



Pacific Assets Trust plc

**Half year Report & Accounts for the  
six months ended 31 July 2018**

[www.pacific-assets.co.uk](http://www.pacific-assets.co.uk)

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## 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 2018 there were 119,873,386 ordinary shares in issue (31 January 2018: 119,873,386).

## 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](http://www.pacific-assets.co.uk)

Please use the 'contact us' button to ask a question or to register for fact sheets, quarterly and annual reports, and webcasts.

## 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 with this proportion being expected to grow significantly over the long term.

## Investment Philosophy

Stewart Investors seek to invest only in good quality companies. They focus on the quality of management, franchise and financials. By analysing the sustainable development performance and positioning of companies they believe they can better measure less tangible elements of quality and identify less obvious risks.

Stewart Investors strives to make investment decisions with a minimum five-year time horizon. They have an absolute return mind-set and define risk as that of losing client money, rather than deviation from any benchmark index. They focus as much on the potential downside of investment decisions as on the anticipated upside. They believe that the identification of long-term sustainable development risks is an extremely important way of managing risk.

Their willingness to differ substantially from index weightings, both country and company, means they are not obliged to invest in any company or country if they have particular sustainability concerns.

# Financial Highlights

## Key Statistics

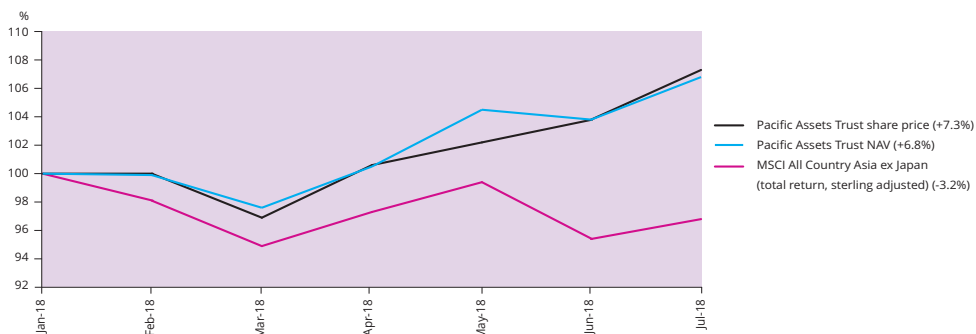
	As at 31 July 2018	As at 31 January 2018	% change
Share price	271.0p	255.0p	6.3%
Net asset value per share	282.8p	267.6p	5.7%
(Discount) of share price to net asset value per share	(4.2%)	(4.7%)	-
Market capitalisation	£324.9m	£305.7m	6.3%
Shareholders' funds	£339.0m	£320.7m	5.7%
	Six months to 31 July 2018	One year to 31 January 2018	
Share price (total return)*	7.3%	12.8%	
Net asset value per share (total return)*	6.8%	12.8%	
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)*	(3.2%)	27.0%	

\*Source: Morningstar

Dividends	Year ended 31 January 2018	Year ended 31 January 2017	
Final dividend per share <sup>+</sup>	2.6p	2.6p	-

<sup>+</sup>The Company does not pay an interim dividend

## Total Return and Benchmark Performance for the Six Months to 31 July 2018



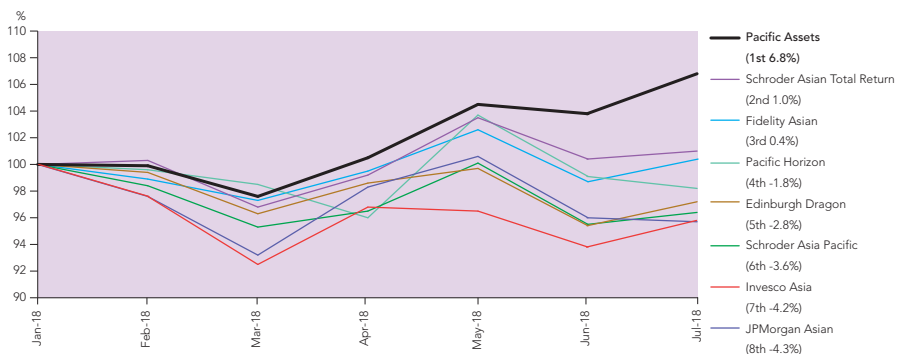
Source: Morningstar  
Rebased to 100 as at 31 January 2018

### MSCI Disclaimer

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# Peer Group Performance

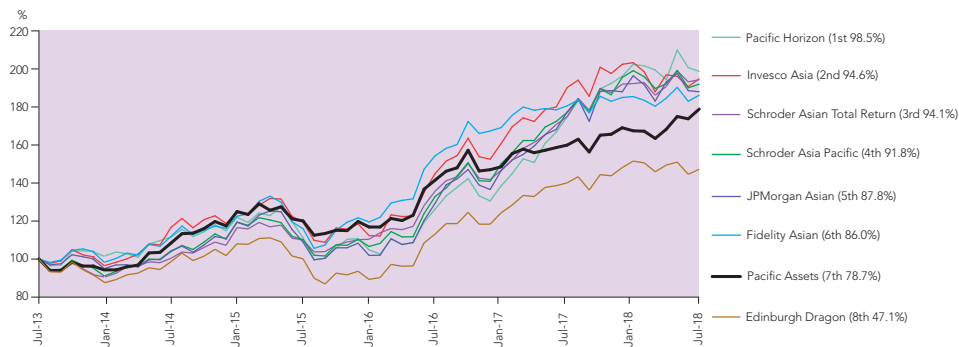
## Net Asset Value per Share Total Return Peer Group Performance for the Six Months to 31 July 2018



Source: Morningstar

Note: Total return for MSCI All Country Asia ex Japan Index for the six months was -3.2%  
Rebased to 100 as at 31 January 2018

## Net Asset Value per Share Total Return Peer Group Performance for the Five Years to 31 July 2018



Source: Morningstar

Note: Total return MSCI All Country Asia ex Japan Index, since 31 July 2013, was 69.5%  
Rebased to 100 as at 31 July 2013

# Chairman's Statement



**"In the six months to 31 July 2018 the Company's net asset value per share total return was +6.8%. The MSCI All Country Asia ex Japan Index (measured on a total return, sterling adjusted basis) fell by 3.2% in the same period. Our Investment Manager continues to seek out companies that are equipped with the business model and management that will ensure their long-term sustainability."**

## Investment Return

In the six months to 31 July the Company's net asset value per share total return was +6.8%. The return over this relatively short period compares to the annualised return of +12.2% over the last five years, and of +12.4% over the eight-year period that Stewart Investors have been managing the Company's investments. A slight narrowing of the discount of the Company's share price to its net asset value per share meant that the share price total return was +7.3%.

As has been explained in previous reports to shareholders there is a considerable difference in the investment profile of the Company from the profile of the most commonly used Asian stock market indices. The Company's portfolio is based on the selection of businesses that meet our Investment Manager's exacting criteria, not on a policy of being modelled in relation to an index. The MSCI All Country Asia ex Japan Index (measured on a total return, sterling adjusted basis) actually fell by 3.2%. Just as I cautioned shareholders not to read too much into the Company's underperformance against this index over 2016 and 2017, I would warn against any satisfaction with the outperformance during the more recent period. While not ascribing too much during a short period of time, this may indicate the more defensive nature of the portfolio during difficult times, characteristic of companies we own that demonstrate long-term sustainability.

## The Background

We face a combination of challenging economic and political circumstances in 2018 and beyond.

The world has entered what will probably be a long period of adjustment from the quantitative easing which ensured that liquidity was widely available at what historically would have been at an absurdly low cost. This frequently has involved negative interest rates. While unhelpful for values of risk assets, the gentle reversal of this process is something that we need to go through to ensure future stability. Outside the United States, most stock markets have been in decline for much of the year, resulting in a tougher investment environment than has been seen for some time. Beneath the market indices, there have been more serious declines of some sectors and stocks.

We do not believe that lurid political headlines generally influence the direction of asset prices. However, the escalation of global trade tension from rhetoric to actions may risk undermining the global supply chains that have been such a contributor to non-inflationary economic growth over the last 30 years. Asia, as is well known, has had a major part to play in the integration of global economies. It is too early to say that the rules will need to be re-written, but the risk remains that some countries will face a time of adjustment should this bellicose mercantilist attitude prevail over calmer consideration.

Many of the investments that the Company owns are focussed on serving their large domestic audience. The theme of an emerging middle class in countries such as India means that providers of consumer products or financial services will continue to be well placed whatever bizarre geopolitics may unfold. Investments are selected by our Investment Manager that will be able to withstand turbulence while maintaining a business model that is well tried and coherent.

# Chairman's Statement (continued)

## Corporate Governance

Your Board continues to oversee the management arrangements of the Company, ensuring that the key service providers have suitable risk controls, and that they have the substance and the structure to withstand unexpected circumstances. Stewart Investors, as the Investment Manager, Frostrow as the Company's administrator and secretary, and JP Morgan as the custodian of the Company's assets are all subject to scrutiny by your Board involving detailed reports and face to face meetings.

## Looking Forward

We have been through an extended period when annualised investment returns have been in the low to mid-teens. This is well ahead of the long-term average rate of return from equities. With a more challenging environment possibly for some time to come, it is important that investors lower their sights of expected returns from Asian investments.

We note that Asian 'emerging markets' have shown less vulnerability to a rising dollar and rising interest rates, than those elsewhere. This suggests that, compared with previous such episodes, there may be more inherent stability to be found in the countries in which the Company invests. Our Investment Manager continues to seek out companies that are equipped with the business model and management that will ensure their long-term sustainability.

**James Williams**  
Chairman  
3 October 2018

## Investment Manager's Review

**"At Stewart Investors we do not view the composition of our clients' portfolios by index sectors or geography but by the quality of stewards to whom we allocate clients' savings."**

### Performance

The Company's net asset value total return was +6.8% during the half year. This compares to a fall in the MSCI All Country Asia ex Japan index (measured on a total return, sterling adjusted basis) of 3.2%. The Company's share price total return was +7.3%.

While we are pleased to have achieved this outperformance, it should be noted that periods of both relative outperformance and underperformance are consistent with our investment philosophy and long-term approach.

### Investment Strategy

Many of our clients ask more questions about companies in China and the Chinese economy than the high quality franchises, held in the Company's portfolio, in the Indian Subcontinent. The UK press, exhibits a similar preference. The Economist magazine, for example, has a dedicated section on China, normally two articles a week, yet confines sporadic articles on India to their section titled 'Asia'. According to Google, trend queries searches from the UK on 'the Chinese economy' outnumber searches on 'the Indian economy' by some margin. One possible explanation for this is a misperception that superior GDP growth<sup>1</sup> delivers higher returns to shareholders. This idea has been disproved by academia and runs contrary to our investment experience.

At Stewart Investors, we invest in high quality companies that can prosper over the longer term for the benefit of future generations, rather than economic growth per se. In our last quarterly report we detailed some of the challenges that we encounter when investing in China. In this half-year report, we would like to focus on companies listed in the Indian Subcontinent which account for c. 34% of the Company's assets.

Why we invest in the Indian Subcontinent?

**"Whither do we go and what shall be our endeavour? To bring freedom and opportunity to the common man, to the peasants and workers of India; to fight and end poverty and ignorance and disease; to build up a prosperous, democratic and progressive nation, and to create social, economic and political institutions which will ensure justice and fullness of life to every man and woman."**

Excerpt from the Independence Day speech of Jawaharlal Nehru (India's first Prime Minister) at the stroke of midnight on 15 August 1947.

Pakistan became a sovereign nation the day before India, Sri Lanka followed shortly after, and Bangladesh a little later. While the Subcontinent has a rich history, its democratic political institutions are still evolving. Sri Lanka fought a multi-decadal civil war before wrestling itself out of the clutches of an autocratic leader. India's most recent political upheaval in 2014 came about not because of a vigorous opposition, but due to a judiciary and a government auditor who stood up to and exposed a corrupt regime. Meanwhile, Bangladesh's judiciary fearlessly brought to book many of the people responsible for the violence in the years following independence. And not for the first time, when the laws of the constitution were violated, a prime minister of Pakistan was forced to give up office.

This progression of events might read like simple chaos or repetitive sound bites of disorder, but for investors like us, they are important moments in history proving that the region has repeatedly moved towards democracy. With democracy comes the many institutional checks and balances which encourage investors to entrust their capital for the longer term.

<sup>1</sup> GDP – Gross Domestic Product – is a measure of the productive capacity of an economy.

## Investment Manager's Review (continued)

### Long-term Capital and Sustainability are Complementary

Another benefit of democratic evolution is that the responsibility of sustainable development falls as much on private institutions as it does on the government. While governments are long term, they often foster an unhealthy disregard for profits. Frequently, this results in poor quality institutions and misaligned cultures. Much of the private sector, on the other hand, places far too much emphasis on short-term profits which jeopardises their license to operate and hinders progress towards a more inclusive society.

While there are no easy answers to the pervasive poverty and inequality in the Subcontinent, long-term capital is likely to be an important part of the solution. Private owners with long-term horizons who are willing to promote sustainable development stand to benefit disproportionately. The Company's recent acquisition of **Dr Lal Pathlabs** is a case in point. Here, there is a sizeable business opportunity for the provision of affordable and high quality healthcare to the broader population. To realise this prospect, however, requires patience and a willingness to balance profits with the equitable provision of a necessary service. Should Dr Lal choose to preference short-term profitability over long-term durability, then the opportunity is liable to be squandered. At Stewart Investors we believe that the balance between profit and social development is best understood by family owned companies.

The Indian subcontinent is unique in that it is home to a large number of listed companies with family owners and professional stewards. Many of the families we admire have managed succession over multiple generations. This promotes cultural continuity and provides a deep well of experience, from which management can draw during difficult times. High quality stewards such as the Tatas and the Godrej family, have profitably invested in the region's development while retaining their moral compass and sense of purpose over many decades. Similarly, some foundations like the Bangladesh Relief Action Committee (BRAC) have similar characteristics to families and have proven to be excellent stewards.

BRAC started as a non-governmental organisation (NGO) in the 1970s and quickly realised that to create large scale impact they would need to incubate private businesses. Through their listed businesses, **BRAC Bank** and **Delta BRAC Housing Finance**, the foundation is leading efforts to raise financial inclusion and provide affordable housing for millions of Bangladeshis. BRAC is the parent of many enterprises and the dividends from these companies fund their many social and developmental commitments, much like the successful Tata Trusts in India.

In addition to families and foundations, many Subcontinent listed multinational subsidiaries have proven to be good stewards. One of the primary reasons Hindustan Unilever has been so successful is because of their belief that serving the bottom of the pyramid<sup>2</sup> is essential for socio-economic development. From this understanding flows sustainable and profitable growth. Selling a bar of affordable soap to people who live on a few dollars a day requires a culture of product innovation and a long-term commitment to expensive distribution networks. In contrast, the Indian subsidiary of Proctor & Gamble has never exhibited the vision nor the time horizon to follow this path. Consequently, their revenues and market capitalisation<sup>3</sup> are a small fraction of those achieved by Hindustan Unilever. These examples highlight a preference for future growth over short-term maximisation which is determined by the presence of quality stewards.

<sup>2</sup> Bottom of the pyramid refers to the poorest sections of society.

<sup>3</sup> Market capitalisation is the value of a company on the stock market.



# Investment Manager's Review (continued)

## Stewards not Sectors

At Stewart Investors we do not view the composition of our clients' portfolios by index sectors or geography but by the quality of stewards to whom we allocate clients' savings. We often find the closer owners are to a company's foundations the stronger the sense of purpose and culture. Owners with long histories are also more likely to navigate successfully the many difficult periods that will undoubtedly unfold. It is these properties which align with the core of our investment philosophy – the principle of absolute return. To us, risk is the permanent loss of our clients' savings. It is not a deviation from an arbitrary benchmark. As a result, we believe there is no price worth paying for a company that has poor long-term sustainability positioning. We assess sustainability through frequent engagement with management. It is important to note that engagement is not a separate function or input. Instead it is an integral part of our process and involves each member of our investment team.

When we identify a material issue that could harm an investment case, we try to engage with the company to explore what can be done to improve the situation. Often it is management's reaction to such issues that is revealing. The sale of China Mengniu Dairy, during this period, serves as an example. Here, we repeatedly highlighted the risk of grazing thirsty cows in areas recording low water tables. That management consistently ignored the importance of this challenge highlighted poor risk assessment and low quality stewardship. Conversely, we enjoyed very positive engagement from **Ayala Corporation** on their coal-fired power stations and with our Indian consumer companies on the issue of plastic packaging disposal. Unlike the example of China Mengniu Dairy, the stewards were extremely open to discussion and established plans to overcome their challenges. It is engagements such as these that instil confidence that the franchises are insulated from long term risk and that the stewards are worthy recipients of our clients' savings.

## Investing for the Long Term

The Indian Subcontinent has a long way to go before it reaches the standards of living experienced by people in cities like Vancouver or Zurich. The opportunity and challenge for these societies, and for long-term investors, is to improve living standards without exhausting the environment and stretching social inequality beyond the point of breaking.

In this way, the Company's returns have not resulted from attempting to foretell the policies of Prime Ministers, the short-term direction of stock markets, or the movements of interest rates and currencies. Instead, they have been obtained by allocating capital to high quality family-owned companies with the patience to build long term, responsible and sustainable businesses across the Subcontinent. As India and its neighbours continue along the path described by Jawaharlal Nehru in 1947, we would expect the companies owned by the Company to continue to flourish.

## Stewart Investors

3 October 2018

# Contribution by Investment

Six months ended 31 July 2018

Principal contributors to and detractors from absolute performance

Top 10 contributors to absolute performance

Company	Contribution to Returns %
Vitasoy International Holdings	2.96
Tech Mahindra	0.83
Unicharm	0.63
Marico	0.60
Mahindra & Mahindra	0.58
Tata Consultancy Services	0.49
Kotak Mahindra Bank	0.43
Nippon Paint	0.42
Dabur India	0.38
E.SUN Financial Holdings	0.33

Top 10 detractors from absolute performance

Company	Contribution to Returns %
Standard Foods	(0.55)
Kalbe Farma	(0.35)
Delta Electronics	(0.35)
China Resources Phoenix Healthcare	(0.21)
Idea Cellular Limited*	(0.21)
Bank of the Philippine Islands	(0.16)
Bank OCBC NISP	(0.15)
Square Pharmaceuticals	(0.13)
Hemas Holdings	(0.13)
Info Edge*	(0.12)

\* Not held in the portfolio as at 31 July 2018

# Portfolio

as at 31 July 2018

Company	MSCI sector	Country	Market valuation £'000	% of total assets less current liabilities
Vitasoy International Holdings	Consumer Staples	Hong Kong	24,465	7.2
Tech Mahindra	Information Technology	India	20,454	6.0
Marico	Consumer Staples	India	11,688	3.4
Unicharm*	Consumer Staples	Japan	10,144	3.0
Housing Development Finance	Financials	India	9,455	2.8
Chroma ATE	Information Technology	Taiwan	9,403	2.8
Mahindra & Mahindra	Consumer Discretionary	India	9,004	2.7
Kotak Mahindra Bank	Financials	India	8,747	2.6
Manila Water	Utilities	Philippines	8,464	2.5
Standard Foods	Consumer Staples	Taiwan	8,248	2.4
<b>Ten largest investments</b>			<b>120,072</b>	<b>35.4</b>
Dabur India	Consumer Staples	India	7,002	2.1
Delta Electronics	Information Technology	Taiwan	6,818	2.0
Tata Consultancy Services	Information Technology	India	6,604	2.0
Cyient	Information Technology	India	6,513	1.9
Ayala Corporation	Financials	Philippines	6,489	1.9
Bank OCBC NISP	Financials	Indonesia	6,465	1.9
Cipla	Health Care	India	6,370	1.9
United Plantations	Consumer Staples	Malaysia	6,367	1.9
Delta Electronics (Thailand)	Information Technology	Thailand	6,209	1.8
Uni-President Enterprises	Consumer Staples	Taiwan	6,105	1.8
<b>Twenty largest investments</b>			<b>185,014</b>	<b>54.6</b>
Delta Brac Housing Finance	Financials	Bangladesh	5,899	1.8
Kalbe Farma	Health Care	Indonesia	5,848	1.7
Dr. Reddy's Laboratories	Health Care	India	5,810	1.7
Kasikornbank	Financials	Thailand	5,507	1.6
Nippon Paint*	Materials	Japan	5,456	1.6
Taiwan Semiconductor Manufacturing	Information Technology	Taiwan	5,270	1.6
Public Bank	Financials	Malaysia	5,189	1.5
President Chain Store	Consumer Staples	Taiwan	4,645	1.4
Bank of the Philippine Islands	Financials	Philippines	4,553	1.3
Selamat Sempurna	Consumer Discretionary	Indonesia	4,456	1.3
<b>Thirty largest investments</b>			<b>237,647</b>	<b>70.1</b>
Infosys	Information Technology	India	4,226	1.2
Expeditors International of Washington*	Industrials	United States	4,111	1.2
Oversea-Chinese Banking	Financials	Singapore	3,790	1.1
Tube Investments of India	Consumer Discretionary	India	3,675	1.1
BRAC Bank	Financials	Bangladesh	3,658	1.1
Square Pharmaceuticals	Health Care	Bangladesh	3,594	1.1
E.Sun Financial Holdings	Financials	Taiwan	3,459	1.0
Commercial Bank of Ceylon	Financials	Sri Lanka	3,456	1.0
Robinsons Retail Holdings	Consumer Staples	Philippines	3,387	1.0
Philippine Seven	Consumer Staples	Philippines	3,254	1.0
<b>Forty largest investments</b>			<b>274,257</b>	<b>80.9</b>

\* At least 25% of the company's economic activities are derived from the Asia Pacific Region (in accordance with the Company's investment objective).

# Portfolio (continued)

as at 31 July 2018

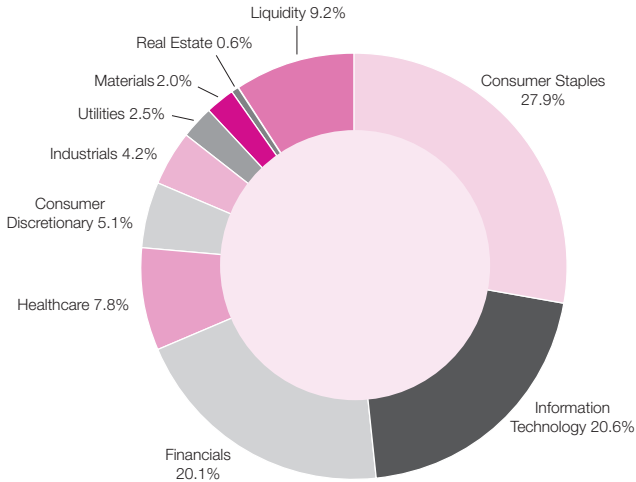
Company	MSCI sector	Country	Market valuation £'000	% of total assets less current liabilities
Hemas Holdings	Industrials	Sri Lanka	3,244	1.0
Elgj Equipments	Industrials	India	3,148	0.9
Koh Young Technology	Information Technology	South Korea	2,891	0.9
Dr. Lal PathLabs	Health Care	India	2,736	0.8
Marico Bangladesh	Consumer Staples	Bangladesh	2,442	0.7
Mahindra Lifespace Developers	Real Estate	India	2,195	0.6
Godrej Consumer Products	Consumer Staples	India	1,996	0.6
China Resources Phoenix Healthcare	Health Care	China	1,944	0.6
Mahindra Logistics	Industrials	India	1,925	0.6
Pigeon*	Consumer Staples	Japan	1,789	0.5
<b>Fifty largest investments</b>			<b>298,567</b>	<b>88.1</b>
CT Holdings	Consumer Staples	Sri Lanka	1,691	0.5
Sundaram Finance	Financials	India	1,644	0.5
Shanthy Gears	Industrials	India	1,544	0.5
Advantech	Information Technology	Taiwan	1,519	0.4
Hero Supermarket	Consumer Staples	Indonesia	1,430	0.4
Advanced Enzyme Technologies	Materials	India	1,399	0.4
<b>Total portfolio</b>			<b>307,794</b>	<b>90.8</b>
<b>Net current assets</b>			<b>31,157</b>	<b>9.2</b>
<b>Total assets less current liabilities</b>			<b>338,951</b>	<b>100.0</b>

\* At least 25% of the company's economic activities are derived from the Asia Pacific Region (in accordance with the Company's investment objective).

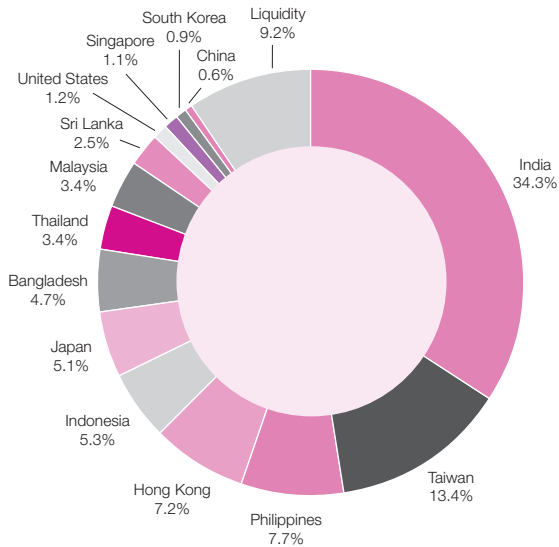
# Portfolio Distribution

as at 31 July 2018

## Sector Analysis



## Geographical Analysis



# Income Statement

for the six months ended 31 July 2018

	(Unaudited) Six months ended 31 July 2018			(Unaudited) Six months ended 31 July 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	-	19,437	19,437	-	20,007	20,007
Exchange differences on currency balances	-	400	400	-	(201)	(201)
Investment Income	3,742	-	3,742	2,957	-	2,957
Investment management and management fees (note 2)	(412)	(1,236)	(1,648)	(397)	(1,190)	(1,587)
Other expenses	(332)	-	(332)	(314)	-	(314)
<b>Return before taxation</b>	<b>2,998</b>	<b>18,601</b>	<b>21,599</b>	<b>2,246</b>	<b>18,616</b>	<b>20,862</b>
Taxation	(262)	-	(262)	(192)	(23)	(215)
<b>Return after taxation</b>	<b>2,736</b>	<b>18,601</b>	<b>21,337</b>	<b>2,054</b>	<b>18,593</b>	<b>20,647</b>
<b>Return per ordinary share (p) (note 3)</b>	<b>2.3p</b>	<b>15.6p</b>	<b>17.9p</b>	<b>1.7p</b>	<b>15.6p</b>	<b>17.3p</b>

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 2018

	(Unaudited) Six months ended 31 July 2018 £'000	(Unaudited) Six months ended 31 July 2017 £'000
Opening shareholders' funds	320,731	287,202
Shares issued in period	-	383
Return for the period	21,337	20,647
Dividends paid	(3,117)	(3,112)
<b>Closing shareholders' funds</b>	<b>338,951</b>	<b>305,120</b>

# Statement of Financial Position

as at 31 July 2018

	(Unaudited) As at 31 July 2018 £'000	(Audited) As at 31 January 2018 £'000
<b>Fixed assets</b>		
Investments	307,794	300,947
<b>Current assets</b>		
Debtors	1,642	307
Cash at bank	30,564	22,824
	32,206	23,131
<b>Creditors</b> (amounts falling due within one year)	(1,049)	(3,347)
<b>Net current assets</b>	31,157	19,784
<b>Net assets</b>	338,951	320,731
<b>Capital and reserves</b>		
Share capital	14,984	14,984
Share premium account	5,737	5,737
Capital redemption reserve	1,648	1,648
Special reserve	14,572	14,572
Capital reserve	296,518	277,917
Revenue reserve	5,492	5,873
<b>Equity shareholders' funds</b>	338,951	320,731
<b>Net asset value per ordinary share (p)</b> (note 4)	282.8p	267.6p

# Notes to the Accounts

## 1. Basis of preparation

The condensed Financial Statements for the six months to 31 July 2018 comprise the statements set out on pages 12 to 15 including the related notes below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting', the principles of the AIC's Statement of Recommended Practice issued in November 2014 and using the same accounting policies as set out in the Company's Annual Report and Financial Statements as at 31 January 2018.

### 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. Investment Management and Management fees

	(Unaudited) Six months ended 31 July 2018			(Unaudited) Six months ended 31 July 2017		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee – Stewart Investors	367	1,101	1,468	342	1,025	1,367
Management fee – Frostrow	45	135	180	55	165	220
	412	1,236	1,648	397	1,190	1,587

## 3. Return per ordinary share

The total return per ordinary share price is based on the return attributable to shareholders of £21,337,000 (six months ended 31 July 2017: return of £20,647,000) and on 119,873,386 shares (six months ended 31 July 2017: 119,605,568), 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 £2,736,000 (six months ended 31 July 2017: £2,054,000) by the weighted average number of shares in issue as above.

The capital return per ordinary share price is calculated by dividing the net capital return attributable to shareholders of £18,601,000 (six months ended 31 July 2017: return of £18,593,000) by the weighted average number of shares in issue as above.



## Notes to the Accounts (continued)

### 4. Net asset value per ordinary share

The net asset value per ordinary share is based on the net assets attributable to shareholders of £338,951,000 (31 January 2018: £320,731,000) and on 119,873,386 shares in issue (31 January 2018: 119,873,386).

### 5. 2018 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 2018, 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 2018 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 2018. 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:
  - (a) [DTR 4.2.7R](#) of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - (b) [DTR 4.2.8R](#) of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

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

For and on behalf of the Board

**James Williams**  
Chairman  
3 October 2018

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

## Equiniti – Share Dealing Service

An internet and telephone dealing service is available through the Company's registrar, Equiniti. This provides a 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](http://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

\*\*Chair 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](http://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](http://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](mailto:info@frostrow.com)  
Website: [www.frostrow.com](http://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](http://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](http://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

## Global Intermediary Identification Number (GIIN):

MAEPFZ.99999.SL.826

## Legal Entity Identifier (LEI)

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



The Association of  
Investment Companies

A member of the Association of Investment Companies

Pacific Assets Trust plc

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