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BY MARTEN & CO

INVESTOR

Pacific Horizon

Investment companies | Annual overview | 24 November 2026

Don't stop believing

Pacific Horizon (PHI) has delivered exceptional returns over the past financial year, giving shareholders a strong reason to back the trust's continuation at its upcoming AGM. The managers' high-conviction investments in semiconductor and AI infrastructure businesses benefitted from surging demand and strong earnings growth. Recent market volatility has pared some gains, but PHI's long-term record remains strong: its net asset value total return was 335.4% over the 10 years to 31 October 2026, versus 123.6% for its benchmark and 193.7% for the MSCI AC World Index. The managers have spotted long-term growth opportunities and adjusted the portfolio as relative valuations and prospects shifted. Asia's growing role in global technology supply chains keeps the outlook attractive, in our view.

Sector	Asia Pacific
Ticker	PHI LN
Base currency	GBP
Price	854.00p
NAV	955.92p
Premium/(discount)	(10.7%)
Yield	Nil

Exceptional returns have given shareholders a strong reason to back PHI's continuation

Focused on Asia ex-Japan growth stocks

PHI aims to achieve capital growth by investing across the Asia-Pacific region (excluding Japan) and in the Indian subcontinent. It can shift between markets as growth opportunities change. The portfolio normally holds mostly listed securities but can invest up to 15% of total assets in unlisted investments, measured at the time of initial investment.

Asia is playing an increasingly important role in global technology supply chains

PHI's longer-term performance record is strong

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Domicile	England and Wales
Inception date	September 1989
Manager	Roderick Snell Ben Durrant
Market cap	647.4m
Shares outstanding (exc. treasury shares)	75.8m
Daily vol. (1-yr. avg.)	172.0k shares
Net gearing	3.5%

Click for our most recent note

Click for updated PHI factsheet

Click for PHI's peer group analysis

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Click to provide feedback to the company

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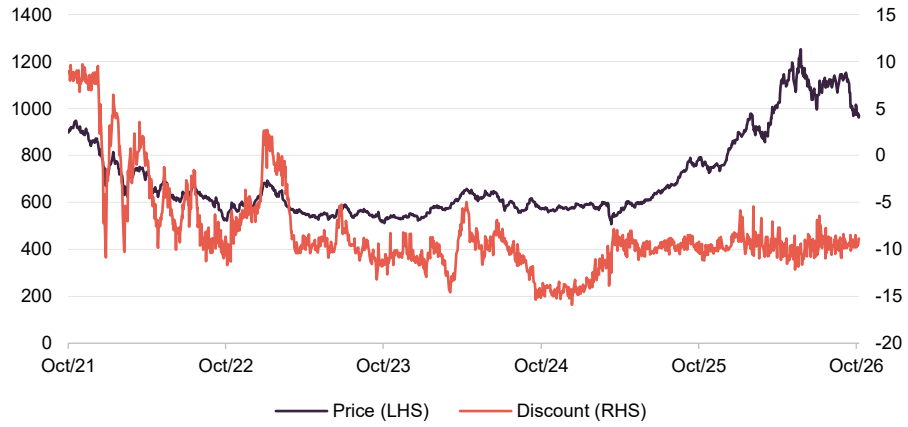
Click for links to trading platforms

At a glance

Share price and discount

When PHI announced its five-year performance-related tender offer in April 2025, the board pledged to continue share buybacks to keep the discount to net asset value in single digits under normal market conditions. As the chart shows, the policy has broadly worked – the discount has averaged 9.6% since the announcement and peaked at 12.1%. Shareholders also have the comfort of a conditional tender offer in 2030.

Time period 31 October 2021 to 20 November 2026

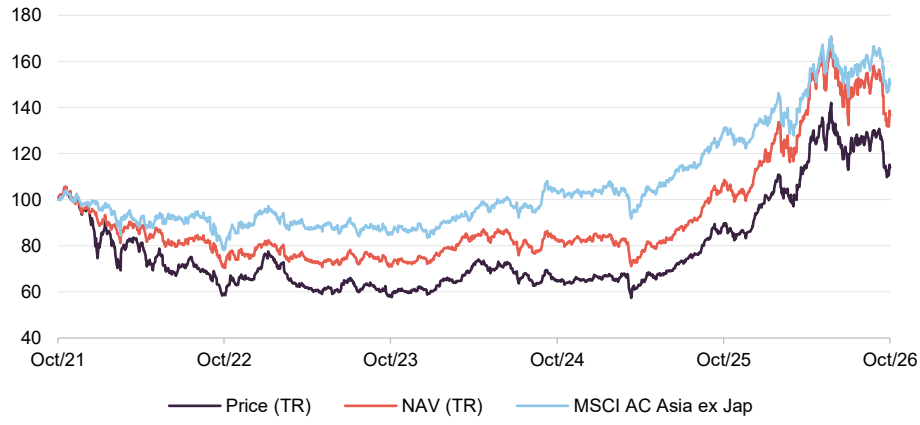


Source: Bloomberg, Marten & Co

Performance over five years

PHI's performance has benefitted from a series of well-timed asset allocation decisions, notably the reduction in Chinese exposure in favour of India in 2021, followed by a reversal of this positioning in 2024. Increasing investment in semiconductors and the wider AI infrastructure supply chain was also rewarding as strong demand for advanced chips and memory supported earnings growth and valuations at several of PHI's largest holdings.

Time period 31 October 2021 to 31 October 2026



Source: Bloomberg, Marten & Co

Year ended	Share price total return (%)	NAV total return (%)	MSCI AC Asia ex-Japan total return (%)	MSCI AC World total return (%)
31/10/2022	(41.4)	(29.5)	(21.0)	(4.6)
31/10/2023	(1.5)	0.8	7.5	4.3
31/10/2024	12.4	16.4	21.4	25.4
31/10/2025	36.9	30.2	26.4	20.1
31/10/2026	24.3	23.2	13.3	10.2

Source: Bloomberg, Marten & Co

Fund profile

Additional information is available at the manager's website: www.bailliegifford.com

Pacific Horizon (PHI) is an investment trust that invests in growth companies across Asia, excluding Japan. Baillie Gifford & Co has managed PHI's portfolio since 1992 and acts on behalf of the trust's alternative investment fund manager, Baillie Gifford & Co Limited. Baillie Gifford believes its long-term focus on growth offers a significant opportunity to outperform markets. PHI joined the FTSE 250 index in January 2023.

About the manager

Well-resourced investment team.

Baillie Gifford's 137 investors and analysts work in 18 teams, mostly in Edinburgh. The partnership encourages collaboration, but portfolio managers have the final say. Baillie Gifford managed or advised on about £190bn at the end of September 2026. PHI and its open-ended equivalent, the Baillie Gifford Pacific Fund, had combined assets of about £4.9bn on 31 October 2026. Roderick Snell, Baillie Gifford's senior Asia ex-Japan fund manager, leads PHI, with Ben Durrant as deputy (see page 17). PHI backs its strongest stock picks and can differ significantly from its benchmark, the MSCI All Country Asia ex-Japan Index. Its active share was 64% on 31 October 2026.

Manager's view

Asia's growing importance in a changing world

Asia hosts some of the world's most advanced technology companies

When we last published in November 2025, PHI's managers saw a weaker US dollar, improving conditions in China and attractive valuations as signs that Asian shares could turn a corner after years of lagging developed markets. The recovery has been uneven, but they believe the case for investing in Asia has strengthened. Rising investment in artificial intelligence (AI) has highlighted Asia's growing importance to global technology and industrial supply chains. Asia offers more than low-cost manufacturing and faster-growing economies: it hosts some of the world's most advanced technology companies, many with key roles in industries with limited capacity and high barriers to entry. Asian economies have also weathered prolonged dollar strength, higher interest rates and geopolitical uncertainty. Despite strong gains in some markets over the past year, the managers still see valuations as attractive compared with developed markets, given Asia's stronger long-term growth prospects.

AI – Asia's position in the global supply chain

AI-infrastructure depends heavily on Asian suppliers

AI investment surged over the past year, and PHI's managers believe Asia is well placed to benefit. Attention has focused on US companies developing AI models and applications, but the infrastructure they rely on depends heavily on Asian suppliers. Taiwan dominates advanced chip manufacturing, while South Korea leads in memory chips, especially high-bandwidth memory (HBM), essential for AI accelerators. The expertise, cost and complexity of chipmaking limit competition. As AI infrastructure investment surges, demand exceeds supply, helping key Asian suppliers command higher prices, protect profit margins and lift earnings forecasts.

However, the managers acknowledge that strong share price gains have made chipmakers more sensitive to shifts in AI spending expectations. Investment may be unsustainable if returns from AI applications fail to justify the cost. They remain confident in long-term growth in demand for computing power and in companies that play key roles in the supply chain.

China – technological self-sufficiency creates opportunities

Poor sentiment is overshadowing China's progress in EVs, batteries, automation and renewables

China presents a more mixed picture. The property downturn, weak consumer confidence and subdued domestic demand still weigh on growth. Geopolitical tensions and limits on access to Western technology add pressure. PHI's managers believe these concerns overshadow China's progress in globally competitive industries such as electric vehicles, batteries, industrial automation and renewable energy equipment.

China has made major advances in semiconductors and AI

China has made major advances in semiconductors and AI, with US restrictions speeding up investment in home-grown alternatives. The managers see opportunities for suppliers of components, equipment and infrastructure that help China rely less on foreign technology. Many benefit from shifts in industrial policy and investment priorities rather than relying on a wider recovery.

The property market shows early signs of stabilising. More supportive government policies and substantial household savings could help consumer spending recover. The managers remain selective: fierce competition can squeeze profits even where demand is rising rapidly.

Energy security, electrification and critical materials

Asia stands to benefit from its manufacturing strengths, lead in battery technology and links to key commodity supply chains

Rising energy demand and the infrastructure to meet it are a growing investment theme. AI data centres are increasing electricity demand as governments invest heavily in electrification, power grids and energy security. PHI's managers see opportunities beyond tech as data centres, grids and renewables drive demand for copper and other industrial metals. Asia stands to benefit from its manufacturing strengths, lead in battery technology and links to key commodity supply chains. The managers also see opportunities in precious metals, especially gold, which benefits from geopolitical uncertainty and demand for alternative ways to preserve wealth. These investments offer some diversification from AI-related holdings, although industrial metals remain sensitive to global growth and gold prices can be volatile. The managers still see electrification and energy security as compelling long-term investment opportunities.

Valuations and outlook

PHI's managers remain optimistic about Asian equities

Despite the recent rally, PHI's managers remain optimistic about Asian equities. After more than a decade of relative underperformance and weak overseas investment, they see appeal in valuations and low investor exposure, given the quality of Asia's leading businesses. Strong company and government finances and a stable or weaker US dollar could support liquidity and investment. But the recovery may be uneven: Indian shares remain expensive, competition in China is fierce, and chipmakers are increasingly tied to global AI spending. Geopolitical tensions, trade restrictions and volatile energy prices add to the risks.

The managers see Asia's appeal in the quality and growth potential of its companies rather than the broader economic outlook. They point to world-leading businesses in semiconductors, AI infrastructure, advanced manufacturing, electrification and critical materials. Strong earnings growth, relatively modest valuations and low overseas investor exposure support the case for long-term returns.

Investment philosophy and process

Baillie Gifford believes markets often misprice long-term growth, particularly over five years or more, creating opportunities to outperform. It encourages long-term thinking and believes strong management, sound business models and share price gains can endure. This underpins its approach of "sticking with the winners".

The team conducts much of its own research but often commissions work from local researchers, academics and industry experts. It also uses investigative journalists and forensic accountants to examine some companies in detail. Discussions with company management focus on long-term business prospects.

Managers draw on the wider investment team's expertise and can join meetings with companies outside their regions. This helps them compare the companies they cover with competitors in other markets.

Each team member covers a region, with assignments rotating every few years. Investment ideas are presented to the team, but the lead portfolio manager makes the final decision. Roderick and Ben usually spend four to five weeks visiting Asia each year.

The open-ended investment company (OEIC) and PHI are managed in parallel, but the OEIC needs to keep more of its portfolio readily tradable to handle money coming in and withdrawals. Within the internal 10% limit on illiquid holdings, PHI has more scope to hold investments that are harder to sell. The OEIC therefore favours larger companies, while PHI has more exposure to smaller companies. Many holdings overlap, though their weights may differ. Unlike the OEIC, PHI can borrow to invest and holds unlisted companies.

As PHI's comparison index has become more concentrated, shareholders are being asked to raise the limit for investing in a single listed company. The proposed limit is the higher of 15% of total assets or the company's index weight plus 2.5 percentage points, both measured at the time of investment and subject at all times to a maximum of 20% of total assets

Building the portfolio

Baillie Gifford invests actively rather than holding shares simply because they are large in a benchmark. Managers face few limits on how much they invest in each country, sector or company. The size of each new holding reflects their assessment of its risks and rewards. They aim to "run the winners", believing good business models can keep delivering, while avoiding too many holdings exposed to the same trends.

PHI's managers can use derivatives to manage risk or adjust market exposure, but do not do so. They have no plans to hedge currency exposure. Roderick and Ben sell immediately if they lose confidence in a company's management. They also sell

if the business model is not working or the share price already reflects their expectations.

Portfolio allocation

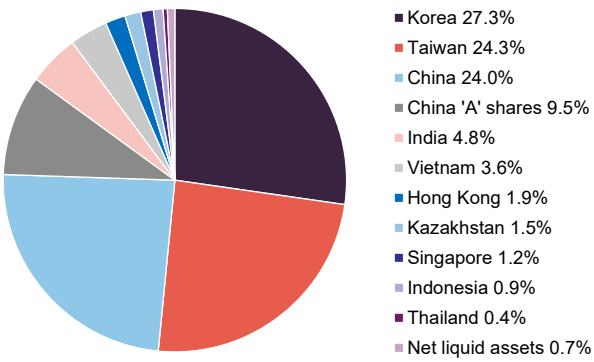
At 31 October 2026, PHI held 70 companies, up from 64 at 30 September 2025. Of these, 65 were listed and five unlisted. PHI believes 40–120 holdings provide enough diversification. In normal markets, managers only keep holdings below 0.5% of the portfolio if they have a strong view on them. At 31 October 2026, 29 holdings were below this threshold.

Portfolio activity

Portfolio turnover was elevated during the last financial year

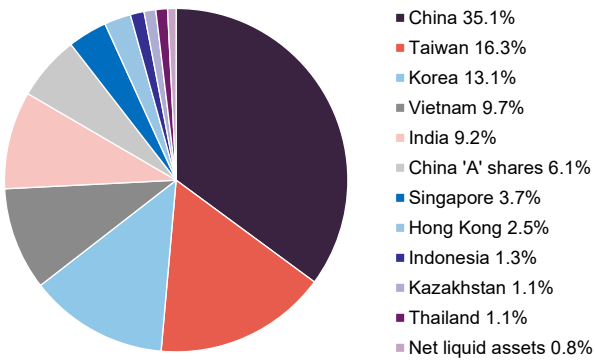
Portfolio turnover was higher during the last financial year as managers shifted towards companies benefitting from AI infrastructure, Chinese technology self-sufficiency, energy security and precious metals. They reduced exposure to India due to high valuations and disappointing earnings growth. In China, they shifted money from consumer-facing, property-related and financial services businesses to AI, semiconductors and electrical infrastructure. They opened 20 new positions in total and 14 holdings were sold in full, including unlisted Chime Biologics. PHI's country weightings have shifted significantly since our last report (Figures 1 and 2). South Korea rose most, up 14.2 percentage points to 27.3%, followed by Taiwan, up 8.0 points to 24.3%. Strong semiconductor performance and further investment in AI infrastructure drove both increases. Combined exposure to China and Chinese A-shares fell 7.7 points to 33.5%, but managers continued to broaden their investments in Chinese technology companies, particularly chipmakers benefitting from China's push for self-sufficiency. China remains PHI's largest country overweight relative to the index.

Figure 1: Geographic allocation as at 31 October 2026[1]



Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

Figure 2: Geographic allocation as at 30 September 2025[1]

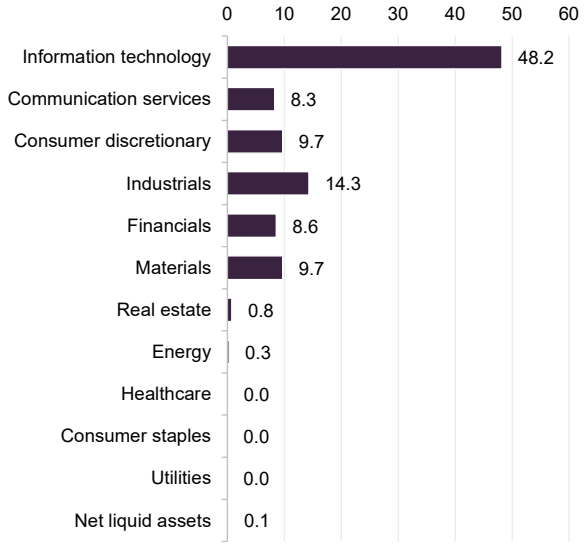


Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

India's weighting fell 4.4 percentage points to 4.8% as high valuations and disappointing earnings made other markets more attractive. Vietnam's weighting fell from 9.7% to 3.6%. Managers remain positive about its long-term prospects and growth-friendly reforms, but worry about high debt, tight bank funding, capital

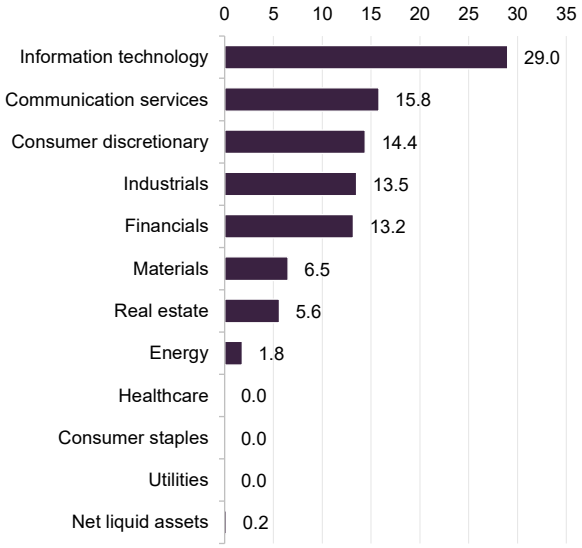
outflows and rising energy prices. They took profits in strong technology holdings, notably SK Square, and reinvested in chip companies including SK Hynix, Montage Technology and Cambricon Technologies. They increased energy security holdings through Samsung E&A, CATL and Sungrow Power, and added to copper and gold holdings on favourable long-term supply and demand prospects.

Figure 3: Industry sector allocation at 31 July 2026[1]



Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

Figure 4: Industry sector allocation at 31 July 2025[1]



Source: Pacific Horizon Investment Trust. Note: 1) As a proportion of gross assets.

Within PHI, information technology rose most, up 19.2 percentage points to 48.2%, while materials gained 3.2 points to 9.7%. Communication services, real estate, consumer discretionary and financials fell most, by 7.5, 4.8, 4.7 and 4.6 points respectively. Industrials rose 0.8 points to 14.3%; other changes were under two points.

Top 10 holdings

Figure 5 shows PHI's top 10 holdings at 31 October 2026 and changes since 30 September 2025, the latest data available when we last published. MediaTek, SK Hynix and Chifeng Jilong Gold Mining Industry Co. joined the top 10, replacing Zijin Mining, Sea Limited and Alibaba. The portfolio has become more concentrated again. We discuss selected changes below and cover many other holdings in previous notes (see page 19).

TSMC (15.1%) is the world's largest dedicated chipmaker, producing advanced chips for customers including Nvidia and Apple. Its shares returned 92.2% as demand for advanced AI processors accelerated, making it PHI's third-largest positive contributor last financial year. The managers believe its technological lead, manufacturing scale and close customer relationships give it a strong competitive advantage and make its long-term growth prospects clearer.

Samsung Electronics (12.8%) is one of the world's largest makers of memory chips, smartphones and electronic components. It was PHI's largest positive contributor in the 2026 financial year, returning 254.6% as memory chip demand surged, especially for AI data centres, and supply tightened. The managers expect its scale, expertise and investment in next-generation memory to help it benefit from long-term growth in AI infrastructure.

Figure 5: Top 10 holdings as at 31 October 2026

Holding	Sector	Business focus	Country	Allocation 31 October 2026 (%)	Allocation 30 September 2025 (%)	Percentage point change
TSMC	Technology	Semiconductor manufacturer	Taiwan	15.1	11.3	3.8
Samsung Electronics	Technology	Memory, phones and electronic components manufacturer	South Korea	12.8	5.7	7.1
SK Square	Industrials	Investment holding co, principally SK Hynix	South Korea	6.1	4.2	1.9
MediaTek	Technology	Fabless semiconductor designer	Taiwan	4.5	1.3	3.2
Tencent	Communications	Online gaming/social networking	China	4.4	8.2	(3.8)
ByteDance	Communications	Owner of TikTok	China	4.1	3.3	0.8
SK Hynix	Technology	Semiconductor memory manufacturer	South Korea	4.0	-	4.0
EO Technics	Technology	Semiconductor laser markers	South Korea	2.7	2.2	0.5
MMG	Materials	Chinese copper miner	HK/China	2.2	3.0	(0.8)
Chifeng Jilong Gold Mining Industry Co	Materials	Gold mining	China	2.2	1.3	0.9
Total of top 5				42.9	32.9	10.0
Total of top 10				58.1	48.0	10.1

Source: Pacific Horizon Investment Trust, Marten & Co *Note: as a proportion of gross assets

SK Square (6.1%) is is an investment company whose main asset is a large stake in SK Hynix, a leading maker of high-bandwidth memory chips for AI. It was PHI's second-largest positive contributor last financial year, returning 551% as demand for SK Hynix's AI chips lifted SK Square's shares. The managers highlight SK Hynix's technological lead for HBM will support further earnings growth, and SK Square's shares could rise further as they trade below the value of its underlying assets. However, the managers took substantial profits after the shares rose sharply.

MediaTek (4.5%) is a Taiwanese chip designer specialising in smartphones, wireless communications and, increasingly, AI infrastructure. Growing demand for AI chips lifted its shares during PHI's financial year. The holding entered PHI's top 10, helped by the managers adding to it as their confidence in the company's outlook grew. Smartphone demand has weakened, but PHI's managers see

significant growth potential in custom AI chips for large data centres. The expansion is already boosting earnings, with revenue up 18.3% year on year in the third quarter of 2026.

Tencent (4.4%) is one of China's largest internet companies. It runs WeChat for messaging and payments and has major gaming, advertising and cloud computing businesses. While its performance was subdued as Chinese shares generally lagged strong gains in South Korea and Taiwan, PHI's managers still favour Tencent for its dominance in China's digital economy, its ability to earn revenue from WeChat's large user base and its growing AI capabilities. They also highlight its strong record of putting capital to work, which they see as vital in this sector, and potential growth in overseas gaming.

ByteDance (4.1%) is an unlisted Chinese technology company behind short-video platforms TikTok and Douyin. Its recommendation algorithms keep users engaged and drive advertising revenue, and it is expanding its AI capabilities. PHI's holding rose from £25.3m to £36.9m over the financial year, becoming its largest private investment. The managers see strong long-term growth potential in ByteDance's machine-learning expertise, global reach and record of launching successful products, particularly as it enters new markets and finds new uses for its technology.

EO Technics (2.7%) is a South Korean maker of laser equipment for chip marking, cutting, drilling and wafer processing. Its technology is increasingly important as chip designs grow more complex, especially in advanced chip packaging and high-bandwidth memory production. The managers believe rising demand for advanced equipment could lift earnings and profitability and lead to a higher share valuation.

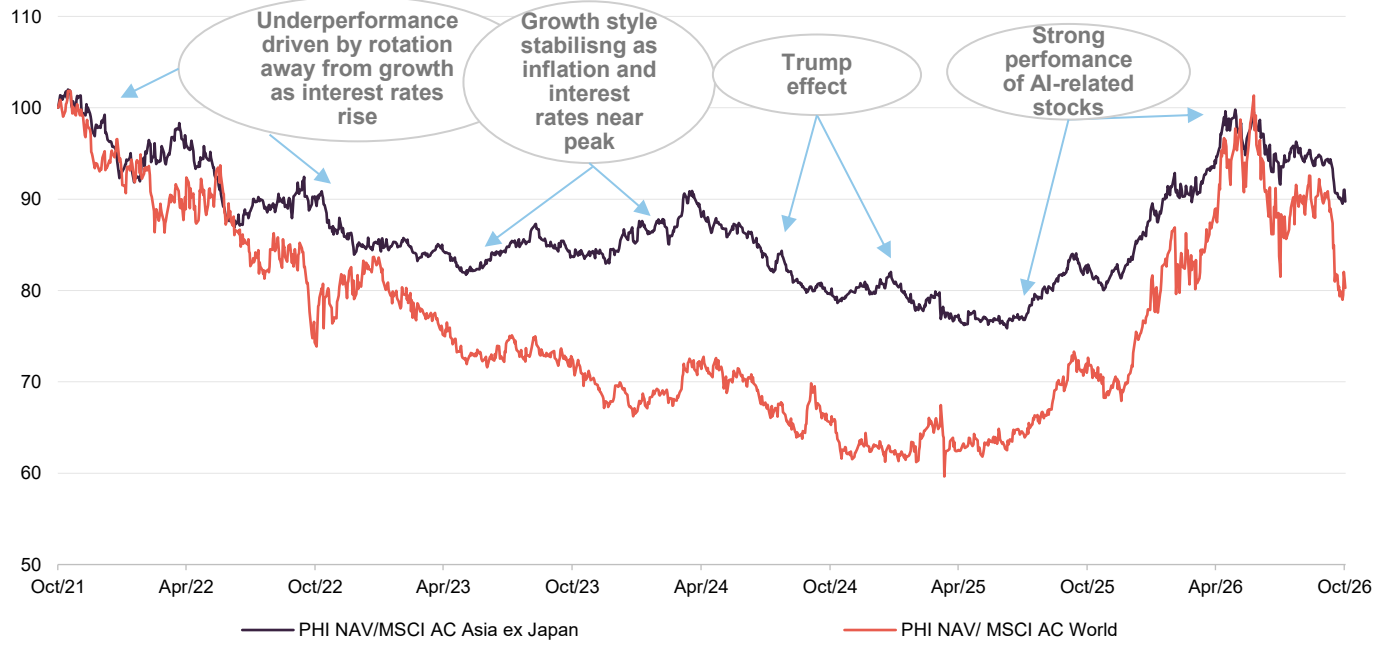
MMG (2.2%) is a Hong Kong-listed miner producing copper, zinc and other base metals in Peru, Africa and Australia. Its shares returned 112.3% over PHI's financial year, helped by higher copper prices and strong operations. The managers believe rising copper demand from electrification, power infrastructure and AI data centres, alongside tight supply and long mine development times, supports the long-term outlook for prices, production and cash generation.

Chifeng Jilong Gold Mining Industry Co (2.2%) is a Chinese gold miner operating in China, Southeast Asia and Africa. Revenue rose 33.1% and net profit 56.5% in the first half of 2026, helped by higher gold selling prices and tight cost control. PHI's managers have increased the holding, noting that miners' profits can rise faster than gold prices and that gold can diversify the portfolio amid heightened geopolitical and fiscal uncertainty.

Performance

PHI has a strong long-term record of outperformance of both its MSCI AC Asia ex Japan benchmark and the MSCI AC World Index, as illustrated in Figure 6 (our previous notes provide further discussion of PHI's longer-term performance record – see page 19). PHI rebounded strongly after President Trump's April 2025 tariff announcements disrupted markets, improving its performance against both its benchmark and its peers and reversing much of its earlier underperformance, when higher interest rates, concerns over China's economy and a preference for value over growth weighed on returns.

Figure 6: PHI's total return NAV performance relative to its comparative benchmark (MSCI AC Asia ex Japan) and the MSCI AC World, over five years to 31 October 2026



Source: Bloomberg, Marten & Co

PHI's performance has benefitted from a series of well-timed asset allocation decisions

PHI's performance has benefitted from a series of well-timed asset allocation decisions, notably the reduction in Chinese exposure in favour of India in 2021, followed by a reversal of this positioning in 2024. The latter reflected the managers' view that Indian share prices left little room for disappointment and Chinese prices were too pessimistic. Increasing investment in semiconductors and the wider AI infrastructure supply chain was also rewarding as strong demand for advanced chips and memory supported earnings growth and valuations at several of PHI's largest holdings.

Asian markets recovered faster in 2025 and continued to recover in 2026, helped by enthusiasm for AI investment, growing confidence in Chinese technology companies and a reassessment of South Korean companies' prospects. Markets have since become more volatile amid concerns about high valuations in parts of the technology sector, whether AI spending can be sustained and ongoing geopolitical and trade uncertainty.

PHI's managers acknowledge there could be further volatility but still seek companies that can grow earnings over the long term. They have refocused the portfolio on what they see as the best opportunities without changing their approach. They believe companies benefitting from long-term growth trends should ultimately outperform those facing deeper challenges or with limited growth prospects.

Figure 7: Cumulative total return performance over periods ending 31 October 2026

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	10 years (%)	Manager tenure[1] (%)
PHI NAV	(12.9)	(8.7)	(3.2)	23.2	86.7	32.7	335.4	519.4
PHI share price	(13.7)	(7.9)	(4.4)	24.3	91.3	10.4	313.2	529.1
MSCI AC Asia ex Japan	(9.0)	(4.8)	2.1	13.3	74.0	47.8	123.6	217.1
MSCI AC World	(2.5)	0.5	5.7	10.2	66.0	65.3	193.7	336.6
Peer group NAV[2]	(10.8)	(7.5)	2.2	18.0	76.3	42.4	225.0	388.2
Peer group share price[2]	(12.2)	(6.9)	(0.9)	17.3	80.3	33.3	220.0	388.0

Source: Bloomberg, Marten & Co. Note: 1) Manager tenure is measured from the 11 September 2013, the date that Roderick Snell became co-manager of PHI's portfolio. Roderick subsequently became the lead manager on 30 June 2021. 2) The peer group is AIC's Asia Pacific sector – see below for more details of the constituents and sector definition.

Annual results for the year ended 31 July 2026

Stock selection in China and South Korea drove returns

In the year to 31 July 2026, PHI's net asset value rose 65.1% on a total return basis, well ahead of the MSCI AC Asia ex Japan Index's 35.8%. The share price total return was 63.3% as the discount widened from 9.5% to 10.5%. Stock selection in China and South Korea drove returns as faster investment in AI boosted semiconductor demand and pushed memory chip prices sharply higher.

SK Square was the biggest contributor, rising 551% thanks to its large stake in memory chipmaker SK Hynix. Samsung Electronics gained 255% as tighter supply and surging AI demand raised earnings expectations. TSMC also contributed strongly, helped by its dominance in advanced chipmaking. Chinese technology holdings performed well, including generative AI developers Z.AI and MiniMax and chip specialist Montage Technology. Z.AI shares rose to nearly eight times their issue price. Materials holdings also helped.

SEA Limited, PDD Holdings and Meituan weighed on returns amid concerns that AI could disrupt their businesses. SEA Limited's weakness made Singapore the biggest drag among countries. Vietnamese holdings struggled as investors became more cautious globally and energy prices rose. AI-related gains more than offset weakness elsewhere. PHI's growth strategy focuses on its managers' strongest ideas, so returns can be uneven and a few holdings can have an outsized impact. The year's results show what the approach can deliver, as does PHI's long-term record.

Peer group comparison

Please click here for an up-to-date peer group comparison of PHI versus its Asia Pacific peers.

PHI is one of three members of the AIC's Asia Pacific sector after Pacific Assets became part of Schroder Asia Total Return. Members typically aim to invest in Asia Pacific shares, with over 80% in listed shares in the region and less than 80% in any single area. Most investments are in mid-sized to very large companies, and members typically use an Asia Pacific benchmark. The group focuses on capital growth, but Baillie Gifford has traditionally placed particular emphasis on it.

Peer group performance

As highlighted in our previous notes (see page 19), PHI's focus on growth stocks has served it well over the long term. But rate rises in response to inflation in 2022 hurt its five-year performance (Figure 8). More recently, a shift towards value stocks amid concerns about AI valuations has also weighed on returns. We believe PHI's strategy is best judged over longer periods. It ranks first among peers for net asset value total returns over the other periods shown in Figure 8.

Figure 8: Peer group cumulative NAV total return performance to 31 October 2026

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	10 years (%)
PHI	(12.9)	(8.7)	(3.2)	23.2	86.7	32.7	335.4
Schroder Asia Total Return	(9.5)	(6.1)	7.0	18.2	74.0	51.9	196.2
Schroder AsiaPacific	(9.9)	(7.6)	2.7	12.6	68.2	42.7	143.4
PHI rank	3/3	1/3	1/3	1/3	1/3	3/3	1/3
Sector arithmetic avg.	(10.8)	(7.5)	2.2	18.0	76.3	42.4	225.0

Source: Bloomberg, Marten & Co

The peer group's average market value rose 23% from £620.3m to £764.6m since our last report, reflecting strong performance by PHI and its peers. PHI dropped from second to third-largest after Pacific Assets combined with Schroder Asia Total Return. As discussed on pages 15 and 16, PHI's ongoing charges remain at 0.75%, the lowest of the three remaining trusts despite its smaller size. Charges should fall further after asset growth over the past financial year and the introduction of a new fee structure. Average charges fell from 0.91% to 0.80%, partly because Pacific Assets, previously the most expensive trust, left the group.

Figure 9: Peer group comparison – size, fees, discount, yield and gearing as at 20 November 2026

	Market cap (£m)	St. dev. of NAV over 5 years	Ongoing charges (%)	Perf. fee	Premium/ (discount) (%)	Dividend yield (%)	Gross gearing (%)[2]	Net gearing (%)[2]
PHI	647.4	21.80	0.75	No	(10.7)	-	4.5	3.5
Schroder Asia Total Return	815.6	17.35	0.80/0.80[1]	Yes	(6.4)	2.01	3.8	2.9
Schroder AsiaPacific	830.7	18.54	0.84	No	(11.0)	1.92	4.3	3.3
PHI rank[3]	3/3	3/3	1/3		2/3	3/3	3/3	3/3
Sector arithmetic avg.	764.6	19.23	0.80/0.80[1]		(9.4)	1.31	4.2	3.2

Source: Bloomberg, The AIC, Marten & Co 1) Schroder Asia Total Return's ongoing charges ratio is 0.80% including and excluding performance. The average ongoing charges ratio for the sector is 0.80% including and excluding performance fees. 2) Gross and net gearing figures as at 31 October 2026. 3) Market cap and dividend yield are ranked in increasing size order (the larger the market cap or dividend yield, the higher the ranking). All other rankings are in decreasing size order (the lower the standard deviation of returns, the lower the ongoing charges ratio, the lower the value of the premium/(discount), the lower the gross and net gearing, all correspond to a higher ranking).

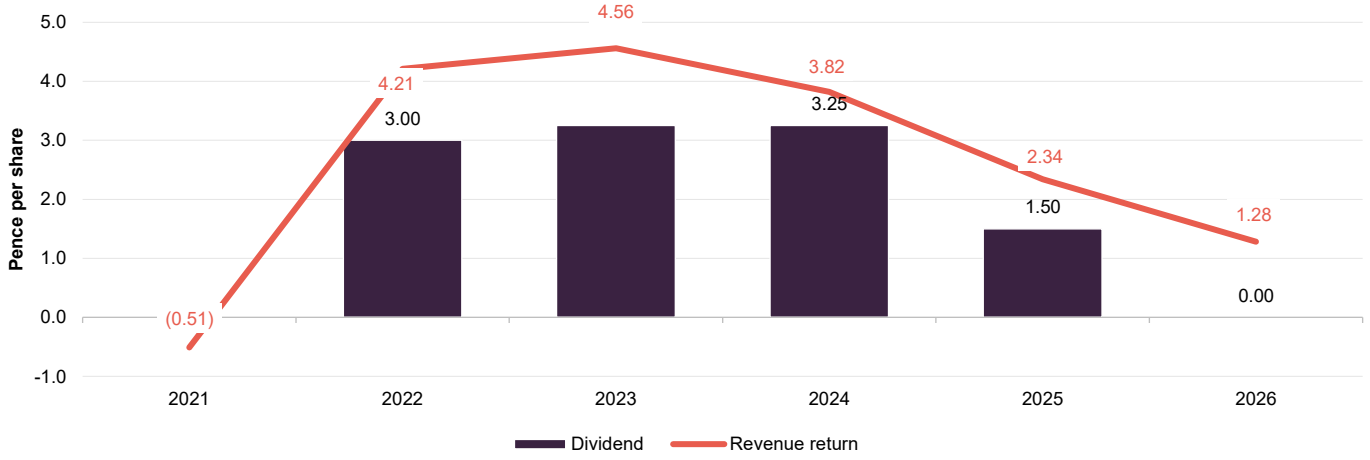
All three trusts still trade at discounts. By 20 November 2026, the average had narrowed from 9.6% to 9.4%. We attribute PHI's historically narrower discount to stronger long-term performance and share buybacks. Its discount is now 1.3

percentage points wider than average, which we see as an additional opportunity. PHI still has the lowest dividend yield, in line with its focus on capital growth (see below).

PHI has the sector's highest net gearing, though levels are modest and similar across the three trusts. All three cut gearing over the past year, possibly reflecting stronger markets. PHI's NAV returns remain the sector's most volatile, but we see the swings as modest and more than offset by stronger long-term performance

Dividend

Figure 10: PHI ordinary dividends over the last five financial years (ended 31 July)



Source: Pacific Horizon Investment Trust, Marten & Co

PHI's primary objective is to generate capital growth. Any dividend paid is by way of one final payment per year, following approval at the AGM. PHI's board has made it clear that investors should not consider investing in the company if they require income from their investment and, for five of the last 10 financial years, PHI has not paid a dividend at all. In years of a revenue deficit, PHI is not required to pay a dividend and the board has also said that it does not intend to draw on PHI's revenue reserve to pay or maintain dividends. For the year ended 31 July 2026, PHI's revenue surplus was £1.1m, or 1.28p per share, down 45.3% per share from £2.1m, or 2.34p per share, in 2025. No dividend is proposed for the year because the surplus was small enough for PHI to retain its investment trust status without paying one.

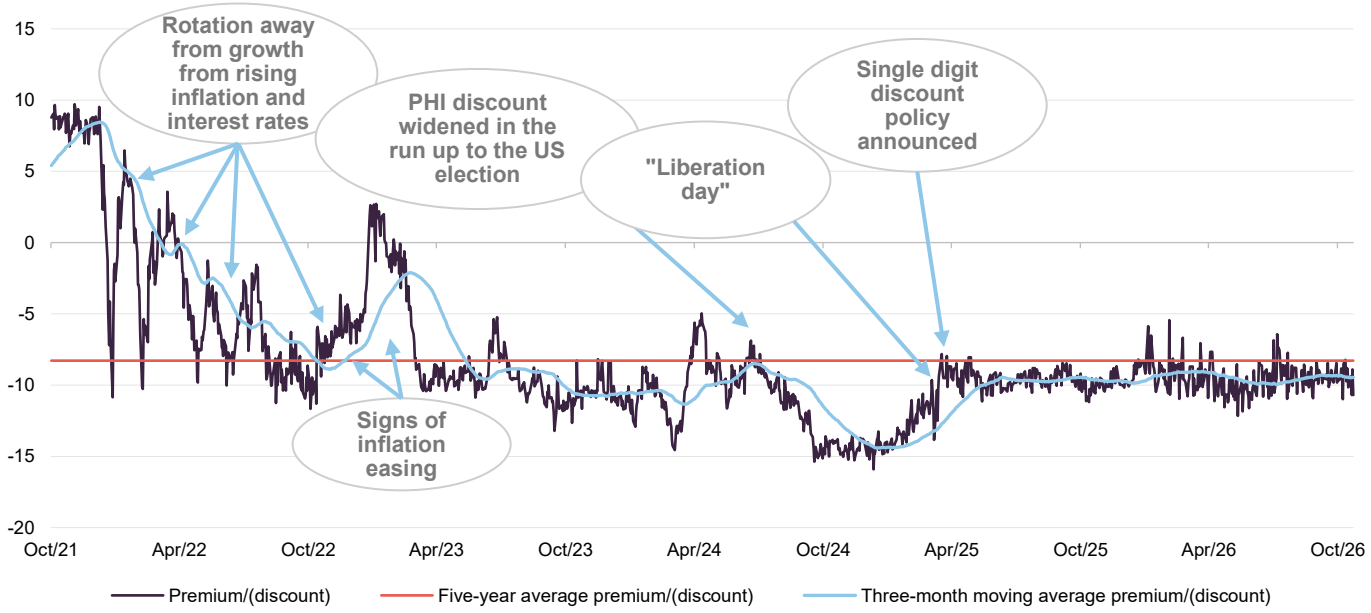
Premium/(discount)

PHI aiming to maintaining discount in single digits

When PHI announced its five-year performance-related tender offer in April 2025, the board pledged to continue share buybacks to keep the discount to net asset value in single digits under normal market conditions. As Figure 11 shows, the policy has broadly worked: the discount has averaged 9.6% since the announcement and

peaked at 12.1%. On 20 November 2026, it stood at 10.7%, above its one- and five-year averages of 9.5% and 8.3% respectively, but close to its three-year average of 10.4%. The one-year range was 5.1% to 12.1%.

Figure 11: PHI premium/(discount) over five years



Source: Bloomberg, Marten & Co

As discussed in previous notes (see page 19), wider economic trends have typically influenced PHI's rating more than individual stocks. The discount tends to widen when higher inflation and interest rate expectations weigh on growth stocks or concerns about Asia make investors more cautious. It narrows as confidence improves. The board's single-digit discount target, backed by buybacks, appears to limit widening when confidence weakens.

Performance-related conditional tender offer in 2030

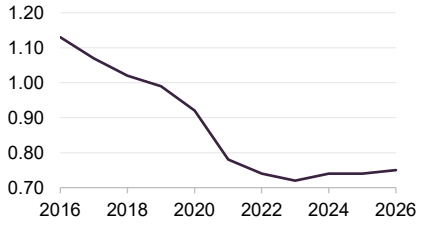
On 16 April 2025, PHI announced a 25% tender offer in 2030 if it trails the MSCI All Country Asia ex Japan Index on a sterling total return basis from 31 March 2025 to 31 March 2030. We think this should encourage managers to outperform and reassure shareholders that they can sell part of their holding close to net asset value if PHI trails the index.

Structure

Fees and costs

Baillie Gifford & Co Limited is PHI's alternative investment fund manager and delegates portfolio management to Baillie Gifford & Co. From 1 August 2026, PHI's management fee is 0.65% on the first £500m of net assets and 0.50% on the rest. The previous rates were 0.75% on the first £50m, 0.65% on the next £200m and 0.55% on the rest.

Figure 12: Ongoing charges ratio (%)[1]



Source: Pacific Horizon Investment Trust Note: 1) For financial years ended 31 July.

Management fees are calculated and paid after each quarter, with no performance fee. The managers can end the agreement with six months' notice and PHI with three months' notice. The agreement also covers company secretarial services from Baillie Gifford & Co Limited.

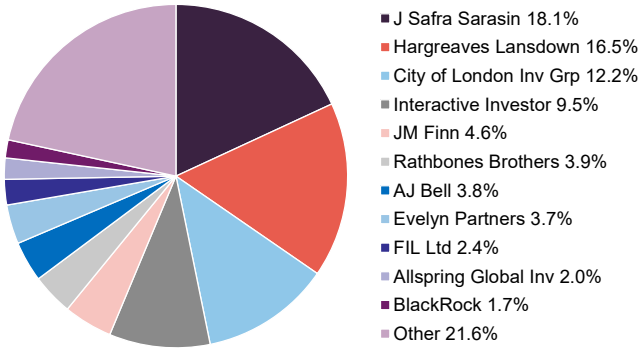
PHI's ongoing charges ratio had been falling thanks to tiered fees, a fee cut and strong share issuance through 2021, but rose by 0.03 percentage points over the past three years (Figure 12). A strong recovery in net assets last financial year and the new fees should help bring it down again. PHI still has the lowest ratio among its peers, 0.05 percentage points below the sector average (Figure 9, page 13).

Capital structure

PHI has a simple capital structure with one class of ordinary share in issue.

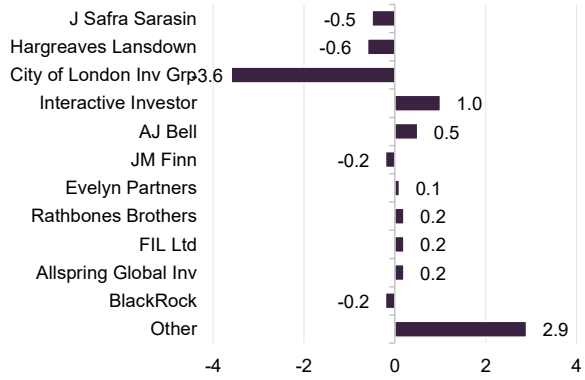
PHI has one class of ordinary shares. The shares have a premium listing on the London Stock Exchange's main market. On 20 November 2026, PHI had 92,074,961 shares in issue: 16,265,717 held in treasury and 75,809,244 with voting rights. Each year, PHI seeks authority to buy back up to 14.99% of its shares below net asset value (NAV) and to issue up to 10% of its share capital above NAV. These powers help the board manage the premium or discount to NAV (see pages 14 and 15). PHI's £90m multi-currency revolving credit facility with The Bank of New York Mellon expires in March 2028. The bank decides whether to make the facility available and can demand repayment at any time. The board sets borrowing limits and the managers operate within these, currently the range is set at -15% (i.e. a net cash position) to +15%.

Figure 13: Major shareholders as at 17 November 2026



Source: Bloomberg, Marten & Co

Figure 14: Percentage point changes since 17 November 2025[1]



Source: Bloomberg, Marten & Co. Note: 1) The date of the shareholder data used when we last published on PHI.

At the end of October 2026, PHI's gross gearing was 4.5% and net gearing was 3.5%, both down from 7.4% at the end of September 2025. Under the main terms of its credit facility, borrowings must not exceed 30% of adjusted net asset value, and net asset value must be at least £300m. The fee for not using the facility is 0.1%.

Figure 13 shows strong retail ownership: major investment platforms account for about 35% of shares and wealth managers about 30%. The biggest change since our last report is that City of London Investment Group reduced its holding.

The next continuation vote is due at the 2026 AGM.

Shareholders vote every five years on whether PHI should continue. Its financial year ends on 31 July. Annual results usually follow in September, half-year results in March and the AGM in November. Any annual dividend is usually paid shortly after the AGM.

Management team

Roderick Snell joined Baillie Gifford in 2006 and became a partner in 2023. He has managed the Baillie Gifford Pacific Fund OEIC since 2010 and led PHI's portfolio since June 2021, after serving as deputy manager from September 2013. He co-manages the emerging markets leading companies strategy and previously worked in the firm's UK and European equity teams. He earned a BSc (Hons) in Medical Biology from the University of Edinburgh in 2006.

Ben Durrant joined Baillie Gifford in 2017, working in its UK, global discovery and private markets teams before moving to emerging markets. He previously worked in group strategy and corporate finance at RBS. He is a chartered accountant and CFA charterholder. He earned a BSc (Hons) in Mathematics from the University of Edinburgh in 2012 and has co-managed the Baillie Gifford Pacific Fund since 2021.

Board

All directors submit themselves for re-election annually.

PHI has five non-executive directors. All are considered independent of the investment manager and none serve together on other boards. They first stand for re-election at the annual general meeting after their appointment. Angela Lane is the longest-serving director at 8.2 years, compared with an average of 6.3 years.

Figure 15: Board member – length of service and shareholdings

Director	Position	Date of appointment	Length of service (years)	Annual fee (£)[1]	Share-holding [2]	Years of fee invested[3]
Roger Yates	Chairman	13 March 2024	2.7	48,000	15,000	2.7
Angela Lane	Audit committee chairman and senior independent director	1 October 2018	8.2	41,000	8,934	1.9
Sir Robert Chote	Director	25 November 2020	6.0	32,000	500	0.1
Wee-Li Hee	Director	1 June 2020	6.5	32,000	10,000	2.7
Joe Studwell	Director	9 November 2018	8.0	32,000	5,000	1.3
Average (service length, annual fee, shareholding, years of fee invested)			6.3	37,000	7,887	1.7

Source: Pacific Horizon Investment Trust, Marten & Co Notes: 1) For PHI's financial year ended 31 July 2027. 2) Shareholdings as per most recent company announcements as at 20 November 2026. 3) Years of fee invested based on PHI's ordinary share price of 854.00p as at 20 November 2026.

The company's articles cap total directors' fees at £200,000. Shareholders are being asked to raise the cap to £250,000 to give the board more flexibility when planning

for replacements. Total fees rose 3.6% this financial year, from £178,540 to £185,000.

Directors' shareholdings are unchanged since our November 2025 note. All hold PHI shares worth an average of 1.7 years' fees. We welcome this as a sign of commitment to the trust and a way to align directors' interests with shareholders.

Roger Yates (chairman) was chief executive of Henderson Global Investors from 1999 to 2008, having previously held fund management roles at Invesco/LGT and Morgan Grenfell Asset Management. He is currently senior independent director of Mitie Group, chair of British Biotech Trust and a non-executive director of Jupiter Fund Management. His previous roles include senior independent director of St James's Place and IG Group, chair of Electra Private Equity and non-executive director of JPMorgan Elect.

Angela Lane (audit committee chair and senior independent director) became PHI's audit committee chair and senior independent director on 10 November 2020. A qualified accountant, she previously spent 18 years as a private equity investor at 3i and has held various non-executive and advisory roles across a range of industries. She currently chairs the audit committee of Seraphim Space Investment Trust and is a non-executive director of BlackRock Smaller Companies. Her previous roles include chair of Huntswood CTC and non-executive director and audit committee chair of Dunedin Enterprise Investment Trust.

Sir Robert Chote (director) is an economist, journalist and academic. He has chaired the Northern Ireland Fiscal Council since 2021 and became President of Trinity College, Oxford, in November 2025. He previously chaired the UK Statistics Authority (2022–2025) and the Office for Budget Responsibility (2010–2020), and served as director of the Institute for Fiscal Studies (2002–2010), adviser to the International Monetary Fund (1999–2002) and economics editor of the Financial Times (1995–1999). He is also a visiting professor at King's College London and serves on advisory boards at Warwick Manufacturing Group and the London School of Economics' Centre for Economic Performance.

Wee-Li Hee (director) is an experienced Asian equity analyst, fund manager and CFA charterholder. Raised in Singapore, she is fluent in Mandarin and studied at the University of Leeds and the London School of Economics. She joined First State Investments in Singapore as an analyst in 2002, moving to its Edinburgh office in 2005. Having co-managed Scottish Oriental Smaller Companies Trust, she became lead manager in 2014 before returning to a co-manager role in 2017 due to family commitments. She retired in 2019 and is a director of Melville Paisley Investments.

Richard Frank ("Joe") Studwell (director) has spent more than 25 years working in East Asia as a journalist, independent researcher at Dragonomics and author. Writing as Joe Studwell, his books include *Asian Godfathers: Money and Power in Hong Kong and South East Asia* and *How Asia Works: Success and Failure in the World's Most Dynamic Region*.

Previous publications

Figure 16: QuotedData's previously published notes on PHI

Title	Note type	Publication date
Invest in Asian growth	Initiation	21 March 2016
Brave new world	Update	10 October 2016
Top of the pops!	Annual overview	30 October 2017
Pause for breath?	Annual overview	8 November 2018
2018 re-calibration paying off	Annual overview	8 November 2019
Powered by technology	Annual overview	20 January 2021
Blistering performance	Annual overview	25 November 2021
Convergence opportunity	Annual overview	8 December 2022
Consistent growth and quality bias	Annual overview	6 December 2023
Inflection point approaching?	Annual overview	19 March 2025
Top performer as Asia regains momentum	Annual overview	20 November 2025

Source: Marten & Co

SWOT analysis

Figure 17: SWOT analysis for PHI

Strengths	Weaknesses
A sharp focus on growth investing within the Asia ex-Japan region, providing investors with exposure to high-quality growing companies. The managers take a long-term view and do not waver even if market conditions are unfavourable. The board and the managers have demonstrated a clear prioritising of shareholder interests, such as through the five-year performance-related tender offer in 2030 and the single-digit discount control policy.	PHI suffers from periods when absolute and/or relative performance is difficult, particularly when the market backdrop is unhelpful for growth investors, such as the period of higher inflation and interest rates from late 2021. Asia tends to suffer when interest rates rise in the US, for example. Low-income yield, although this should be well understood by shareholders. No dividend has been proposed for the year ended 31 July 2026 but this is more than compensated for by PHI's capital growth.
Opportunities	**Threats**
Asia benefits from exposure to the AI theme, which looks set to have a long growth runway, through companies such as TSMC and Samsung Electronics and the extensive ecosystem of companies that support them. Investors appear to be looking more favourably at Asia and at growth investing more generally. China continues to recover, while policy and fiscal uncertainty in the US continues to drive a rotation away from that market to other regions.	Inflation has picked up and if this continues to gather pace, the market could turn more decisively against growth investing. However, with a still uncertain economic outlook in more developed markets, the capacity for interest rate rises could be limited, and Asia would likely benefit from this scenario. Single stock issues could hurt performance, given the unapologetically bottom-up nature of the fund.

Source: Marten & Co

Bull vs bear case

Figure 18: Bull vs bear case for PHI

Aspect	Bull case	Bear case
Performance	PHI experienced a remarkable recovery during its last financial year, and its NAV returns are now ahead of the benchmark over one, three and 10 years. Strong stock selection and exposure to structural growth themes, particularly AI infrastructure, semiconductors and electrification, leave it well-positioned to deliver further outperformance.	PHI's growth-oriented approach has historically resulted in significant volatility and periods of pronounced underperformance, particularly when interest rates rise and growth stocks fall out of favour. Its recent recovery has been heavily dependent on AI and semiconductor-related holdings and a reversal in these trends could lead to renewed underperformance.
Dividends	PHI focuses on capital growth rather than income and the annual dividend is paid purely to maintains its investment trust status.	PHI's board has made it clear that investors should not consider investing in the company if they require income from their investment.
Discount	The board has a control mechanism to keep the discount in single figures, which has already had a material impact. The current discount could narrow or even move to a premium if the market environment is positive for PHI and its stock picks continue to perform.	The discount could widen further and the control mechanism come under pressure if inflation picks up, pushes up interest rates, and this leads to a renewed period of underperformance for growth investing.
Outlook	Asian equities are attracting renewed investor interest. The region's leading positions in AI infrastructure, semiconductors, electrification and advanced manufacturing offer compelling structural growth opportunities. PHI is well-positioned to benefit from these trends, while any sustained weakening of the US dollar could provide a further tailwind.	The outlook remains vulnerable to geopolitical tensions, trade restrictions and renewed inflationary pressures. Persistent US inflation has prompted the Federal Reserve to resume raising interest rates, potentially strengthening the dollar and dampening capital flows into Asia. Meanwhile, valuations in parts of the technology sector have risen sharply, leaving PHI exposed to any slowdown in AI-related capital expenditure or disappointment in corporate earnings.

Source: Marten & Co

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