Pacific Assets Trust plc

Half year Report & Accounts for the six months ended 31 July 2019

www.pacific-assets.co.uk

Contents

Management

Pacific Assets Trust plc (the "Company" or the "Trust") 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 2019 there were 120,958,386 ordinary shares in issue (31 January 2019: 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.

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For more information about
Pacific Assets Trust plc
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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

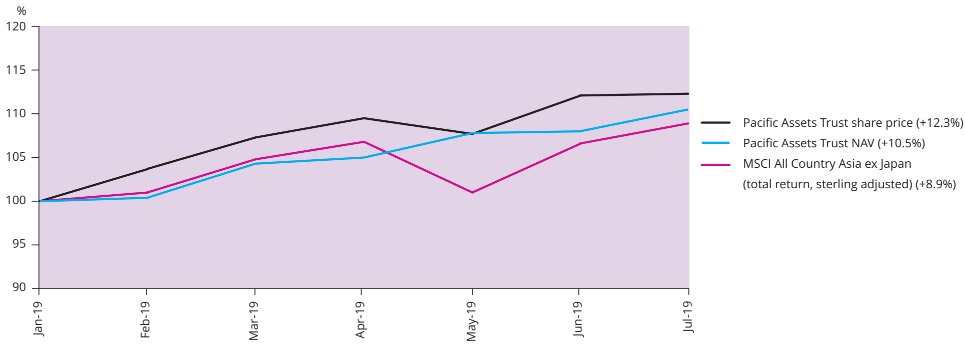
	As at 31 July 2019	As at 31 January 2019	% change
Share price	303.5p	273.0p	11.2
Net asset value per share	302.1p	277.5p	8.9
Premium/(discount) of share price to net asset value per share	0.5%	(1.6)%	–
Market capitalisation	£367.1m	£327.3m	12.2
Shareholders' funds	£365.4m	£332.7m	9.8
	Six months to 31 July 2019	**One year to 31 January 2019**	
Share price (total return)*	12.3%	8.1%	
Net asset value per share (total return)*	10.5%	4.7%	
MSCI All Country Asia ex Japan Index (total return, sterling adjusted)*	8.9%	(7.7)%	

*Source: Morningstar

Dividends	Year ended 31 January 2019	Year ended 31 January 2018	
Final dividend per share+	3.0p	2.6p	–

+The Company does not pay an interim dividend

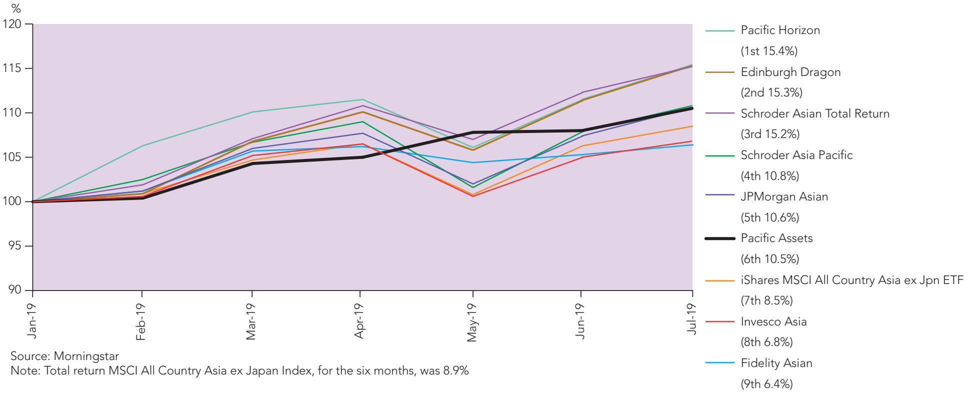
Total Return and Benchmark Performance for the Six Months to 31 July 2019



Source: Morningstar
Rebased to 100 as at 31 January 2019

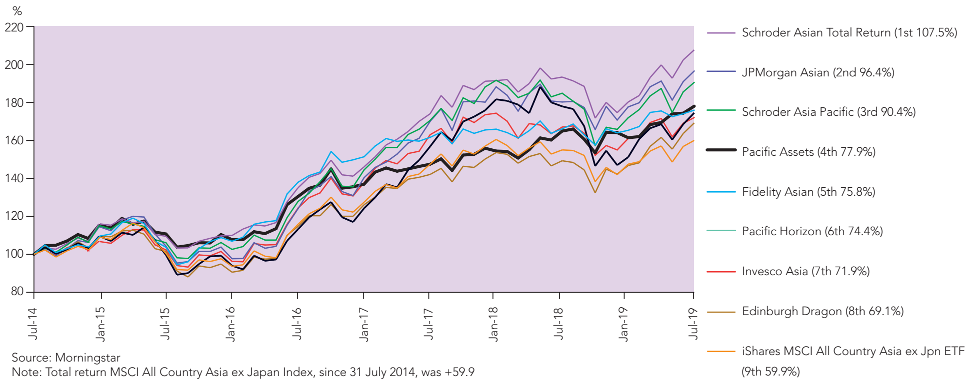
Peer Group Performance

Net Asset Value per Share Total Return Peer Group Performance for the Six Months to 31 July 2019



Source: Morningstar
Note: Total return MSCI All Country Asia ex Japan Index, for the six months, was 8.9%

Net Asset Value per Share Total Return Peer Group Performance for the Five Years to 31 July 2019



Source: Morningstar
Note: Total return MSCI All Country Asia ex Japan Index, since 31 July 2014, was +59.9

Chairman’s Statement

Investment Return

In the six months to 31 July the Company’s net asset value per share total return was +10.5%. The return over this relatively short period compares to the annualised return of +12.2% over the last five years, and of +11.9% over the nine-year period that Stewart Investors have been managing the Company’s investments. The move from a small discount to a small premium at the end of the period meant that the share price total return was +12.3%.

The MSCI All Country Asia ex Japan Index (measured on a total return, sterling adjusted basis) rose by 8.9%. 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. As I mentioned in the last annual report, the Board is planning to add an alternative performance measure to the Company’s reports. Our intention is to set a performance objective of RPI + 6%, measured over a three to five year time horizon.

The Background

We face a combination of challenging economic and political circumstances in 2019 and beyond.

After a flirtation with the withdrawal of quantitative easing, monetary policy is once again being loosened as Central Banks respond to signals of declining economic activity. This creates a mixed picture, on the one hand risk assets always appreciate easier liquidity conditions and low interest rates, on the other hand businesses are more prone to setbacks as anticipated demand fails to materialise. While the balance so far in 2019 has been helpful to equity markets, the message delivered by large parts of the global bond market offering negative interest rates remains disturbing. Behind the generally positive indices there have been notable setbacks of some sectors and stocks.

We do not believe that political trends are generally the primary influence in the long-term direction of asset prices. However, the escalation of global trade tension from rhetoric to action risks 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. However Asian businesses have weathered all manner of politically induced shocks over the years, and it would be unwise to underestimate their in-built resilience now.

We must keep in mind that many of the investments that the Company owns are focused on serving their large domestic audiences. The theme of an emerging middle class in countries as large as India and China means that providers of consumer products or financial services will continue to be well placed whatever disturbing geo-politics 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.

Liquidity

Although Pacific Assets has a very low turnover by the standards of most investment trusts, we view the liquidity of our investments as a serious matter. The Company owns no unlisted investments, while its Investment Manager places limits on total ownership of a company’s stock throughout all its portfolios. We also look at data under different market circumstances as to how long it would take to liquidate the portfolio, should an unexpected event take place. I state the obvious in noting that as a closed-end fund, the likelihood of an event that would require rapid liquidation of positions is far less than in other types of investment fund, even if that should give no room for complacency at uncertain times. Stewart Investors noted to us at a recent Board meeting when the subject of liquidity was raised, that they have ‘an organisational memory of the Asian crisis when liquidity disappeared for all but the best quality companies’. They keep this firmly in mind in the construction of the Trust’s portfolio of investments.

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. During the current year, the Board is undertaking a programme of intensive scrutiny of each of the major providers of services to the Company to ensure at first hand that there is no scope for unexpected accidents and risks, visiting their offices and meeting key executives face to face.

Share Issuance

During the period, demand for the Company's shares led to the issue of a total of 1,085,000 new shares, raising £3.2 million. This is in line with our policy of enlarging the Company's invested capital to the benefit of all shareholders, rather than seeing the share price rise to a material premium to NAV per share in the market. The issuance of new shares takes place only at a premium to the NAV per share and the price incorporates any associated costs, so that existing shareholders are not disadvantaged. Share issuance can also improve the liquidity of the Company's shares and contribute to the reduction of the ongoing charges ratio, as operating costs are spread over a larger capital base. As at 31 July 2019, the Company had 120,958,386 shares of 12.5p each in issue (31 July 2018: 119,873,386).

At the AGM on 27 June 2019, the shareholder authority to issue new shares equal to 10% of the Company's issued share capital on a non-pre-emptive basis was renewed.

The Company's Broker

On 24 June, the Canaccord Genuity investment companies team moved to Investec Bank plc following a restructuring of Canaccord Genuity's UK business. The Company's agreement with Canaccord Genuity was novated to Investec on the same terms and conditions.

Looking Forward

We believe that we have moved into a period of downward adjustment of investment returns, exemplified by the paltry or even negative interest rates on fixed income assets. This suggests that risks are being priced towards a deflationary environment, rather than a return to higher inflation. In a more challenging world possibly for some time to come, it is important that investors lower their sights of expected returns.

We note that Asian 'emerging markets' have in recent years shown less vulnerability to a rising dollar, rising interest rates, and rising trade tensions, than in previous such episodes. 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
1 October 2019

Investment Manager's Review

Performance
The Company's net asset value total return was a positive 10.5% during the half year. This compares to a rise in the MSCI All County Asia ex Japan index (measured on a total return sterling adjusted basis) of 8.9%.

Investment Environment
On many fronts, the environment in which the Trust's capital is invested has become ever more uncertain in recent years.

Quality of Politics
When we first began investing in Asia 30 years ago, amongst the many dictators and authoritarian regimes there was only one democracy, India. Democratic institutions promoted the protection of property rights, the rule of law, freedom of speech and an independent judicial system. Despite economic growth failing to keep pace with some of their East Asian peers, at the grassroots level, entrepreneurs and private companies were generally allowed to thrive. Over the next thirty years, India went on to deliver some of the strongest investment returns in the region. We believe this is no coincidence.

Across the rest of the region, great strides have been made in advancing democracy but now, dark clouds look to be gathering over its appeal. Thailand's slide toward authoritarianism is a case in point. Although holding its first election since 2014, a new constitution and a sleight of hand after the vote allowed the military, under the veil of democracy, to maintain their rule. We are also watching the Philippines and whether President Rodrigo Duterte will seek to amend the country's constitution to allow him to serve a second six-year term. Constitutional amendments have always been a red flag for the future independence of a country's institutions.

In India, Prime Minister Modi and his BJP Party's recent win at the polls provides him the freedom to continue their reform agenda. But beyond lofty ambitions to improve the country's competitiveness and growth, lies a worrying trend. The Freedom in the World report, an annual report which assesses the condition of political rights and civil liberties around the world, downgraded India's score this year. They highlight increasing moves to curb critical voices in the press and the disturbing frequency of crimes against religious minorities. Modi's decision to remove Jammu and Kashmir's autonomy, with zero warning, is another sign of his strong-man politics. Should India's expected economic growth fail to materialise, it would be no surprise to see this direction of travel continue.

Fuelling religious or geopolitical tensions have long been popular levers to pull for short-term political gain. It is always easier to look for an outsider to blame in times of stress. Increasing instances of beggar-thy-neighbour politics, whether it be the US and China, India and Pakistan or Korea and Japan, provide a further insight into the struggle to generate sustainable growth.

Hong Kong offers an example of a delicate environment tipping into instability. As we write this, the city is now in its third-month of protests. Pictures of protesters seeking shelter from clouds of tear gas cover the front pages. For a number of years, diminishing social mobility and excessive living costs have fuelled a powder keg of frustration but recent deterioration in political independence looks to have lit the fuse.

Debt, debt and more debt
We wrote about the worrying trend in global monetary policy in our 2017 Interim Investment Manager's Review. Since then, central banks have continued to push the cost of money to ever more extreme levels as they strive to ignite growth and stave off any natural business cycle. With US$16 trillion of bonds now with negative yields, we are in unchartered territory.

In response, governments, corporates and households have proceeded to take on record amounts of debt. For most of the last decade, ever decreasing servicing costs have numbed debtors to the disastrous consequences it brings in times of stress. Memories are short.

Investment Manager's Review (continued)

At the corporate level, research now suggests that one-fifth of all businesses globally do not generate enough profits to cover their interest payments and can only stay afloat thanks to their ability to refinance. Many of these are in India, Indonesia and South Korea. It is very difficult to put an exact number on the corporate debt situation in China but it is possibly the case that debt levels both in absolute terms and relative to cash flows are unsustainable. In Europe, some issuers of junk bonds are close to getting paid to borrow money and in the US, the value of corporate debt rated just above junk is now the largest it has ever been.

Combine a significant debt burden with slowing growth and mounting protectionism and you create a very insecure dynamic. It is unlikely that more debt will be the answer but that seems to be the path down which central bankers are taking us.

When we eventually return to an environment where debt carries a true cost, the debt markets say no to more credit or the future unfolds unlike that predicted in credit rating agencies' spreadsheets, life will get tough very quickly. These balance sheets should come with a warning label similar to those attached to delicate parcels in the past – Please Handle with Care.

Stories over substance

After more than a decade of above average equity returns, and continued manipulation by central banks, greed helps fuel further extrapolation of the good times and stories are now preferred to substance. There are examples the world over where companies are being awarded astronomical valuations and many multibillion-dollar market caps despite the fact they fail to generate any cash flows or earnings. While we would acknowledge that some imagination is required when investing, there needs to be some respect for a company's fundamentals other than sales growth or the potential size of an end market.

Last year, just 28% of US initial public offerings were profitable. A number very close to that reached at the height of the dot.com euphoria in 2000. However, this time round, the magnitude of losses and the duration over which companies have sustained their losses is unprecedented. One prospectus even goes as far to state:

"We have incurred significant losses since inception, including in the United States and other major markets. We expect our operating expenses to increase significantly in the foreseeable future, and we may not achieve profitability."

This company recently lost close to US$8bn in a single three-month period.

Last month, we met a Hong Kong based biotech company with a US$3bn market cap despite it generating only US$130k in sales last year, none of which came from the sale of drugs. In May, a fast-growing Chinese coffee chain listed its shares in the US. As of June, this company had US$300m in sales but made an operating loss of US$300m. The market currently believes the company to be worth US$5bn.

When flicking through the presentation of a Singapore based, US-listed technology company we were surprised to find the term "adjusted" 31 times in a 14 page document. This is one example of a broader trend where management teams are conjuring up their own terms and metrics which they believe allows investors to judge their performance better. Each has their own method of what can and should be "adjusted" but the common feature is that the "adjustment" is used to make the situation rosier than it would be if traditional accounting metrics were used. Even after spurious adjustments, this Singaporean company made more than an US$200m loss. It currently boasts an US$16bn market cap and its share price is up more than 200% since January.

Owners of these high growth companies will claim that astronomical valuations are warranted. Many are either leaders in new markets or disrupting existing markets. More often than not they are growing sales very quickly. This may be the case but businesses that have never made a profit, can survive only with debt and/or equity inflows (relying on other people's money) and have never been through a cycle, make for a fragile investment case. When unprofitable companies are market darlings, the want to preserve capital has well and truly been

Investment Manager's Review (continued)

replaced with greed. We are comfortable not putting the Trust's capital at risk by investing at this time, in this end of the market.

We would also note that such shenanigans on the part of corporate management teams and a lack of scepticism on the part of investors tends to be prevalent in times of euphoria and has been the environment in which many of the great corporate frauds have been allowed to breed.

Quality: The Absence of Fragility

Our investment philosophy and process have long focused on what could go wrong as much as what could go right. By doing so, we attempt to avoid investment decisions that permanently impair capital and thus get in the way of protecting and growing the Trust's capital.

Impaired capital tends to be the result of some form of fragility – an investment where there is little or no resilience to unexpected shocks. Understanding if a company or a steward lacks quality and is therefore fragile, is achievable through bottom-up analysis. A misaligned owner, strong political links, a heavily indebted balance sheet or a franchise with no long-term competitive advantages are suggestive of a fragile investment which could quickly impair hard-earned savings. However, it is impossible to predict the exact timing and magnitude of the event that will unsettle a fragile company. This is the case no matter how much time, energy and analysis is used in the process. We therefore spend the majority of our time identifying and debating quality. Being unable to predict the unpredictable is forgivable but building a portfolio full of fragile companies is not.

By investing the Trust's capital with a long-term time horizon in high quality companies, run by high quality people, we are actively seeking out companies that are capable of surviving change and volatility. The performance of the Trust in down markets, shown in figure 1, is one outcome of seeking to own resilient companies. We remain focused on first protecting capital in the knowledge that only then can it grow.

Pacific Assets Trust plc – Performance in Up and Down Markets

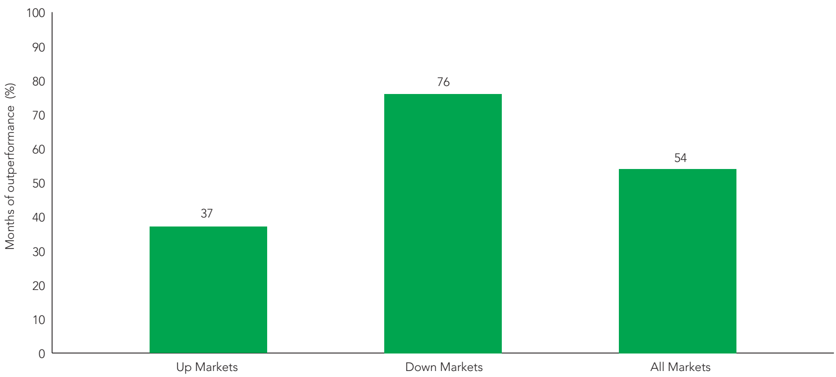


Figure 1

Source: Lipper IM, Stewart Investors and Trust administrator. NAV Performance data is calculated on a net basis after deducting all fees and costs incurred by the Trust. The NAV includes dividends reinvested on a net of tax basis. Outperformance is measured versus the MSCI AC Asia ex-Japan index, calculated on an income reinvested net of tax basis. Outperformance has been calculated from the date of Stewart Investors becoming manager of the Trust to 30 June 2019. An up market month is defined as a month where the MSCI AC Asia ex-Japan index ends higher than it starts.

Investment Manager's Review (continued)

Implicit in this pursuit is the rejection of companies where there is a deficit in quality, of which there are many. Last year we met close to 800 Asian companies but only a handful of new names were added to the Trust. Turnover of the Trust remains low with an average holding period of more than five years.

Seeking resilience through diversified cash flows

Over a third of the Trust's capital is invested in India but beneath that number lies a very diverse set of companies and cash flows. For example, companies with globally competitive products such as Tata Consultancy Services, Tech Mahindra and Dr Reddy's generate the majority of their sales in Europe and the US. The cash flows generated by consumer companies in the Trust (Godrej Consumer, Marico and Dabur) are accumulated by selling low priced, daily necessities (e.g. toothpaste, shampoo, household insecticides) to millions of Indian consumers every day. These companies have also built formidable businesses throughout Asia. For example, Marico's brands in Bangladesh and Godrej's in Indonesia account for 10% and 15% of their sales respectively.

We believe the Indian financial institutions held in the Trust (Kotak Mahindra Bank, HDFC and Sundaram Finance) are some of the best in the world. They are long-term, patient and high-quality lenders. These attributes have allowed them not only to weather many short-term cycles but to come out of such periods of stress stronger than their competitors and in an even better place to benefit from growing financial penetration in the country.

We believe the quality of these franchises and their stewards, combined with diverse cash flows, provide the Trust with an appropriate level of resilience against the unexpected while continuing to offer attractive opportunities for long-term growth.

Seeking resilience through time-tested franchises

The Trust owns only one company listed in Hong Kong, Vitasoy, a leading manufacturer of soy milk and other milk alternatives owned by the second generation of the founding Lo family. The allocation to Hong Kong is not the result of a top-down view of the political situation but rather an inability to find companies and stewards of sufficient quality.

Vitasoy traces its roots back to an unstable environment when in 1940, K.S Lo set up the company to provide affordable nutrition to Chinese refugees coming across the border. We believe time to be as good a test as any for the resilience of a business and the quality of a steward. Over the last 80 years, Vitasoy has proven itself robust to many outside pressures. During the worst of the SARS epidemic in 2003, Vitasoy's sales fell less than 2%. At the same time, restaurants and retailers were reporting sales declines in the region of 20%-30%. This information is largely worthless to an investor with a short time horizon focused on trying to guess how political or economic unrest will impact stock prices on a daily or monthly basis. To us, it offers a valuable insight into the quality of Vitasoy's business and how important their products are to consumers' consumption habits.

Figure 2 shows the movement in Vitasoy's share price over rolling three-month periods since its listing in 1994. It tells us nothing, other than illustrating that stock prices are volatile. Over such time periods, noise and emotions drive returns.

Investment Manager's Review (continued)

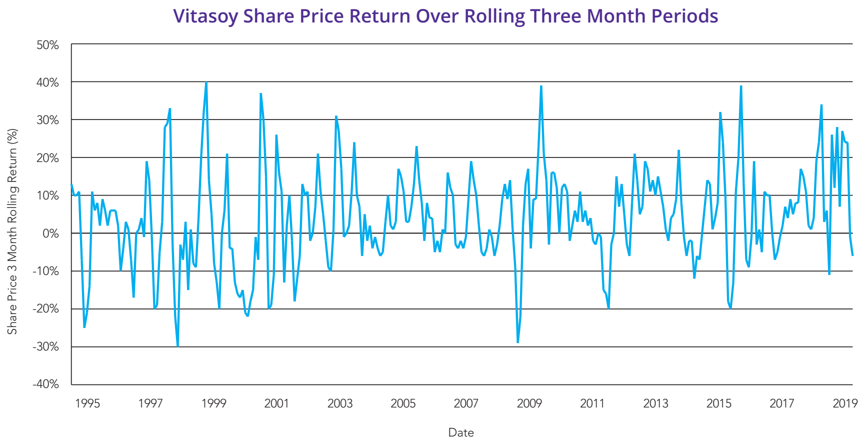


Figure 2
Source: Bloomberg

Over 14 such periods Vitasoy's share price fell more than 20%. After Hong Kong was handed back to China in 1997, and the ensuing Asian financial crisis, it fell 30%.

Yet, as is usually the case for quality businesses, Vitasoy's fundamentals were far less volatile (Figure 3).

Since 1995, sales have grown at 8% a year and operating cash flows at 11%, which over a 24 year period amounts to sales growing six-fold and cash flows 13-fold. This has largely been driven by management's long-term time horizon and their decision to take profits generated in Hong Kong and invest in building leading soy milk franchises in China and Australia.

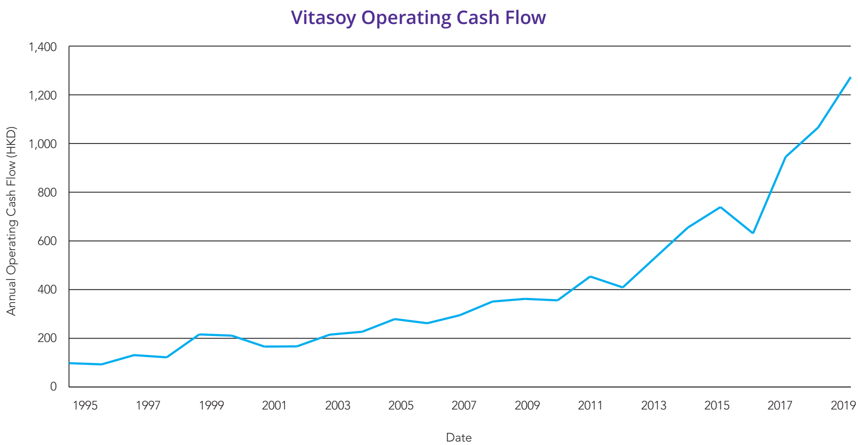


Figure 3
Source: Capital IQ

Investment Manager's Review (continued)

This serves as a reminder of the importance of bottom-up analysis and that it is earnings that drive returns over the long-term.

If Vitasoy had been viewed merely as a stock ticker, and not a quality business going through a tough time, it would have been very easy to have been scared out of the company at the height of the fear in 1997. Such short-termism would have meant missing out on 18% a year in returns (including reinvested dividends).

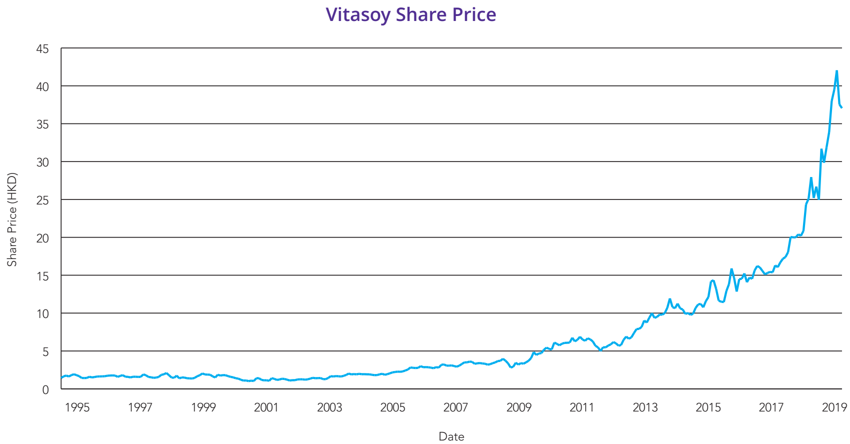


Figure 4

Source: Bloomberg

This brings us back to our belief that risk should not be seen as volatility but rather a deterioration in quality leading to the permanent destruction of capital. We continue to see Vitasoy as one of the highest quality companies the Trust can own.

Over the period we trimmed the Trust's position in Vitasoy. After a very strong run partially fuelled by the company's inclusion in a global index, valuations reached levels that we believe to be excessive.

Seeking resilience through Quality of Financials

Interest in a company's financial condition is generally out of fashion today as it serves only to get in the way of owning headline grabbing, high flying companies. In times such as these, the quality of a company's balance sheet and its cash flows are even more paramount in the protection of capital.

When we meet the management of indebted companies and ask why they have chosen to take on that burden the answer tends to be, why not? If interest rates stay low, or even decrease, debt offers a lever to boost returns and/or the liquidity to buy shares or embark on some form of M&A. This is defended as being in the best interests of shareholders. We argue otherwise and would use this to highlight the many diverse wants and time horizons of shareholders and management teams.

Figure 5 groups the holdings in the Trust by economic owner. By investing the Trust's capital alongside high quality stewards who have the majority of their individual, family or institutional wealth at risk, we are aligning the Trust with shareholders with time horizons (long) and objectives (protect and grow capital) similar to ours. These owners tend not to compromise the long-term survival of their company at the expense of boosting short-term profits through the use of debt and other such financial engineering.

Investment Manager's Review (continued)

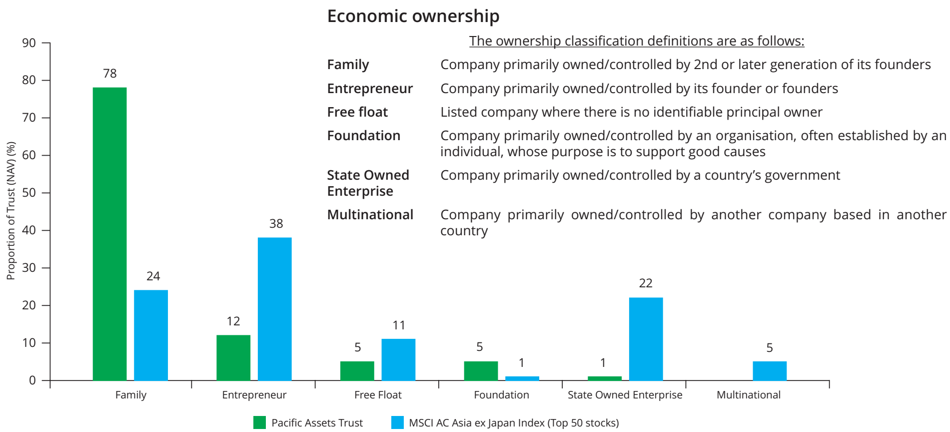


Figure 5

Footnote: Figure 5 shows economic ownership classified by shareholder group as defined by Stewart Investors based on the most influential investor in any given company. Data is as at 30 June 2019. The top 50 companies in the MSCI All Country Asia Pacific ex-Japan have been used for comparison purposes only and does not necessarily reflect the profile of holdings in the complete index. Data excludes cash and has been rebased to 100.

All of the top ten companies in the Trust (excluding financial and holding companies) have net cash balance sheets, meaning they have more cash than debt. Not only do these balance sheets provide resilience against instability, they offer the ability to capitalise on any unexpected events. Indebted balance sheets are fine when the sun is shining but net cash is a balance sheet for all seasons. It is no coincidence that all of these companies have stewards who have their own money on the line and vivid memories of stormier times.

Our view of the quality of a company's financials is not simply confined to whether there is debt on the balance sheet or not – we are comfortable with some debt as long as it has been used for productive purposes. The quality of a company's earnings are also a critical component. We see high quality earnings as those that are turned into cash and are relatively resilient to macroeconomic events.

One example of where we have been dissuaded, thus far, from owning a company due to its poor cash flows is a Chinese industrial company that we have been following for some time. The company has a dominant private shareholder, a net cash balance sheet and is a technological leader in many of its fields. However, like many Chinese companies today it is having trouble getting its customers to pay up. Last year, only 30% of their earnings were turned into cash, with the remainder being paid in a form of I Owe You (IOU). With an estimated US$200bn worth of such instruments circulating in the system at present, these IOUs have become ominously common as a way of Chinese, companies paying their creditors. This puts the company in a precarious situation as it not only exposes it to the weaker balance sheets of its customers (and their potential insolvency) but this lack of cash inflow forces them to run down their cash reserves if they are to invest or continue to pay a dividend. For now, we are happy watching how the situation unfolds without any of the Trust's capital being exposed to such fragile cash flows.

In comparison, on average, the top ten companies in the Trust convert more than 100% of their earnings into cash.

Investment Manager's Review (continued)

Outlook

Despite the shorter-term challenges, we believe Asia continues to be one of the most vibrant and rewarding places for the long-term investor. No matter the environment, we will continue to focus on finding quality companies that are able to withstand short-term instability and are well placed to benefit from the long-term development of the region.

Portfolio Activity

Over the period, we initiated positions in two new companies: **Bank Central Asia (BCA)** (the leading commercial bank in Indonesia) and **Concepcion Industrial Corporation** (the largest manufacturer and distributor of air conditioners in the Philippines).

BCA possesses what we look for in banking franchises: a strong low-cost deposit base that enables attractive returns despite the bank participating in largely low-risk parts of the market. One unique feature of Indonesian banking law is that directors, including independents, are personally liable for the bank's solvency; unsurprisingly, they, including BCA, tend to be very conservatively-run with little leverage and lots of excess capital.

Concepcion has a number of quality attributes. It is owned and managed by the Concepcion family – a steward we believe to be long-term, competent and suitably risk-aware. Their leading market share, strong brands and established distribution network offer an attractive position from which to benefit as air conditioning penetration in the Philippines increases. In terms of quality of financials, a robust balance sheet and strong cash flows provide an attractive level of resilience against any unforeseen macro pressures.

Over the period we sold the Trust's positions in Mahindra Lifespace, Standard Foods, Delta Electronics (Thailand), Public Bank, Advanced Enzymes and China Resources Medical.

We look to sell a company only if there has been a deterioration in quality or where valuations have reached unpalatable levels. All of the sales, bar Delta Electronics, were due to questions on quality and thus we believe the Trust is in a stronger position following these transactions.

Despite our confidence in the stewardship at the Mahindra Group, we believe there are higher quality ways to gain exposure to growth in the Indian housing market. This would include the Trust's holdings in high quality mortgage and insurance providers **HDFC** and **Sundaram Finance**.

Standard Foods was sold after we failed to build conviction in the company's new management team and their strategy in China.

Over the period we also sold our small position in Public Bank. Although we believe it to be the most conservative bank in Malaysia, the high indebtedness of the Malaysian household reduces the opportunity for quality growth while increasing the fragility of the loan book. We believe BCA to be a more attractive place to protect and grow capital over the long-term.

The Trust's relatively new positions in Advanced Enzymes and China Resources Medical were sold as we failed to build conviction in the quality of the stewards at each company.

We sold our stake in Delta Electronics (Thailand: Information Technology) to the parent company (Delta Electronics, Taiwan) as they attempted to privatise the company.

Stewart Investors
1 October 2019

Contribution by Investment

Six months ended 31 July 2019

Principal contributors to and detractors from absolute performance

Top 10 contributors to absolute performance for the 6 months ended 31 July 2019

Company	Contribution to Returns %
Vitasoy International Holdings	2.17
Kotak Mahindra Bank Limited	0.83
Chroma ATE	0.64
Housing Development Finance	0.63
Hoya Corp	0.58
Nippon Paint	0.51
Tata Consultancy Services	0.44
E.Sun Financial Holdings	0.43
Marico	0.38
Marico Bangladesh	0.38

Top 10 detractors from absolute performance for the 6 months ended 31 July 2019

Company	Contribution to Returns %
Cyient	(0.24)
Mahindra & Mahindra	(0.24)
Mahindra Logistics	(0.09)
Kasikornbank	(0.09)
Manila Water	(0.07)
Godrej Consumer Products	(0.07)
Unicharm	(0.06)
Kalbe Farma	(0.06)
Koh Young Technology	(0.05)
Public Bank	(0.05)

Source: Stewart Investors

Portfolio

as at 31 July 2019

Company	MSCI sector	Country	Market valuation £'000	% of total assets less current liabilities
Tech Mahindra	Information Technology	India	18,797	5.1
Vitasoy International Holdings	Consumer Staples	Hong Kong	14,159	3.9
Unicharm	Consumer Staples	Japan*	13,977	3.8
Marico	Consumer Staples	India	12,575	3.5
Oversea-Chinese Banking Corporation	Financials	Singapore	12,554	3.4
Kotak Mahindra Bank	Financials	India	10,862	3.0
Housing Development Finance Corporation	Financials	India	10,741	2.9
Hoya	Health Care	Japan*	10,354	2.8
Mahindra & Mahindra	Consumer Discretionary	India	10,255	2.8
Delta Electronics	Information Technology	Taiwan	10,243	2.8
10 largest investments			**124,517**	**34.0**
Sundaram Finance	Financials	India	9,524	2.6
Chroma ATE	Information Technology	Taiwan	8,447	2.3
Tata Consultancy Services	Information Technology	India	7,881	2.2
Bank OCBC NISP	Financials	Indonesia	7,616	2.1
Dabur India	Consumer Staples	India	7,565	2.1
Ayala Corporation	Industrials	Philippines	7,432	2.0
Kasikornbank	Financials	Thailand	6,840	1.9
Dr Lal PathLabs	Health Care	India	6,535	1.8
Uni-President Enterprises	Consumer Staples	Taiwan	6,431	1.8
Tube Investments of India	Consumer Discretionary	India	6,361	1.7
20 largest investments			**199,149**	**54.5**
Delta Brac Housing Finance	Financials	Bangladesh	6,321	1.7
Koh Young Technology	Information Technology	South Korea	6,075	1.7
Cipla	Health Care	India	6,053	1.7
Selamat Sempurna	Consumer Discretionary	Indonesia	6,031	1.6
President Chain Store	Consumer Staples	Taiwan	5,915	1.6
Nippon Paint	Materials	Japan*	5,889	1.6
United Plantations	Consumer Staples	Malaysia	5,784	1.6
Dr. Reddy's Laboratories	Health Care	India	5,765	1.6
Bank of the Philippine Islands	Financials	Philippines	5,669	1.5
Pigeon	Consumer Staples	Japan*	5,576	1.5
30 largest investments			**258,227**	**70.6**
Manila Water	Utilities	Philippines	5,531	1.5
BRAC Bank	Financials	Bangladesh	5,137	1.4
Philippine Seven	Consumer Staples	Philippines	4,901	1.3
Cyient	Information Technology	India	4,799	1.3
E.Sun Financial Holdings	Financials	Taiwan	4,761	1.3
Square Pharmaceuticals	Health Care	Bangladesh	4,679	1.3
Godrej Consumer Products	Consumer Staples	India	4,209	1.2
Kalbe Farma	Health Care	Indonesia	4,207	1.2
Advantech	Information Technology	Taiwan	4,138	1.1
Marico Bangladesh	Consumer Staples	Bangladesh	3,856	1.1
40 largest investments			**304,445**	**83.3**

* 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

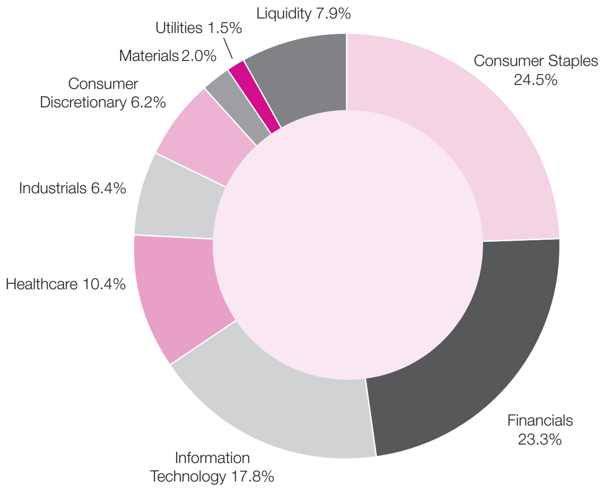
Company	MSCI sector	Country	Market valuation £'000	% of total assets less current liabilities
Elgi Equipments	Industrials	India	3,841	1.1
Expeditors International of Washington	Industrials	United States*	3,744	1.0
Robinsons Retail	Consumer Staples	Philippines	3,466	0.9
Commercial Bank of Ceylon	Financials	Sri Lanka	2,967	0.8
Mahindra Logistics	Industrials	India	2,951	0.8
Taiwan Semiconductor Manufacturing	Information Technology	Taiwan	2,857	0.8
Hemas Holdings	Industrials	Sri Lanka	2,479	0.7
Bank Central Asia	Financials	Indonesia	2,140	0.6
Vitrox	Information Technology	Malaysia	1,837	0.5
Concepcion Industrial	Industrials	Philippines	1,812	0.5
50 largest investments			**332,539**	**91.0**
Kansai Paint	Materials	Japan*	1,460	0.4
Hero Supermarket	Consumer Staples	Indonesia	1,302	0.4
Shanthi Gears	Industrials	India	1,220	0.3
Total portfolio			**336,521**	**92.1**
Net current assets			**28,887**	**7.9**
Total assets less current liabilities			**365,408**	**100.0**

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

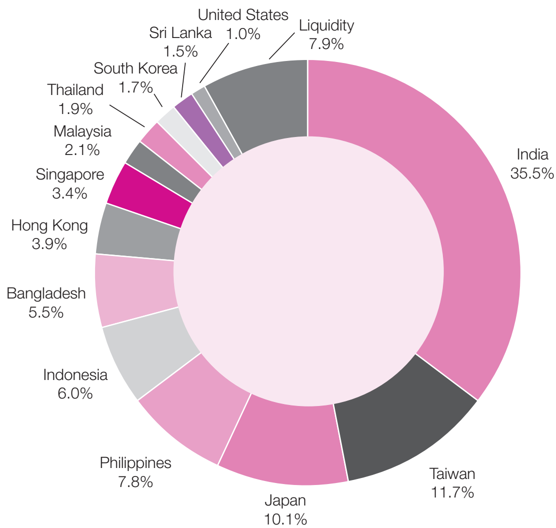
Portfolio Distribution

as at 31 July 2018

Sector Analysis



Geographical Analysis



Income Statement

for the six months ended 31 July 2019

	(Unaudited) Six months ended 31 July 2019			(Unaudited) Six months ended 31 July 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	–	29,985	29,985	–	19,437	19,437
Exchange differences on currency balances	–	1,443	1,443	–	400	400
Investment Income	4,011	–	4,011	3,742	–	3,742
Investment management and management fees (note 2)	(444)	(1,331)	(1,775)	(412)	(1,236)	(1,648)
Other expenses	(302)	–	(302)	(332)	–	(332)
Return before taxation	3,265	30,097	33,362	2,998	18,601	21,599
Taxation	(318)	93	(225)	(262)	–	(262)
Return after taxation	2,947	30,190	33,137	2,736	18,601	21,337
Return per ordinary share (p) (note 3)	2.4p	25.1p	27.5p	2.3p	15.6p	17.9p

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 return 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 2019

	(Unaudited) Six months ended 31 July 2019 £'000	(Unaudited) Six months ended 31 July 2018 £'000
Opening shareholders' funds	332,674	320,731
Shares issued in period	3,210	–
Return for the period	33,137	21,337
Dividends paid	(3,613)	(3,117)
Closing shareholders' funds	365,408	338,951

Statement of Financial Position

as at 31 July 2019

	(Unaudited) As at 31 July 2019 £'000	(Audited) As at 31 January 2019 £'000
Fixed assets		
Investments	336,521	297,348
Current assets		
Debtors	4,289	224
Cash at bank	31,179	36,152
	35,468	36,376
Creditors (amounts falling due within one year)	(6,581)	(1,050)
Net current assets	28,887	35,326
Net assets	365,408	332,674
Capital and reserves		
Share capital	15,120	14,984
Share premium account	8,811	5,737
Capital redemption reserve	1,648	1,648
Special reserve	14,572	14,572
Capital reserve	318,974	288,784
Revenue reserve	6,283	6,949
Equity shareholders' funds	365,408	332,674
Net asset value per ordinary share (p) (note 4)	302.1p	277.5p

Notes to the Accounts

1. Basis of preparation

The condensed Financial Statements for the six months to 31 July 2019 comprise the statements set out on pages 17 to 18 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 2019.

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 2019			(Unaudited) Six months ended 31 July 2018		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee – Stewart Investors	396	1,188	1,584	367	1,101	1,468
Management fee – Frostrow	48	143	191	45	135	180
	444	1,331	1,775	412	1,236	1,648

3. Return per ordinary share

The total return per ordinary share is based on the return attributable to shareholders of £33,137,000 (six months ended 31 July 2018: return of £21,337,000) and on 120,323,303 shares (six months ended 31 July 2018: 119,873,386), being the weighted average number of shares in issue.

The revenue return per ordinary share is calculated by dividing the net revenue return attributable to shareholders of £2,947,000 (six months ended 31 July 2018: £2,736,000) by the weighted average number of shares in issue as above.

The capital return per ordinary share is calculated by dividing the net capital return attributable to shareholders of £30,190,000 (six months ended 31 July 2018: return of £18,601,000) 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 £365,408,000 (31 January 2019: £332,674,000) and on 120,958,386 shares in issue (31 January 2019: 119,873,386).

5. 2019 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 2019, 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 2019 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 risks (including cyber-crime, corporate governance, accounting, legal, regulatory and political risks). 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 2019. 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.

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

For and on behalf of the Board

James Williams
Chairman
1 October 2019

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/
Barclays Stockbrokers	https://www.smartinvestor.barclays.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/

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

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 please contact Frostrow Capital using the above email address.

Broker
Investec Bank plc
30 Gresham Street
London EC2V 7QP

Registrar
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 Banker
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

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The Association of
Investment Companies

A member of the Association of Investment Companies

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