and procedures

The Company's capital management objectives are to ensure that it will be able to continue as a going concern and to maximise the return to its equity shareholders.

The Board's policy on gearing and leverage is set out on page 22. The Company had no gearing or leverage during the current or prior year.

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as shown in the Statement of Financial Position on page 65.

The Board, with the assistance of the AIFM and the Portfolio Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This includes a review of:

- the need to buy back equity shares, either for cancellation or to hold in treasury, in light of any share price discount to net asset value per share in accordance with the Company's share buy-back policy;
- the need for new issues of equity shares, including issues from treasury; and
- the extent to which revenue in excess of that which is required to be distributed should be retained.

The Company's objectives, policies and processes for managing capital are unchanged from the prior year.

15. Reserves

Capital redemption reserve

This reserve arose when ordinary shares were redeemed by the Company and subsequently cancelled, at which point the amount equal to the par value of the ordinary share capital was transferred from the ordinary share capital to the Capital Redemption Reserve.

Special reserve

The Special Reserve arose following court approval in February 1999 to transfer £24.2 million from the share premium account.

Capital reserve

The following are accounted for in this reserve: gains and losses on the disposal of investments; changes in the fair value of investments; and, expenses and finance costs, together with the related taxation effect, charged to capital in accordance with note 3 on page 67. Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue reserve

The Revenue Reserve reflects all income and expenses that are recognised in the revenue column of the Income Statement.

Distributable reserves

The Revenue, Special and Capital Reserves are distributable. It is the Board's current policy to pay dividends only from the revenue reserve.

16. Related Party Transactions

The following are considered to be related parties:

- Frostrow Capital LLP (under the Listing Rules only)
- Stewart Investors
- The Directors of the Company

Details of the relationship between the Company and Frostrow Capital LLP, the Company's AIFM, are disclosed on pages 43 and 44. During the year ended 31 January 2022, Frostrow earned £483,000 (2021: £384,000) in respect of portfolio management fees, of which £125,000 (2021: £106,000) was outstanding at the year end.

The Company employs Stewart Investors as its Portfolio Manager, details of this arrangement are disclosed on page 43. During the year ended 31 January 2022, Stewart Investors earned £3,799,000 (2021: £3,020,000) in respect of portfolio management fees, of which £996,000 (2021: £868,000) was outstanding at the year end.

All material related party transactions have been disclosed in notes 3 and 4 on pages 67 and 68. Details of the remuneration and the shareholdings of all Directors can be found on pages 32 and 33.

Sustainable Finance Disclosure Regulation ("SFDR") and EU Taxonomy Regulation Report (unaudited)

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Product name:
Pacific Assets Trust plc

Legal entity identifier:
2138008U8QPGAESFYA48

Sustainable investment objective

To what extent was the sustainable investment objective of this financial product met?

The Trust seeks to achieve long-term capital appreciation by investing in companies which both contribute to and benefit from sustainable development, achieving positive social and environmental sustainable outcomes.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Positive social sustainability outcomes include the enablement of improved health and wellbeing; access to income-generating and enterprise opportunities; fair employment and workplace safety; access to education and learning opportunities; communication and access to information; financial inclusion; sustainable transport and mobility; better access to housing, water, sanitation and electricity; and social inclusion and reduced inequality.

Positive environmental sustainability outcomes include more careful, efficient and productive use of natural resources; reduced waste and improved waste management; the wider adoption of circular economy practices and measures; the adoption of renewable and cleaner energy technologies; reduced greenhouse gas emissions; reduced water, air and other environmental pollution; a slowing in the rate of land degradation, land use change and loss of forests and biodiversity; and measures and technologies that enable climate change adaptation and resilience.

The Trust only invests in companies that are sustainable investments which contribute to an social and/or environmental objective. The contribution of the Trust's investments to the social and environmental objectives are assessed by reference to two framework indicators – the manager's human development pillars and Project Drawdown climate change solutions.

Human development pillars

The manager has determined 10 broad pillars which they believe encapsulate the essence of human development and which can be mapped to companies. Each investee company must be contributing in a tangible way to at least one of the following pillars:

- Nutrition
- Healthcare and hygiene
- Water and sanitation
- Energy
- Housing
- Employment
- Finance
- Standard of living
- Education
- Information

As at 31 December 2021, the Trust held **63** companies. **All companies (100%)** were contributing to at least one **human development pillar** and, in total, companies were contributing towards **173** pillars.

Climate change solutions

Project Drawdown is a non-profit organisation, founded in 2014, which has mapped, measured and modelled over 80 different solutions to global warming, with the ultimate goal of reaching drawdown – i.e. the point in the future when emissions stop increasing and start to steadily decrease. Each Trust investment is mapped by the manager against the c.80 solutions (which are captured in eight broader solutions of Buildings, Circular economy / industry, Conservation / restoration, Energy, Food system, Human development, Transport and Water). The manager's focus is on whether the companies themselves are making a meaningful contribution and will have meaningful involvement with the delivery of any of those solutions. Where the companies in which the Trust invests do contribute to any of the solutions, they will be involved in making products and delivering services directly, by enabling/supporting those solutions, or indirectly.

As at 31 December 2021, the Trust held **63** companies. **38 companies (60%)** were contributing towards **climate change solutions.** These companies were contributing towards **32** different solutions and **105** solutions in total.

These frameworks, alongside the manager's own bottom-up analysis, lean on measurable and reportable outcomes as evidence for determining a company's meaningful contribution to sustainable development.

Meaningful company contribution:

1. Demonstrates a clear link to the underlying issue and solution, including whether the contribution is direct, enabling/supporting or indirect.
2. Is relevant for the company either as a revenue/growth driver, as strategic initiatives backed by research and development or capital expenditure, or a function of strong culture or behaviours and 'how they do things' e.g. for equality and diversity.

3. Recognises negative impacts from the company, including contradictions and risks of perverse outcomes.

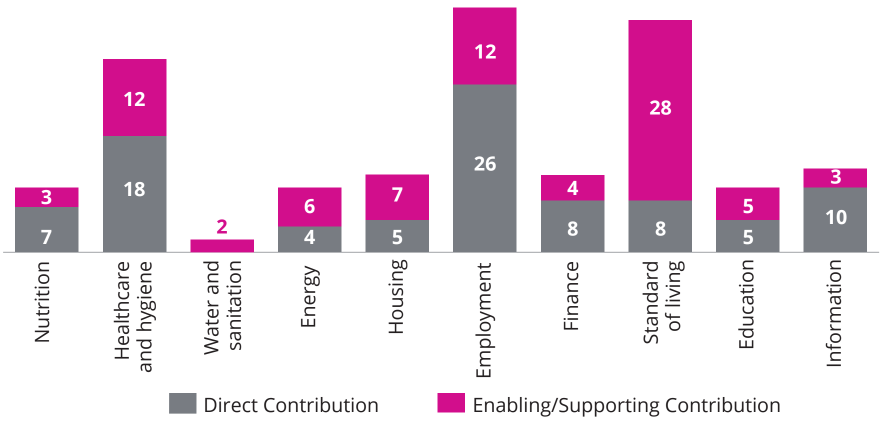
- ***How did the sustainability indicators perform?***
  Companies can contribute in many different ways to a better future for people and planet. To align with their bottom-up investment approach, the manager provides descriptions on the Trust website, via their interactive Portfolio Explorer tool, on how they believe each company is contributing towards sustainable development. Click on the link below to access the tool.

  pacific-assets.co.uk/trust-information/portfolio-explorer.html

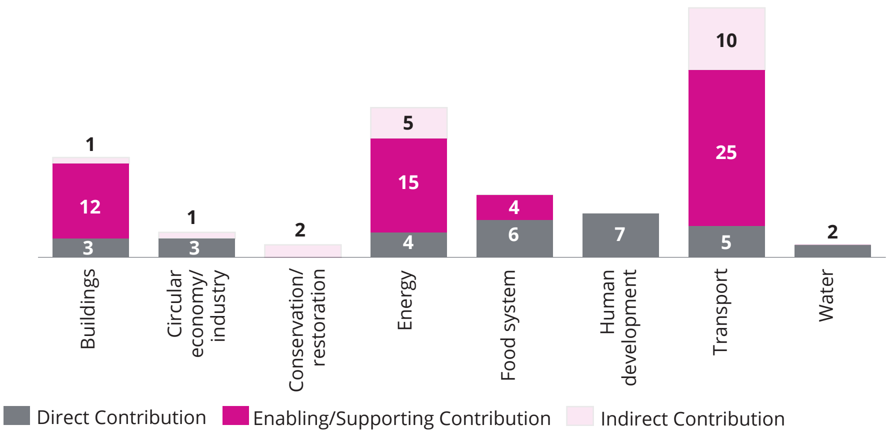
  Shareholders can explore the stories of individual companies organised by the diverse contributions they make towards human development pillars and climate solutions. This information is updated on a quarterly basis.

  The social and environmental outcomes for the Trust as at 31 December 2021 are provided in the charts below.

Human development pillars
(number of companies contributing to each pillar)



Climate change solutions
(number of companies contributing to each solution)



To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

The table below sets-out the extent to which the Trust's investments as at 31 December 2021 were in economic activities that qualify as environmentally sustainable under the EU Taxonomy Regulation ((EU) 2020/852), including details on the proportions of enabling and transitional activities, as a percentage of all investments selected for the Company:

EU Taxonomy aligned assets (%)	Enabling activities (%)	Transitional activities (%)
1.21	1.21	0.00

"Enabling activities" directly enable other activities to make a substantial contribution to an environmental objective. "Transitional activities" are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is:

1 February 2021 –
31 January 2022

Largest investments	Sector	% Assets	Country
Tube Investments of India Limited	Consumer Discretionary	5.7	India
CG Power & Industrials Solutions Ltd	Industrials	5.1	India
Mahindra & Mahindra Ltd	Consumer Discretionary	4.8	India
Marico Limited	Consumer Staples	3.1	India
Hoya Corp	Healthcare	3.0	Japan
Unicharm Corporation	Consumer Staples	3.0	Japan
Voltronic Power Technology Corp	Industrials	2.6	Taiwan
Elgi Equipments Ltd	Industrials	2.4	India
Taiwan Semiconductor Manufacturing Co. Ltd.	Information Technology	2.3	Taiwan
Koh Young Technology Inc.	Information Technology	2.3	South Korea
Housing Development Finance Corporation Limited	Financials	2.2	India
Tata Consumer Products	Consumer Staples	2.1	India
Techtronic Industries Co. Ltd.	Industrials	2.1	Hong Kong
Advantech Co. Ltd.	Information Technology	2.0	Taiwan
Vitasoy International Holdings	Consumer Staples	2.0	Hong Kong

Shareholder Information

Financial Calendar

31 January	Financial Year End
May	Final Results Announced
June	Annual General Meeting
July	Dividend Payable
31 July	Half Year End
September	Half Year Results Announced

Annual General Meeting

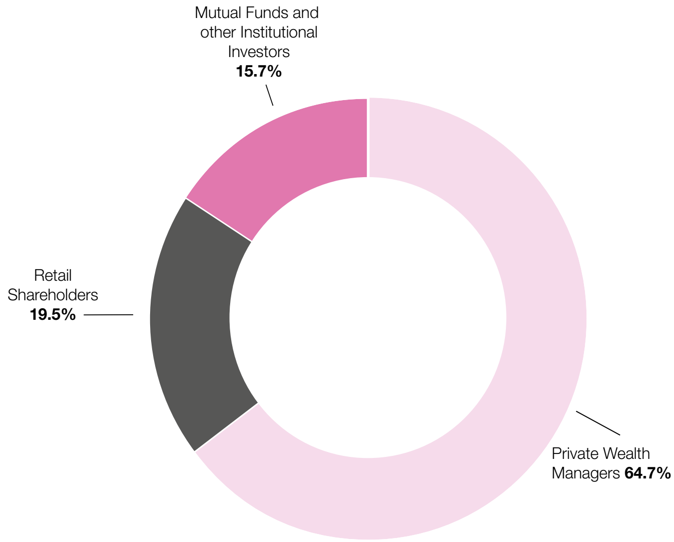
The Annual General Meeting of Pacific Assets Trust plc will be held at the offices of Stewart Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on Tuesday, 28 June 2022 at 12 noon. Please refer to the Chairman's Statement beginning on page 6 for details of this year's arrangements.

Dividend

A final dividend is paid annually following approval at the Annual General Meeting. Shareholders who wish to have dividends paid directly into a bank account, rather than by cheque posted to their registered address, can complete a mandate form for the purpose. Mandates may be obtained from the Registrar, Equiniti Limited, on request.

Profile of the Company's Ownership

% of shares held at 31 January 2022



Source: Richard Davies Investor Relations

Share Prices

The Company's shares are listed on the London Stock Exchange under 'Investment Companies'. The price is given daily in the Financial Times and other newspapers.

Change of Address

Communications with shareholders are mailed to the address held on the share register. In the event of a change of address or other amendment this should be notified to the Registrar, Equiniti Limited, under the signature of the registered holder.

Daily Net Asset Value

The daily net asset value of the Company's shares can be obtained on the Company's website at www.pacific-assets.co.uk and is published daily via the London Stock Exchange.

How to Vote

If you hold your shares directly you will have received a paper proxy form. For this year's Annual General Meeting you should ensure that this is returned to the Registrar, Equiniti, before 12 noon on 24 June 2022. Alternatively, you can vote online. To submit a proxy form online, an internet-enabled PC with Internet Explorer 4 or Netscape 4 or above is required. Shareholders will require their Voting ID, Task ID and Shareholder Reference Number which can be found on the personalised proxy form which accompanies this report, to access this service. Before a proxy can be appointed, shareholders will be asked to agree to the terms and conditions for electronic proxy appointment. The use of the electronic proxy appointment service offered through Equiniti Limited, the Company's registrar, is entirely voluntary.

If you hold your shares via an investment platform or a nominee, you should contact them to inquire about arrangements to vote.

Glossary of Terms and Alternative Performance Measures (unaudited)

AIFMD

The Alternative Investment Fund Managers Directive (the 'Directive') is a European Union Directive that entered into force on 22 July 2013. The Directive, which was retained in UK law following the withdrawal of the UK from the European Union, regulates fund managers that manage alternative investment funds (including investment trusts).

Where an entity falls within the scope of the Directive, it must appoint a single Alternative Investment Fund Manager ('AIFM'). The core functions of an AIFM are portfolio and risk management. An AIFM can delegate one but not both of these functions. The entity must also appoint an independent Depositary whose duties include the following: the safeguarding and verification of ownership of assets; the monitoring of cashflows; and to ensure that appropriate valuations are applied to the entity's assets.

Average Discount

The average share price for the period divided by the average net asset value for the period minus 1.

	2022 pence	2021 pence
Average share price for the year	342.3	268.1
Average net asset value for the year	369.3	294.9
Average Discount	**7.3%**	**9.1%**

Bottom Up Approach

An investment approach that focuses on the analysis of individual stocks rather than the significance of macroeconomic factors.

Discount or Premium

A description of the difference between the share price and the net asset value per share. The size of the discount or premium is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage (%) of the net asset value per share. If the share price is higher than the net asset value per share the result is a premium. If the share price is lower than the net asset value per share, the shares are trading at a discount.

Gearing

The term used to describe the process of borrowing money for investment purposes. The expectation is that the returns on the investments purchased will exceed the finance costs associated with those borrowings.

There are several methods of calculating gearing and the following has been selected:

Total assets less current liabilities (before deducting any prior charges) minus cash/cash equivalents divided by shareholders' funds, expressed as a percentage.

MSCI Disclaimer

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Net Asset Value ("NAV")

The value of the Company's assets, principally investments made in other companies and cash being held, minus any liabilities. The NAV is also described as "shareholders' funds" per share. The NAV is often expressed in pence per share after being divided by the number of shares which have been issued. The NAV per share is unlikely to be the same as the share price which is the price at which the Company's shares can be bought or sold by an investor. The share price is determined by the relationship between the demand and supply of the shares.

Net Asset Value ("NAV") Per Share Total Return

The total return on an investment over a specified period assuming dividends paid to shareholders were reinvested at net asset value per share at the time the shares were quoted ex-dividend. This is a way of measuring investment management performance of investment trusts which is not affected by movements in discounts or premiums.

NAV Total Return	31 January 2022 p	31 January 2021 p
Opening NAV	344.1	285.8
Increase in NAV	30.9	61.3
Dividend paid	(2.4)	(3.0)
Closing NAV	**372.6**	**344.1**
Increase in NAV	**9.0%**	**21.4%**
Impact of reinvested dividends	0.1%	0.9%
NAV Total Return	**9.1%**	**22.3%**

Ongoing Charges

Ongoing charges are calculated by taking the Company's annualised operating expenses as a proportion of the average daily net asset value of the Company over the year. The costs of buying and selling investments are excluded, as are interest costs, taxation, cost of buying back or issuing ordinary shares and other non-recurring costs.

	31 January 2022 £'000	31 January 2021 £'000
Operating expenses	4,974	4,010
Average net assets during the year	446,596	356,104
Ongoing charges	**1.1%**	**1.1%**

Performance Objective

The Company's performance objective, against which the Portfolio Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6% (calculated on an annual basis) measured over three to five years. The Consumer Price Index is published by the UK Office for National Statistics and represents inflation. The additional 6% is a fixed element to represent what the Board considers to be a reasonable premium on investors' capital which investing in the faster-growing Asian economies ought to provide over time. The performance objective is designed to reflect that the Portfolio Manager's approach does not consider index composition when investing.

	Total Return (annualised)		
	Share Price (%)	NAV (%)	CPI + 6% (%)
One year to 31 January 2022	2.9	9.1	11.5
Three years to 31 January 2022	9.0	9.9	6.0
Five years to 31 January 2022	9.4	10.2	8.8

Revenue Return per Share

The revenue return per share is calculated by taking the return on ordinary activities after taxation and dividing it by the weighted average number of shares in issue during the year (see note 7 on page 70 for further information).

Share Price Total Return

The total return on an investment over a specified period assuming dividends paid to shareholders were reinvested in the Company's shares at the share price at the time the shares were quoted ex-dividend.

Share Price Total Return	31 January 2022 p	31 January 2021 p
Opening share price	333.0	268.0
Increase in share price	9.4	68.0
Dividend paid	(2.4)	(3.0)
Closing share price	**340.0**	**333.0**
Increase in share price	**2.8%**	**25.4%**
Impact of reinvested dividends	0.1%	0.4%
Share Price Total Return	**2.9%**	**25.8%**

Volatility

A measure of the range of possible returns for a given security or market index.

How to Invest

Retail Investors advised by IFAs

The Company currently conducts its affairs so that its shares can be recommended by Independent Financial Advisers ("IFAs") in the UK to ordinary retail investors in accordance with the Financial Conduct Authority ("FCA") rules in relation to non-mainstream investment products and intends to continue to do so. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust.

Equiniti – Share Dealing Service

An internet and telephone dealing service is available through the Company's registrar, Equiniti. This provides a simple way for UK shareholders of Pacific Assets Trust plc to buy or sell the Company's shares. For full details and terms and conditions simply log onto www.shareview.co.uk/dealing or call 03456 037037 between 8.00am and 4.30pm Monday to Friday. This service is only available to shareholders of Pacific Assets Trust plc who hold shares in their own name, with a UK registered address and who are aged 18 and over.

Shareview Dealing is provided by Equiniti Financial Services Limited which has issued and approved the preceding paragraph. Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA is registered in England and Wales with number 6208699. Equiniti Financial Services Limited is authorised and regulated by the Financial Conduct Authority.

Investment Platforms

The Company's shares are traded openly on the London Stock Exchange and can be purchased through a stock broker or other financial intermediary. The shares are available through savings plans (including Investment Dealing Accounts, ISAs, Junior ISAs and SIPPs) which facilitate both regular monthly investments and lump sum investments in the Company's shares. There are a number of investment platforms that offer these facilities. The following is a list of some of them, which is not comprehensive and does not constitute any form of recommendation:

AJ Bell Youinvest	www.youinvest.co.uk/
Barclays Stockbrokers	www.smartinvestor.barclays.co.uk/
Bestinvest	www.bestinvest.co.uk/
Charles Stanley Direct	www.charles-stanley-direct.co.uk/
Halifax Share Dealing	www.halifaxsharedealing-online.co.uk
Hargreaves Lansdown	www.hl.co.uk/
HSBC	www.hsbc.co.uk/investments/products-and-services/invest-direct/
iDealing	www.idealing.com/
Interactive Investor	www.ii.co.uk/
IWEB	www.iweb-sharedealing.co.uk/
Saxo Capital Markets	www.home.saxo
WealthClub	www.wealthclub.co.uk

Risk warnings

Past performance is no guarantee of future performance. The value of your investment and any income from it may go down as well as up and you may not get back the amount invested. This is because the share price is determined by the changing conditions in the relevant stock markets in which the Company invests and by the supply and demand for the Company's shares. As the shares in an investment trust are traded on a stock market, the share price will fluctuate in accordance with the supply and demand and may not reflect the underlying net asset value of the shares; where the share price is less than the underlying value of the assets, the difference is known as the 'discount'. For these reasons investors may not get back the original amount invested. Although the Company's shares are denominated in sterling, it may invest in stocks and shares which are denominated in currencies other than sterling and to the extent they do so, they may be affected by movements in exchange rates. As a result the value of your investment may rise or fall with movements in exchange rates. Investors should note that tax rates and reliefs may change at any time in the future. The value of ISA tax advantages will depend on personal circumstances. The favourable tax treatments of ISAs may not be maintained.

Notice of the Annual General Meeting

Notice is hereby given that the thirty-sixth Annual General Meeting of Pacific Assets Trust Public Limited Company (the "Company") will be held at the offices of Stewart Investors, Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB on Tuesday, 28 June 2022 at 12 noon for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following as Ordinary Resolutions:

1. That the Report of the Directors and the Financial Statements for the year ended 31 January 2022 together with the Report of the Auditor thereon be received.
2. That the Directors' Remuneration Report for the year ended 31 January 2022 be approved.
3. That a final dividend for the year ended 31 January 2022 of 1.9p per share be declared.
4. That Ms M C Ginman be re-elected as a Director.
5. That Mrs S E Hansen be re-elected as a Director.
6. That Mr R E Talbut be re-elected as a Director.
7. That Mr E T A Troughton be re-elected as a Director.
8. That Mr J P Williams be re-elected as a Director.
9. That BDO LLP be re-appointed as Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid.
10. That the Audit Committee be authorised to determine BDO LLP's remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolutions 12, 13 and 14 will be proposed as Special Resolutions.

Authority to Allot Shares

11. That the Board of Directors of the Company (the 'Board') be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,511,979 (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Disapplication of Pre-emption Rights

12. That, subject to the passing of resolution 11 proposed at the Annual General Meeting of the Company convened for 28 June 2022 ('Resolution 11'), the Board of Directors of the Company (the 'Board') be and it is hereby generally empowered pursuant to sections 570 and 573 of the Companies Act 2006 (the 'Act') to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares')) for cash pursuant to the authority conferred on them by such Resolution 11 as if section 561(1) of the Act did not apply to any

such allotment, provided that this power shall be limited to:

the allotment of equity securities up to an aggregate nominal amount of £1,511,979, (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution) and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the Annual General Meeting of the Company to be held in 2023 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Authority to Repurchase Shares

13. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the 'Act') to make one or more market purchases (as defined in section 693(4) of the Act) of ordinary shares of 12.5 pence each in the capital of the Company ('Ordinary Shares') for cancellation on such terms and in such manner as the board of directors may determine provided that:

    (i) the maximum aggregate number of Ordinary Shares which may be purchased is 18,131,662 or, if changed, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution;

    (ii) the minimum price which may be paid for an Ordinary Share is 12.5 pence (exclusive of associated expenses);

    (iii) the maximum price which may be paid for an Ordinary Share (exclusive of associated expenses) shall not be more than the higher of: (a) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange for an Ordinary Share; and

    (iv) unless previously renewed, varied or revoked, this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2023 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed wholly or partly after such expiry and a purchase of Ordinary Shares may be made pursuant to any such contract.

General Meetings

14. That any General Meeting of the Company (other than the Annual General Meeting of the Company) shall be called by notice of at least 14 clear days in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company, or, if earlier, on the expiry 15 months from the date of the passing of this resolution.

Investment Policy

15. That the proposed investment policy set out on page 94 of the Annual Report for the year ended 31 January 2022, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policies of the Company.

By order of the Board

Registered office
16 Charlotte Square
Edinburgh
EH2 4DF

Frostrow Capital LLP
Company Secretary
9 May 2022

Notes

1. If you wish to attend the Annual General Meeting in person, you should arrive at the venue for the Annual General Meeting in good time to allow your attendance to be registered. It is advisable to have some form of identification with you as you may be asked to provide evidence of your identity to the Company's registrar, Equiniti Limited (the 'Registrar'), prior to being admitted to the Annual General Meeting.

2. Members are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Annual General Meeting. A proxy need not be a member of the Company but must attend the Annual General Meeting to represent a member. To be validly appointed a proxy must be appointed using the procedures set out in these notes and in the notes to the accompanying proxy form.

   If members wish their proxy to speak on their behalf at the meeting, members will need to appoint their own choice of proxy (not the chairman of the Annual General Meeting) and give their instructions directly to them.

   Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on 0371 384 2466. Lines are open between 8.30 am and 5.30 pm, Monday to Friday (excluding public holidays in England and Wales), the Registrars' overseas helpline number is +44 121 415 7047.

   A member may instruct their proxy to abstain from voting on any resolution to be considered at the meeting by marking the abstain option when appointing their proxy. It should be noted that an abstention is not a vote in law and will not be counted in the calculation of the proportion of votes "for" or "against" the resolution.

   The appointment of a proxy will not prevent a member from attending the Annual General Meeting and voting in person if he or she wishes.

   A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 overleaf.

3. A proxy form for use in connection with the Annual General Meeting is enclosed. 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 by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

   If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on 0371 384 2466. Other service providers' costs may vary. Lines are open between 8.30 am and 5.30 pm, Monday to Friday (excluding public holidays in England and Wales), The Registrars' overseas helpline number is +44 121 415 7047.

4. 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 by logging on to the following website: www.euroclear.com. 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.

   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 Registrar (ID RA19) no later 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that 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 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.

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 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 system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

5. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 p.m. on 26 June 2022 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

6. In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

7. Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).

8. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 24 June 2022 (or, if the Annual General Meeting is adjourned, at 6.30 p.m. on the day two working days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.

9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 (the "2006 Act") to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member 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 member as to the exercise of voting rights.

10. Information regarding the Annual General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of Annual General Meeting is available from www.pacific-assets.co.uk.

11. Members should note that it is possible that, pursuant to requests made by members of the Company under section 527 of the 2006 Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the 2006 Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the Company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the 2006 Act to publish on a website.

12. As at 6 May 2022 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 120,958,386 ordinary shares carrying

one vote each. Accordingly, the total voting rights in the Company at 6 May 2022 were 120,958,386 votes.

13. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the Annual General Meeting as his proxy will need to ensure that both he, and his proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.

14. Under section 319A of the 2006 Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

    Members who have any queries about the Annual General Meeting should contact Frostrow Capital LLP, the Company Secretary, at 25 Southampton Buildings, London WC2A 1AL or info@frostrow.com.

    Members may not use any electronic address provided in this notice or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.

15. The following documents will be available for inspection at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice and at the venue of the Annual General Meeting from 9.45 a.m. on the day of the Annual General Meeting until the conclusion of the Annual General Meeting:

    14.1 copies of the Directors' letters of appointment; and

    14.2 copies of the Directors' deeds of indemnity.

16. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 17 May 2022, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.

17. Given the risks posed by the spread of Covid-19 and in accordance with the Articles and Government guidance, the Company may impose restrictions on shareholders wishing to attend the AGM. Such restrictions may include limiting the number of shareholders permitted to attend the AGM in person. Other restrictions may be imposed as the chairman of the meeting may specify in order to ensure the safety of those attending the AGM.

Explanatory Notes to the Resolutions

Resolution 1 – To receive the Report of the Directors and the Financial Statements

The Report of the Directors and the Financial Statements for the year ended 31 January 2022 will be presented to the AGM. These accounts accompany this Notice of Meeting and shareholders will be given an opportunity to ask questions at the meeting.

Resolution 2 – Remuneration Report

It is mandatory for all listed companies to put their report on Directors' Remuneration to an advisory shareholder vote every year and their Remuneration Policy to a binding shareholder vote every three years. It is anticipated that the Remuneration Policy will next be put to shareholders at the AGM in 2023.

The Directors' Remuneration Report is set out in full on pages 54 to 56 and the Remuneration Policy is set out on page 56.

Resolution 3 – Declaration of a Final Dividend for the year ended 31 January 2022

Resolution 3 seeks shareholder approval for the declaration of a final dividend of 1.9p per share for the year ended 31 January 2022.

Resolutions 4 to 8 – Re-election of Directors

Resolutions 4 to 8 deal with the re-election of each Director. Biographies of each of the Directors and details of their specific contribution to the Board, can be found on pages 32 and 33.

The Board has confirmed, following a performance review, that the Directors standing for re-election continue to perform effectively.

Resolutions 9 and 10 – Re-appointment of Auditor and the determination of its remuneration

Resolutions 9 and 10 relate to the re-appointment of BDO LLP as the Company's independent Auditor to hold office until the next AGM and also authorise the Audit Committee to set their remuneration.

Resolutions 11 and 12 – Issue of Shares

Ordinary Resolution 11 in the Notice of Annual General Meeting will renew the authority to allot share capital up to an aggregate nominal amount of £1,511,979 (equivalent to 12,095,838 shares or 10% of the Company's existing issued share capital on 6 May 2022, being the nearest practicable date prior to the signing of this Report or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution). Such authority will expire on the date of the next AGM or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM.

When shares are to be allotted for cash, Section 551 of the Companies Act 2006 (the "Act") provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Special Resolution 12 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 6 May 2022, or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 11. This authority will also expire on the date of the next AGM or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

The Directors intend to use the authority given by Resolutions 11 and 12 to allot shares and disapply pre-emption rights only in circumstances where this will be clearly beneficial to shareholders as a whole. The issue proceeds would be available for investment in line with the Company's investment policy. No issue of shares will be made which would effectively alter the control of the Company without the prior approval of shareholders in general meeting.

Shares will only be issued at a premium to the Company's cum income net asset value per share at the time of issue.

Resolution 13 – Repurchase of Shares

The Directors wish to renew the authority given by shareholders at the previous AGM. The principal aim of a share buy-back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares, when they are trading at a discount to the net asset value per share, should result in an increase in the net asset value per share for the remaining shareholders. This authority, if conferred, will only be exercised if to do so would result in an increase in the net asset value per share for the remaining shareholders and if it is in the best interests of shareholders generally. Any purchase of shares will be made within guidelines established from time to time by the Board. It is proposed to seek shareholder authority to renew this facility for another year at the AGM.

Under the current Listing Rules, the maximum price that may be paid on the exercise of this authority must not exceed the higher of (i) 105% of the average of the middle market quotations for the shares over the five business days immediately preceding the date of purchase and (ii) the higher of the last independent trade and the highest current independent bid on the trading venue where the purchase is carried out. The minimum price which may be paid is 12.5p per share. Shares which are purchased under this authority will be cancelled.

Special Resolution 13 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 6 May 2022, being the nearest practicable date prior to the signing of this Report, (amounting to 18,131,662 shares or, if changed, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM or earlier if the authority has been exhausted.

Resolution 14 – General Meetings

Special Resolution 14 seeks shareholder approval for the Company to hold General Meetings (other than the AGM) on at least 14 clear days' notice. The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give at least 14 working days' notice if possible.

Resolution 15 – Investment Policy

Following the appointment of an external Alternative Investment Fund Manager ("AIFM") during the year, the Board is proposing a change to the gearing limits within the Company's Investment Policy.

While the Company has always had the power under its Articles of Association to borrow up to two times the adjusted total of capital and reserves, the Company's previous status as a Small Registered UK AIFM prohibited the Company from employing gearing. Following the appointment of Frostrow Capital LLP as AIFM, the Company is now able to employ gearing with the Board's approval and the Board is proposing to shareholders that any gearing be limited to 10% of the Company's net assets. Ordinary Resolution 15 seeks shareholder approval of this limit.

The proposed amendment has been approved in principle by the Financial Conduct Authority in accordance with the requirements of the Listing Rules. The Company currently has no gearing facilities in place and there is no intention to employ gearing in the immediate future, but the Board will keep this position under review alongside the Portfolio Manager and the AIFM. No gearing will be undertaken by the Company without the consent of the Board. Please see the Chairman's Statement beginning on page 6 for further information. The full text of the proposed Investment Policy is set out below:

Proposed Investment Policy

The Company invests in companies which Stewart Investors believe will be able to generate long-term growth for shareholders.

The Company invests principally in listed equities although it is able to invest in other securities, including preference shares, debt instruments, convertible securities and warrants. In addition, the Company may invest in open and closed-ended investment funds and companies.

The Company is only able to invest in unlisted securities with the Board's prior approval. It is the current intention that such investments are limited to those which are expected to be listed on a stock exchange or which cease to be listed and the Company decides to continue to hold or is required to do so.

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. There are no defined limits on countries or sectors but no single investment may exceed 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

No more than 10% of the Company's total assets may be invested in other listed closed-ended investment companies unless such investment companies themselves have published investment policies to invest no more than 15% of their total assets in other closed-ended investment companies, in which case the limit is 15%.

When deemed appropriate, the Company may borrow for investment purposes up to the equivalent of 10% of the net asset value of the Company at the time of drawdown of such borrowing.

The use of derivatives is permitted with prior Board approval and within agreed limits. However, Stewart Investors are unlikely to use derivatives as they do not form part of their investment strategy.

Recommendation

The Board considers that the resolutions detailed above are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 111,464 shares.

How to Vote

Please submit your votes by proxy using one of the following methods:

- Electronically using: www.sharevote.co.uk;
- Submitting a paper proxy form (available from the Registrar on request);
- CREST members may use the CREST electronic proxy appointment service;
- Institutional investors may also be able to appoint a proxy electronically via the Proxymity Platform www.proxymity.io; or
- If you hold your shares through a nominee or investment platform, please contact them to enquire about voting arrangements.

Company Information

Directors
J P Williams (Chairman)*
M C Ginman, FCA^
S E Hansen**
R E Talbut
E T A Troughton

*Chairman of the Nomination Committee
^Chair of the Audit Committee and Senior Independent Director
**Chair of the Engagement & Remuneration Committee

Registered Office
16 Charlotte Square
Edinburgh EH2 4DF
Website: www.pacific-assets.co.uk
Company Registration Number
SC091052 (Registered in Scotland)

The Company was incorporated in Scotland on 21 December 1984. The Company was incorporated as Pacific Assets Trust Public Limited Company.

Portfolio Manager
Stewart Investors
23 St. Andrew Square
Edinburgh EH2 1BB
Telephone: 0131 473 2200
Website: www.stewartinvestors.com
Authorised and regulated by the Financial Conduct Authority.

Alternative Investment Fund Manager
Frostrow Capital LLP
25 Southampton Buildings
London WC2A 1AL
Telephone: 0203 008 4910
Email: info@frostrow.com
Website: www.frostrow.com
Authorised and regulated by the Financial Conduct Authority.

Custodian
J.P. Morgan Chase Bank
25 Bank Street, Canary Wharf
London, E14 5JP
United Kingdom

Depositary
JP Morgan Europe Limited
25 Bank Street
London E14 5JP

Independent Auditor
BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Shareholder Helpline: 0371 384 2466*
Broker Helpline: 0371 384 2779*

*Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday (excluding public holidays in England and Wales).

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting your shareholder reference number. Registered shareholders can obtain further details of their holdings on the internet by visiting www.shareview.co.uk

Broker
Investec Bank plc
30 Gresham Street
London EC2V 7QP

Solicitors

Dickson Minto W.S.
16 Charlotte Square
Edinburgh EH2 4DF

Identification Codes

Shares:	SEDOL:	0667438
	ISIN:	GB0006674385
	Bloomberg:	PAC LN
	EPIC:	PAC

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