Pacific Assets Trust plc

Half Year Report & Accounts for the six months ended 31 July 2017

Contents

Management

Pacific Assets Trust plc (the "Company") employs Stewart Investors as Investment Manager and Frostrow Capital LLP to provide company management, company secretarial and administrative services.

Capital Structure

The Company's capital structure is composed solely of ordinary shares. At 31 July 2017 there were 119,698,386 ordinary shares in issue (31 January 2017: 119,548,386).

Gearing

The Company has been entered by the FCA on the register of small registered UK AIFMs. For so long as the Company remains on the register it is precluded from incurring borrowings.

Keep up to date with Pacific Assets Trust plc

For more information about
Pacific Assets Trust plc
visit the website at
www.pacific-assets.co.uk

The Company

The Company is an 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.

Investment Objective

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

Investment Approach

Stewart Investors invests in companies which it believes will deliver long-term growth to shareholders.

In delivering this strategy, Stewart Investors uses a sustainable approach in its management of the Company's portfolio. Stewart Investors seeks to generate attractive long-term, risk-adjusted returns by investing in the shares of those companies which are particularly well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

This investment approach can be summarised as follows:

- Stewart Investors' investment approach focuses on companies that they believe are particularly well-positioned to deliver long-term returns in the face of the huge development challenges facing all countries today.
- Stewart Investors believes that in order to tackle these development challenges, both developed and developing countries will need to shift away from the current debt dependent, resource and consumption intensive models, towards a more genuinely sustainable path of economic development.
- Stewart Investors invests their clients' capital in good quality companies with strong management teams and sound long-term growth prospects, and which are well-positioned to benefit from, and contribute to, the sustainable development of the countries in which they operate.

Financial Highlights

Key Statistics

	As at 31 July 2017	As at 31 January 2017	% change
Share price	254.5p	228.4p	11.4%
Net asset value per share	254.9p	240.2p	6.1%
(Discount) of share price to net asset value per share	(0.2%)	(4.9%)	–
Market capitalisation	£304.6m	£273.0m	11.6%
Shareholders' funds	£305.1m	£287.2m	6.2%

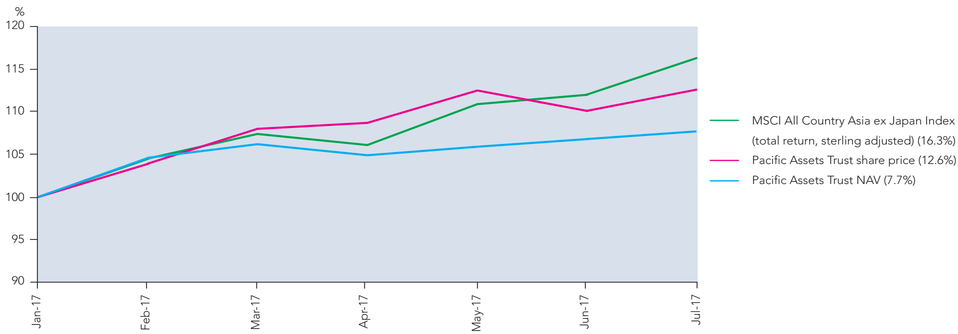
	Six months to 31 July 2017	One year to 31 January 2017
Share price (total return)*	12.6%	22.2%
Net asset value per share (total return)*	7.7%	27.0%
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)*	16.3%	36.7%

*Source: Morningstar

Dividends	Year ended 31 January 2017	Year ended 31 January 2016	
Final dividend per share+	2.6p	2.2p	18.2%

+The Company does not pay an interim dividend

Total Return and Benchmark Performance for the Six Months to 31 July 2017



Source: Morningstar
Rebased to 100 as at 31 January 2017

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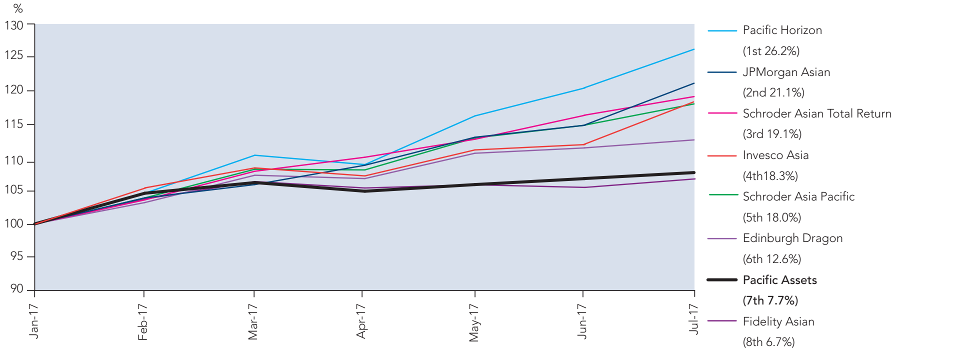
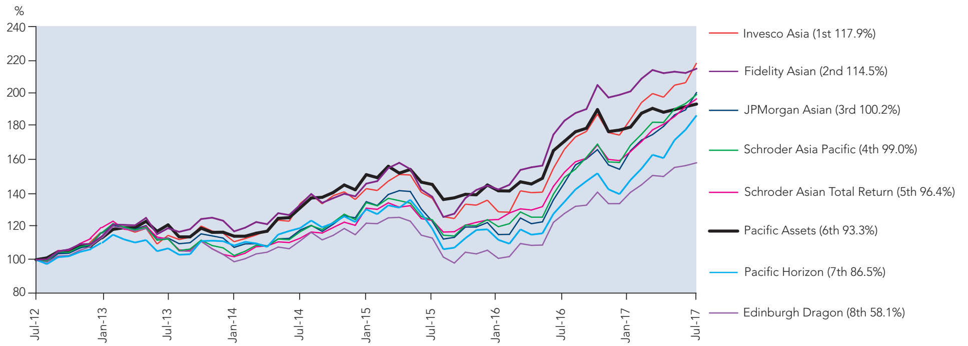
Peer Group Performance

Net Asset Value per Share Total Return Peer Group Performance for the Six Months to 31 July 2017



Source: Morningstar
Note: Total return for MSCI All Country Asia ex Japan Index for the six months to 31 July 2017, was +16.3%
Rebased to 100 as at 31 January 2017

Net Asset Value per Share Total Return Peer Group Performance for the Five Years to 31 July 2017



Source: Morningstar
Note: Total return MSCI All Country Asia ex Japan Index, since 31 July 2012, was +79.0%
Rebased to 100 as at 31 July 2012

Chairman's Statement

"The essence of our portfolio is in companies where the management well understands the political and economic volatility that can be inherent in the Asia Pacific Region."

Performance

Stock markets in Asia have performed robustly in the first half of the year assisted by a weakening of the US dollar and the levelling of interest rates and bond yields. The leadership of the markets has been quite narrow with Chinese internet stocks, and Korean and Taiwanese technology companies at the forefront. The political background remains volatile not least with high concern over the geopolitics of the Korean peninsula and continuing uncertainty over Trans-Pacific trade under the new US administration.

In sterling terms, the MSCI All Country Asia ex Japan index (measured on a total return Sterling adjusted basis) rose in the 6 months to 31 July by 16.3%. Unlike the previous period there was less assistance from a falling sterling exchange rate. This compares to the Company's net asset value per share total return of +7.7% and a share price total return of +12.6%. This is consistent with the relative underperformance of the Company over the previous reporting period. Our Investment Manager has a clear philosophy and they will not compromise this in search of shorter-term performance plaudits. In the Investment Manager's report beginning on page 5 they discuss in detail why they are not prepared to pursue some of the current popular market trends. I would remind shareholders that with a portfolio of shares with such a wide deviation from the index, and frequently from the peer group of Asian funds, that relative performance can vary quite appreciably both on the positive and on the negative side.

Investment Portfolio

A number of new positions were initiated by our Investment Manager during the half year. These are outlined in their report to shareholders. Nevertheless, overall portfolio turnover remains extremely low in keeping with their expectation that investments will be held for the long term. The conundrum is that good quality companies meeting our Investment Manager's standards can still be found, but the valuations placed on their tradeable stock are at levels which many prudent investors find close to being unpalatable.

Change to the Company's Investment Objective

Shareholder approval to amend the Company's Investment Objective was obtained at the Annual General Meeting held in 29 June 2017. Previously, the Company was able to invest up to 20% of its total assets (at the time of investment) in companies incorporated and/or listed outside the Asia Pacific Region, but whose economic activities were predominantly within the Asia Pacific Region. Following this change, 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; at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region and this proportion is expected to grow significantly over the longer term. Our Investment Manager is currently in the process of identifying suitable opportunities which meet these new criteria.

Share Capital

At the half year end, the discount of the Company's share price to the net asset value per share was 0.2%, compared to a discount of 4.9% as at 31 January 2017. During the period, the Company was able to issue 150,000 new shares at a small premium to the cum income net asset value per share, raising £380,000 of additional funds. Following the end of this reporting period a further 175,000 new shares have been issued raising £450,000 of additional funds.

Chairman's Statement

Continued

Outlook

On a macro level, there remains plentiful liquidity, the residue of years of almost zero interest rates and quantitative easing. This creates challenges for the fundamentally driven investor with parts of the market being bid up to excessive levels. As yet markets have not found reason to recoil from the geopolitical tensions that continue to escalate. The essence of our portfolio is in companies where the management well understands the political and economic volatility that can be inherent in the Asia Pacific Region. Typically, they act conservatively when circumstances are threatening, maintaining net cash levels on their balance sheets and being cautious in their use of gearing.

Your Board remains of the view that the diverse Asia Pacific Region continues to provide quality investment opportunities, which will reward patient investors over the long term. As has been demonstrated previously, companies where managements take a sustainable approach to their business will be more likely to provide good returns. Our Investment Manager's approach is to continue to seek out these investments for the Company's portfolio.

Half Year Report & Accounts

As I mentioned last year, we will not be providing a hard copy of this year's Half Year Report & Accounts. This document is, and will continue to be available on the Company's website at www.pacific-assets.co.uk. The Company's Annual Report & Accounts will continue to be available in hard copy, and also on the Company's website.

James Williams
Chairman
4 October 2017

Investment Manager's Review

"…we continue to focus on trying to find good quality, well-managed Asian companies, capable of withstanding a prolonged period of stormy weather."

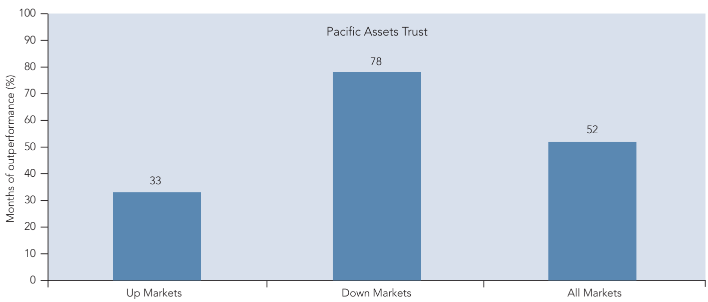
Poor Relative Performance

The Company's net asset value per share total return was +7.7% during the half year. This compares to a rise in the MSCI All Country Asia ex Japan index (measured on a total return, sterling adjusted basis) of 16.3%. The Company's share price total return was +12.6%. For the twelve months to the end of July 2017, the Company delivered a total return of +13.0%. This compares with an MSCI All Country Asia ex Japan index return of +28.2% for the same period. In other words, the Company has lagged the index by 15.2%. While we are comfortable that such periods of relative underperformance are consistent with the Company's investment philosophy and long-term approach, it is always useful to understand the drivers of it. To that end, we have outlined below the three main areas we believe are driving this current period of relative underperformance.

Our investment philosophy is not well-suited to fast rising markets

For us, risk is simply the risk of losing shareholders' money over the long run. It is not deviation from any benchmark index. Rather than start with the index, we start with a blank sheet of paper and seek to entrust shareholders' money to those Asian companies we believe are best positioned to deliver attractive long-term risk-adjusted returns. We spend more time worrying about what could go wrong with our investments than trying to predict what might go right. This focus on capital preservation leads us to seek out high quality businesses, run by stewards we can entrust with shareholders' money for years, or in many cases, decades to come. Sometimes our favourite companies include large index constituents, but more often than not they don't, given the risks many of Asia's largest companies face. The Company's portfolio looks very different from the index. The Company's Active Share[1] as of 31 July 2017 was 92.3%. (Source: Stewart Investors).

Figure 1: Investment Style Perspective since inception to 31 July 2017



(Past performance is not a reliable indicator of future results)
Source: Stewart Investors

As Figure 1 shows, the Company's strongest relative performance tends to come in down markets. Likewise, our focus on capital preservation means there will be times when we significantly lag rising markets, particularly those driven by extended valuations and unrealistic expectations. These characteristics are very much present in Asian markets today.

1 Active Share is a measure of the percentage of stock holdings in a manager's portfolio that differ from the benchmark index. The benchmark would have an Active Share of 0%. An Active Share of 100% would indicate no overlap with the benchmark.

Investment Manager's Review

Continued

The damage caused by a prolonged period of extremely loose global monetary policy has affected Asia as elsewhere. Equity valuations are now stretched across the board, with very few exceptions. For example, our favourite Indian industrial companies (e.g. Pidilite and Bosch India), now all trade on over forty times future earnings . Our favourite Indian and Indonesian consumer companies (e.g. Unilever India and Unilever Indonesia) are trading on fifty times next year's earnings[2]. These valuations are well beyond the upper limits of our tolerance levels. Such companies are now priced for perfection, and we have yet to meet the perfect company. Even poor quality companies are expensive. Our 'least favourite' Indian and Indonesian consumer companies now trade on over thirty times earnings. These companies are uninvestible for us at any price, given the concerns we have over corporate governance and quality, and yet the market is prepared to pay thirty years of today's earnings to own them. Hong Kong Stock Exchange, which is listed on itself, now trades at over forty times forward earnings.

While low interest rates are largely to blame, the rise of 'machine' investing, via Algorithm Investing and low-cost Exchange Traded Funds (ETFs), has also played a part. Both approaches tend to be almost entirely agnostic to valuation or quality. It is now argued that only ten percent of all trades are undertaken by 'active' investors[3]. The machines have truly taken over, for now at least.

It is not just equity valuations that are stretched. The bubble[4] sitting within the debt market is well documented, while property prices have reached extreme levels, even by Asia's elevated standards. The Hong Kong property market appears particularly vulnerable to a serious correction. The surge of interest in the Island's "nano flats", one room apartments smaller than a standard car parking space, is perhaps a sign that the bubble is nearing its peak.

In short, historically low interest rates and historically high debt levels, asset prices and asset valuations are not a reassuring combination. In such market conditions, our eyes are firmly set on capital preservation, rather than trying to keep up. As a result, our relative underperformance is likely to continue for as long as markets continue their current surge.

Samsung and the Chinese Internet Companies

Table 1: MSCI All Country Asia ex Japan Top Ten Companies by weighting

Name	Country	Sector	12 month total return to 31/7/17
Tencent Holdings	China	Internet	69%
Samsung Electronics	South Korea	Technology	62%
Alibaba	China	Internet	89%
Taiwan Semiconductor Manufacturing	Taiwan	Technology	37%
AIA Group	Hong Kong	Insurance	30%
China Construction Bank	China	Banking	32%
China Mobile	China	Telecoms	(10%)
Baidu	China	Technology	43%
Hon Hai Precision	Taiwan	Technology	70%
ICBC	China	Banking	31%

Source: Stewart Investors

2 Earning potential in the future.
3 Active investors purchase investments and continuously monitor their activity in order to exploit profitable conditions.
4 An economic bubble or asset bubble is trade in an asset at a price that strongly exceeds its actual value.

Investment Manager's Review

Continued

Table 1 (on the previous page) shows the top ten index constituents of the MSCI All Country Asia ex Japan Index and their share price movements over the last twelve months. Large companies have performed particularly well during this period. We currently invest your money in only one of these companies (Taiwan Semiconductor Manufacturing). While we have "missed out" on the share price rises of the other companies, we remain convinced that the risk of owning them for shareholders remains too great.

In the case of Samsung Electronics, our concerns are clear. Despite the strength of many parts of their business, we find it hard to entrust shareholders' money to a Company whose Head has recently been jailed, accused of bribery, embezzlement and perjury. Unfortunately, this is not the first time the Head of the Group has been arrested, with his predecessor arrested and convicted in 2008 on charges of financial wrongdoing and tax evasion. The market, on the other hand, appears less concerned and the stock is close to an all-time high.

In the case of Chinese internet giants Alibaba, Tencent and Baidu there is much to admire, most notably the impressive levels of cashflows they now generate and the breadth and depth of the "eco-systems" they are building with these cashflows. Tencent is a case in point. Cashflows from gaming have been used to build out an ecosystem that covers everything from search engines and music streaming to ride-sharing, electric cars and artificial intelligence. They even own a 5% stake in Tesla. It is a similar story for Alibaba and Baidu.

Despite the strength of these ecosystems, there are four main areas of concern that have prevented us from investing in these companies. Most importantly, we struggle with their corporate structures. While each is different, they share the same characteristic that investors can only buy shares in a listed company that has no ownership of the most valuable assets of the business. Instead, investors are asked to rely on a legal agreement that entitles the 'Listco'[5] to a share of the profits from a separate company. While these arrangements have so far been honoured, there is no guarantee that they will stand the test of time.

A second area of concern for us is the political risk that comes with investing in such high-profile entrepreneurs. We are particularly nervous about Emerging Markets billionaires who become politically connected. One of the first things we teach new analysts on the team is that "well connected" goes into the weaknesses box of a "SWOT"[6] analysis, rather than the strengths. We remember too well what happened to the share price of Russian company Yukos when its CEO fell out of political favour. There are already some signs of political involvement for the Chinese internet companies. For example, both Tencent and Baidu's CEOs serve in the 12th National People's Congress[7], while last year Alibaba purchased the South China Morning Post, Hong Kong's primary news outlet, promising to maintain editorial independence. We struggle to imagine how editorial independence and the long-term prospects of the Parent will not clash at a future point.

Thirdly, we have concerns around the robustness of some aspects of each of their business models. For example, Tencent generates well over half of its profits from 'virtual' revenues from on-line games. We struggle with gaming companies more generally given their constant need to develop new "hits". We also find it hard to build conviction in the long-term viability of 'virtual' revenues – defined as in-game purchases. Finally, the valuations are rich. All of them trade on well in excess of thirty times future earnings, despite the risks outlined above.

5 A company formed to be floated on the stock exchange.

6 SWOT analysis is a process that identifies a company's strengths, weaknesses, opportunities, and threats.

7 The National People's Congress (NPC) is the national legislature of the People's Republic of China. With 2,924 members in 2017, it is the largest parliamentary body in the world. Under China's current Constitution, the NPC consists of one chamber, with the power to legislate, the power to oversee the operations of the government, and the power to elect the major officers of state. The NPC is elected for a term of five years.

Investment Manager's Review

Continued

Our own mistakes

We spend much of our investment days discussing mistakes we have made within the portfolio itself and what we can learn from them. The last twelve months have been no different. Most notably, we have lost shareholder's money in our Indian pharmaceutical companies, **Dr. Reddy's** and **Cipla**. While we continue to admire the stewards behind these businesses and the long-term prospects for those companies which are able to sell good quality medicines at affordable prices, we have significantly underestimated the short-term vulnerability of these businesses to several headwinds[8]. Most significantly, they have all come up short following an intense period of scrutiny of their manufacturing facilities by the US Food and Drug Administration. In part this is to be expected, given the journey these companies are taking from local companies operating in a protected market to global companies holding their own in the fiercely competitive world of international pharmaceuticals. Unfortunately, we have discovered over the past twelve months that these companies are further behind in this journey than we thought. Specifically, they have seen some of their factories receive quality warnings that have prevented them from taking part in new product launches – a critical part of the business model, given the tendency for generic drug prices to fall rapidly over time. A strong Indian rupee, the increased concentration – and thus bargaining power – of their US end-market and uncertainty over the US medical system have not helped matters. Finally, they have also had challenges in their traditional emerging markets – most notably Venezuela (for obvious reasons!) and India (goods and service tax (GST)-related destocking has not helped[9]). While our conviction remains intact long-term, we are kicking ourselves for building our portfolio positions up too eagerly in anticipation of a journey that will not be a quick one.

It's been a similar story with our Indian IT companies, **Tata Consultancy Services** and **Tech Mahindra**. We retain significant conviction in the quality of the stewards of each of these businesses and the long-term potential for them to become the modern-day infrastructure and service providers of the Connected World. However, these companies have also seen their short-term earnings come under pressure, as political rhetoric has focused on their heavy reliance on US visas as a means of providing onshore solutions to US customers. They have also had to readjust the market and their own corporate cultures to the reality that they are no longer able to compound their earnings at twenty percent a year or more, as the pace of outsourcing slows. While we are comfortable with this lower growth environment, we underestimated the discomfort of the market to this transition.

Another big disappointment for us was the amount of money lost in **Idea Cellular**, an Indian mobile telecoms company. Our mistake here was to underestimate the entry of a highly irrational new competitor, Reliance Jio. Launched by India's richest man, Mukesh Ambani, Jio has spent over US $30bn (40th Reliance Industries AGM July 2017) to rebuild the telecoms business he lost to his brother at the time the family split up the Reliance holding company in 2005. Usually we are able to take a view that irrational competition will at some point come to its natural end. However, in this case, we are not so sure. We continue to review our investment case.

(It's worth briefly pointing out that although most of the mistakes highlighted involve Indian companies, this is largely a function of the number of investment ideas we generate there, rather than anything more systemic. Four of our top ten performing companies over the period were also Indian companies).

Although each investment mistake is unique, there are often similarities and we try where possible to categorise and learn from them. The previous examples shine a spotlight on what we feel is our greatest investment weakness – our tendency to occasionally get carried away by the quality of the management and stewards of a business and overlook the frailties of the franchise itself. We constantly need to remind ourselves that even the best management teams do not have magic wands!

8 A condition or situation that will make growth more difficult and for the current rate or level to be maintained

9 In July 2017 the Indian government implemented a new tax regime on the supply of goods and services. Due to differences with the GST and the prevailing tax rates some traders are likely to destock products to avoid paying higher tax.

Investment Manager's Review

Continued

Outlook

We are very nervous for the reasons noted above. It is also worth noting that political risk has jumped sharply in Asia in recent months, although the market has yet to notice. The Indian and Chinese armies are currently facing off in Bhutan, the Government in charge of Pakistan's nuclear weapons has collapsed, tensions are rising in the South China Sea and the situation in North Korea has reached a dangerous impasse. While we are poor market forecasters, it is hard to imagine how equity returns in Asia (and elsewhere) are not going to be considerably lower than in recent history for some time to come. With that in mind, we continue to keep our heads down and focus on trying to find good quality, well-managed Asian companies capable of withstanding a prolonged period of stormy weather.

Portfolio Commentary

During the period 1 February – 31 July 2017 we initiated positions in **Mahindra & Mahindra**, **Robinsons Retail Holdings**, **Kalbe Farma**, and **Shanthi Gears**.

Mahindra & Mahindra is the family conglomerate of the Mahindras, one of India's most respected and successful industrial groups. The heart of the group is the country's dominant tractor franchise. 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. When investing in such family conglomerates, we 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, from clean energy to IT outsourcing and social housing development to inclusive financial services. The group's palpable sense of purpose and stellar track record give us a lot of comfort on the group's quality, and we can easily imagine Mahindra & Mahindra evolving into a much more diversified conglomerate in ten years' time.

Robinsons Retail is a leading retail group in the Philippines known for offering fresh and healthy products at reasonable prices. By promoting health and wellness their franchise has a strong focus on encouraging consumers to adopt a healthier lifestyle. To further diversify the franchise the group recently acquired a stake in one of the country's largest and fastest growing generics drug stores (The Generics Pharmacy). Given healthier eating trends and the need for improved access to generic medicines they present good growth prospects as supermarkets continue to grow in popularity against wet markets[10].

Kalbe has become a quality provider of integrated healthcare solutions through its four business divisions: the Prescription Pharmaceutical Division (24% contribution), Consumer Health Division (17% contribution), Nutritionals Division (29% contribution) and Distribution and Logistics Division (30% contribution). These business divisions manage an extensive portfolio of prescription products, as well as a robust distribution arm serving over one million outlets across Indonesia's vast archipelago.

Shanthi Gears is part of the renowned family owned Murugappa Group. Shanthi is an industrial gearbox manufacturer in India. Offering power transmission products at reasonable prices, Shanti is able to support a range of industries including steel, cement, sugar, mining, chemicals and paper, reach their optimum creatively and productively, and contribute towards the industrialisation and development of India.

We sold out of IDFC Bank as we were unable to build conviction following the recent departure of a key steward, Mahanagar Gas, Chola Finance and IDFC on valuations, and Bata Shoes Bangladesh due to concerns it is potentially under-investing in brand building like their Indian cousins.

Stewart Investors
4 October 2017

10 A market selling fresh meat and produce.

Contribution by Investment

Six months ended 31 July 2017

Principal contributors to and detractors from absolute performance

Top 10 contributors to absolute performance

Company	Contribution Returns %
Marico	1.48
Kotak Mahindra Bank	1.05
Housing Development Finance	0.72
Taiwan Semiconductor Manufacturing	0.69
Chroma Ate	0.60
Tube Investments of India	0.57
DGB Financial Group	0.40
BRAC Bank	0.39
Linde India	0.37
Koh Young Technology	0.36

Top 10 detractors from absolute performance

Company	Contribution Returns %
Tech Mahindra	(0.58)
Dr Reddy's Laboratories	(0.57)
Idea Cellular	(0.31)
Giant Manufacturing	(0.30)
Lupin	(0.19)
PChrome Online	(0.14)
Hero Supermarket	(0.14)
SH Kelkar & Co	(0.12)
Delta Electronics (Taiwan)	(0.11)
Cipla	(0.10)

Portfolio

as at 31 July 2017

Company	MSCI sector	Market valuation £'000	% of total assets less current liabilities	Country
Vitasoy International Holdings	Consumer Staples	19,623	6.4	Hong Kong
Marico	Consumer Staples	15,014	4.9	India
Tech Mahindra	Information Technology	12,726	4.2	India
Standard Foods	Consumer Staples	12,628	4.1	Taiwan
Kotak Mahindra Bank	Financials	11,618	3.8	India
Taiwan Semiconductor Manufacturing	Information Technology	11,617	3.8	Taiwan
Manila Water	Utilities	8,697	2.9	Philippines
Unicharm *	Consumer Staples	8,514	2.8	Japan
E.Sun Financial Holdings	Financials	8,447	2.8	Taiwan
Chroma ATE	Information Technology	7,984	2.6	Taiwan
Ten largest investments		**116,868**	**38.3**	
Housing Development Finance	Financials	7,893	2.6	India
Ayala Corporation	Financials	7,668	2.5	Philippines
Dr. Reddy's Laboratories	Health Care	6,922	2.3	India
Delta Electronics (Thailand)	Information Technology	6,055	2.0	Thailand
Tube Investments of India	Consumer Discretionary	6,017	2.0	India
Cipla	Health Care	5,918	1.9	India
China Mengniu Dairy	Consumer Staples	5,887	1.9	China
Bank of the Philippine Islands	Financials	5,804	1.9	Philippines
Cyient	Information Technology	5,764	1.9	India
Delta Electronics (Taiwan)	Information Technology	5,671	1.8	Taiwan
Twenty largest investments		**180,467**	**59.1**	
Bank OCBC NISP	Financials	5,481	1.8	Indonesia
Dabur India	Consumer Staples	5,478	1.8	India
Idea Cellular	Telecommunication Services	5,086	1.7	India
Hemas Holdings	Industrials	4,933	1.6	Sri Lanka
Delta Brac Housing Finance	Financials	4,407	1.4	Bangladesh
Selamat Sempurna	Consumer Discretionary	4,299	1.4	Indonesia
Public Bank	Financials	4,139	1.4	Malaysia
Commercial Bank of Ceylon	Financials	3,874	1.3	Sri Lanka
DGB Financial Group	Financials	3,807	1.3	South Korea
Sheng Siong	Consumer Staples	3,755	1.2	Singapore
Thirty largest investments		**225,726**	**74.0**	
Oversea-Chinese Banking	Financials	3,714	1.2	Singapore
BRAC Bank	Financials	3,456	1.1	Bangladesh
Kasikornbank	Financials	3,416	1.1	Thailand
Godrej Consumer Products	Consumer Staples	3,267	1.1	India
Koh Young Technology	Information Technology	3,163	1.1	South Korea
Expeditors International of Washington *	Industrials	3,162	1.0	United States
Square Pharmaceuticals	Health Care	3,119	1.0	Bangladesh
Mahindra & Mahindra	Consumer Discretionary	3,109	1.0	India
PChome Online	Information Technology	3,098	1.0	Taiwan
Elgi Equipments	Industrials	2,757	0.9	India
Forty largest investments		**257,987**	**84.5**	

*Economic activity takes place principally in the Asia Pacific Region

Portfolio

as at 31 July 2017

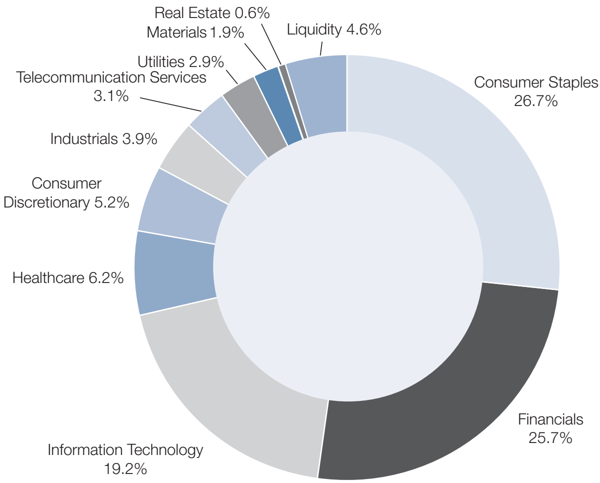
Continued

Company	MSCI sector	Market valuation £'000	% of total assets less current liabilities	Country
City Union Bank	Financials	2,718	0.9	India
Info Edge (India)	Information Technology	2,531	0.8	India
XL Axiata	Telecommunication Services	2,477	0.8	Indonesia
S H Kelkar and Co	Materials	2,431	0.8	India
Robinsons Retail Holdings	Consumer Staples	2,295	0.8	Philippines
Marico Bangladesh	Consumer Staples	2,251	0.8	Bangladesh
Giant Manufacturing	Consumer Discretionary	2,242	0.8	Taiwan
Kalbe Farma	Health Care	1,930	0.6	Indonesia
Dialog Axiata	Telecommunication Services	1,924	0.6	Sri Lanka
Tata Chemicals	Materials	1,867	0.6	India
Fifty largest investments		**280,653**	**92.0**	
Mahindra Lifespace Developers	Real Estate	1,818	0.6	India
Sundaram Finance	Financials	1,814	0.6	India
Linde India	Materials	1,498	0.5	India
Hero Supermarket	Consumer Staples	1,482	0.5	Indonesia
Lupin	Health Care	1,407	0.4	India
CT Holdings	Consumer Staples	1,343	0.4	Sri Lanka
Shanthi Gears	Industrials	1,148	0.4	India
Total Portfolio		**291,163**	**95.4**	
Net current assets		**13,957**	**4.6**	
Total assets less current liabilities		**305,120**	**100.0**	

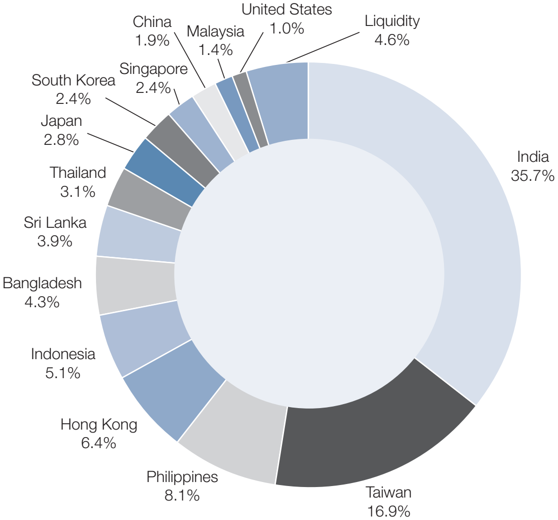
Portfolio Distribution

as at 31 July 2017

Sector Analysis



Geographical Analysis



Income Statement

for the six months ended 31 July 2017

	(Unaudited) Six months ended 31 July 2017 Revenue £'000	Capital £'000	Total £'000	(Unaudited) Six months ended 31 July 2016 Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	20,007	20,007	–	45,066	45,066
Exchange differences on currency balances	–	(201)	(201)	–	450	450
Income (note 2)	2,957	–	2,957	2,753	–	2,753
Investment management and management fees (note 3)	(397)	(1,190)	(1,587)	(325)	(975)	(1,300)
Other expenses	(314)	–	(314)	(277)	–	(277)
Return before taxation	2,246	18,616	20,862	2,151	44,541	46,692
Taxation	(192)	(23)	(215)	(198)	–	(198)
Return after taxation	2,054	18,593	20,647	1,953	44,541	46,494
Return per ordinary share (p) (note 4)	1.7	15.6	17.3	1.6	37.3	38.9

The Total column of this statement represents the Company's Income Statement.

The Revenue and Capital columns are supplementary to this and are both 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 declared in the Income Statement.

All of the profit/(loss) and total comprehensive income for the period is attributable to the owners of the Company.

Statement of Changes in Equity

for the six months ended 31 July 2017

	(Unaudited) Six months ended 31 July 2017 £'000	(Unaudited) Six months ended 31 July 2016 £'000
Opening shareholders' funds	287,202	228,326
Shares issued in period	383	–
Return for the period	20,647	46,494
Dividends paid	(3,112)	(2,628)
Closing shareholders' funds	305,120	272,192

Statement of Financial Position

as at 31 July 2017

	(Unaudited) As at 31 July 2017 £'000	(Audited) As at 31 January 2017 £'000
Fixed assets		
Investments held at fair value through profit or loss	291,163	269,539
Current assets		
Debtors	2,096	221
Cash at bank	12,769	18,300
	14,865	18,521
Creditors (amounts falling due within one year)	(908)	(858)
Net current assets	13,957	17,663
Net assets	305,120	287,202
Capital and reserves		
Share capital	14,962	14,944
Share premium account	5,306	4,941
Capital redemption reserve	1,648	1,648
Special reserve	14,572	14,572
Capital reserve	263,776	245,183
Revenue reserve	4,856	5,914
Equity shareholders' funds	305,120	287,202
Net asset value per ordinary share (p) (note 5)	254.9p	240.2p

Notes to the Accounts

1. Basis of preparation

The condensed Financial Statements for the six months to 31 July 2017 comprise the statements set out on pages 15 to 18 including the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting', the AIC's Statement of Recommended Practice issued in November 2014 ('New SORP'), UK Generally Accepted Accounting Principles ('UK GAAP') and using the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 January 2017.

Fair value

Under FRS 102 and FRS 104 investments have been classified using the following fair value hierarchy:

Level 1 – Quoted market prices in active markets

Level 2 – Prices of a recent transaction for identical instruments

Level 3 – Valuation techniques that use:

(i) observable market data; or

(ii) non-observable data

All of the Company's investments fall into Level 1 for the periods reported.

2. Income

	(Unaudited) Six months ended 31 July 2017 £'000	(Unaudited) Six months ended 31 July 2016 £'000
Investment income	2,957	2,753

Notes to the Accounts

Continued

3. Investment Management and Management fees

	(Unaudited) Six months ended 31 July 2017			(Unaudited) Six months ended 31 July 2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee – Stewart Investors	342	1,025	1,367	277	832	1,109
Management fee – Frostrow	55	165	220	48	143	191
	397	1,190	1,587	325	975	1,300

4. Return/(loss) per ordinary share

The total return per ordinary share price is based on the return attributable to shareholders of £20,647,000 (six months ended 31 July 2016: return of £46,494,000) and on 119,605,568 shares (six months ended 31 July 2016: 119,448,386), being the weighted average number of shares in issue.

The revenue return per ordinary share price is calculated by dividing the net revenue return attributable to shareholders of £2,054,000 (six months ended 31 July 2016: £1,953,000) by the weighted average number of shares in issue as above.

The capital return/(loss) per ordinary share price is calculated by dividing the net capital loss attributable to shareholders of £18,593,000 (six months ended 31 July 2016: loss of £44,541,000) by the weighted average number of shares in issue as above.

5. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to shareholders of £305,120,000 (31 January 2017: £272,192,000) and on 119,698,386 shares in issue (31 January 2017: 119,448,386).

6. 2017 accounts

These are not statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year to 31 January 2017, which received an unqualified audit report, have been lodged with the Registrar of Companies. No statutory accounts in respect of any period after 31 January 2017 have been reported on by the Company's auditor or delivered to the Registrar of Companies.

Earnings for the first six months should not be taken as a guide to the results for the full year.

Interim Management Report

Principal Risks and Uncertainties

The Company's principal area of risk relates to its investment activity and strategy, including currency risk in respect of the markets in which it invests. Other risks faced by the Company include financial, shareholder relations and operational (including cyber crime, corporate governance, accounting, legal, regulatory and political). These risks, and the way in which they are managed, are described in more detail under the heading Risk Management within the Strategic Report in the Company's Annual Report for the year ended 31 January 2017. The Company's principal risks and uncertainties have not changed materially since the date of that report and are not expected to change materially for the remaining six months of the Company's financial year.

The Board is aware that the UK's vote to leave the EU has introduced elements of political and economic uncertainty which may have practical consequences for the Company and its Investment Manager. Developments continue to be closely monitored by the Board. Geopolitical risk to the Company is also considered regularly by the Board.

Related Party Transactions

During the first six months of the current financial year no material transactions with related parties have taken place which have affected the financial position or the performance of the Company during the period.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, and the nature of the portfolio and its expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

(i) the condensed set of financial statements contained within the Half Year Report has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting); and

(ii) the interim management report includes a fair review of the information required by 4.2.7R and 4.2.8R of the UK Listing Authority Disclosure Guidance and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

The Half Year Report has not been reviewed or audited by the Company's auditor.

James Williams
Chairman
4 October 2017

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.

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. A list of some of them, that is not comprehensive nor constitutes any form of recommendation, can be found below:

AJ Bell Youinvest	http://www.youinvest.co.uk/
Alliance Trust Savings	http://www.alliancetrustsavings.co.uk/
Barclays Stockbrokers	https://www.barclaysstockbrokers.co.uk/
Bestinvest	http://www.bestinvest.co.uk/
Charles Stanley Direct	https://www.charles-stanley-direct.co.uk/
Club Finance	http://www.clubfinance.co.uk/
FundsDirect	http://www.fundsdirect.co.uk/Default.asp
Halifax Share Dealing	http://www.halifax.co.uk/Sharedealing/
Hargreaves Lansdown	http://www.hl.co.uk/
HSBC	https://investments.hsbc.co.uk/
iDealing	http://www.idealing.com/
Interactive Investor	http://www.iii.co.uk/
IWEB	http://www.iweb-sharedealing.co.uk/share-dealing-home.asp
Saga Share Direct	https://www.sagasharedirect.co.uk/
Selftrade	http://www.selftrade.co.uk/
The Share Centre	https://www.share.com/
Saxo Capital Markets	http://uk.saxomarkets.com/
TD Direct Investing	http://www.tddirectinvesting.co.uk/

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.

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.

Information about the Company

Directors
J P Williams (Chairman)*
M C Ginman, FCA**
S E Hansen
T F Mahony
R E Talbut

*Chairman of the Engagement and Remuneration and Nomination Committees
**Chairman of the Audit Committee and Senior Independent Director

Registered Office
16 Charlotte Square
Edinburgh EH2 4DF

Company Registration Number
SC091052 (Registered in Scotland)

The Company is an investment company as defined under Section 833 of the Companies Act 2006

Website
www.pacific-assets.co.uk

Investment Manager
Stewart Investors*
Level 1, 23 St. Andrew Square
Edinburgh EH2 1BB
Telephone: 0131 473 2200
Website: www.firststate.co.uk

**Trading name of First State Investment Management (UK) Limited. First State Investment Management (UK) Limited is authorised and regulated by the Financial Conduct Authority*

Manager, Company Secretary and Administrator
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

If you have an enquiry about the Company or if you would like to receive a copy of the Company's monthly fact sheet by email, please contact Frostrow Capital using the above email address.

Brokers
Canaccord Genuity Limited
88 Wood Street
London EC2V 7QR

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Shareholder Helpline: 0371 384 2466*
Broker Helpline: 0371 384 2779*
Website: www.equiniti.com

**Lines are open 8.30 a.m. to 5.30 p.m., Monday to Friday.*

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

Custodian Bankers
JPMorgan Chase Bank
125 London Wall
London EC2Y 5AJ

Independent Auditor
KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Solicitors
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

Identification Codes
SEDOL: 0667438
ISIN: GB0006674385
Bloomberg: PAC LN
EPIC: PAC

Foreign Account Tax Compliance Act ("FATCA")
IRS Registration Number (GIIN):
MAEPFZ.99999.SL.826

Legal Entity Identifier
2138008U8QPGAESFYA48

Financial Calendar

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

A member of the Association of Investment Companies

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