

Pacific Assets Trust plc

Annual Report for the year ended 31 January 2024



Stewart Investors

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Financial Highlights

(1.3)%

Net asset value per share total return*[^]

(2023: 5.7%)

(1.9)%

Share price total return*[^]

(2023: 5.9%)

10.4%

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

(2023: 17.3%)

(10.5)%

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

(2023: (2.2)%)

6.4%

Average discount of share price to net asset value per share during the year*[^]

(2023: 10.1%)

1.1%

Ongoing charges^{1^}

(2023: 1.1%)

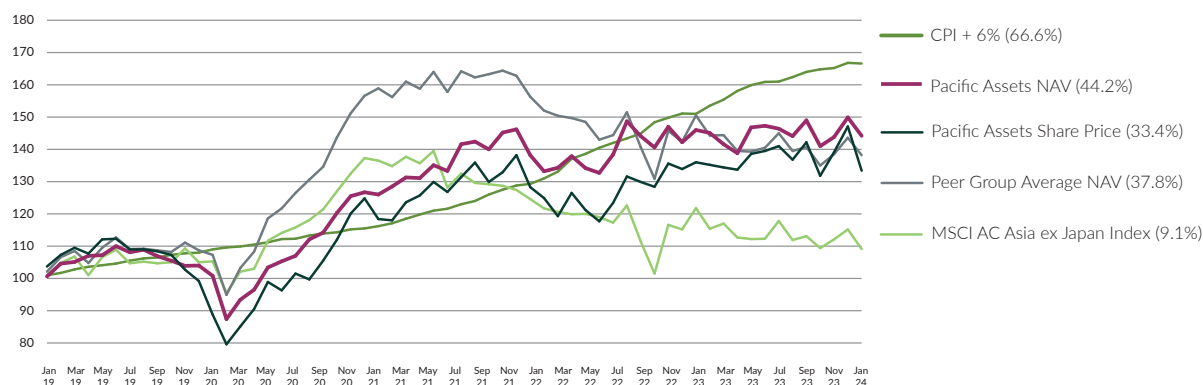
¹ Source: Frostrow Capital LLP

* Source: Morningstar

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

[^] Alternative Performance Measure (See Glossary beginning on page 82)

Net Asset Value Per Share Total Return for the Five Years to 31 January 2024



Source: Morningstar Rebased to 100 as at 31 January 2019



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

Management

Stewart Investors have been the Company’s Portfolio Manager since 1 July 2010. They adopt a sustainable investment strategy when selecting the investments that make up the Company’s portfolio. They are an autonomous investment group operating through the regulatory licences of First Sentier Investors (UK) IM Limited, which is the legal entity appointed as the Company’s Portfolio Manager. Their ultimate owner is the Mitsubishi UFJ Trust and Banking Corporation.

Frostrow Capital LLP is the Company’s Alternative Investment Fund Manager (“AIFM”).

Investment Aims

Stewart Investors aim to generate strong long-term, risk-adjusted returns by investing in the shares of high-quality companies that are particularly well positioned to contribute to, and benefit from, sustainable development in the Asia Pacific Region. They define high-quality companies as those they believe have exceptional management teams and cultures, enduring franchises with strong market positions and reputations, and sound financials with low debt, sustainable margins and free cash flow. Sustainability is fully integrated into the management of risk and return. The team seeks to improve sustainable outcomes by investing in companies contributing to solutions, engaging and voting for positive change and avoiding businesses linked to harmful solutions.

Investment Philosophy

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

The Stewart Investors investment philosophy is summarised below:

- They are stewards. They believe their role is to allocate society’s capital to productive uses, in accordance with their Hippocratic Oath¹.
- They are long-term investors. Their time horizon is measured in years, not weeks, and they value companies accordingly.
- They invest only in companies they believe are contributing to a more sustainable future. They engage constructively as owners to help companies on their sustainability journeys.
- They invest only in high-quality companies. They invest in companies with exceptional cultures, strong franchises and resilient financials.
- They believe capital preservation is important for capital growth. They define risk as the permanent loss of client capital.

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

Company Performance

Performance Summary

	As at 31 January 2024	As at 31 January 2023
Shareholders' funds	£464.8m	£473.7m
Market capitalisation	£422.1m	£433.0m

Performance	One year to 31 January 2024	One year to 31 January 2023
Share price total return ^{1,2}	(1.9)%	5.9%
Net asset value per share total return ^{1,2}	(1.3)%	5.7%
CPI +6% ³	10.4%	17.3%
MSCI All Country Asia ex Japan Index total return, sterling adjusted ¹	(10.5)%	(2.2)%
Average discount of share price to net asset value per share ^{1,2}	6.4%	10.1%
Ongoing charges ²	1.1%	1.1%
Revenue return per share ⁴	4.3p	2.5p
Dividend per share	4.0p	2.3p

¹ Source: Morningstar

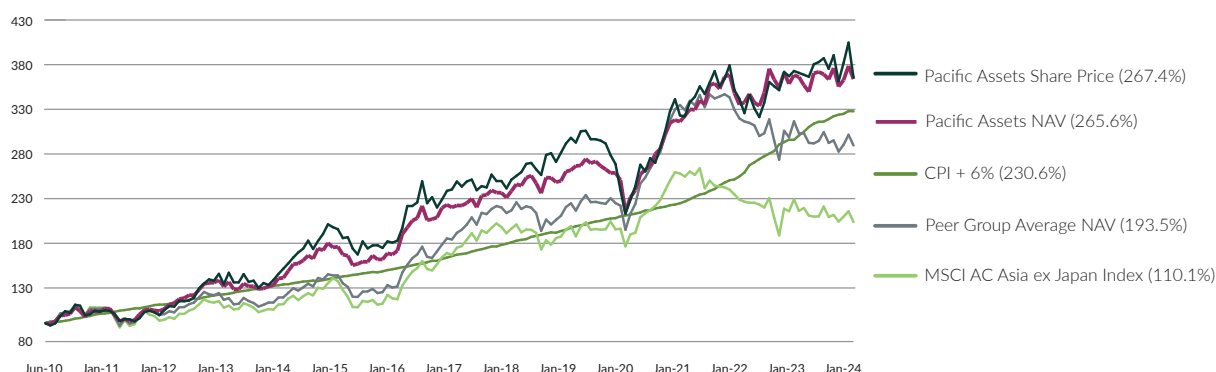
² Alternative Performance Measure (see Glossary beginning on page 82)

³ The Company's Performance Objective (see Glossary beginning on page 82)

⁴ See Glossary beginning on page 82

Total Return since 30 June 2010

(the date of appointment of Stewart Investors as the Portfolio Manager)



Source: Morningstar. Rebased to 100 as at 30 June 2010

Company Performance continued

Performance Assessment

The Company's performance objective, against which the Portfolio Manager's performance is measured, is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6%, calculated on an annual basis and measured over three to five years. The Board also monitors the Company's performance against its peer group. An analysis of performance and the Board's approach to monitoring it can be found below and in the Chair's Statement beginning on page 6; further information can be found in the Portfolio Manager's Review beginning on page 12 and details of the Key Performance Indicators begin on page 26.

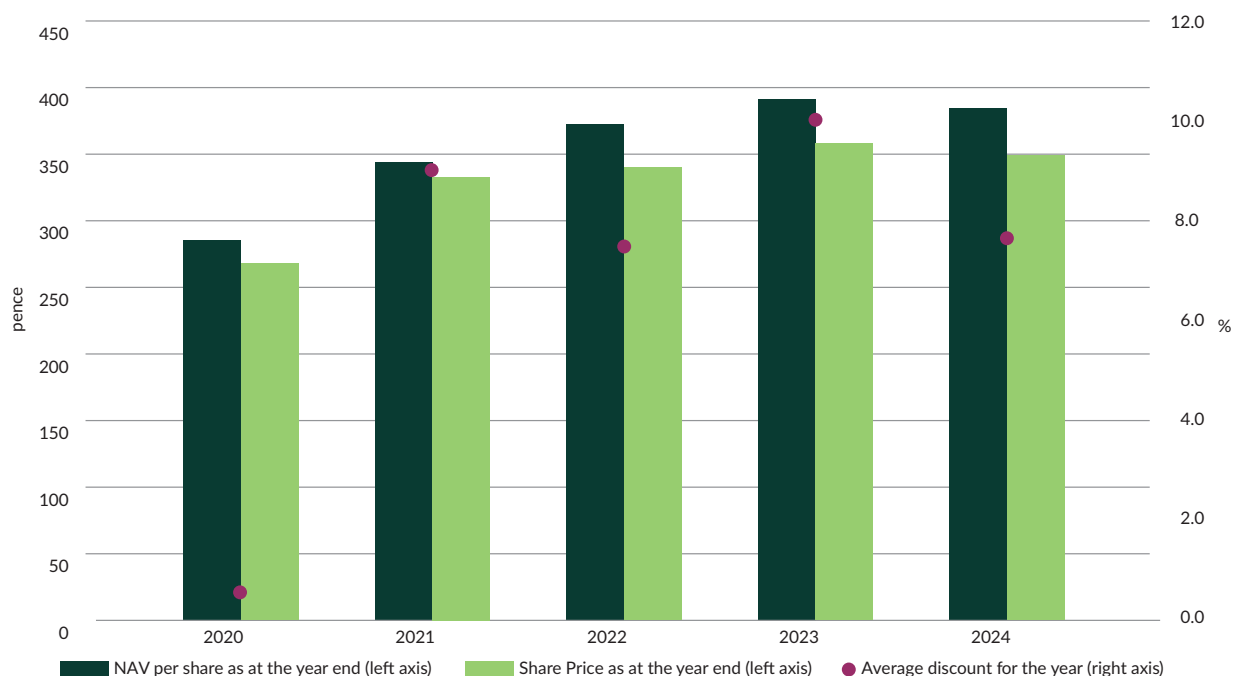
Peer Group NAV per Share Total Return

	1 Year £	Rank	3 years £	Rank	5 years £	Rank
Pacific Assets Trust	98.7	1	113.8	1	144.2	3
Schroder Asian Total Return	98.1	2	94.6	2	146.7	2
Pacific Horizon	91.5	3	87.3	3	204.5	1
Schroder Asia Pacific	89.1	4	82.6	4	123.4	4
iShares MSCI Asia ex Japan ETF	88.0	5	77.3	5	104.4	5
Asia Dragon	80.6	6	70.0	6	103.5	6
Peer Group Average	91.0		87.6		137.8	
CPI + 6%†	110.4		144.3		166.6	
MSCI AC Asia ex Japan	89.5		79.5		109.1	

Source: Morningstar. Figures show the current value of £100 invested at the start of the period.

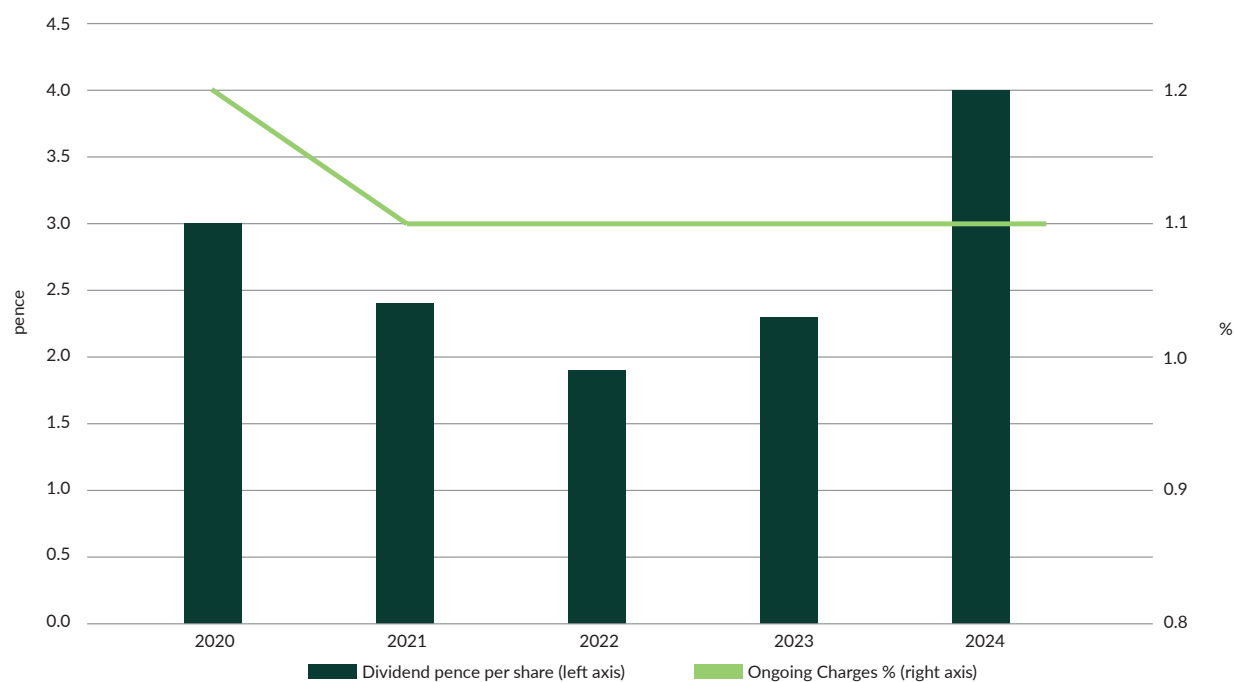
† The Company's Performance Objective (see Glossary beginning on page 82)

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



Source: Morningstar. Data for Pacific Assets Trust plc as at 31 January.

Five Year Record – Dividend and Costs



Source: Frostrow. Data for Pacific Assets Trust plc as at 31 January.



Chair's Statement



Introduction and Results

The net asset value total return for the year ended 31 January 2024 was (1.3)% (2023: +5.7%). While this is a disappointing result relative to the

performance objective set by the Board, your Portfolio Manager is to be commended that the Company's performance over the year was the best of the peer group of four other trusts and an exchange traded fund, all of which also suffered negative returns, with a collective average NAV decline of 9.0% (2023: average decline of 3.0%).

Over longer periods we consider investment return against the UK CPI plus 6% as we believe that our largely UK-based investors are seeking to protect their capital in real terms while extracting a premium over their home markets from the faster growing Asian economies. Over the last five years, our annualised NAV total return of 7.6% has fallen behind the annualised CPI plus 6% figure of 10.8%. This is a result of the rise and persistence of inflation in Western economies in recent years and we believe that the performance objective remains appropriate.

While the Board would like to see a higher rate of return from our investments in Asia, we note the negative total return (sterling adjusted) of the MSCI All Country Asia ex Japan Index of (10.5)%, as well as the strong relative outperformance over the peer group mentioned above. This pleasing relative performance reflects the Portfolio Manager's emphasis on long term returns and capital preservation. It also reflects, as my predecessor remarked last year, that Asia Pacific markets have not recently delivered the premium return over developed markets, that the asset allocation models suggest should be the case.

Again, the Company's high exposure to India was helpful to returns: seven of the top ten principal contributors to the return in the year were Indian companies, including CG Power & Industrial Solutions, Tube Investments, and Cholamandalam Financial Holdings. By contrast, China's weakened economic outlook and lacklustre performance is reflected in the Company's principal detractors, six of which were companies based in China and Hong Kong including Vitasoy, Glodon and Wuxi Biologics.

Further analysis of the Company's performance can be found in the Portfolio Manager's Review beginning on page 12.

Sustainability

Shareholders will be well aware that Stewart Investors have long since adopted a sustainable investment strategy and are considered to be amongst the leaders in this field. In selecting the investments that make up the Company's portfolio, their process aims to generate strong, long-term, risk-adjusted returns by investing in the shares of companies that they consider to be high-quality and particularly well positioned to contribute to and benefit from sustainable development in the Asia Pacific Region.

Pursuant to the Company's Environmental, Social and Governance ("ESG") Policy (see page 20), the Board has chosen to adopt and endorse Stewart Investors' approach to integrating sustainability into portfolio construction and investee company engagement. This means that, in effect, the Company has a *de facto* sustainability objective: to achieve long-term capital appreciation by investing in companies which both contribute to, and benefit from, sustainable development, achieving positive social and environmental sustainable outcomes.

Given this long-standing sustainable investment strategy which has been applied in managing the Company's portfolio, the Company reports against a high standard of sustainability disclosures (Article 9) under the EU Sustainable Finance Disclosure Regulations ("SFDR")

which must be complied with due to the Company being marketed in Ireland. The Company's annual SFDR Article 9 report, produced by Stewart Investors, begins on page 82 of this Annual Report.

Due to genuine concerns over 'greenwashing', in November and after a long delay, the FCA published its Policy Statement on the UK Sustainability Disclosure Requirements ("SDR"), which confirmed that it would be possible for investment companies which met certain qualifying criteria to apply one of four sustainable investment 'labels'. One of the requirements of the SDR is that any "product" qualifying for a label must have an explicit sustainability objective as part of its investment objective. While sustainability has been and continues to be one of the defining features of Stewart Investors' strategy, and the *de facto* sustainability objective is recognised in the Company's own ESG policy, the Company's formal, published investment objective (which is set out on pages 25 and 26) does not explicitly reference sustainability.

The Company would therefore need to amend its published investment objective and policy in order to utilise a UK SDR label. The Company's legal advisers have confirmed that the changes envisaged to explicitly reference sustainability in the objective would be expected to constitute material changes, requiring shareholder approval at a general meeting. This is despite the fact that it has long been the case that the Company only invests in companies that the Portfolio Manager believes are sustainable/have sustainability characteristics.

The Board wishes to understand better whether the adoption of a UK SDR label will bring real benefits to the Company, and have time to consider relevant guidance published by the Association of Investment Companies (the "AIC"), before recommending any changes. Given the proximity of this material change to the Company's year end, the Board believes it is prudent to take the necessary time to consider if and how the Company's published investment objective and policy should be developed, rather than formally proposing any changes to shareholders at the AGM in July. As a result, the Company will not apply a sustainability label under UK SDR for the time being.

The Board wishes to emphasise to shareholders that UK SDR will not change Stewart Investors' strategy in managing the Company's portfolio. We would also highlight, for the avoidance of doubt, that we have been advised that our existing disclosures are sufficient for maintaining the Company's classification under Article 9 of the EU SFDR. If any shareholders wish to discuss the implications of the UK SDR with the Board, they are encouraged to contact me through the Company Secretary, whose details are on page 113.

Share price performance

The Company's shares traded at an average discount to the net asset value per share of 6.4% through the year to the end of January (2023: 10.1%). This was again narrower than the peer group average discount of 9.3%. In line with the investment trust sector generally, the discount narrowed towards the end of December, and at one point the shares briefly traded at a small premium, before the discount widened again towards the end of the financial year to close at 9.2% (2023: 8.6%).

The Board has continued its work to improve the visibility of the Company throughout the year. We wish to bolster our long-standing wealth manager base by attracting a broader range of shareholders, including retail investors who represent a smaller proportion of our shareholder base. The Board has established a new standing subcommittee, the Sales, Marketing and Communications Committee (the "SMCC"), which is chaired by Edward Troughton. The Board has delegated to the SMCC responsibility, together with the Portfolio Manager, for developing and overseeing the marketing and promotional strategy for the Company. It will review all the marketing activities taken by and on behalf of the Company by third parties. The intention is that this will be helpful in increasing wider demand for the Company's shares. Strong relative performance will assist investor sentiment, as will the Portfolio Manager's high level of credibility as a sustainable investor; offering an appealing prospect to shareholders who are seeking exposure to Asia through genuinely responsible investing.

Dividend

The Company generated a revenue return of 4.3p per share during the year (2023: 2.5p per share) and, as a result, the Board recommends to shareholders the payment of a final dividend to allow the Company to comply with the investment trust rules regarding distributable income and the Company's policy to pay out the majority of income earned in any one year.

Subject to shareholder approval at the AGM, a final dividend of 4.0p per share will be paid on 12 July 2024 to shareholders on the register on 14 June 2024. The associated ex-dividend date will be 13 June 2024.

The increased revenue return arose as a result of increased dividend receipts from several companies, most notably Bank OCBC and Overseas Chinese Banking Corporation, in which the Company's position was increased during the year. We would like to remind shareholders that the Company's policy is to pursue capital growth, with income being a secondary consideration. Accordingly, shareholders should not expect this higher dividend rate to be maintained.

Chair's Statement continued

The Board

During the year, as reported in the Company's half yearly report, James Williams retired from the Board and I succeeded him as Chair.

In October, we announced the appointment of Nandita Sahgal to the Board, effective 1 January 2024. We were delighted to welcome a Director with extensive expertise both in the financial sector and in Indian and emerging markets. It is intended that Nandita will succeed Charlotta Ginman as Chair of the Audit Committee after Charlotta retires at the conclusion of the AGM in 2024.

In anticipation of her retirement, I would like to extend my sincere gratitude to Charlotta for her dedicated service and incisive contributions during her tenure as Audit Committee Chair. Charlotta's expertise, professionalism and commitment to upholding the highest standards of financial integrity and governance have been invaluable to the Board.

We adhere to good corporate governance principles that directors should not serve on the Board for over nine years. Accordingly, the Board has appointed an executive search firm to assist in the appointment of a director to replace Sian Hansen when she steps down at the AGM in 2025.

The Annual General Meeting

As some shareholders will be aware, the Company is incorporated in Scotland and our Portfolio Manager, Stewart Investors, have an office in Edinburgh. The Board has decided that this year, the AGM will return to Edinburgh, having last been held there in 2004. The AGM will be held at 12 noon on Tuesday, 9 July 2024, at the Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ.

As well as the formal proceedings, there will be an opportunity for shareholders to meet the Board and the Portfolio Manager, and to receive an update on the Company's performance and its key investments.

The meeting, including the Portfolio Manager's presentation, will be live streamed by Investor Meet Company for the benefit of those shareholders who are unable to attend in person. Shareholders joining the meeting remotely will not be able to speak or vote through the platform but will be able to submit written questions. Full details of how to participate this way are set out on page 104.

I encourage all shareholders to exercise their right to vote at the AGM. The Board strongly encourages shareholders to register their votes online in advance (information on how to vote can be found on page 104). Registering your vote in advance will not restrict shareholders from attending and voting at the meeting in person should they wish to do so. The Board recommends that shareholders vote in favour of all the resolutions set out in the Notice of AGM, beginning on page 106, as the directors intend to do ourselves.

Outlook

It is always difficult, if not impossible, to predict the short-term future of a region as diverse as the Asia Pacific. However, there is a general expectation that, despite heightened geopolitical tensions and economic challenges, the region will continue its long-term growth trajectory. Key drivers include technological advancements, infrastructure development and increasing consumer demand from the growing middle classes. Ever-present risks posed by trade disputes, currency fluctuations, climate change events and regulatory changes will need to be closely monitored. Notwithstanding these risks, our Portfolio Manager aims to invest for the long term, selecting companies with skilled, successful and experienced management teams, strong balance sheets and sustainable businesses.

Andrew Impey
Chair
29 April 2024

Investment Portfolio

as at 31 January 2024

Company	Country	Sector	Value £'000	% Total Investments
Mahindra & Mahindra	India	Consumer Discretionary	25,830	5.5%
Tube Investments of India	India	Consumer Discretionary	25,749	5.5%
CG Power & Industrial Solutions	India	Industrials	23,346	4.9%
Oversea-Chinese Banking Corporation	Singapore	Financials	14,660	3.1%
UniCharm	Japan	Consumer Staples	13,975	3.0%
Samsung Electronics	South Korea	Information Technology	13,471	2.9%
Marico	India	Consumer Staples	13,373	2.8%
Hoya Corporation	Japan	Health Care	13,370	2.8%
Voltronic Power Technology	Taiwan	Industrials	13,039	2.8%
Midea Group	China	Consumer Discretionary	12,622	2.7%
Top 10 Investments			169,435	36.0%
Cholamandalam Financial Holdings	India	Financials	11,700	2.5%
Shanthi Gears	India	Industrials	11,486	2.4%
Elgi Equipments	India	Industrials	10,644	2.3%
HDFC Bank	India	Financials	10,595	2.3%
Tata Consumer Products	India	Consumer Staples	10,064	2.1%
Taiwan Semiconductor Manufacturing	Taiwan	Information Technology	9,658	2.1%
Shenzhen Inovance Technology	China	Industrials	9,356	2.0%
Bank OCBC NISP	Indonesia	Financials	9,309	2.0%
Koh Young Technology	South Korea	Information Technology	7,770	1.7%
Tokyo Electron	Japan	Information Technology	7,714	1.6%
Top 20 Investments			267,731	57.0%
Selamat Sempurna	Indonesia	Consumer Discretionary	7,403	1.6%
Kotak Mahindra Bank	India	Financials	7,215	1.5%
Chroma ATE	Taiwan	Information Technology	7,144	1.5%
Sheng Siong Group	Singapore	Consumer Staples	6,902	1.5%
Humanica	Thailand	Industrials	6,900	1.5%
Tata Consultancy Services	India	Information Technology	6,650	1.4%
Triveni Turbine	India	Industrials	6,507	1.4%
Advantech	Taiwan	Information Technology	6,306	1.3%
Tech Mahindra	India	Information Technology	6,232	1.3%
Kalbe Farma	Indonesia	Health Care	6,004	1.3%
Top 30 Investments			334,994	71.3%

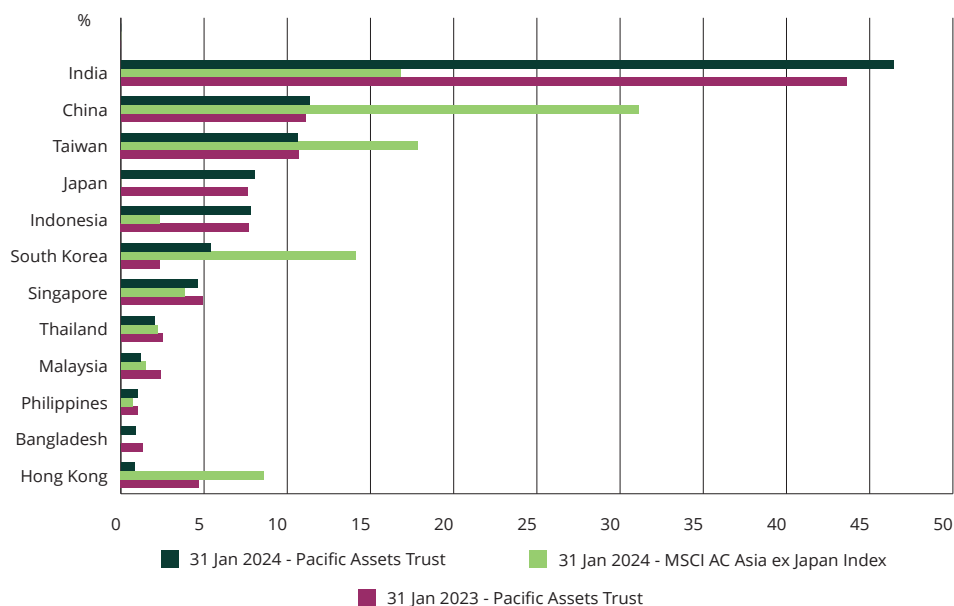
Investment Portfolio continued

Company	Country	Sector	Value £'000	% Total Investments
Delta Electronics	Taiwan	Information Technology	5,809	1.2%
Aavas Financiers	India	Financials	5,758	1.2%
Tata Communications	India	Communication Services	5,520	1.2%
Cyient	India	Information Technology	5,472	1.2%
Dr. Lal PathLabs	India	Health Care	4,969	1.1%
Vinda International Holdings	China	Consumer Staples	4,876	1.0%
Godrej Consumer Products	India	Consumer Staples	4,813	1.0%
Advanced Energy Solution Holding	Taiwan	Industrials	4,796	1.0%
Philippine Seven Corporation	Philippines	Consumer Staples	4,688	1.0%
Vitrox	Malaysia	Information Technology	4,587	1.0%
Top 40 Investments			386,282	82.2%
Dr. Reddy's Laboratories	India	Health Care	4,474	1.0%
Samsung Biologics	South Korea	Health Care	4,138	0.9%
Dabur India	India	Consumer Staples	4,016	0.9%
Tarsons Products	India	Health Care	3,967	0.8%
Amoy Diagnostics	China	Health Care	3,922	0.8%
UniCharm Indonesia	Indonesia	Consumer Staples	3,866	0.8%
Vitasoy International	Hong Kong	Consumer Staples	3,789	0.8%
RBL Bank	India	Financials	3,751	0.8%
Telkom Indonesia	Indonesia	Communication Services	3,730	0.8%
Zhejiang Supor	China	Consumer Discretionary	3,668	0.7%
Top 50 Investments			425,603	90.5%
Glodon	China	Information Technology	3,487	0.7%
Unilever Indonesia	Indonesia	Consumer Staples	3,461	0.7%
Indiamart InterMesh	India	Industrials	3,453	0.7%
Wuxi Biologics	China	Health Care	3,278	0.7%
Marico Bangladesh	Bangladesh	Consumer Staples	3,171	0.7%
Hangzhou Robam	China	Consumer Discretionary	3,152	0.7%
Airtac International	Taiwan	Industrials	2,898	0.6%
Yifeng Pharmacy Chain	China	Consumer Staples	2,798	0.6%
Industri Jamu dan Farmasi Sido Muncul	Indonesia	Consumer Staples	2,716	0.6%
Pigeon Corporation	Japan	Consumer Staples	2,649	0.6%
Kasikornbank	Thailand	Financials	2,571	0.6%
Syngene International	India	Health Care	2,481	0.5%
Guangzhou Kingmed Diagnostics	China	Health Care	2,035	0.4%
Silergy	China	Information Technology	1,973	0.4%
Centre Testing International	China	Industrials	1,965	0.4%
Pentamaster International	Malaysia	Information Technology	1,231	0.3%
DBH Finance	Bangladesh	Financials	1,187	0.3%
Total Investments			470,109	100.0%

Portfolio Distribution

Geographical Analysis

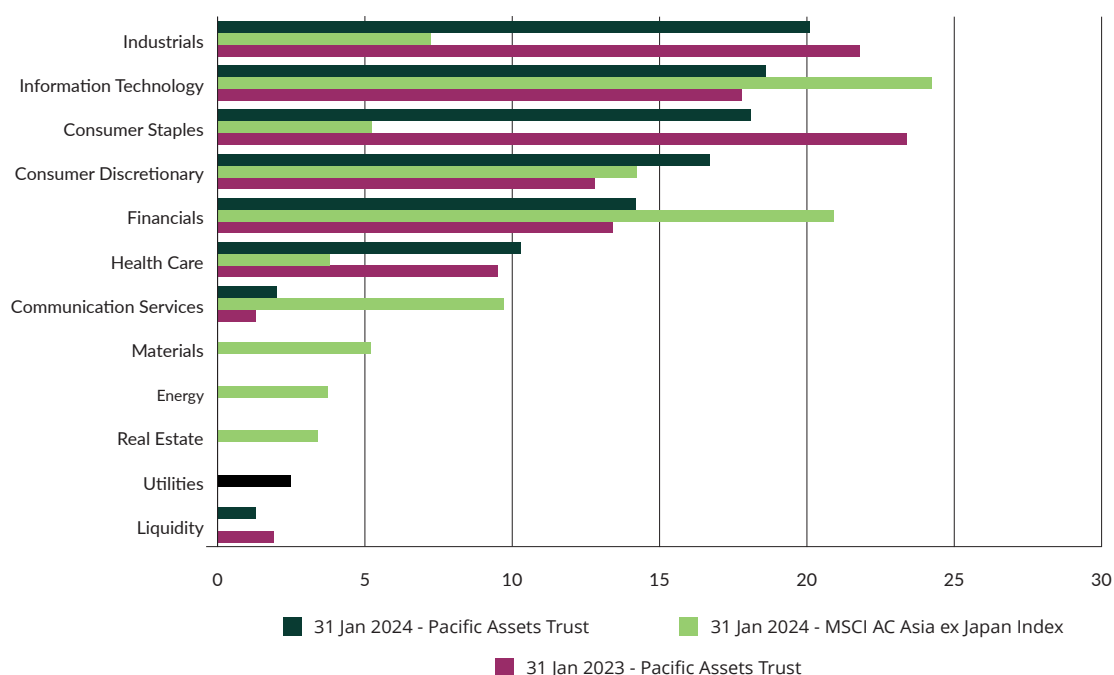
Geographic Exposure as at 31 January 2024



Source: Frostrow Capital LLP

Sector Analysis

Sector Exposure as at 31 January 2024



Source: Frostrow Capital LLP



Our Investment Philosophy in Action

Risk as loss of client capital	Long term time horizon	Quality and sustainability positioning
Active share 89%	Average name turnover 10%	Holdings with stewards 80%
Outperformance in down months 80%	Average holding period of top ten 10 years	Holdings with net cash 75%
Downside capture 63%	Average age of holdings 44 years	Carbon footprint relative to benchmark -86%*

Source: Stewart Investors and ISS ESG solutions as at 31 December 2023 and *as at 30 September 2023. Data shown is for a representative Stewart Investors Asia Pacific Sustainability account and the Stewart Investors Asia ex-Japan Sustainable Equity Composite. Please refer to the Glossary on page 84 for further information on these metrics.

The table above highlights key outcomes of our philosophy; outcomes that have been consistent across the 14 years Stewart Investors have had the privilege of managing the Company. An explanation of the terms used and how the statistics are calculated is provided in the Glossary on page 84. It should be noted that the statistics above are for a representative Stewart Investors Asia Pacific sustainability account and the Stewart Investors Asia ex-Japan Sustainable Equity Composite (a weighted average of a group of accounts managed in a similar way by the same portfolio management team). However, as we are consistent in our investment approach, the outcomes for the Company will be broadly similar.

We believe consistency in the application of this philosophy is critical in preserving the trust we are required to earn, and maintain, as stewards of this precious capital. We publish these outcomes so clients may “hold our feet to the fire” should any material changes in these metrics appear.

Over the short term we have very little control over our performance, but over the longer term, periods of over five years, we believe the characteristics presented

above have been foundational to the returns, in good times and bad, that the Company has been able to deliver to its shareholders.

Risk as loss of client capital

In most industries there is a standard definition of risk. In the construction of a bridge, engineers would agree that risk is the prospect of the bridge collapsing and lives being lost. In surgery, surgeons see risk in terms of the potential negative health outcomes, including death, which may arise from the procedure. In contrast, the investment industry has failed to settle on such a fundamental concept.

At Stewart Investors we have always seen risk as the possibility of losing clients’ capital rather than deviation from a benchmark. Each of the data points within the “Risk as a loss of client capital” column above are reflections of how we approach the management of risk. Seeing risk in absolutes frees us to build the portfolio bottom-up with a blank sheet of paper. When done with authenticity this should, usually, lead to a high active share: we do not start with an index and work backwards or start with a macro view and work down.

Today, the Company continues to have a material weight invested in India. This is not the result of a “macro overlay”, a view on politics or a desire to gain exposure to a particular theme. Very simply, India is where we continue to find the greatest opportunity to protect and grow the Company’s capital by backing high quality people running great franchises which are wonderfully well-positioned for long-term growth.

Across Asia, the companies in the index (both at the regional and country levels) are not the opportunity set for the long-term, active investor. In India this is very much the case with roughly 75% of the top 100 companies in the MSCI India Index being uninvestible to us due to concerns around quality or sustainability positioning.

Valuations in India are a hot topic. There are certainly pockets of the market where valuation multiples have run far ahead of fundamentals and the risk of mediocre (at best) returns from here feel high. However, our active approach, one with a belief that valuations matter, provides us the freedom to go hunting for long-term value wherever we can find it. Thankfully for the Company’s future returns, the Indian market is wonderfully deep in the treasures it offers the active investor.

Value, for us, is the opportunity to generate attractive returns over the next ten years. This view does not confine us to a particular price/earnings ratio or valuation rule of thumb. We own companies in India on less than 20x price to earnings ratio and others on 50x. In each, we are appraising the long-term potential to create value relative to today’s price. Below we have listed a collection of our Indian holdings lined up against their global peers. Each of these names is potentially a very large company hidden in a small market capitalisation. None of these appear as material weights in the MSCI India Index but they all offer the potential for very attractive returns over the next ten years, and beyond.

Industry	Company	Market cap (USDbn)
Farm equipment	Mahindra & Mahindra	25
	John Deere	110
Industrial conglomerate	Tube Investments	9
	Danaher	177
Air compressors	Elgi Equipments	2
	Atlas Copco	76
Diagnostics	Dr. Lal PathLabs	3
	Quest Diagnostics	14
Business Supplies	IndiaMART	2
	WW Grainger	44

Companies held in the Company.

Source for market capitalisation: FactSet as at 31 January 2024.

In China, due to the dominance of explicitly state-owned or implicitly state-controlled companies and the critical misalignment between the State and minority shareholders, our investible universe is not as deep as in India. However, we would stress that despite the Company long having only a marginal allocation to China, we have not ignored the market. Working our way through China’s listed universe over the last 20 years has occupied a lot of research bandwidth with Chinese meetings and reports accounting for a far higher percentage of our workload than the portfolio allocation would initially suggest. For a team of analysts who crave meeting new people and studying new businesses, it’s been a wonderfully enjoyable experience.

Today, we have roughly 20 Chinese companies that we see as investible but for much of recent history they’ve not been attractively priced. Despite the MSCI China Index being valued on very low multiples, the types of companies we get excited about have traded on very high valuations while typically earning margins in excess of comparable companies overseas: we saw this combination as entailing too much risk to the Company’s capital. Things are beginning to change. Since the beginning of the year, Chinese stocks have come under extreme pressure with no real delineation being made between what companies do, what their balance sheets look like, who owns them or their valuation. All their share prices looked the same. This is the type of environment that excites us as bottom-up stockpickers!

Portfolio Manager's Review continued

As above, we have some of our China holdings paired against their global peers.

Industry	Company	Market cap (USDbn)
Third party verification	Centre Testing International SGS	2 17
Software for building industry	Glodon Autodesk	2 54
Industrial automation and electrification	Shenzhen Inovance Tech Siemens	18 145
Pharmacy chains	Yifeng Pharmacy Chain CVS	5 94
Analog semiconductors	Silergy Corp Texas Instruments	5 146

Companies held in the Company.

Source for market capitalisation: FactSet as at 31 January 2024.

In each of these companies we are backing local entrepreneurs, supported by high quality management teams, often boasting multinational experience, to build businesses that will play a key role in China's development while, vitally, allowing minority shareholders to benefit from their value creation. If the current environment endures, we expect the Company's weighting in China will continue to increase.

Outperformance in down markets

Our focus on quality, long-term growth and absolute risk leads the Company to own companies that tend not to lose a lot of their value in times of stress.

Over the last 14 years, in over 75% of months when the market has lost value, the Company has outperformed. In value terms, the Company has tended to fall less than two-thirds of the comparable losses of the Index and has done so with less volatility. Protecting capital in such periods means our companies have less ground to make up before they can get back to long-term compounding: this has served as a vital foundation in the long-term protection and growth of the Company's capital.

Notably, these outcomes are not the result of any successful predication on our part. We have failed to envision any of the major headline grabbing events over the last 14 years. And in Asia, there have been a lot! We don't believe we add any value in this kind of forecasting. Instead, we seek to ensure the Company's portfolio is constructed of companies that are suitably diversified from a cash flow perspective (not a MSCI sector) and

that their quality and long-term growth positioning means they have a strong likelihood of surviving, and prospering, in most macroeconomic and political environments.

It is important to note that adhering to an investment philosophy that emphasises the minimisation of loss does not preclude the Company from owning companies whose share price can go up multiple fold: we care as much about capital growth as we do about capital protection. We have been fortunate to own numerous such companies across the region over the last 14 years and we hope there are many more in the portfolio today. Crucially, minimising losses in times of stress has allowed our winners to create a lot of value for the Company as their gains have not been diluted by substantial losses elsewhere in the portfolio.

We have always endeavoured to be the best long-term investors in Asia. We just choose to come at the problem of generating great long-term returns from a different angle to many others.

Time horizon

Like the companies we own, we feel very fortunate to be able to take a long-term view. This feels a very advantaged position to hold in a world where US corporate executives now enjoy an average tenure of less than four years and average holding periods of stocks in the US and China are measured in days.

Our average holding period is ten years. With this time horizon, we are not forced to guess what our companies will earn next quarter or which way central banks will lean. As investors allocating capital over the long-term, our philosophy focuses on, and heavily weights, information that:

- > Is enduring and doesn't change quarter to quarter.
- > Is heavily qualitative.
- > Has a material bearing on long-term outcomes.

This leads us to think about the quality of a business and how it is positioned relative to the many headwinds, tailwinds and evolving profit pools created by the shift to a more sustainable form of development. In our eyes, well positioned, high quality companies have the strongest stream of future cash flows: it is these cash flows that drive share prices over long term. This belief has been a foundational component of our philosophy for over thirty years, long before the advent of ESG or the Sustainable Development Goals.

Our time horizon and view of risk leads to 80% of the companies in the portfolio having some form of economic steward, whether that be an entrepreneur, family or foundation. We feel very fortunate to be able to hand the Company's precious capital to people who not only have their own money invested alongside us but their family's legacy on the line. In some cases, they literally have the family's name above the door and on the product! Simply, they too think about risk in absolutes. For the companies lacking in an economic steward, we are handing the Company's capital to cultures that exhibit a similar owner's mindset. These stewards are fanatical about building businesses that solve some of Asia's deepest problems. Crucially, they do so with a time horizon measured in decades, not quarters. We believe this mindset creates one of the most enduring competitive advantages.

World-class stewards and quality, cash generative, businesses enable many companies in the portfolio to build, and hold, net cash balance sheets. These balance sheets provide enormous value when the inevitable unanticipated event comes along. Whether that be recession, political transition or pandemic. In investing, and in life, all time is not created equal. Some moments matter a lot more than others. Our companies, thanks to institutional memory, greatly appreciate this. On average they are over four decades old. They understand that being able to act independently, and not at the behest of

creditors, in times of unavoidable extreme stress, allows them to continue to pay their staff; continue to act as partners with their suppliers, and continue to invest in future growth. Paranoia about surviving extreme events paired with passion for building something of extreme value over the long-term is a rare but vital foundation of great companies. It tends not to be too prevalent with professional management teams incentivised with lucrative short-term stock packages or sleepy state-owned cooperate executives.

We hope our companies continue to go into down-cycles stronger than peers and emerge in an even more advantageous position. This is one of the strongest and simplest examples of how a focus on "not losing" sets the foundation for extreme long-term outperformance. It also frees us of having to predict when the next cycle is coming. When it comes, we know our companies will be prepared.

Investment Returns

Over the year to 31 January, the net asset value of the Company was down 1.3%. As a reference, the MSCI AC Asia ex Japan Index (the "Index") was down 10.5%.

Extending the time frame of performance to three, five and seven years – time periods more in-line with our investment horizon – the Company has delivered satisfactory levels of capital appreciation.

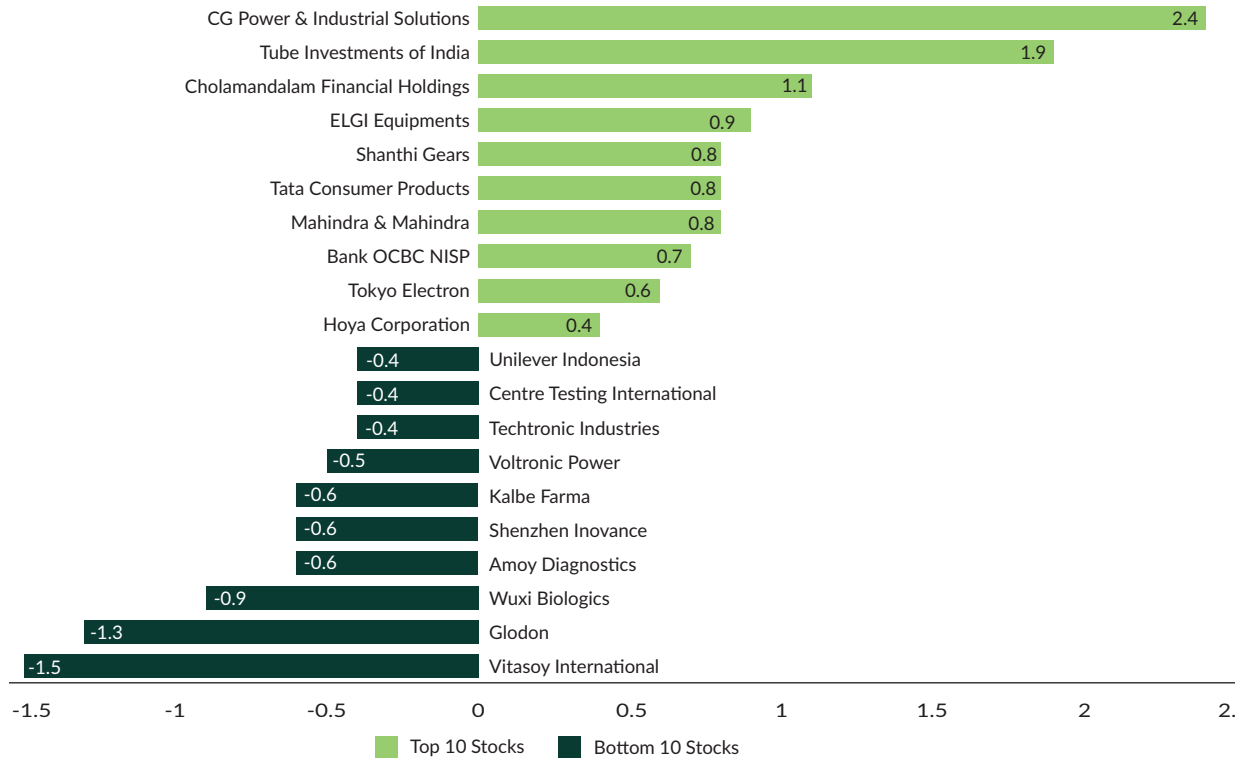
<i>Cumulative Performance</i> <i>(% in GBP) to 31 January 2024</i>	Since inception (01/07/2010)	7 years	5 years	3 years	1 year
NAV	265.6	69.6	44.2	13.8	-1.3
Share Price	267.4	62.7	33.4	6.9	-1.9
CPI + 6%	230.6	97.1	66.3	44.3	10.4
MSCI AC Asia ex Japan Index (Net)	110.1	27.9	9.1	-20.5	-10.5

Source: Lipper IM/Bloomberg/Frostrow. The NAV performance data is calculated on a net basis after deducting all fees (e.g. investment management fee) and costs (e.g. transaction and custody costs) incurred by the Company. The NAV includes dividends reinvested on a net of tax basis. Source for comparator benchmark index: FactSet. Table data is shown versus the MSCI AC Asia ex Japan Index, calculated on an income reinvested net of tax basis. Source for Consumer Price Index ("CPI") + 6% data: FactSet. CPI data is quoted on a one month lag. Performance calculated from when Stewart Investors became Portfolio Manager of the Trust on 30 June 2010.

Portfolio Manager's Review continued

Contribution by investment for the year ended 31 January 2024

Top 10 contributors to and detractors from absolute performance (%)



Contributors

During the year under review, the Company's material ownership of Indian companies, especially those with exposure to capital spending and industrial growth, was a key contributor to absolute performance.

CG Power & Industrial Solutions (India: Industrials)

Contribution: 2.4%

The Company acquired CG Power in the first quarter of 2021, very quickly after Tube Investments took a controlling stake. Previous owners had abused their power resulting in their creditors taking control of the company, putting it up for sale, and Tube Investments subsequently taking ownership. CG Power is the leading manufacturer of motors in India, a high-quality franchise with fantastic long-term avenues for growth. It has performed well thanks to the opportunities provided by Tube Investments' ownership as well as very attractive levels of underlying growth. Had we not followed quality people would not have identified CG Power as a potential investment. It certainly would not have appeared in a very favourable light had it been put through a quantitative screen.

Tube Investments of India (India: Consumer Discretionary)

Contribution: 1.9%

The Company has owned Tube for close to ten years but materially increased its position in 2017 when a new CEO took over this fourth generation family company. His intention was to evolve Tube away from its existing businesses - parts for the auto and rail industries, as well as bicycles - to an industrial conglomerate with leadership positions across higher value industries. This was to be done in a manner similar to that achieved by the high performing conglomerates we have studied in the USA or Europe: taking free cash flow from existing businesses and expanding, both organically and through mergers and acquisitions ("M&A"), into higher quality industries. Since 2017, Tube has grown its sales at more than 20% a year, its free cash flow at a higher rate, while improving its return on capital employed from 22% to 47%¹. We have also seen the company embark on high quality M&A while organically entering the fields of electric mobility and manufacturing in the IT industry - most recently in semiconductor inspection.

Cholamandalam Financial Holdings (India: Financials)

Contribution: 1.1%.

Chola Financial is a holding company that owns stakes in a non-banking financial company and a general insurance business. Like CG Power and Tube Investments, Chola Financial is owned and stewarded by the well-respected Murugappa family. The company provides financial services products to around 2.5 million customers in India. They provide vehicle loans for income yielding assets such as trucks, tractors, and business loans plus home loans where they aim to reach lower middle income families in urban and semi-urban markets. Chola's insurance business provides a safety net for those using it, preventing families from falling (back) into poverty after experiencing a shock.

In their 2022 financial year, the finance business entered into a new segment of consumer and small enterprise loans and micro, small and medium enterprise loans. Their small enterprise loans aim to reach an underpenetrated market and provide economic benefit by specialising in loans for manufacturing, trading and services sectors. During the reporting period the company saw strong growth in the incumbent vehicle financing business as well as new businesses.

Detractors

During the year under review the most significant detractors were companies with substantial business interests in China.

Vitasoy International Holdings (Hong Kong: Consumer Staples)

Contribution: -1.5%

The Company has owned Vitasoy since Stewart Investors became Portfolio Manager in June 2010. We have written about this family-owned, Hong Kong listed, plant-based beverage provider repeatedly over the years. At Stewart Investors we commit to our Hippocratic Oath² – a set of principles for effective stewardship. One of these principles is “not to succumb to irrational exuberance in good times, nor to unjustified gloom in bad times”. This is exemplified by Vitasoy. In the Company's half yearly report in July 2019, when Vitasoy was the strongest contributor to returns by more than 100 basis points, we wrote that we believed valuations had become excessive after the company had become included in a global index. Moreover, we reminded shareholders that companies are much more than just a line on a graph: “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”. Vitasoy is going through another tough time but now, as then, sober analysis has led us to conclude that there has not been a significant deterioration in the quality of the company and that the current gloom is unjustified.

Glodon (China: Information Technology)

Contribution: -1.3%

Glodon designs products and software services for the entire product life cycle of buildings and large scale construction projects. They provide customers with an enduring cost saving proposition – equivalent to a 1% margin and help to expedite project completion by a third, without compromising on safety. Gloomy headlines on the Chinese economy and the property sector in particular are commonplace. The share price has weakened as investor interest in the property related companies has ebbed. However, Glodon exhibits two important differences from the Chinese property developers making negative headlines. The first is the strength of the balance sheet. Glodon has around USD340 million of net cash. The second is a much quicker cash conversion cycle. Indeed, Glodon has a negative working cycle, meaning that cash comes into the business faster than it goes out. This financial strength is allowing quality stewards to invest in new, exciting and resilient services despite the currently weak operating environment. It is this commitment to the long term that deepens our conviction in the quality of stewardship and the franchise.

Wuxi Biologics (China: Health Care)

Contribution: -0.9%

Wuxi is a contract research, development and manufacturing organisation offering end-to-end solutions that enable partners to discover, develop and manufacture biologic drugs – from concept to commercialisation. This benefits patients worldwide. Since purchasing Wuxi in the fourth quarter of 2023 the share price has been volatile, mostly weak, driven by speculation of increased political discord between the USA and China that could negatively impact the company. Since then, management have issued statements correcting misperceptions about the company and its founder. To match words with action, management also proposed a share repurchase

¹ Source: Tube Investments, 2021-22 Annual Report and FactSet

² <https://www.stewartinvestors.com/uk/en/private-investor.html>

Portfolio Manager's Review continued

programme. Wuxi has almost USD500 million in net cash on the balance sheet, a strong/multi-year customer relationship and management team who exhibit honesty and competence. In our opinion these are some of the key assets necessary to overcome current difficulties and prosper in the future.

Significant Transactions

Over the course of the year, the portfolio turnover³ of the Company was 18.3%.

New investments

There was a slightly greater number of new initiations than in previous years partly because valuations were lower, particularly in China. During the year, the Company made new purchases in: Cyient (India: Information Technology), Hangzhou Robam (China: Consumer Discretionary), Midea (China: Consumer Discretionary), Telkom Indonesia (Indonesia: Communications), RBL Bank (India: Financials), Samsung Electronics (South Korea: Information Technology), Samsung Biologics (South Korea: Health Care), Triveni Turbines (India: Industrials) and Wuxi Biologics. As usual there is no theme or top-down allocation explaining these purchases. The commonality is high quality companies that are well positioned to contribute to, and benefit from, sustainable development at attractive valuations.

Additions

The comparative weakness in many Chinese company shares allowed us to further add to Midea. We also added to Samsung Electronics, HDFC Bank (India: Financials), Triveni Turbines and Voltronic Power (Taiwan: Industrials).

Reductions

To control country and company position size we reduced CG Power, Tube Investments and Elgi Equipments (India: Industrials). We also reduced Syngene (India: Health Care) over concerns about franchise development.

Disposals

We identified deteriorating quality and sold out of BRAC Bank (Bangladesh: Financials), Foshan Haitian Flavouring & Food (China: Consumer Staples), Public Bank (Malaysia: Financials) and Techtronic Industries (Hong Kong: Industrials). For reasons of valuation, we sold out of Info Edge (India: Communication Services). We retain the greatest respect and admiration for Infosys (India: Information Technology) but we sold the position as we identified superior risk-adjusted returns elsewhere. Finally, we sold Vinda International (Hong Kong: Consumer Staples) due to news of it being acquired.

ESG Backlash

A quick perusal of financial headlines suggests a dramatic fall from grace for, so called, 'environmental, social and governance' investing. Sayings like 'the darling of Wall Street'⁴ have been replaced by disapproving commentaries containing words like 'backlash', 'unravelling' or even 'weaponised'. The latter highlights the peculiar and unhelpful conflation of partisan politics with investing, particularly in the US.

'Anti-ESG' articles often mention vogue and politicised topics such as 'culture wars' and the 'woke'. Depending on the author there is often a hint of schadenfreude against ESG promoting fund groups or funds which have seen falling sales in recent times. Part of the cause for this dramatic shift in rhetoric rests with the investment industry and the worrying prioritisation of asset accumulation over a principled investment philosophy.

At Stewart Investors we recall at all times the stricture: "*those who stand for nothing, fall for anything*". Our investment philosophy of investing in high quality companies that contribute to, and benefit from, sustainable development is sacrosanct. It takes precedence over fund sales and short-term asset growth. In 2020, before the height of ESG enthusiasm we wrote an article⁵ outlining concerns about ESG driven marketing campaigns and convoluted messaging designed to drive new sales. At first glance this seems like a peculiar article for an investment group with a focus on sustainable development to write. But there is no contradiction or hypocrisy. This is because ESG and sustainability are connected but distinct, with sustainability being a more holistic concept than the ESG metrics supplied by misaligned third-party research providers.

³ See Glossary for definition of portfolio turnover

⁴ Kori Hale, Forbes Magazine. The US\$300m unravelling of ESG investing on corporate diversity. November 2023.

⁵ <https://www.stewartinvestors.com/uk/en/private-investor/insights/challenging-the-greenwash.html>

We define sustainability as human development with minimal resource depletion. This is a more encompassing concept than ESG because it considers the utility and purpose of a company's product or services rather than just detailing the externalities of its operations. The example of a tobacco company may help to clarify the difference. The ESG report from a tobacco company is often very appealing but omits that the product is harmful for people's health. This highlights the limitations of ESG as an analytical tool, its inadequacy as an investment strategy and its inappropriateness as the bedrock of a marketing campaign.

In the above-mentioned article, we urged savers to be aware of a cynical industry using ESG enthusiasm as a theme to drive asset growth. We raised the possibility of miss-selling. This was not prescience, just a consideration of the misaligned incentives in the investment industry that prioritises fund sales over investment discipline. It is these misaligned incentives which perpetuate cycles in fund sales that are inevitable but inconsequential to our investment philosophy and process.

Against this backdrop of greater scrutiny around greenwashing and wishing to provide shareholders with more transparency on how their capital is being deployed, in 2020 we developed an interactive online tool, now known as Portfolio Explorer⁶. For every investment held in the Company, users can learn about the investment rationale, stewardship and contribution the company makes to climate solutions and human development. Critically, it provides a balanced view of the companies, not only highlighting the positive contributions, but also the risks and areas to improve. We believe this goes some way to demonstrate the Company's and Stewart Investors' commitment to transparency and tells the stories of the investee companies rather than merely attributing quantitative ESG metrics as part of a broader marketing campaign.

A more comprehensive description of our investment philosophy and approach to sustainable investing is set out on pages 21 to 24 of this Annual Report.

Looking Forward

Views on investment opportunities in Asia have not changed; on behalf of the Company we continue to look to invest in high-quality companies that are aligned with sustainable development. We seek stewards who are low profile, competent, long-term decision makers, franchises free from political agendas and financials that are resilient, not frail, with the aim to protect and grow the Company's capital over the long term.

Stewart Investors
Portfolio Manager
29 April 2024

⁶ <https://www.stewartinvestors.com/uk/en/private-investor/our-strategies/pacific-assets-trust.html>



Sustainability and ESG

The Company's Environmental, Social & Governance Policy

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

As the Company delegates the management of the portfolio to Stewart Investors, the Board has chosen to adopt and endorse their approach to integrating sustainability into portfolio construction and investee company engagement. Accordingly, the Company seeks to achieve long-term capital appreciation by investing in companies which both contribute to, and benefit from, sustainable development, achieving positive social and environmental sustainable outcomes.

Stewart Investors' approach is described in detail in the following section. As part of this focus on sustainability, the Board expects sustainability and ESG concerns to be a key topic of engagement with investee companies. The Company expects to maintain, through its Portfolio Manager, a continuous constructive dialogue with the owners and the managers of the companies where it owns shares. Such a relationship is enhanced by the long-term nature of the investment inherent in the Portfolio Manager's investment approach.

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

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

A corporate governance report for the year, beginning on page 38, forms part of this Annual Report. A description of how the Board has taken the interests of key stakeholders into account in their decision-making is included on pages 32 and 33.

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

On behalf of the Board

Andrew Impey
Chair
29 April 2024

Stewart Investors' Approach to Sustainable Investing

Sustainability is core to Stewart Investors' investment philosophy and integrated into our investment process. We do not have a separate team that looks at sustainability – every investment team member analyses the sustainability positioning of a business, and is also responsible for engaging and voting activities.

Stewart Investors only invest in high-quality companies that contribute to, and benefit from, sustainable development. We define development as sustainable if it furthers human development and has an ecological footprint that respects planetary boundaries. All members of the investment team sign the Stewart Investors Hippocratic Oath¹, pledging to uphold the principles of stewardship.

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

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

When assessing a company's sustainability we ask ourselves the following questions:

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

In addition, we assess the contribution of the Company's investments to positive social and environmental outcomes by reference to two frameworks described below.

Positive social outcomes – Human Development Pillars

Stewart Investors assesses positive social outcomes by reference to the below human development pillars. We have developed these human development pillars by reference to, amongst other things, the UN Human Development Index.

- > **Health and well-being** – improved access to and affordability of nutrition, healthcare and hygiene, water and sanitation
- > **Physical infrastructure** – improved access to and affordability of energy and housing
- > **Economic welfare** – safe employment offering a living wage and opportunities for advancement, access to finance and improved standards of living
- > **Opportunity and empowerment** – improved access to and affordability of education and information technology

Further information about how we use the human development pillars is available on our website²

Positive environmental outcomes – Project Drawdown climate solutions

Stewart Investors assesses positive environmental outcomes by reference to the climate solutions developed by Project Drawdown³, a non-profit organisation that has mapped, measured and modelled over 90 different climate solutions that it believes will contribute to reaching drawdown – i.e. the point in the future when emissions stop increasing and start to decline.

Below is a list of climate solutions together with corresponding examples we believe lead to positive environmental outcomes:

- > **Food system** – sustainable farming, food production and distribution of food-related products and services
- > **Energy** – adoption of renewable energy and other clean energy and related technologies
- > **Circular economy and industries** – improved efficiency, reduced waste, and new business models for closing resource loops in linear value chains and production processes

¹ <https://www.stewartinvestors.com/uk/en/private-investor/how-we-invest/sustainable-investing/our-hippocratic-oath.html>

² <https://www.stewartinvestors.com/uk/en/private-investor/how-we-invest/our-approach/human-development-pillars.html>

³ Any reference to **Project Drawdown** is to describe the publicly available materials utilised by Stewart Investors in formulating its sustainability analysis framework. It is not intended to be, and should not be, read as constituting or implying that Project Drawdown has reviewed or otherwise endorsed the Stewart Investors framework. For the list of Project Drawdown climate solutions please go to <https://drawdown.org/solutions/table-of-solutions>.

Sustainability and ESG continued

- > **Human development** – advancement of human rights and education that drive environmental conservation and sustainable use of resources
- > **Transport** – efficient transport technologies and growth in fossil fuel-free transportation options
- > **Buildings** – products and services which reduce the environmental footprint of the built environment, including energy efficiency, electrification, improved design, and use of alternative materials
- > **Water** – less energy-intensive methods for treating, transporting and heating water
- > **Conservation and restoration** – supporting deforestation-free and environmentally regenerative supply chains, operations and end-of-life impacts

Further information about how we use the Project Drawdown climate solutions is available on our website⁴

Assessment

In assessing whether a company “contributes to and benefits from” sustainable development, we will consider whether:

1. there is either a direct⁵ or enabling⁶ link between the activities of the company and the achievement of a positive social or environmental outcome;
2. any contribution to positive social or environmental outcomes has resulted from revenue or growth drivers inherent in the company’s business model, strategic initiatives that are backed by research and development or capital expenditure, or from the company’s strong culture and sense of stewardship e.g. for equity and diversity; and
3. the company recognises potential negative social or environmental outcomes associated with its product or services and works towards minimising such outcomes, e.g. a company that sells affordable nutritious food products in plastic packaging, but is investigating alternative packaging options.

We avoid companies that do not contribute to sustainable development and engage with companies to improve sustainability outcomes.

We have established a materiality threshold for harmful or controversial activities at 5% of revenues (0% for tobacco production and controversial weapons). We explicitly seek to invest in companies that are making a positive contribution to society. Full details of the activities and practices we find inconsistent with our investment philosophy are available on our website⁷.

Stewart Investors employ the services of an external ESG research provider, Sustainalytics, to provide a quarterly check on the Company to ensure investee companies meet global norms for best practices and raise no exceptions against our thresholds for harmful activities. We also receive controversy reporting from RepRisk.

Issues such as climate change, biodiversity and water, human rights and modern slavery, and diversity and inclusion are integrated into our investment selection and engagement and voting processes. Our approach to climate change is explained in detail in our climate statement⁸, climate report⁹ and Annual Stewardship Review¹⁰. Our approach to biodiversity and water is reflected in our selection of companies that mitigate their impact on the natural environment or provide services/products that improve efficiencies. We have engaged on a number of related issues such as palm oil, deforestation, plastic waste and the use of harmful chemicals. Human rights and modern slavery are a risk throughout the supply chain of our investee companies. Our approach is to focus on quality companies that treat their employees well and manage the risks in their supply chain effectively. Where we identify problems, we engage. Our recent collaborative engagement on conflict minerals in the semi-conductor supply chain is a good example of this. Our approach to diversity is explained in our statement¹¹ and we provide an update on what we have done in our Annual Stewardship Review. We will provide updates on these issues, amongst others, in our quarterly shareholder updates.

Transparency

As part of our focus on improved transparency, we have developed a Portfolio Explorer tool¹² which provides the contribution that each investee company makes to climate solutions and human development, as well as the investment rationale, Sustainable Development Goals, key risks, and areas for improvement. The company holdings information is updated on a quarterly basis.

⁴ <https://www.stewartinvestors.com/uk/en/private-investor/how-we-invest/our-approach/climate-solutions.html>

⁵ A **direct link** would arise where the goods an entity produces or the services it provides are the primary means through which the positive social or environmental outcome can be achieved (e.g. solar panel manufacturers or installers).

⁶ An **enabling link** would arise if the goods a company produces or services it provides enable other companies to contribute towards the achievement of the positive social or environmental outcome (e.g. manufacturers of critical components that are used as inputs in the manufacture of solar panels).

⁷ <https://www.stewartinvestors.com/uk/en/private-investor/insights/our-position-on-harmful-and-controversial-products-and-services.html>

⁸ <https://www.stewartinvestors.com/uk/en/private-investor/insights/climate-change-statement.html>

⁹ <https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/PASSET-Climate-2021.pdf>

¹⁰ <https://www.stewartinvestors.com/uk/en/private-investor/how-we-invest/regulations-and-reports.html>

¹¹ <https://www.stewartinvestors.com/uk/en/private-investor/insights/diversity-statement.html>

¹² <https://www.stewartinvestors.com/uk/en/private-investor/our-strategies/pacific-assets-trust.html?tabs-anchor=Pacific%20Assets%25Trust&active-tab=Portfolio%20Explorer>

Sustainable Finance Disclosure Regulation

Our report on how the Company has met its sustainable investment objective, in accordance with the requirements of the SFDR, begins on page 85 of this Annual Report.

Case Study – Godrej

Website: <https://www.godrejcp.com/>

Company profile: Leading emerging markets consumer goods company.

Stewardship: Family. Founded by Ardeshir Godrej in 1897. The Godrej family are the controlling shareholder. Adi Godrej is Chair of the Godrej Group and Nisa Godrej is Chair of Godrej Consumer.

What we like:

- > The company is a leading supplier of affordable soap and household insecticides, helping millions of people in tropical climates curtail the spread of waterborne diseases, malaria and other diseases.
- > The Godrej family provide long-term stewardship and continue to be actively involved in the business, which is run by a capable and professional management team.
- > The business culture is built on integrity and trust and the impressive 'Godrej Good and Green' strategy offers a vision for a more inclusive and sustainable India.
- > The franchise is highly cash-generative, ambitious and innovative. Revenues are split evenly between India and international markets, with positive growth momentum in Asia, Africa and Latin America.

Risks: We believe that risks for the company include product quality/safety issues and succession challenges.

How the company is contributing to social outcomes:

Godrej Consumer Products is a consumer goods company which manufactures and markets personal care and household products in India. They have over 1.2bn customers. Their main soap and household insecticide products (c.75% of profits) improve health outcomes in India and wider. A lack of regular handwashing spreads diarrheal and waterborne diseases in homes and communities. Poor sanitation has a knock-on effect, hindering development as workers suffer from illnesses, live shorter lives, produce and earn less and are unable to afford education for their children. They also have a range of brands focused on home care, personal care, hair care and baby products. Godrej's flagship social initiative, Salon-I, is a vocational training programme for women. It is designed entirely in-house to train young women in basic skills involving beauty, skin, hair care, and mehndi application. In addition, life skills and entrepreneurship development modules enable women to take up jobs or pursue self-employment depending on their unique skill sets and circumstances. The programme includes 500-hours of training with audio-visual modules, life skills and entrepreneurship training aimed at women between 18 and 30 years for employment or entrepreneurship. The programme focuses on urban and peri-urban, socio-economically weaker sections of society. Since 2012, more than 220,000 women have been trained. Around 50% of trainees take up some form of employment.

How the company is contributing to environmental outcomes

As part of their strategic pillar for building an inclusive and greener world, Godrej has a goal of zero waste to landfill, which they aim to continue to achieve. As part of their extended producer responsibility commitment, Godrej collects 100% post-consumer plastic packaging waste. They have signed up to the India Plastics Pact and are a plastic neutral company which means they take back the equivalent amount of plastic (c. 20,000 metric tons) that they send to consumers. The company is also reducing plastic use by improving product packaging, developing new products and reducing waste. The Goodknight coil bags made from Post-Consumer Recycled plastic from their own solid waste had a successful trial and would replace 600 tonnes of virgin plastic when implemented more widely. Their 'Magic' hand and body wash ready-to-mix powders reduce plastic usage. The body wash uses 16% plastic by weight and the company plan to reduce this to 8% in the future.

Relevant Sustainable Development Goals ("SDGs"):

SDG No. 3 – Good health and well being

Godrej's personal care products and household insecticides help curtail the spread of malaria and diarrheal diseases plus other waterborne diseases. They sell insecticide solutions for less than one rupee. Since 2015, they have commissioned projects in Madhya Pradesh, Uttar Pradesh and Chhattisgarh to help eliminate mosquito borne endemic diseases, by improving the knowledge and awareness of communities through behaviour change campaigns. Malarial cases in Madhya Pradesh dropped by 96% between 2016 and 2021 and the state is on the path to meeting the goal of malaria elimination. By 2026 the three projects aim to protect 30 million people against vector-borne diseases.

SDG No. 12 – Responsible consumption and production

As a signatory of the Indian Plastics Pact, they have ambitious goals to reduce energy use, waste and address the issue of plastic packaging. They are already plastic neutral and by 2025 aim to reduce packaging consumption per unit of production by 20%; ensure that 100% of their packaging material is recyclable, reusable, recoverable or compostable and use at least 10% Post-Consumer Recycled content in their plastic packaging.

Sustainability and ESG continued

Thematic Engagement Example – Conflict Minerals

Stewart Investors are progressing with a collaborative engagement initiative on conflict minerals (tantalum, tin, tungsten, gold and cobalt) in the semiconductor supply chain. These minerals are vital materials for the semiconductor industry. Poor traceability along complex supply chains can lead to the inadvertent financing of armed conflict and the abuse of human rights.

The initiative is supported by 160 investors representing US\$6.6 trillion of assets under management. In 2022 Stewart Investors wrote to 29 companies encouraging them to develop and invest in traceability technology, to increase transparency/reporting from mine to product, to collaborate to improve industry practices, to impose/ enforce harsher sanctions on non-compliance and to reduce demand for new materials by improving recycling.

- > As part of the engagement, we have engaged with industry and civil bodies. We attended the Responsible Minerals Initiative (“RMI”) annual conference in 2022, and understand we are the first known investor to have done so. In 2023, we were the first investor to speak at the Responsible Business Alliance (“RBA”) and RMI’s Annual Conference in Santa Clara, California on the positive role of capital and we hosted a closed-door workshop, endorsed by the RMI, with 16 leading electronic companies. Stewart Investors commissioned Kumi Consulting Ltd (Kumi) to deepen our knowledge, contacts and engagements with companies, trade bodies and organisations like the OECD and with their help developed engagement guidelines for initiative supporters, and other investors, to improve their interactions with companies.

Finally, members of the RMI debated, over a number of months, whether they should allow investors to join their trade body. There were some initial reservations, however a number of company representatives and steering committee members of the RMI and RBA Board Liaison have been strong supporters. There is a growing feeling amongst RMI members that investors could bring a new and constructive perspective to help influence improvements along mineral supply chains. Representatives of the companies and other RMI members believe: “there is a big role for investors, they have a different point of leverage”.

We are delighted that the RMI has taken the significant step of allowing investors to become members of their trade body which was one of our main objectives in 2023. We became the inaugural investor member in 2024 and are now seeking to establish an investor working group.

Stewart Investors
Portfolio Manager
29 April 2024

Business Review

The Strategic Report, set out on pages 1 to 35, contains a review of the Company's business model and strategy, an analysis of its performance during the financial year and its future developments as well as details of the principal risks and challenges it faces. Its purpose is to inform shareholders and help them to assess how the Directors have performed their duty to promote the success of the Company.

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

Business Model

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

The purpose of the Company is to achieve long-term growth in its shareholders' capital by providing a vehicle for investors to gain exposure to a portfolio of companies in the Asia Pacific region and the Indian sub-continent (but excluding Japan, Australia and New Zealand), through a single investment.

The Company's strategy is to create value for shareholders by addressing its investment objective.

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

The Company employs Frostrow Capital LLP ("Frostrow") as its Alternative Investment Fund Manager ("AIFM") and they provide corporate management, risk management, company secretarial and administrative services. The Company employs Stewart Investors as its Portfolio Manager (see pages 47 and 48 for further information).

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

Further information on the Board's role and the topics it discusses with the Portfolio Manager is provided in the Corporate Governance report beginning on page 38.

Investment Objective and Policy

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

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

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

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

Risk is diversified by investing in different countries, sectors and stocks within the Asia Pacific Region. No more than 45% of the Company's total assets (at the time of investment) may be invested in any single jurisdiction.

Business Review continued

If the proportion of the Company's total assets invested in a single jurisdiction exceeds 49% at any time, the AIFM and the Portfolio Manager should, as soon as reasonably practicable, seek to re-balance the Company's portfolio below this threshold.

No single investment may exceed 7.5% of the Company's total assets at the time of investment. This limit is reviewed from time to time by the Board and may be revised as appropriate.

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

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

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

Performance Measurement

The Board measures Stewart Investors' performance against a performance objective, which is to provide shareholders with a net asset value total return in excess of the UK Consumer Price Index ("CPI") plus 6% (calculated on an annual basis) measured over three to five years (the "Performance Objective"). The Board also monitors the Company's performance against its peer group (see page 4 for details). Please refer to the Chair's Statement beginning on page 6 and the Glossary on page 82 for further information.

Dividend Policy

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

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

The Board

At the date of this report, the Board of the Company comprises Andrew Impey (Chair), Charlotta Ginman (Chair of the Audit Committee), Sian Hansen (Chair of the Engagement and Remuneration Committee), Robert Talbut, (the Senior Independent Director) Edward Troughton (the Chair of the Sales, Marketing and Communications Committee) and Nandita Sahgal. All of these Directors are non-executive, independent Directors. They all served throughout the year except for Nandita Sahgal who joined the Board with effect from 1 January 2024.

Further information on the Directors can be found on pages 36 and 37 and information on the Board's diversity can be found in the Corporate Governance Report on page 38.

Key Performance Indicators ("KPIs")

The Board of Directors reviews performance against the following KPIs, which are unchanged from the prior year.

- > NAV total return against the Performance Objective*^
- > NAV per share total return against the peer group*^
- > Average discount/premium of share price to NAV per share over the year^
- > Ongoing charges ratio^

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

NAV per share total return – Performance Objective

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

During the year under review, the NAV per share total return was (1.3)% underperforming the Performance Objective by 11.7% (2023: NAV per share total return of 5.7%, underperforming the Performance Objective by 11.6%). Over the past three years, the annualised NAV per share total return was 4.4%, underperforming the Performance Objective by 8.6%. Over five years, the annualised NAV per share total return was 7.6%, underperforming the Performance Objective by 3.2% per annum.

A full description of performance during the year under review is contained in the Portfolio Manager's Review beginning on page 12.

NAV total return – peer group

The Board also monitors the Company's performance against its peer group of four other investment trusts with similar investment mandates and one exchange traded fund.

Over the one, three and five years ended 31 January 2024, the Company ranked 1st, 1st and 3rd, respectively, in its peer group. The Company's performance is discussed in the Chair's Statement beginning on page 6; further information can be found in the Portfolio Manager's Review beginning on page 12.

Average discount/premium of share price to NAV per share

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

During the year under review no new shares were issued or bought back by the Company. The Company's share price discount to the NAV per share was narrower this year, in comparison with last year, and usually narrower than the peer group average. The Board keeps the level of the discount under close review. Please see pages 32 and 33 for information regarding how the Board addressed this issue during the year.

Average discount of share price to NAV per share*[^] during the year ended

31 January 2024	31 January 2023
6.4%	10.1%
Peer group average discount 9.3%	Peer group average discount 8.9%

* Source: Morningstar

[^] Alternative Performance Measure (see Glossary beginning on page 82)

Ongoing charges ratio

Ongoing charges represent the costs that the Company can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and seeks to maintain a sensible balance between high quality service and costs.

The Board therefore considers the ongoing charges ratio to be a KPI and reviews the figure both in absolute terms and in relation to the Company's peers.

Ongoing charges ratio[^]

31 January 2024	31 January 2023
1.1%	1.1%
Peer group average 0.9%	Peer group average 0.9%

[^] Alternative Performance Measure (see Glossary beginning on page 82).

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

Risk Management


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


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

- > Investment and financial risks
- > Strategic risks
- > Operational risks


Business Review continued





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


Principal Risks and Uncertainties	Mitigation	Change in risk assessment over the last financial year
Investment and Financial Risks		
Market and Foreign Exchange Risk 		
<p>The Company's portfolio is exposed to fluctuations in market prices (from both individual security prices and foreign exchange rates) in the regions and sectors in which it invests. Emerging markets in the Asia Pacific region, in which the portfolio companies operate, are expected to be more volatile than developed markets.</p>	<p>To an extent, this risk is accepted as being inherent to the Company's activities. However, the Board has set limits in the investment policy which ensure that the portfolio is diversified, reducing the risks associated with individual stocks and markets. Compliance with the investment objective and policy limits is monitored daily by Frostrow and Stewart Investors and reported to the Board monthly. Stewart Investors report at each Board meeting on the performance of the Company's portfolio, including the impact of wider market trends and events.</p> <p>As part of its review of the viability of the Company, the Board also considers the sensitivity of the Company to changes in market prices and foreign exchange rates (see note 14 beginning on page 77), how the portfolio would perform during a market crisis, and the ability of the Company to liquidate its portfolio if the need arose. Further details are included in the Going Concern and Viability Statements on page 31.</p>	
Investment Performance 		
<p>Investment performance may not achieve the Company's investment objective. Stewart Investors' investment strategy and approach is expected to lead to performance that will deviate from that of both market indices and other investment companies investing in the Asia Pacific Region.</p>	<p>To manage this risk, the Board:</p> <ul style="list-style-type: none"> > reviews and challenges reports from Stewart Investors, which cover portfolio composition, asset allocation, concentration and performance at each Board meeting; > reviews investment performance over the long term against the Company's performance objective and peer group; > monitors Stewart Investors' performance against set KPIs; > formally reviews Stewart Investors' appointment, including their performance, service levels and contractual arrangements, each year. 	
Strategic Risks		
Geopolitical Risk 		
<p>Geopolitical events may have an adverse impact on the Company's performance by causing exchange rate volatility, changes in tax or regulatory environments, a reduced investment universe and/or a fall in market prices.</p>	<p>The Board regularly discusses global geopolitical issues and general economic conditions and developments.</p> <p>Political changes in recent years, particularly in the US and Asia Pacific region and more recently in the Middle East, as well as Ukraine and Eastern Europe, have increased uncertainty and volatility in financial markets. The Board discusses such developments and how they may impact decision making with Stewart Investors.</p> <p>The Board's discussions with the Portfolio Manager often focus on geopolitical themes or trends that affect social and environmental sustainability, in particular e.g. conflict minerals and water scarcity. These are often subjects on which the Portfolio Manager engages with investee companies.</p>	

 No change


 Increased

 Decreased

Principal Risks and Uncertainties	Mitigation	Change in risk assessment over the last financial year
Climate Change Risk 		
The Board is cognisant of risks arising from climate change and the impact climate change events could have on portfolio companies and their operations, as well as on service providers to the Company.	The Board regularly reviews global environmental, geopolitical and economic developments with the Portfolio Manager and the implications of these risks and events on portfolio construction and the Company's operations. Given Stewart Investors' focus on sustainability as set out on pages 21 to 24, the Board considers the portfolio to be relatively well positioned in this regard.	
Black Swan Risk 		
A significant unpredictable event (e.g. a pandemic/war/closure of a major shipping route) could lead to increased market volatility, and in a worst-case scenario, major global trade and supply chain breakdown resulting in significant volatility/declines in market prices. The Company's service providers and their operational systems may also be affected.	<p>The Board monitors emerging risks and the robustness of Stewart Investors' and other service providers' business continuity plans.</p> <p>Stewart Investors' investment approach includes a focus on sustainability and stewardship, which emphasises quality investments with strong balance sheets, a proven track record in previous crises, and the protection of shareholders' funds, leaving them relatively well positioned to deal with unforeseen events.</p> <p>All of the Company's service providers are required to have business continuity / disaster recovery policies and test them at least annually. Service providers provide updates on contingency plans for coping with major disruption to their operations.</p> <p>In view of the number of extraordinary and unpredictable events in recent years, the Board considered that the likelihood of a Black Swan event had increased.</p>	
Portfolio Management Key Persons Risk 		
There is a risk that the team responsible for managing the Company's portfolio may leave their employment or may be prevented from undertaking their duties.	<p>The Board manages this risk by:</p> <ul style="list-style-type: none"> > receiving regular reports from the Portfolio Manager, including any significant changes in the make-up of the portfolio management team; > meeting the wider team supporting the designated lead manager, at both Board meetings and at the Portfolio Manager's offices; and > delegating to the Engagement & Remuneration Committee responsibility to perform an annual review of the service received from the Portfolio Manager, including, <i>inter alia</i>, the team supporting the lead manager and their succession planning. 	
Share Price Risk 		
The Company is exposed to the risk, particularly if the investment strategy and approach are unsuccessful, that the Company underperforms its peer group, fails to achieve its Performance Objective and becomes unattractive to shareholders, resulting in a widening of the share price discount to the NAV per share.	<p>In managing this risk the Board:</p> <ul style="list-style-type: none"> > reviews the Company's investment objective and policy, and Stewart Investors' investment approach, in relation to investment performance, market and economic conditions and the performance of the Company's peers; > regularly discusses the Company's future development and strategy; > undertakes a regular review of the level of the share price discount/premium to the NAV per share and considers ways in which share price performance may be enhanced, including the effectiveness of marketing, share issuance and share buybacks, where appropriate; and > reviews an analysis of the shareholder register at each Board meeting and is kept informed of shareholder sentiment. 	

 No change Increased Decreased

Business Review continued

Principal Risks and Uncertainties	Mitigation	Change in risk assessment over the last financial year
Operational Risk		
Operational Risk 		
<p>As an externally managed investment trust, the Company is reliant on the systems of its service providers for dealing, trade processing, administration, financial and other functions. If such systems were to fail or be disrupted (including, for example, as a result of cyber-crime or a pandemic) this could lead to a failure to comply with applicable laws, regulations and governance requirements and/or to a financial loss.</p> <p>Credit risk arising from the use of counterparties forms part of this risk. If a counterparty were to fail, the Company could be adversely affected through either delay in settlement or loss of assets.</p>	<p>To manage these risks the Board:</p> <ul style="list-style-type: none"> > periodically visits all key service providers to gain a better understanding of their control environment, and the processes in place to mitigate any disruptive events; > receives a monthly report from Frostrow, which includes, <i>inter alia</i>, confirmation of compliance with applicable laws and regulations; > reviews internal control reports and key policies of its service providers, including disaster recover procedures and business continuity plans; > maintains a risk matrix with details of the risks to which the Company is exposed, the approach to managing those risks, the key controls relied upon and the frequency of the controls operation; > receives updates on pending changes to the regulatory and legal environment and progress towards the Company's compliance with such changes; > has considered the increased risk of cyber-attacks and received reports and assurance from its service providers regarding the information security controls in place; > has reviewed the arrangements (including sub-custodial arrangements) and services provided by the Custodian to ensure that the security of the Company's custodial assets is maintained; and > reviews Stewart Investors' approved list of counterparties, the process for monitoring and adding to the approved counterparty list, and the Company's use of those counterparties. <p>Under the terms of the contract with J.P. Morgan Chase Bank, the Company's investments are required to be segregated from J.P. Morgan Chase Bank's own assets.</p> <p>Further information on credit risk and other financial risks can be found in note 14 beginning on page 77.</p>	

Emerging Risks

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

1. Supply chain disruptions have increased uncertainty over corporate investment plans and may damage the growth prospects of companies in the Asia Pacific Region.
2. As well as offering investment opportunities, the development and exploitation of technological breakthroughs, such as artificial intelligence, may challenge and damage the addressable market, revenue and operations of portfolio companies to the extent that they no longer offer the promise of returns consistent with the Company's investment objective.
3. The risk that increasing water scarcity will affect economic development, potentially leading to mass migration and political conflict in the Asia Pacific Region. This is a particular threat in India, where a high proportion of the Company's assets are invested, and which the UN identifies as one of the most water-stressed countries in the world.
4. The rise of 'post-truth' politics is characterised by rising concerns about the perceived decay of political and social norms, the diminishing role of generally accepted truth and reason, and the rise of misinformation, much of it online. This trend appears to be encouraging mistrust in democratic institutions and public discourse and the rise in many countries of more extreme political parties. Businesses and brands can be drawn into such debates which may have uncertain direct or indirect consequences for portfolio companies.



No change



Increased



Decreased

Going Concern

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints on the Company's NAV, cash flows and expenses. Further details of the stress tests and scenarios considered can be found in the Audit Committee Report beginning on page 53 and Notes 1 and 14 to the financial statements. Based on the information available to the Directors at the date of this report, the conclusions drawn in the Viability Statement (including the results of the stress tests undertaken) below and the Company's cash balances, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of signing this report and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Viability Statement

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

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

- The portfolio is comprised of investments traded on major international stock exchanges. Based on historic analysis, it is estimated that approximately 84% of the current portfolio could be liquidated within two weeks (based on current market volumes with 20% participation);
 - The Audit Committee has considered the viability of the Company under various scenarios, including periods of acute stock market and economic volatility. In view of the results of these tests, the Board has concluded that it would expect to be able to ensure the financial stability of the Company through the benefits of having a diversified portfolio of listed and realisable assets. Further details of the stress tests can be found in Note 1 to the financial statements;
 - With an ongoing charges ratio of 1.1%, the expenses of the Company are predictable and modest in comparison with the assets and there are no capital commitments currently foreseen which would alter that position;
 - The Board has considered the Company's average cash balance over the past three years and noted that the Company has consistently retained levels of cash that are significantly higher than its annual operating expenses;
 - The Company has no employees, only non-executive Directors. Consequently it does not have redundancy or other employment related liabilities or responsibilities; and
 - The closed ended nature of the Company means that, unlike open ended funds, it does not need to realise investments when shareholders wish to sell their shares.
- The Directors, as well as considering the potential impact of the principal risks and various severe but plausible downside scenarios, have also made the following assumptions in considering the Company's longer-term viability:
- There will continue to be demand for investment trusts;
 - The Board and the Portfolio Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years;
 - The Company invests in the securities of listed companies traded on international stock exchanges to which investors will wish to continue to have exposure;
 - Regulation will not increase to a level that makes running the Company uneconomical; and
 - The performance of the Company will continue to be satisfactory.

Business Review continued

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

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

Stakeholder Group	How the Board has engaged with the Company's Stakeholders
Investors	<p>The Board's key mechanisms of engagement with investors include:</p> <ul style="list-style-type: none"> > The Annual General Meeting > The Company's website which hosts reports, articles and insights, and monthly fact sheets > One-to-one investor meetings > Group meetings with professional investors > The Annual and Half yearly Reports <p>The Portfolio Manager and the Company's broker, on behalf of the Board, completed a programme of investor relations throughout the year, reporting to the Board on the feedback received. In addition, the Chair was (and remains) available to engage with the Company's shareholders.</p>
Portfolio Manager	<p>The Board met regularly with Stewart Investors (the Portfolio Manager) throughout the year, both formally at quarterly Board meetings and informally, as required. The Board engaged with the portfolio management team, discussing the Company's overall performance and strategy, as well as developments in individual portfolio companies and wider macroeconomic developments.</p> <p>The Board periodically visits different countries and investee companies in Asia with the Portfolio Manager, to gain first-hand insight into the Portfolio Manager's investment process and engagement with portfolio companies. The Board considers these visits to be an important part of their oversight of the Portfolio Manager. For environmental and cost reasons, this year the Board held a conference in London with the Portfolio Manager, engaging with representatives from portfolio companies and potential investee companies in online meetings.</p>
Service Providers	<p>The Board met regularly with Frostrow (the AIFM), representatives of which attend every quarterly Board meeting to provide updates on risk management, accounting, administration, corporate governance and regulatory matters.</p> <p>The Board, meeting as the Engagement and Remuneration Committee, reviewed the performance of all the Company's service providers, receiving feedback from Frostrow in their capacity as AIFM and Company Secretary. The AIFM, which is responsible for the day-to-day operational management of the Company, meets and interacts with the other service providers including the Depositary, Custodian and Registrar, on behalf of the Board, on a daily basis. This can be through email, one-to-one meetings and/or regular written reporting.</p> <p>The Audit Committee met with BDO LLP to review the audit plan for the year, agree their remuneration, review the outcome of the annual audit and to assess the quality and effectiveness of the audit process. Please refer to the Audit Committee Report beginning on page 53 for further information.</p>

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

Key Areas of Engagement	Main decisions and actions taken
<ul style="list-style-type: none"> > Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio. > Share price performance. > The Portfolio Manager's approach to sustainable development and investment. 	<p>The Board and the Portfolio Manager provided updates on performance via RNS, the Company's website and the usual financial reports and monthly fact sheets.</p> <p>The Board continued to monitor share price movements closely, both in absolute terms and in relation to the Company's peer group. As the discount narrowed during the year, the Board did not initiate any share buybacks. While recognising that buybacks can generate shareholder value in the short term, the Board decided that buybacks were not in the long-term interests of shareholders, as they would reduce the size of the Company, increase the ongoing charges ratio and reduce the liquidity of the Company's shares.</p> <p>Instead, the Board continued to take steps to improve the visibility of the Company and the Portfolio Manager's sustainability credentials, in particular to retail investors. Further information is provided in the Chair's Statement beginning on page 6.</p>
<ul style="list-style-type: none"> > Portfolio composition, performance, outlook and business updates. > Matters relating to sustainability, including the sustainability credentials of the portfolio companies, and regulatory developments affecting the Company itself. > The promotion and marketing strategy of the Company. 	<p>The Board agreed that high standards of research and decision-making have been maintained and the Portfolio Manager's strategy has been implemented consistently, leading to good returns over the past year and over longer periods. The Board concluded that it was in the interests of shareholders for Stewart Investors to continue in their role as Portfolio Manager on the same terms and conditions. Further information is provided on page 48.</p> <p>The Board continued its focus on improving the marketing strategy of the Company, and established a new Sales, Marketing and Communications Committee to oversee this process. Further information is provided in the Chair's Statement beginning on page 6.</p> <p>The Board's deliberations on the matter of new sustainability-related regulation are described in the Chair's Statement beginning on page 6.</p> <p>The Board considered that the conference in London was successful. While it will not always be possible or practical to engage with portfolio companies remotely, in view of the environmental and cost benefits associated with reduced long-distance travel, the Board agreed to alternate their due diligence trips to Asia with future London-based events.</p>
<ul style="list-style-type: none"> > Regulatory updates, in particular regarding the FCA's Sustainability Disclosure Rules. > The quality of service provision and the terms and conditions under which service providers are engaged. > The assessment of the effectiveness of the audit and the Auditor's reappointment. > The terms and conditions under which the Auditor is engaged. 	<p>The Board concluded that it was in the interests of shareholders for Frostrow to continue in their role as AIFM on the same terms and conditions. See pages 48 and 49 for further details.</p> <p>The Board approved the Audit Committee's recommendation to propose to shareholders that BDO LLP be re-appointed as the Company's auditor for a further year. Please refer to the Audit Committee Report beginning on page 53 and the Notice of AGM beginning on page 106 for further information.</p>

Business Review continued

Social, Human Rights and Environmental Matters

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

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

Integrity and Business Ethics

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

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

The Company notes the TCFD recommendations on climate-related financial disclosures. The Company is an investment trust and, as such, it is exempt from the Listing Rules requirement to report against the TCFD framework.

Stewart Investors is committed to reporting annually on its progress against its climate change objectives which are set out in its climate change statement¹⁰. This reporting is modelled on TCFD recommendations to the degree it is relevant to their activities and to support shareholders with their reporting requirements.

Stewart Investors have signed up to the Net Zero Asset Managers Initiative. They published their first climate report¹¹ in 2022 which provides details about their plan; this will be updated annually. They are engaging with their investee companies to set ambitious targets and have credible action plans to achieve net zero by 2050. They are targeting outcomes that are aligned with their commitment to the Net Zero Asset Managers Initiative and prioritising engagement with companies that have inadequate disclosures and targets, and/or rising emissions.

Climate reporting, at both the Stewart Investors¹² and Pacific Asset Trust¹³ level, is available via the Company's website.

Performance and Future Developments

A review of the Company's performance over the year and the outlook for the Company can be found in the Chair's Statement beginning on page 6 and in the Portfolio Manager's Review beginning on page 12.

The Company's overall strategy remains unchanged.

By order of the Board

Frostrow Capital LLP

Company Secretary

29 April 2024

¹⁰ <https://www.stewartinvestors.com/uk/en/private-investor/insights/climate-change-statement.html>

¹¹ <https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/Climate-Report-2021.pdf>

¹² <https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/Climate-Report-2021.pdf>

¹³ <https://www.stewartinvestors.com/content/dam/pacific-assets/trust-information/climate-report/PASSET-Climate-2021.pdf>

Governance

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Board of Directors



Andrew Impey
Independent Non-Executive Chair

Joined the Board in 2022

Andrew is Chair of the Nominations Committee

Shareholding in the Company: 17,000

Skills and Experience

Andrew has over 34 years' experience in institutional investment management and wealth management. He has been lead manager on a broad range of funds including a sovereign wealth mandate, unit trusts and several investment trusts. He was previously a consultant at Rathbones Investment Management, a partner of Albion Capital Group, joint managing director at OLIM Limited and Chief Investment Officer at Singer & Friedlander.

Andrew's wide investment experience allows him to engage knowledgeably with the Portfolio Manager. He also brings current knowledge of the industry and in corporate governance and strategy.

He is a charity trustee and on a number of investment committees including the HMS Victory Preservation Company.

Other Appointments

Andrew is the non-executive chair of JP Morgan UK Smaller Companies Investment Trust plc.

Standing for re-election

Yes



Charlotta Ginman FCA
Independent Non-Executive Director

Joined the Board in 2014

Charlotta is Chair of the Audit Committee.

Shareholding in the Company: 13,789

Skills and Experience

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

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

Other Appointments

Charlotta is a non-executive director of Polar Capital Technology Trust plc, Keywords Studios plc, Gamma Communications plc, Unicorn AIM VCT plc and Boku Inc.

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

Standing for re-election

No



Sian Hansen
Independent Non-Executive Director

Joined the Board in 2015

Sian is Chair of the Engagement & Remuneration Committee.

Shareholding in the Company: 15,880

Skills and Experience

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

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

Other Appointments

None.

Standing for re-election

Yes



Robert Talbut
Independent Non-Executive Director

Joined the Board in 2016

Robert is the Senior Independent Director.
Shareholding in the Company: 9,611

Skills and Experience

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

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

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

Other Appointments

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

Standing for re-election

Yes



Edward Troughton
Independent Non-Executive Director

Joined the Board in 2019

Edward is Chair of the Sales, Marketing and Communications Committee

Shareholding in the Company: 18,357

Skills and Experience

Edward has been in the investment industry for over 35 years, starting his career with Barings Asset Management as an Asian equity portfolio manager. He spent the rest of his career after that in business development and marketing. He managed NatWest Investment Management's office in Hong Kong for five years. For seven years, he was with BlackRock where at one stage, as Managing Director, he ran their Asian regional office out of Hong Kong. Latterly he was Managing Director at Alliance Trust Investments and a Partner at Oldfield Partners where he was Head of Global Client Relations and Business Development, and a member of the Management Committee.

Edward's experience in the investment sector and first-hand knowledge of living and working in Asia enables the Board to engage authoritatively with the Portfolio Manager on their investment strategy. His knowledge of business development and marketing within the UK wealth sector is also extremely useful as the Board looks to widen the Company's overall appeal and shareholder base.

Other Appointments

None.

Standing for re-election

Yes



Nandita Sahgal FCA
Independent Non-Executive Director

Joined the Board in 2024

Shareholding in the Company: 0

Skills and Experience

Nandita is the Senior Independent Director and Chair of the Audit Committee at the UK India Business Council. Previously, she was a Managing Director, Infrastructure Asset Management at ThomasLloyd Group Ltd. She has over 25 years' emerging markets experience working in asset management, equity capital markets and M&A at ThomasLloyd Group, Insinger de Beaufort and Seymour Pierce.

Prior to joining ThomasLloyd, Nandita was Chief Executive Officer at IL&FS Global Financial Services (UK) Ltd., the UK subsidiary of the investment banking arm of IL&FS. She holds a Bachelors in Economics and Business from The University of Edinburgh, is a Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Chartered Institute for Securities and Investment.

Other Appointments

Nandita is a non-executive director of Murray Income Trust Plc.

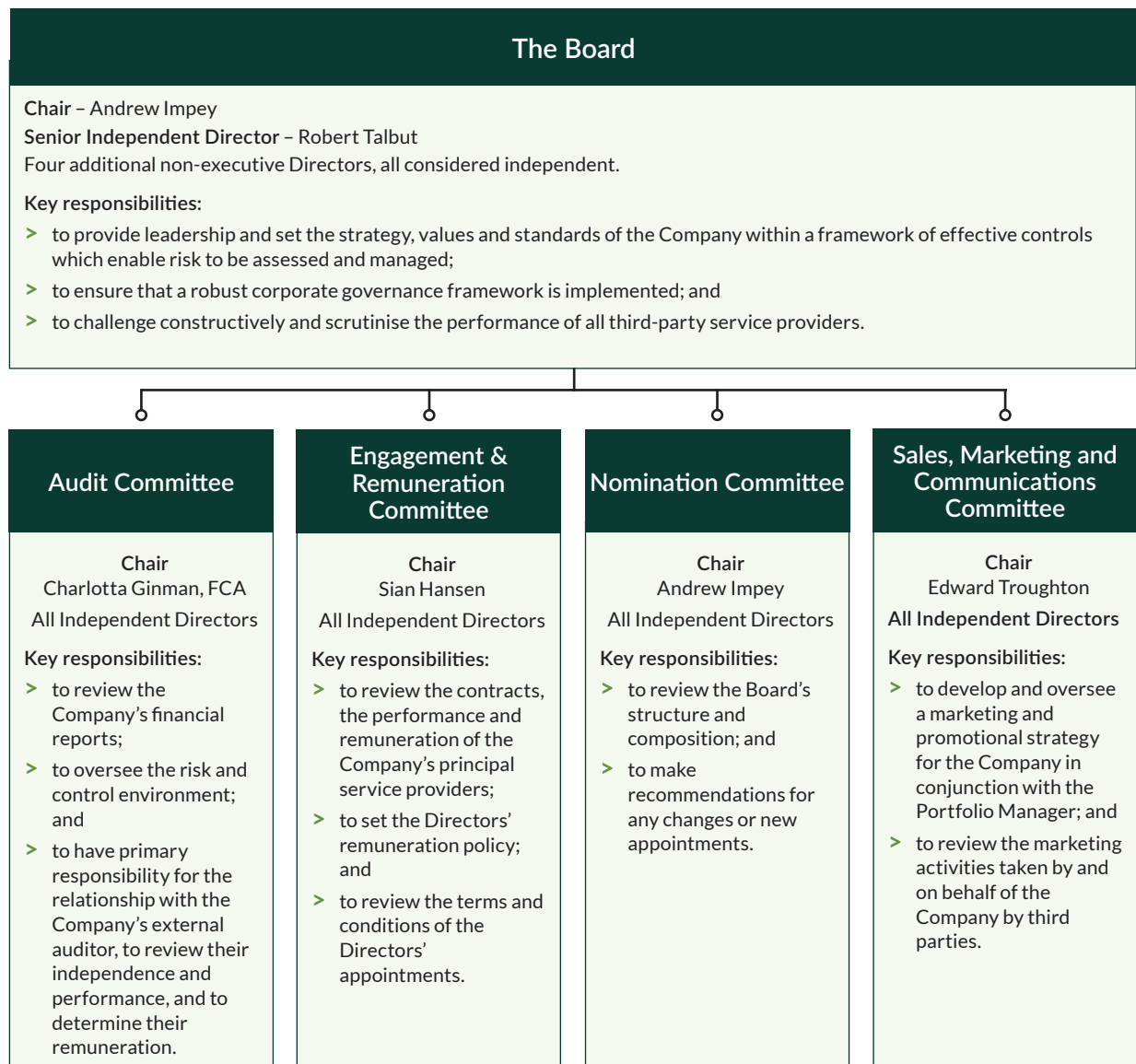
Standing for election

Yes

Corporate Governance

The Board and Committees

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



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

Internal Controls Structure



Corporate Governance continued

Corporate Governance Statement

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

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

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

In January 2024 the FRC published a revised UK Corporate Governance Code which will apply to financial years beginning on or after 1 January 2025. The 2018 Code remains in place until this time. The Board will consider the updated provisions of the new UK Code over the next year and expects the publication of a revised AIC Code in due course.

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

This Corporate Governance report on pages 38 to 45 forms part of the Report of the Directors on pages 46 to 50.

Board Leadership and Purpose**Purpose and Strategy**

The purpose and strategy of the Company are described in the Strategic Report on page 25.

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

Board Culture

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

Shareholder Relations

Representatives of Stewart Investors and Investec Bank plc, the Company’s corporate stockbroker, met regularly with institutional shareholders and private client asset managers to discuss investment strategy, any issues or concerns and, if applicable, corporate governance matters. Reports on investor sentiment and the feedback from investor meetings were discussed with the Directors at the following Board meeting. Towards the end of the Company’s financial year, the Board established a Sales, Marketing and Communications Committee. The Portfolio Manager and the broker will now report to the SMCC on the sales and marketing activity they undertake on behalf of the Company.

Shareholder Communications

The Directors welcome the views of all shareholders and place considerable importance on communications with them. Shareholders wishing to communicate with the Chair, or any other member of the Board, may do so by writing to the Company Secretary at the offices of Frostrow Capital LLP (25 Southampton Buildings, London WC2A 1AL). Shareholders are encouraged to attend the AGM, where they are given the opportunity to question the Chair, the Board and representatives of Stewart Investors. In addition, Stewart Investors make a presentation to shareholders covering the investment performance and strategy of the Company at the AGM. Further details of this year’s AGM are provided in the Chair’s Statement beginning on page 6 and in the Notice of AGM beginning on page 106.

Significant Holdings and Voting Rights

Details of the shareholders with substantial interests in the Company’s shares, the Directors’ authorities to issue and repurchase the Company’s shares, and the voting rights of the shares are set out in the Report of the Directors on pages 46 to 50.

Conflicts of Interest

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

Division of Responsibilities

Responsibilities of the Chair and the SID

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

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

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

- > working closely with the Chair and providing support;
- > leading the annual assessment of the performance of the Chair;
- > holding meetings with the other non-executive Directors without the Chair being present, on such occasions as necessary;

- > carrying out succession planning for the Chair's role;
- > working with the Chair, other Directors and shareholders to resolve major issues; and
- > being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chair or the Portfolio Manager).

Director Independence

The Board consists of six non-executive Directors, each of whom is independent of Stewart Investors and the Company's other service providers. Each of the Directors, including the Chair, was independent on appointment and all of the Directors seeking election or re-election at the forthcoming AGM continue to be independent when assessed against the circumstances set out in Provision 13 of the AIC Code. The Board carefully considers these guidelines but believes that independence is evidenced by an individual being independent of mind, character and judgement. The Board considers that all of the Directors are independent and there are no relationships or circumstances which are likely to impair or could appear to impair their judgement.

Directors' Other Commitments

Prior approval is obtained from the Chair for any new appointment. Following the annual Board evaluation, the Board considers that all Directors have sufficient time to discharge their duties.

Board Meetings

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

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

Corporate Governance continued

Matters Reserved for Decision by the Board

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

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

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

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

Board Committees

The Board has established four sub committees, as set out on page 38.

The Audit Committee Report begins on page 53.

The work of the Engagement and Remuneration Committee is described in the Directors' Remuneration Report beginning on page 58 and in the Report of the Directors on pages 48 and 49.

The work of the Nomination Committee is described in the 'Composition, Succession and Evaluation' section of this Corporate Governance report.

The Sales, Marketing and Communications Committee was established towards the end of the Company's financial year. At the first meeting, the SMCC agreed its terms of reference and reviewed reports from the Portfolio Manager and the Company's broker on the sales and marketing activity undertaken by them on behalf of the Company.

Relationship with the Portfolio Manager

Representatives from Stewart Investors were in attendance at each Board meeting to provide updates and address questions on specific matters.

The Engagement and Remuneration Committee evaluated Stewart Investors' performance and suitability as well as reviewing the terms of the Portfolio Management Agreement. The outcome of this year's review is described on pages 48 and 49.

Relationship with Other Service Providers

Representatives from Frostrow were in attendance at each Board meeting to address questions on the Company's operations, administration and governance requirements. The Engagement and Remuneration Committee monitored and evaluated all of the Company's other service providers, including Frostrow, and also the Depositary, the Custodian, the Registrar and the Broker. The Committee concluded that all the service providers were performing well and should be retained on their existing terms and conditions.

Stewardship and the Exercise of Voting Powers

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

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

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

Independent Professional Advice

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

Company Secretary

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

Composition, Succession and Evaluation

Board Evaluation

During the year an internal review of the Board, its committees and individual Directors (including each Director's independence) was carried out by the Board, in the form of electronic performance evaluation questionnaires. The overall process and individual performance assessments were led by the Chair. The review of the Chair's performance was led by the Senior Independent Director.

The review concluded that the Board worked in a collegiate, efficient and effective manner, and there were no material weaknesses or concerns identified. A number of minor recommendations were made (and have since been implemented) to improve board reporting. The Board identified areas requiring continued focus including oversight of the Company's marketing arrangements and key strategic issues such as the Company's status under the FCA's Sustainable Disclosure Rules.

The Board's composition, diversity and succession plans were reviewed. It was noted that a recruitment process had already been initiated ahead of the anticipated retirement of Sian Hansen in 2025.

All Directors submit themselves for election and annual re-election thereafter by shareholders (unless they intend to retire from the Board). The particular contribution of each individual Director is summarised on pages 36 and 37. Following the evaluation process, the Board recommends that shareholders vote in favour of the Directors' election/re-election at the forthcoming AGM.

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

	Board (4)	Audit Committee (3)	Engagement & Remuneration Committee (1)	Nomination Committee (1)	Sales Marketing & Communications Committee (1)
Number of meetings					
Andrew Impey	4	3	1	1	1
Charlotta Ginman	4	3	1	1	1
Sian Hansen	4	3	1	1	1
Robert Talbut	4	3	1	1	1
Edward Troughton	4	3	1	1	1
Nandita Sahgal*	1	1	1	-	1

* Appointed to the Board on 1 January 2024.

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

Corporate Governance continued

Succession Planning

The Nomination Committee considered the structure of the Board, recognising the need for progressive refreshment. During the year, the Board appointed Nandita Sahgal as a non-executive Director and Chair-elect of the Audit Committee, ahead of the planned retirement of Charlotta Ginman at the forthcoming AGM. Please refer to the Chair's Statement beginning on page 6 for further information.

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

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

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

Appointments to the Board

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

During the year, Nandita Sahgal was appointed to the Board. The Board engaged the services of a specialist

executive search firm, Sapphire Partners, to assist with the search process. Sapphire Partners sourced and prepared a diverse long list of potential candidates for consideration by the Nomination Committee. The Nomination Committee then selected a short list of candidates to interview. Following the interviews, a recommendation was made to the Board that Ms Sahgal be appointed as a Director. Sapphire Partners has no other connection with the Company.

Board Diversity

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

The Company's policy is that the Board and its committees should be comprised of directors with a diverse range of skills, knowledge and experience and that appointments to the Board should be made on merit, against objective criteria, including diversity in its broadest sense. The objective of the policy is to ensure there is a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board. To this end, achieving a diversity of perspectives and backgrounds on the Board is a key consideration in any director search process. The Board encourages any recruitment agencies it engages to find a diverse range of candidates that meet the criteria agreed for each appointment and, from the shortlist, aims to ensure that a diverse range of candidates is brought forward for interview.

The Directors have noted that the last recruitment agency engaged by the Board, Sapphire Partners, is a signatory of The Enhanced Voluntary Code of Conduct for Executive Search Firms. This code of conduct recognises the best recruitment practice that has led to measurable success in increasing gender equality in boardrooms.

The Board will give due regard to the diversity targets in the Listing Rules, but will not discriminate unfairly on the grounds of gender, ethnicity, age, sexual orientation, disability or socio-economic background when considering the appointment of Directors. Education, professional background, and cognitive and personal strengths are considered against the specification prepared for each appointment.

The FCA's Listing Rules require companies to report against the following diversity targets:

- a) At least 40% of individuals on the board are women;
- b) At least one of the senior board positions is held by a woman; and
- c) At least one individual on the board is from a minority ethnic background.

In accordance with the Listing Rules, the Board has provided the following information in relation to its diversity as at the year end.

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board*
Men	3	50%	Not applicable *
Women	3	50%	- see note
Not specified/prefer not to say^	-	-	

^ Directors were also given the opportunity to indicate if there was an 'other category' they wished to specify.

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board*
White British or other White (including minority-white groups)	5	83%	
Mixed/Multiple Ethnic Groups	-	-	
Asian/Asian British	1	17%	Not applicable *
Black/African/Caribbean/Black British	-	-	- see note
Other ethnic group, including Arab	-	-	
Not specified/prefer not to say	-	-	

* The Listing Rules define 'senior board positions' as the roles of Chair, SID, CEO and CFO. This column is inapplicable as the Company is externally managed and does not have executive management functions, specifically it does not have a CEO or CFO. The Chair of the Board and the SID are currently both men. However, the Company considers that chairing the permanent sub-committees of the Board are senior roles in an investment company context. Of the four permanent sub-committees of the Board, two are chaired by women: the Audit Committee and the Engagement and Remuneration Committee.

The information above was obtained by asking the Directors to complete a multiple choice form with the options in the tables set out above. The form asked the Directors to indicate how they should be categorised for the purposes of these disclosures.

As an externally managed investment company, the Company does not have the positions of CEO or CFO and therefore, as permitted by the Listing Rules, it has not reported against the second target as it is not applicable. As shown in the tables, the Company had met both the first and third targets at the year end.

Audit, Risk and Internal Control

The Statement of Directors' Responsibilities on pages 51 and 52 describes the Directors' responsibility for preparing this report.

The Audit Committee Report, beginning on page 53, explains the work undertaken to allow the Directors to make this statement and to apply the going concern basis of accounting. It also sets out the main roles and responsibilities and the work of the Audit Committee throughout the year, and describes the Directors' review of the Company's risk management and internal control systems.

A description of the principal risks facing the Company and an explanation of how they are being managed is provided in the Strategic Report on pages 27 to 30.

The Board's assessment of the Company's longer-term viability is set out in the Strategic Report on page 31.

Remuneration

The Directors' Remuneration Report beginning on page 58 sets out the levels of remuneration for each Director and explains how Directors' remuneration is determined.

Frostrow Capital LLP
Company Secretary
29 April 2024

Report of the Directors

The Directors present this Annual Report on the affairs of the Company together with the audited financial statements and the Independent Auditor's Report for the year ended 31 January 2024.

Business and Status of the Company

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

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

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

The Company is a member of the Association of Investment Companies.

Alternative Performance Measures

The financial statements (on pages 68 to 80) set out the required statutory reporting measures of the Company's financial performance. In addition, the Board assesses the Company's performance against a range of criteria which are viewed as particularly relevant for investment trusts. These measures are summarised on page 1 and explained in greater detail in the Strategic Report, under the heading 'Key Performance Indicators' on pages 26 and 27. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company's performance.

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

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

Annual General Meeting

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

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

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

Resolution 11 Authority to allot shares

Resolution 12 Authority to disapply pre-emption rights

Resolution 13 Authority to buy back shares

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

The full text of the resolutions can be found in the Notice of Annual General Meeting on pages 106 and 107. Explanatory notes regarding the resolutions can be found on pages 111 and 112.

Results and Dividend

The results attributable to shareholders for the year are shown on page 68. Details of the Company's dividend record can be found on page 5 and the dividend policy is outlined in the Strategic Report on page 26.

A final dividend of 4.0p per ordinary share has been proposed and, subject to shareholder approval, will be paid on 12 July 2024 to shareholders on the register on 14 June 2024. The associated ex-dividend date is 13 June 2024.

Capital Structure

As at 31 January 2024, there were 120,958,386 ordinary shares of 12.5p each ("shares") in issue (2023: 120,958,386). All shares rank equally for dividends and distributions. Each shareholder is entitled to one vote on a show of hands and, on a poll, to one vote for every share held. Details of the substantial shareholders in the Company are listed on page 49.

At the start of the year under review, the Directors had shareholder authority to issue up to 12,095,838 shares on a non-pre-emptive basis and to buy back up to 18,131,662 shares in the market. At the Company's annual general meeting held on Monday, 3 July 2023, these authorities expired and new authorities to allot up to 12,095,838 shares (representing 10% of the Company's issued share capital) on a non-pre-emptive basis and to buy back up to 18,131,662 shares (representing 14.99% of the Company's issued share capital) were granted.

During the year, no new shares were issued (2023: nil). No shares were repurchased during the year (2023: nil) and there are no shares held in Treasury.

The powers to issue or buy-back the Company's shares require the relevant resolution to be passed by shareholders. Proposals for the renewal of the Board's authorities to issue and buy-back shares are detailed in the Notice of AGM beginning on page 106.

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

Financial Instruments

The Company's financial instruments comprise its investment portfolio, cash balances, debtors and creditors which arise directly from its operations such as sales and purchases awaiting settlement, and accrued income. The financial risk management objectives and policies arising from its financial instruments and the exposure of the Company to risk are disclosed in note 14 to the financial statements, beginning on page 77.

Principal Service Providers

Portfolio Manager

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

Under the terms of the PMA, Stewart Investors provide, *inter alia*, the following services:

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

The PMA is terminable by six months' notice. Stewart Investors have complied with the terms of the PMA throughout the year to 31 January 2024. Stewart Investors are entitled to a fee, paid quarterly, of 0.85% of the Company's net assets.

Alternative Investment Fund Manager

Frostrow Capital LLP acts as the AIFM. It is an independent provider of services to the investment companies sector and currently has 15 investment company clients.

The Board resolved to appoint Frostrow Capital LLP as the Company's AIFM with effect from 30 April 2021 on the terms and subject to the conditions of the alternative investment fund management agreement between the Company and Frostrow (the "AIFM Agreement"). The AIFM Agreement assigns to Frostrow overall responsibility to manage the Company, subject to the supervision, review and control of the Board, and

Report of the Directors continued

ensures that the relationship between the Company and Frostrow is compliant with the requirements of the AIFMD. Frostrow, under the terms of the AIFM Agreement provides, *inter alia*, the following services:

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

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

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

Further details of the fees payable to Stewart Investors and Frostrow Capital LLP during the year are set out in note 3 to the financial statements on page 72.

Depositary and Custodian

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

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

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

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

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

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

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

Portfolio Manager and AIFM Evaluation and Re-Appointment

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

The ERC formally reviewed the appointment of Stewart Investors in January 2024 with a recommendation being made to the Board to continue their appointment on the existing terms.

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

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

The ERC also formally reviewed Frostrow's appointment in January 2024 with a formal recommendation being made to the Board. The Board believes the continuing appointment of Frostrow Capital LLP, under the terms described earlier in this report, is in the interests of shareholders. In coming to this decision, the Board took into consideration the quality and depth of experience of the management, administrative and company secretarial team that Frostrow allocates to the Company.

Directors

Directors' and Officers' Liability Insurance Cover

Directors' and officers' liability insurance cover was maintained by the Board during the year ended 31 January 2024 and to the date of this report. It is intended that this cover will continue throughout the year ending 31 January 2025 and subsequent years.

Directors' Indemnities

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

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

Articles of Association

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

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

Substantial Interests in Share Capital

As at 31 January 2024 the Company had been notified of the following substantial interests in the Company's voting rights and there have not been any new holdings notified between the year end and the date of this report.

	Number of shares held	% held
Evelyn Partners	14,341,490	11.9
Rathbones	12,374,668	10.2
Brewin Dolphin (Ireland)	11,332,765	9.4
Charles Stanley	6,038,409	4.9

These disclosures reflect those shareholders that have notified the Company of a substantial interest in its shares when they have crossed certain thresholds and may not reflect their current holdings. The table does not reflect the full range of investors in the Company. The shareholder register is principally comprised of private wealth managers and retail investors owning their shares through a variety of online platforms. A profile of the Company's ownership is shown on page 104.

Beneficial Owners of Shares – Information Rights

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

Modern Slavery Act 2015

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

Report of the Directors continued

Anti-Bribery and Corruption Policy

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

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

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

Prevention of the Facilitation of Tax Evasion

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

Global Greenhouse Gas Emissions

The Company is an investment trust, with no employees or premises, nor has it any financial or operational control of the assets it owns. It has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors' Reports) Regulations 2013 or the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company's underlying investment portfolio. The Company consumed less than 40,000 kWh of energy during the year and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

Political Donations

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

Corporate Governance

The Corporate Governance report, which includes the Company's corporate governance policies and forms part of the Report of the Directors, is set out on pages 38 to 45.

Common Reporting Standard ("CRS")

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

UK Sanctions

The Board has made due diligence enquiries of the service providers that process the Company's shareholder data, to ensure the Company's compliance with the UK sanctions regime. The relevant service providers have confirmed that they check the Company's shareholder data against the UK sanctions list on a daily basis. At the date of this report, no sanctioned individuals had been identified on the Company's shareholder register. The Board notes that stockbrokers and execution-only platforms also carry out their own due diligence.

By order of the Board

Frostrow Capital LLP
Company Secretary
29 April 2024

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they are required to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- > select suitable accounting policies and then apply them consistently;
- > make judgements and accounting estimates that are reasonable and prudent;
- > state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- > prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- > prepare a directors' report, a strategic report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies

Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for ensuring that the Annual Report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on the Company's website, which is maintained by the Portfolio Manager. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of Information to the Auditor

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

Statement of Directors' Responsibilities continued

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

We confirm that to the best of our knowledge:

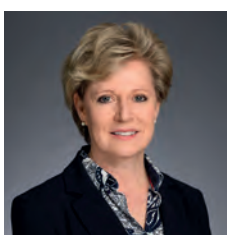
- > the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and the return of the Company for the year ended 31 January 2024; and
- > the Annual Report includes a fair review of the development and performance of the business and the financial position of the Company, together with a description of the principal risks and uncertainties that they face.

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

On behalf of the Board

Andrew Impey
Chair
29 April 2024

Audit Committee Report



Introduction from the Chair

As Chair of the Audit Committee, I am pleased to present this Audit Committee Report for the year ended 31 January 2024 to shareholders.

Composition

The Committee comprises all of the Company's independent non-executive Directors. As a result, the Committee comprises the whole Board. The Committee believes it is appropriate for the Chair of the Board to be a member of the Audit Committee on account of his relevant sector experience.

The experience of the Committee members can be assessed from the Directors' biographies set out on pages 36 and 37 but we consider that we have recent and relevant financial experience and that the Committee as a whole has competence relevant to the investment trust sector.

Having served on the Board for nine years now, I will be retiring at the forthcoming AGM. Towards the end of the Company's financial year, the Board appointed Nandita Sahgal as a Director and she will take over from me as Chair of the Audit Committee following my retirement. I believe that I am leaving the Audit Committee in very capable hands.

Role and Responsibilities

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

Significant Issues Considered by the Audit Committee During the Year

Significant Reporting Matter	How the issue was addressed
Valuation of Investments	The Audit Committee received assurance that the valuation of assets had been carried out in accordance with the adopted accounting policies set out in note 8 on page 76.
Existence and Ownership of Investments	Once again the Committee received assurance that all investment holdings and cash/deposit balances had been agreed by Frostrow to an independent confirmation from the Custodian or relevant bank, throughout the year. The Committee reviewed the internal controls reports of Frostrow, Stewart Investors and JP Morgan.

Audit Committee Report continued

Significant Reporting Matter

Annual Report and Financial Statements

How the issue was addressed

The Board asked the Audit Committee once again to confirm that, in its opinion, the Annual Report taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's financial position, performance, business model and strategy. In doing so, the Committee considered:

- > the comprehensive control framework around the production of the Annual Report, including the process in place to verify the factual content;
- > the detailed levels of review that were undertaken in the production process, by Frostrow and by the Committee; and
- > the internal control environment as operated by Stewart Investors (the Portfolio Manager), Frostrow (the AIFM), JP Morgan (the Custodian and Depositary) and other service providers.

Other Reporting Matters

Audit Regulation

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

The Committee has noted, in particular, the publication by the FRC of the Minimum Standard for Audit Committees and the revised UK Corporate Governance Code. The Minimum Standard will apply to the Company on a comply or explain basis as it is included by reference in the new UK Corporate Governance Code. The Committee will seek to comply with the Standard as far as it is appropriate for an externally-managed investment company to do so.

Recognition of Revenue from Investments

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

Accounting Policies

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

Going Concern

The Audit Committee, at the request of the Board, considered the ability of the Company to adopt the going concern basis for the preparation of the financial statements. Having reviewed the Company's financial position, the Committee is satisfied that it is appropriate for the Board to prepare the financial statements for the year ended 31 January 2024 on a going concern basis.

The Committee's review of the Company's financial position included consideration of the cash and cash equivalents position; the diversification of the portfolio; and an analysis of portfolio liquidity, which estimated liquidation c.84% of the portfolio within two weeks (based on current market volumes with 20% participation). Stress testing was also conducted as described below. Further information is provided on page 31.

Viability Statement

The Committee considered, again on behalf of the Board, the longer-term viability of the Company in connection with the Board's statement in the Strategic Report (see page 31). The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties and the results of stress tests.

The stress tests modelled the impact of one or more of the principal risks occurring. The tests assumed substantial falls in the Company's NAV and reductions in the liquidity of the portfolio and then modelled the effect this would have on the Company's expenses and the Company's ability to meet its liabilities as they fell due. Further details of the stress tests and the scenarios considered are provided in note 1 to the financial statements. Based on the results of these tests the Committee concluded it was reasonable for the Board to expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

Internal Controls and Risk Management

The Board has overall responsibility for the Company's risk management and internal control systems and for reviewing their effectiveness. Operational responsibility is delegated to the Audit Committee. The Company's internal control structure is summarised on page 39. The Company applies the guidance published by the Financial Reporting Council on internal controls. Internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve the business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. These controls aim to ensure that the assets of the Company are safeguarded, that proper accounting records are maintained, and that the Company's financial information is reliable.

A description of the principal risks facing the Company and an explanation of how they are managed is provided in the Strategic Report on pages 27 to 30. The Directors have a robust process for identifying, evaluating and managing the risks faced by the Company, including emerging risks, which are recorded in a risk schedule. The Committee reviewed the risk schedule at each of its three meetings during the year. One of the Committee meetings was a dedicated meeting to evaluate the Company's risks, identify emerging risks, and discuss the Board's approach to monitoring and managing them. The Audit Committee, on behalf of the Board, assesses the likelihood of occurrence and the possible impact of each risk. The Committee then records the mitigating controls in place.

As an externally managed investment trust, the Company is reliant on the operational systems of its service providers. Therefore, the Audit Committee also examines internal control reports from the Company's principal service providers. The Committee also spoke with members of the Portfolio Manager's risk management and investment compliance teams to ensure their processes remain robust. The Audit Committee then reports its findings to the Board.

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

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

The Committee has scheduled a number of due diligence visits to the offices of the Company's principal service providers over the coming year. The first such visit will be to the offices of JP Morgan in Bournemouth, where the agenda will cover network management, risk, cyber security, business resilience, trade services and tax.

Half Year Report

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

Depositary

During the year, the Committee reviewed reports from the Depositary on their regulatory oversight and due diligence duties. Nothing material was brought to the attention of the Committee; no breaches or pricing errors were reported.

Investment Trust Status

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

Withholding Tax

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

Audit Committee Report continued

Taxation

As an investment trust, the Company is generally not subject to UK tax on capital gains. However Indian capital gains tax arises on the sale of Indian securities (see note 5 to the financial statements on page 73 for further information). The Committee has been monitoring the provision for Indian capital gains tax arising on the unrealised gains on Indian securities, which has increased to £11,206,000 as at 31 January 2024 (2023: £9,750,000), receiving regular updates on the position. A local tax specialist (Ernst & Young LLP) has been appointed to ensure that tax returns and any tax due are calculated accurately and in line with the relevant legislation.

Internal Audit

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

Other Activities During the Year

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

- > the Committee's terms of reference;
- > the Company's policy on the engagement of the external auditor for non-audit services;
- > the Company's policy on former employees of the Company's Auditor, Portfolio Manager or AIFM joining the Board;
- > compliance reports submitted by Frostrow and Stewart Investors;
- > Stewart Investors' list of approved brokers, commission rates and the amount of commission paid by the Company throughout the year;
- > the Company's anti-bribery and corruption policy;
- > the Company's commitment to the prevention of the criminal facilitation of tax evasion; and
- > the Company's audit tender guidelines.

External Auditor**Appointment and Tenure**

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

Peter Smith was the audit partner for the financial year under review and he has been the audit partner since BDO's initial engagement. Accordingly, we expect that next year will be Mr Smith's final audit of the Company as audit partner. The Committee will discuss with BDO the

appointment of the next audit partner, at the appropriate time.

As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. Based on these requirements, another tender process will be conducted no later than 2030. The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons.

The Audit

The Committee reviewed BDO's audit plan on 2 October 2023. The review considered, *inter alia*, the scope of the audit, the level of materiality, the audit risks identified by BDO, the Auditor's approach to testing the portfolio, and pertinent regulatory developments. No modifications were required to the audit approach. The Committee met with BDO on 27 March 2024 to discuss the progress of the audit and the draft Annual Report. The Committee then met BDO on 18 April 2024 to review formally the outcome of the audit.

The Auditor was provided with an opportunity to meet with the Committee without the AIFM or the Portfolio Manager being present. No concerns were raised by the Auditor or the Audit Committee in relation to the service provided by the AIFM, the Portfolio Manager, or any other third-party service provider. There were no material or significant adverse matters brought to the Audit Committee's attention in respect of the 2024 audit, which should be brought to shareholders' attention.

Remuneration

The Committee approved a fee of £45,800 for the audit of the year ended 31 January 2024 (2023: £44,350). This represents an increase of 3.3% compared with the previous year's fee.

Independence and Effectiveness

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

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

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

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

The audit partner has confirmed BDO's willingness to continue to act as Auditor for the forthcoming financial year. BDO's re-appointment is subject to shareholder approval at the next AGM to be held in July and details can be found in the Notice of AGM beginning on page 106.

Non-Audit Services

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

Effectiveness of the Committee

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

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

Charlotta Ginman FCA
Chair of the Audit Committee
29 April 2024

Directors' Remuneration Report



Statement from the Chair

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

The law requires the Auditor to audit certain disclosures in this report. Where disclosures have been audited, they are indicated as such and the audit opinion is included in the Auditor's report to shareholders on pages 61 to 66.

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

The simple fee structure reflects the non-executive nature of the Board, which itself reflects the Company's business model as an externally-managed investment trust. Accordingly, statutory requirements relating to executive directors' and employees' pay do not apply.

The Engagement & Remuneration Committee met once during the year and approved a small increase in the level of fees paid to the Directors, to take effect from 1 February 2024. A slightly higher increase was awarded to the Chair of the Audit Committee, to bring the fee for that role in line with the Company's peer group. It was also agreed that a small supplement of £1,500 per annum should be awarded to the Senior Independent Director, in

recognition of the additional responsibilities of that role. The fees for the current year and the annual percentage change in directors' fee rates over the past five years are shown in the table below.

Directors' Fees

The Directors as at the date of this report received the fees listed in the table on page 59. These exclude employer's national insurance contributions, if applicable. No other forms of remuneration were received by the Directors and so fees represent the total remuneration of each Director.

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

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

Under HMRC guidance, travel expenses and other out of pocket expenses may be considered as taxable benefits for the Directors. Where expenses reimbursed to the

Annual Percentage Change in Directors' Remuneration

Director	2025 Fee Level (per annum) (projected)	2024 Fee Level (per annum)	2023 Fee Level (per annum)	2022 Fee Level (per annum)	2021 Fee Level (per annum)
Chair	£46,500 +5.7%	£44,000 +4.8%	£42,000 +3.7%	£40,500 +6.6%	£38,000 +5.5%
Audit Chair	£40,000 +8.1%	£37,000 +5.7%	£35,000 +4.5%	£33,500 +8.1%	£31,000 +3.3%
Director	£33,500 +6.3%	£31,500 +5.0%	£30,000 +3.4%	£29,000 +7.4%	£27,000 +3.8%

Directors are classed as taxable under HMRC guidance, they are shown in the taxable expenses column of the Directors' remuneration table below and include the associated tax liability settled by the Company.

Directors' Remuneration for the Year (audited)

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

	Date of Appointment to the Board	Fixed Fees 2024 £	Taxable Expenses 2024 £	Total Remuneration 2024 £	Fixed Fees 2023 £	Taxable Expenses 2023 £	Total Remuneration 2023 £
Andrew Impey ¹	1 August 2022	39,833	-	39,833	15,000	-	15,000
Charlotta Ginman	9 October 2014	37,000	-	37,000	35,000	-	35,000
Sian Hansen	3 August 2015	31,500	-	31,500	30,000	-	30,000
Robert Talbut	23 September 2016	31,500	270	31,770	30,000	422	30,422
Edward Troughton	18 December 2019	31,500	-	31,500	30,000	-	30,000
Nandita Sahgal	1 January 2024	2,625	-	2,625	-	-	-
James Williams ²	1 October 2013	14,667	239	14,906	42,000	518	42,518
		188,625	509	189,134	182,000	940	182,940

¹ Appointed as Chair of the Board on 1 June 2023.

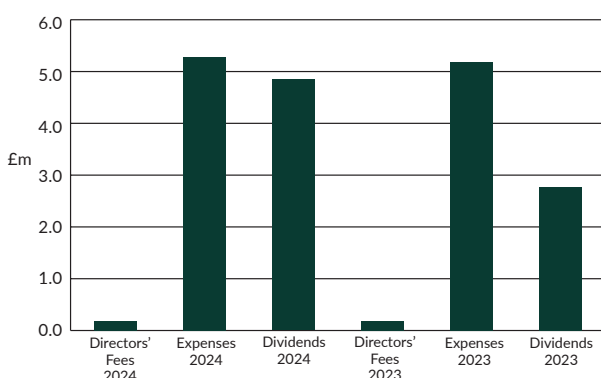
² Retired from the Board on 31 May 2023.

Loss of Office

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

Relative Cost of Directors' Remuneration

The bar chart below shows the comparative cost of Directors' fees compared with the level of dividend distribution and Company expenses for the years ended 31 January 2023 and 2024.



Directors' Interests in Shares (audited)

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

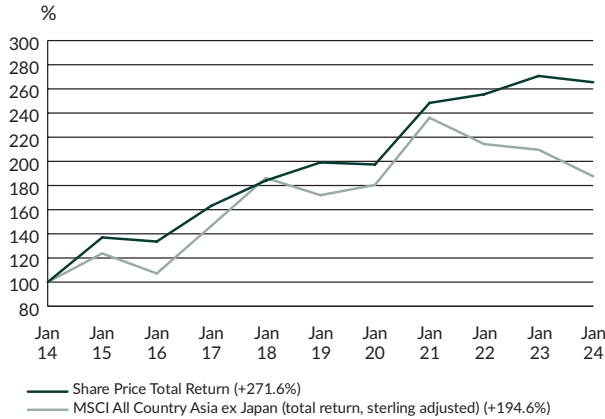
		Number of shares held 31 January 2024	31 January 2023
Andrew Impey	Beneficial	17,000	10,000
Charlotta Ginman	Beneficial	13,789	13,789
Sian Hansen	Beneficial	15,880	15,880
Robert Talbut	Beneficial	9,611	9,611
Edward Troughton	Beneficial	18,357	18,357
Nandita Sahgal	-	-	-

There have been no changes to the Directors' holdings in the Company's shares since the year end.

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

Directors' Remuneration Report continued

Total Shareholder Return for the Ten Years to 31 January 2024



Source: Morningstar
 Rebased to 100 as at 31 January 2014

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

Approval

A resolution to approve the Directors' Remuneration Report for the year ended 31 January 2023 was put to shareholders at the AGM held on 3 July 2023. Of the proxy votes cast, 99.84% were in favour and 0.16% were against.

A resolution to approve the Directors' Remuneration Policy was also put to shareholders at the AGM held on 3 July 2023. Of the proxy votes cast, 99.84% were in favour and 0.16% were against.

Directors' Remuneration Policy

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

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

The Directors' Remuneration Policy is subject to a binding shareholder vote every three years. It was last approved at the AGM held in 2023 and it is therefore expected that it will next be recommended to shareholders at the AGM in 2026. There were no changes to the Remuneration Policy during the year and no changes are proposed for the year ending 31 January 2025. If, however, the Directors propose to vary the Remuneration Policy, shareholder approval for the new policy will be sought at a general meeting. The Committee and the Board review the Remuneration Policy annually to ensure that it remains appropriate.

Limit on Directors' Remuneration

The remuneration for the non-executive Directors is determined within the limits set out in the Company's Articles of Association. The present limit is £300,000 in aggregate per annum.

Sian Hansen

Chair of the Engagement & Remuneration Committee
 29 April 2024

Independent Auditor's Report

to the Members of Pacific Assets Trust plc

Opinion on the financial statements

In our opinion the financial statements:

- > give a true and fair view of the state of the Company's affairs as at 31 January 2024 and of its loss for the year then ended;
- > have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- > have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Pacific Assets Trust plc (the "Company") for the year ended 31 January 2024 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 17 November 2020 to audit the financial statements for the year ended 31 January 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is four years, covering the years ended 31 January 2021 to 31 January 2024. We remain independent of the

Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- > Evaluating the appropriateness of the Directors' method of assessing the Company's ability to continue as a going concern in light of economic and market conditions by reviewing the information used by the Directors in completing their assessment;
- > Assessing the projected management fees to check if they were in line with the assets under management levels and the projected market growth forecasts for the following year;
- > Assessing the appropriateness of the Directors' assumptions and judgements made in both their base case and stress tested forecasts, including consideration of the available cash resources relative to forecast expenditure and commitments;
- > Challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio;
- > Assessing the liquidity of the portfolio which underpins the ability of the Company to meet liabilities as they fall due; and
- > Performing a review of the Directors' stress testing on the investment portfolio for reasonability.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Independent Auditor's Report continued

In relation to the Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

		2024	2023
Key audit matters	Valuation and ownership of quoted investments	✓	✓
	Revenue recognition	✗	✓
	We no longer consider revenue to be a key audit matter as the Company does not have an income focused objective.		
Materiality	<i>Company financial statements as a whole</i> £4.64m (2023: £4.73m) based on 1% (2023: 1%) of net assets		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>Valuation and ownership of quoted investments</p> <p>(Note 8 to the financial statements)</p> <p>The investment portfolio at the year end comprised the quoted equity investments held at fair value through profit or loss.</p> <p>We considered the valuation and ownership of the listed investments to be a significant audit area as investments represent the most significant balance in the financial statements and underpin the principal activity of the entity.</p> <p>There is a risk that the bid price used as a proxy for fair value of investments held at the reporting date is inappropriate.</p> <p>Given the nature of the portfolio is such that it comprises solely of listed level 1 investments, we do not consider the use of bid price to be subject to significant estimation uncertainty.</p>	<p>We responded to this matter by testing the valuation and ownership of the whole portfolio of quoted investments. We performed the following procedures:</p> <ul style="list-style-type: none"> ➤ Confirmed the year-end bid price was used by agreeing to externally quoted prices; ➤ Assessed if there were contra indicators, such as liquidity considerations, to suggest bid price is not the most appropriate indication of fair value by considering the realisation period for individual holdings; ➤ Recalculated the valuation by multiplying the number of shares held per the statement obtained from the custodian by the valuation per share; and ➤ Obtained direct confirmation of the number of shares held per equity investment from the custodian regarding all investments held at the balance sheet date.

Key audit matter	How the scope of our audit addressed the key audit matter
<p>There is also a risk of error in the recording of investment holdings such that those recordings do not appropriately reflect the property of the Company.</p> <p>For these reasons and the materiality to the financial statements as a whole, they are considered to be a key area of our overall audit strategy and allocation of our resources and hence a Key Audit Matter.</p>	<p>In addition, we perform a review of the latest Systems and Organisations Controls report of the custodian to identify the impact, if any, of any relevant exceptions in the report on our audit approach.</p> <p>Key observations: Based on our procedures performed we did not identify any matters to suggest the valuation and ownership of the equity investments were inappropriate.</p>

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Company financial statements	
	2024 £m	2023 £m
Materiality	4.64	4.73
Basis for determining materiality	1% of net assets	
Rationale for the benchmark applied	As an investment trust, the net asset value is the key measure of performance for users of the financial statements.	
Performance materiality	3.48	3.54
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.	

Independent Auditor's Report continued

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £232,000 (2023: £230,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements, or our knowledge obtained during the audit.

Going concern and longer-term viability

- > The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified; and
- > The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate.

Other Code provisions

- > Directors' statement on fair, balanced and understandable;
- > Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- > The section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- > The section describing the work of the Audit Committee.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit:

- > the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- > the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Directors' remuneration

- > In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

- > We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:
 - > adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
 - > the financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

- > certain disclosures of Directors' remuneration specified by law are not made; or
- > we have not received all the information and explanations we require for our audit.
- > Review of any legal correspondence; and
- > Obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- > Our understanding of the Company and the industry in which it operates;
- > Discussion with the Alternative Investment Fund Manager and Those Charged With Governance;

We considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

Our procedures in respect of the above included:

- > Agreement of the financial statement disclosures to underlying supporting documentation;
- > Enquiries of management and Those Charged With Governance relating to the existence of any non-compliance with laws and regulations;
- > Reviewing minutes of meetings of Those Charged With Governance throughout the period for instances of non-compliance with laws and regulations; and
- > Reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status. This included a review of other qualitative factors and ensuring compliance with these.

Fraud

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- > Enquiry with the Alternative Investment Fund Manager and Those Charged With Governance regarding any known or suspected instances of fraud;
- > Review of minutes of meetings of Those Charged With Governance for any known or suspected instances of fraud; and
- > Discussion amongst the engagement team as to how and where fraud might occur in the financial statements.

Based on our risk assessment, we considered the areas most susceptible to be management override of controls.

Independent Auditor's Report continued

Our procedures in respect of the above included:

- > In addressing the risk of management override of control, we:
- > Performed a review of estimates and judgements applied by management in the valuation of investments, the allocation of dividend income between revenue and capital and the appropriateness of the provision for Indian withholdings tax to assess their appropriateness and the existence of any systematic bias;
- > Selected a sample of low value expense items that would not otherwise have been selected for testing to incorporate an element of unpredictability in our testing;
- > Review and consideration of the appropriateness of adjustments made (manual journals processed) in the preparation of the financial statements; and
- > Performed a review of unadjusted audit differences, if any, for indications of bias or deliberate misstatement.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London, UK
29 April 2024

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

Financial Statements

In this section

- 68 Income Statement
- 69 Statement of Changes in Equity
- 70 Statement of Financial Position
- 71 Notes to the Financial Statements

Income Statement

for the year ended 31 January 2024

	Notes	Year ended 31 January 2024			Year ended 31 January 2023		
		Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	8	-	(2,018)	(2,018)	-	27,434	27,434
Exchange differences		-	(642)	(642)	-	1,787	1,787
Income	2	7,861	-	7,861	5,541	-	5,541
Portfolio management and AIFM fees	3	(1,123)	(3,369)	(4,492)	(1,095)	(3,283)	(4,378)
Other expenses	4	(795)	-	(795)	(813)	-	(813)
Return/(loss) before taxation		5,943	(6,029)	(86)	3,633	25,938	29,571
Taxation	5	(772)	(5,203)	(5,975)	(621)	(3,656)	(4,277)
Return/(loss) after taxation		5,171	(11,232)	(6,061)	3,012	22,282	25,294
Return/(loss) per share (p)	7	4.3	(9.3)	(5.0)	2.5	18.4	20.9

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

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

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

The accompanying notes on pages 71 to 80 are an integral part of these statements.

Statement of Changes in Equity

for the year ended 31 January 2024

	Note	Ordinary Share Capital £'000	Share premium £'000	Capital Redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
At 31 January 2022		15,120	8,811	1,648	14,572	404,220	6,295	450,666
Return after taxation		-	-	-	-	22,282	3,012	25,294
Ordinary dividends paid	6	-	-	-	-	-	(2,298)	(2,298)
At 31 January 2023		15,120	8,811	1,648	14,572	426,502	7,009	473,662
(Loss)/return after taxation		-	-	-	-	(11,232)	5,171	(6,061)
Ordinary dividends paid	6	-	-	-	-	-	(2,782)	(2,782)
At 31 January 2024		15,120	8,811	1,648	14,572	415,270	9,398	464,819

The accompanying notes on pages 71 to 80 are an integral part of these statements.

Statement of Financial Position

as at 31 January 2024

	Notes	2024		2023	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments	8		470,109		474,399
Current assets					
Debtors	9	1,032		333	
Cash		6,191		10,535	
		7,223		10,868	
Creditors (amounts falling due within one year)	10	(1,307)		(1,855)	
Net current assets			5,916		9,013
Total assets less current liabilities			476,025		483,412
Non-current liabilities					
Provision for liabilities	11		(11,206)		(9,750)
Net assets			464,819		473,662
Capital and reserves					
Called up share capital	12		15,120		15,120
Share premium account			8,811		8,811
Capital redemption reserve	15		1,648		1,648
Special reserve	15		14,572		14,572
Capital reserve	15		415,270		426,502
Revenue reserve	15		9,398		7,009
Equity shareholders' funds			464,819		473,662
Net asset value per Ordinary Share (p)	13		384.3p		391.6p

The financial statements on pages 68 to 80 were approved and authorised for issue by the Board of Directors on 29 April 2024 and signed on its behalf by:

Andrew Impey
Chair

The accompanying notes on pages 71 to 80 are an integral part of these statements.

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

Notes to the Financial Statements

1. Accounting Policies

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

(a) Basis of Accounting

These financial statements have been prepared under UK Company Law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and in accordance with guidelines set out in the Statement of Recommended Practice ("SORP"), published in July 2022, for Investment Trust Companies and Venture Capital Trusts issued by the Association of Investment Companies, the historical cost convention, as modified by the valuation of investments at fair value through profit or loss.

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

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

Going concern

The Directors are required to make an assessment of the Company's ability to continue as a going concern and have concluded that the Company has adequate resources to continue in operational existence for at least 12 months from the date these financial statements were approved.

In making this assessment, the Directors have considered a wide variety of emerging and current risks to the Company, as well as the mitigation strategies that are in place. The Board has also reviewed stress-testing and scenario analyses prepared by the AIFM. The stress tests and scenario analyses considered the effect of various downturns, based on historic bear markets, on the asset value and expenses of the Company. The tests modelled the impact of decreases of up to and over 80% on the value of the investment portfolio and decreases in current market liquidity of up to 80%.

These tests are carried out as an arithmetic exercise, which can apply equally to any set of circumstances in which asset value and income are significantly impaired. It was concluded that even in an extreme downside scenario, the Company would be able to continue to meet its liabilities as they fell due. Whilst the economic future is uncertain, the opinion of the Directors is that there is no foreseeable downside scenario that would threaten the Company's ability to continue to meet its liabilities as they fall due.

Based on the information available to the Directors at the time of this report, including the results of the stress tests and scenario analyses, and having taken account of the liquidity of the investment portfolio, the Company's cash flow and borrowing position (the Company is not currently geared), the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least 12 months from the date of signing these financial statements and that, accordingly, it is appropriate to adopt the going concern basis.

Significant Judgement

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

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

Notes to the Financial Statements continued

Presentation of the Income Statement

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

(b) Foreign Currencies

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

(c) Cash and Cash Equivalents

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

2. Income

	2024 £'000	2023 £'000
Income from investments		
Overseas dividends	7,701	5,504
Bank interest	160	37
	7,861	5,541

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

Where the Company has elected to receive its dividends in the form of additional shares rather than cash the amount of cash foregone is recognised in the revenue column with any excess above this recognised in the capital column.

3. Portfolio Management and AIFM Fees

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Portfolio management fee						
– Stewart Investors	996	2,989	3,985	968	2,904	3,872
AIFM fee – Frostrow	127	380	507	127	379	506
	1,123	3,369	4,492	1,095	3,283	4,378

Frostrow's AIFM fee is for risk management, corporate management, company secretarial and administrative services. Further information regarding Stewart Investors and Frostrow's fees can be found on pages 47 and 48.

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

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

4. Other Expenses

	2024	2023
	£'000	£'000
Directors' fees	189	183
Employers NIC on directors' remuneration	15	14
Auditor's remuneration for annual audit	46	44
Depository fees	57	56
Custody fees	175	190
Registrar fees	25	25
Broker retainer	38	32
Listing fees	24	36
Legal and professional fees	41	43
Other expenses	185	190
Total expenses	795	813

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

5. Taxation

(a) Analysis of Charge in the Year

	2024			2023		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Overseas taxation	985	-	985	764	-	764
Indian capital gains tax charge	(213)	5,203	4,990	(143)	3,656	3,513
	772	5,203	5,975	621	3,656	4,277

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

As an investment trust, the Company is generally not subject to UK tax on capital gains. However, Indian capital gains tax arises on capital gains on the sale of Indian securities at a rate of 15% on short-term capital gains (defined as those where the security was held for less than a year) and 10% on long-term capital gains. £1,456,000 (2023: £1,355,000) of the charge arose on unrealised long-term capital gains on securities still held and is included in deferred taxation on unrealised capital gains on Indian securities as set out in note 11 on page 77. £3,534,000 (2023: £2,158,000) of the charge relates to capital gains tax paid on disposals during the year.

Notes to the Financial Statements continued

(b) Reconciliation of Tax Charge

The UK corporation tax rate was 19% until 31 March 2023 and 25% from 1 April 2023, giving an effective rate of 24.0% for the year (2023: 19%). The tax assessed for the year is lower than the corporation tax rate. The differences are explained below.

The differences are explained below:

	2024			2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Total return on ordinary activities						
before tax	5,943	(6,029)	(86)	3,633	25,938	29,571
Corporation tax charged at 24.0% (2023: 19.0%)	1,428	(1,449)	(21)	690	4,928	5,618
Effects of:						
(Losses)/gains on investment not subject to UK corporation tax	-	485	485	-	(5,212)	(5,212)
Non-taxable exchange differences	-	154	154	-	(340)	(340)
Unutilised management expenses	422	810	1,232	356	624	980
Income not subject to corporation tax	(1,851)	-	(1,851)	(1,046)	-	(1,046)
Indian capital gains tax charge (see note 5a)	(213)	5,203	4,990	(143)	3,656	3,513
Overseas taxation	986	-	986	764	-	764
Tax charge for the year	772	5,203	5,975	621	3,656	4,277

As at 31 January 2024 the Company had unutilised management expenses and other reliefs for taxation purposes of £62,974,000 (2023: £57,846,000). It is not anticipated that these will be utilised in the foreseeable future and as such no related deferred tax asset has been recognised.

In October 2022 it was confirmed that the main rate of corporation tax would increase from 19% to 25% from April 2023. This rate has been enacted as at the date of the Statement of Financial Position.

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

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

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

6. Dividends

Amounts recognised as distributable to shareholders for the year ended 31 January 2024, were as follows:

	2024	2023
	£'000	£'000
Final dividend paid for the year ended 31 January 2023 of 2.3p per share	2,782	-
Final dividend paid for the year ended 31 January 2022 of 1.9p per share	-	2,298

In respect of the year ended 31 January 2024, a final dividend of 4.0p per share has been proposed and will be reflected in the Annual Report for the year ending 31 January 2025. Details of the ex-dividend and payment dates are provided on page 47.

The Board's current policy is to pay dividends only out of revenue reserves. Therefore the amount available for distribution as at 31 January 2024 is £9,398,000 (2023: £7,009,000).

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

	2024	2023
	£'000	£'000
Revenue available for distribution by way of dividend for the year	5,171	3,012
Final dividend of 4.0p per share (2023: final dividend of 2.3p)	(4,838)	(2,782)
Transfer to revenue reserves	333	230

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

7. Return per Share

The return per share is as follows:

	2024			2023		
	Revenue pence	Capital pence	Total pence	Revenue pence	Capital pence	Total pence
Basic	4.3p	(9.3)p	(5.0)p	2.5p	18.4p	20.9p

The total return per share is based on the total loss attributable to shareholders of £6,061,000 (2023: return of £25,294,000).

The revenue return per share is based on the net revenue return attributable to shareholders of £5,171,000 (2023: £3,012,000).

The capital loss per share is based on the net capital loss attributable to shareholders of £11,232,000 (2023: return of £22,282,000).

The total return, revenue return and the capital return per share are based on the weighted average number of shares in issue during the year of 120,958,386 (2023: 120,958,386).

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

Notes to the Financial Statements continued

8. Investments

	2024	2023
	£'000	£'000
Investments		
Cost at start of year	320,883	290,337
Investment holding gains at start of year	153,516	146,646
Valuation at start of year	474,399	436,983
Purchases at cost	84,889	77,305
Disposal proceeds	(87,161)	(67,323)
(Losses)/gains on investments	(2,018)	27,434
Valuation at end of year	470,109	474,399
Cost at 31 January	352,944	320,883
Investment holding gains at 31 January	117,165	153,516
Valuation at 31 January	470,109	474,399

The Company received £87,161,000 (2023: £67,323,000) from investments sold in the year. The book cost of these investments when they were purchased was £52,828,000 (2023: £46,759,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

During the year the Company incurred transaction costs on purchases of £110,000 (2023: £87,000) and transaction costs on sales of £169,000 (2023: £142,000).

Valuation of Investments

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

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

Level 1 – Quoted prices in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data), either directly or indirectly.

Level 3 – Inputs are unobservable (i.e. for which market data is unavailable).

All investments are in equity shares and have been classified as Level 1 (2023: All Level 1).

9. Debtors

	2024	2023
	£'000	£'000
Amounts due from brokers	746	-
Accrued income	279	323
Other debtors	7	10
	1,032	333

10. Creditors: Amounts Falling Due Within One Year

	2024	2023
	£'000	£'000
Amounts due to brokers	-	481
Portfolio management fee – Stewart Investors	1,002	1,002
AIFM fee – Frostrow	128	129
Other creditors	177	243
	1,307	1,855

11. Provisions for Liabilities

	2024	2023
	£'000	£'000
Deferred taxation on unrealised capital gains on Indian securities	11,206	9,750

See note 5 for further details and accounting policy.

12. Share Capital

	2024	2023
	£'000	£'000
Allotted and fully paid:		
120,958,386 Ordinary shares of 12.5p each (2023: 120,958,386)	15,120	15,120

During the current and prior year, no Ordinary shares were issued or bought back.

The capital of the Company is managed in accordance with its investment policy which is detailed in the Strategic Report on pages 25 and 26.

The Company does not have any externally imposed capital requirements.

13. Net Asset Value Per Share

The net asset value per share of 384.3p (2023: 391.6p) is calculated on net assets of £464,819,000 (2023: £473,662,000) divided by 120,958,386 (2023: 120,958,386) shares, being the number of shares in issue at the year end.

14. Financial Instruments

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

Fixed asset investments (see note 8 on page 76) are valued at fair value in accordance with the Company's accounting policies. The fair value of all other financial assets and liabilities is represented by their carrying value in the Statement of Financial Position shown on page 70.

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

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

Notes to the Financial Statements continued

- (ii) credit risk, being the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company; and
- (iii) liquidity risk, being the risk that the Company will not be able to meet its liabilities when they fall due. This may arise should the Company not be able to liquidate its investments. Under normal market trading volumes, the majority of the investment portfolio could be realised within a week.

Other price risk

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

If the investment portfolio valuation rose or fell by 10% at 31 January, the impact on the net asset value would have been £46.3 million (2023: £46.7 million). The calculations are based on the investment portfolio valuation as at the respective Statement of Financial Position dates and are not necessarily representative of the year as a whole.

Interest rate risk**Floating rate**

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

Foreign currency risk

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

Foreign currency exposure:

	2024				2023			
	Investments £'000	Cash £'000	Debtors £'000	Creditors/ Provisions £'000	Investments £'000	Cash £'000	Debtors £'000	Creditors/ Provisions £'000
Chinese renminbi	43,006	-	-	-	39,812	481	-	(481)
Indian rupee	218,067	2,063	783	(11,206)	206,897	15	110	(9,750)
New Taiwanese dollar	51,623	5	-	-	54,280	-	5	-
Hong Kong dollar	13,173	-	-	-	33,134	-	-	-
Philippine peso	4,688	-	-	-	4,835	-	-	-
Indonesian rupiah	36,489	-	-	-	36,718	-	-	-
Japanese yen	37,707	-	106	-	36,161	-	120	-
Bangladesh taka	4,358	-	-	-	6,106	-	1	-
Thai baht	9,471	-	-	-	12,001	-	-	-
Malaysian ringgit	4,586	-	-	-	10,231	-	-	-
Singapore dollar	21,562	688	-	-	23,085	2,898	-	-
US dollar	-	464	-	-	-	3,100	-	-
Korean won	25,379	-	95	-	11,139	-	67	-
Euro	-	2	-	-	-	-	-	-
Total	470,109	3,222	984	(11,206)	474,399	6,494	303	(10,231)

At 31 January 2024 the Company had £2,969,000 of sterling cash balances (2023: £4,041,000).

During the year sterling strengthened by an average of 7.5% (2023: weakened by 1.6%) against all of the currencies in the investment portfolio (weighted for exposure at 31 January). If the value of sterling had strengthened against each of the currencies in the portfolio by 10%, the impact on the net asset value would have been negative £52.9 million

(2023: negative £53.4 million). If the value of sterling had weakened against each of the currencies in the investment portfolio by 10%, the impact on the net asset value would have been positive £43.3 million (2023: positive £43.7 million). The calculations are based on the investment portfolio valuation and cash balances as at the year end and are not necessarily representative of the year as a whole.

Credit risk

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

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

	2024	2023
	£'000	£'000
Cash	6,191	10,535
Debtors	1,032	333
	7,223	10,868

All the assets of the Company which are traded on a recognised exchange are held by J.P. Morgan Chase Bank, the Custodian. Bankruptcy or insolvency of the Custodian may cause the Company's rights with respect to securities held by the Custodian to be delayed or limited. The Board monitors the Company's risk as described in the Strategic Report on pages 27 to 30.

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

Liquidity risk

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

Capital management policies and procedures

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

The Company's policy on gearing and leverage is set out on page 26. The Company had no gearing or leverage during the current or prior year.

The capital structure of the Company consists of the equity share capital, retained earnings and other reserves as shown in the Statement of Financial Position on page 70.

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

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

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

Notes to the Financial Statements continued

15. Reserves

Capital redemption reserve

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

Special reserve

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

Capital reserve

The following are accounted for in this reserve: gains and losses on the disposal of investments; changes in the fair value of investments; and expenses and finance costs, together with the related taxation effect, charged to capital in accordance with note 5 on page 73. Any gains in the fair value of investments that are not readily convertible to cash are treated as unrealised gains in the capital reserve.

Revenue reserve

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

Distributable reserves

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

16. Related Party Transactions and Transactions with the Managers

The following are considered to be related parties:

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

Details of the relationship between the Company and Frostrow Capital LLP, the Company's AIFM, are disclosed on pages 47 and 48. During the year ended 31 January 2024, Frostrow earned £507,000 (2023: £506,000) in respect of company management fees, of which £128,000 (2022: £129,000) was outstanding at the year end.

The Company employs Stewart Investors as its Portfolio Manager. Details of this arrangement are disclosed on page 47. During the year ended 31 January 2024, Stewart Investors earned £3,985,000 (2023: £3,872,000) in respect of portfolio management fees, of which £1,002,000 (2023: £1,002,000) was outstanding at the year end.

All material related party transactions have been disclosed in notes 3 and 4 on pages 72 and 73. Details of the remuneration and the shareholdings of all Directors can be found on page 59.

Further Information

In this section

- 82 Glossary of Terms and Alternative Performance Measures (unaudited)
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Glossary of Terms and Alternative Performance Measures (unaudited)

Absolute Performance

Absolute performance is the percentage (%) rise or fall in the share price of the investment over the stated period. Relative performance, on the other hand, is the difference between the absolute return and the performance of the market (or other similar investments), which is gauged by a benchmark, or index such as the MSCI AC Asia ex Japan Index.

AIFMD

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

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

Average Discount

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

	2024	2023
	pence	pence
Average share price for the year	363.1	335.9
Average net asset value for the year	388.0	373.8
Average Discount	6.4%	10.1%

Bottom-Up Approach

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

Discount or Premium

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

Gearing

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

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

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

Net Asset Value ("NAV")

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

NAV Per Share Total Return

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

	31 January 2024	31 January 2023
NAV Total Return	p	p
Opening NAV	391.6	372.6
(Decrease)/increase in NAV	(5.0)	20.9
Dividend paid	(2.3)	(1.9)
Closing NAV	384.3	391.6
(Decrease)/increase in NAV	(1.3)%	5.6%
Impact of reinvested dividends	0.0%	0.1%
NAV Total Return	(1.3)%	5.7%

Ongoing Charges

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

	31 January 2024	31 January 2023
	£'000	£'000
Operating expenses ¹	5,287	5,190
Average net assets during the year	469,515	452,081
Ongoing charges	1.1%	1.1%

¹ See notes 3 and 4 on pages 72 and 73.

Performance Objective

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

	Total Return (annualised)		
	Share Price (%)	NAV (%)	CPI + 6% (%)
One year to 31 January 2024	(1.9)	(1.3)	10.4
Three years to 31 January 2024	2.3	4.4	13.0
Five years to 31 January 2024	5.9	7.6	10.8

Portfolio Turnover

Portfolio turnover is a measure of how quickly securities in a fund are either bought or sold by the fund's managers, over a given period of time. The rate of turnover is important for potential investors to consider, as funds that have a high rate will also have higher fees to reflect the turnover costs.

It is calculated as the average of the purchases and sales for the year divided by the average net assets for the year.

Revenue Return per Share

The revenue return per share is calculated by taking the return on ordinary activities after taxation and dividing it by the weighted average number of shares in issue during the year (see note 7 on page 75 for further information).

Share Price Total Return

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

	31 January 2024	31 January 2023
Share Price Total Return	p	p
Opening share price	358.0	340.0
(Decrease)/increase in share price	(6.7)	19.9
Dividend paid	(2.3)	(1.9)
Closing share price	349.0	358.0
(Decrease)/increase in share price	(1.9)%	5.8%
Impact of reinvested dividends	0.0%	0.1%
Share Price Total Return	(1.9)%	5.9%

Glossary of Terms and Alternative Performance Measures (unaudited) continued

Volatility

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

Investment Philosophy

The graphic on page 12 in the Portfolio Manager's Review contains certain terms which are defined/explained below. Each measure is calculated for a representative Stewart Investors Asia Pacific sustainability account (managed by the same portfolio management team as the Company), unless otherwise stated.

- **Active share** is the percentage of stock holdings in the portfolio that differs from the MSCI AC Asia ex Japan Index, sterling adjusted with income reinvested net of tax (the "Index"). A higher percentage reflects a higher divergence from the Index.
- **Average age of holdings** refers to the average age of the companies held in the portfolio.
- **Holdings with net cash** refers to companies whose total cash is greater than its total liabilities.
- **Holdings with stewards** refers to companies primarily owned/controlled by second or later generation of its founders, companies primarily owned/controlled by its founder or founders and companies primarily owned/controlled by an organisation, often established by an individual, whose purpose is to support good causes.
- **For emissions (footprint)** reporting the Portfolio Manager has used the Partnership for Carbon Accounting Financials (PCAF) methodology which calculates a shareholder's or lender's share of scope 1 and 2 emissions for each company it invests in. Scope 1 covers all direct greenhouse gas (GHG) emissions from sources that are owned or controlled by the reporting entity. Scope 2 covers indirect GHG emissions from the consumption of purchased electricity, heat or steam. An investor's share is based on the amount invested over the Enterprise Value Including Cash (EVIC). For example if a shareholder owns 10% of the company, it is allocated 10% of the company's emissions. For shareholders this is sometimes called 'financed' or 'equity share' of emissions. To calculate the benchmark comparisons for Stewart Investors' strategies, they have used the same approach by assuming benchmarks hold the same total value of investments as comparable strategies. They provide the total footprint, which is influenced by the size of the total value of the investment strategy (shown in 1000s of tonnes of CO₂-e) and on a 'per \$1 million invested' basis, which is useful for comparison purposes.
- **Outperformance in down months** shows the proportion of months where the Composite portfolio outperformed the Index, expressed as a percentage of the total number of months where the Index fell. An outperformance in down months of 80% indicates that the portfolio outperformed in 8 out of 10 months where the Index fell. This measure is calculated using the Composite.
Source for Index: FactSet
- **Downside capture** is a measure of the Composite portfolio's overall performance in a down market relative to the Index. A down-market is defined as a period in which the market return is less than 0. Downside capture reflects the portfolio's cumulative return when the Index was down, divided by the Index's cumulative return when it was down. A value of less than 100 indicates that the portfolio has lost less than the Index during periods of negative returns for the Index. This measure is calculated using the Composite.
- **Average name turnover** is a portfolio activity measure indicating how many companies (stocks) have been sold and bought over a given period. This is thus showing the turnover of the portfolio in terms of stock mutation. Data shown is for the 10 years to 31 December 2023.
- **Composite** means the Stewart Investors Asia ex-Japan Sustainable Equity composite, a weighted average group of accounts managed in a similar way by the same portfolio management team that manages the Company's portfolio. The Composite portfolio performance is calculated on a net basis by subtracting a model annual management fee of 0.85% from the gross performance figures. No other expenses or costs have been taken into account when calculating the net performance. Income is reinvested and is included on a net of tax basis. Performance and measures are from the Composite inception on 1 February 2006 to 31 December 2023.

Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited)

Template periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Sustainable investment

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

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Product name:

Pacific Assets Trust plc

Legal entity identifier:

2138008U8QPGAESFYA48

Sustainable investment objective

Did this financial product have a sustainable investment objective?	
<input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="checkbox"/> Yes	<input type="radio"/> <input type="radio"/> <input type="checkbox"/> No
<p><input checked="" type="checkbox"/> It made sustainable investments with an environmental objective: 63%</p> <p><input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p>	<p><input type="checkbox"/> It promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments</p> <p><input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy</p> <p><input type="checkbox"/> with a social objective</p>
<p><input checked="" type="checkbox"/> It made sustainable investments with a social objective: 100%</p>	<p><input type="checkbox"/> It promoted E/S characteristics, but did not make any sustainable investments</p>

Notes: The percentages are defined and measured on the basis that each sustainable investment must contribute to a social objective and may also contribute to an environmental objective. The percentages will therefore not add to 100.

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

The Company's investment objective is 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"). Because the Portfolio Manager adopts a sustainable investment strategy in selecting the investments that make up the Company's portfolio, the Company only invests in companies which both contribute to, and benefit from, sustainable



Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited) continued

development, achieving positive social and environmental outcomes. All investee companies contribute to improving human development, and may also contribute to positive environmental outcomes. The contribution to sustainable development is assessed under two frameworks, social and environmental.

Positive social outcomes

The Portfolio Manager assesses positive social outcomes by reference to the below human development pillars. Stewart Investors has developed these human development pillars by reference to, amongst other things, the UN Human Development Index.

- > **Health and well-being** – improved access to and affordability of nutrition, health care, hygiene, water and sanitation
- > **Physical infrastructure** – improved access to and affordability of energy and housing
- > **Economic welfare** – safe employment offering a living wage and opportunities for advancement, access to finance and improved standards of living
- > **Opportunity and empowerment** – improved access to and affordability of education and information technology

As at 31 December 2023, the Company held **67** companies. **All companies (100%)** were contributing to at least one **human development pillar** and, in total, were making **190 contributions** to the pillars.

Further information about how the Portfolio Manager uses the human development pillars is available on the Portfolio Manager's website – stewartinvestors.com/all/how-we-invest/our-approach/human-development-pillars

Positive environmental outcomes

The Portfolio Manager assesses positive environmental outcomes by reference to the climate solutions developed by Project Drawdown, a non-profit organisation that has mapped, measured and modelled over 90 different solutions that it believes will contribute to reaching 'drawdown', – i.e. the future point in time when levels of greenhouse gases in the atmosphere stop climbing and start to steadily decline.

Below is a list of the climate solution categories together with corresponding examples that the Portfolio Manager believes lead to positive environmental outcomes:

- > **Food system** – sustainable farming, food production and the distribution of products and services
- > **Energy** – adoption of renewable energy and other clean energy and related technologies
- > **Circular economy and industries** – improved efficiency, reduced waste, and new business models for closing resource loops in linear value chains and production processes
- > **Human development** – advancement of human rights and education that drive environmental conservation and sustainable use of resources
- > **Transport** – efficient transport technologies and growth in fossil fuel-free transportation options

- > **Buildings** – products and services which reduce the environmental footprint of the built environment, including energy efficiency, electrification, improved design, and use of alternative materials
- > **Water** – less energy-intensive methods for treating, transporting and heating water
- > **Conservation and restoration** – supporting deforestation-free and environmentally regenerative supply chains, operations and end-of-life impacts

As at 31 December 2023, the Company held **67** companies. **42 companies (63%)** were contributing to **climate change solutions**. These companies were contributing to **40** different solutions and, in total, were making **134 contributions** to the solutions.

Assessment

In assessing whether a company “contributes to and benefits from” sustainable development, the Portfolio Manager will consider whether:

1. there is either a direct or enabling link between the activities of the company and the achievement of a positive social or environmental outcome;
2. any contribution to positive social or environmental outcomes has resulted from revenue or growth drivers inherent in the company’s business model, strategic initiatives that are backed by research and development or capital expenditure, or from the company’s strong culture and sense of stewardship e.g. for equity and diversity; and
3. the company recognises potential negative social or environmental outcomes associated with its product or services and works towards minimising such outcomes, e.g. a company that sells affordable nutritious food products in plastic packaging, but is investigating alternative packaging options.

Notes:

Any reference to **Project Drawdown** is to describe the publicly available materials utilised by Stewart Investors in formulating its sustainability analysis. It is not intended to be, and should not be, read as constituting or implying that Project Drawdown has reviewed or otherwise endorsed the Stewart Investors sustainability assessment framework.

A **direct link** would arise where the goods an entity produces or the services it provides are the primary means through which the positive social or environmental outcome can be achieved (e.g. solar panel manufacturers or installers).

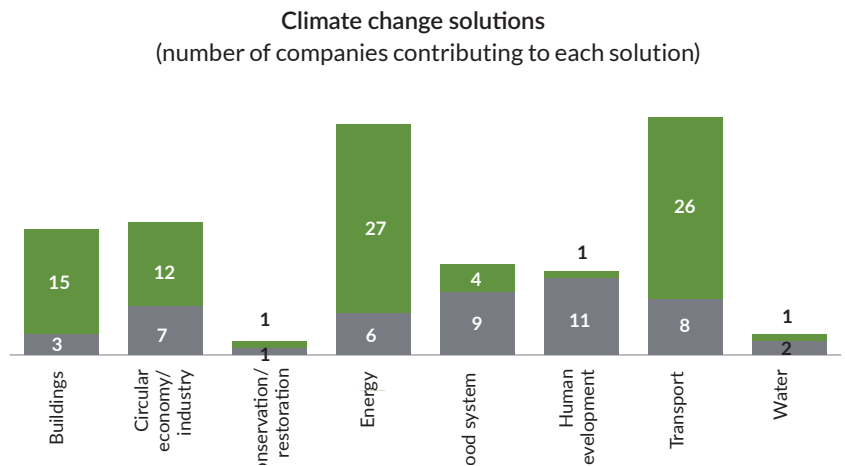
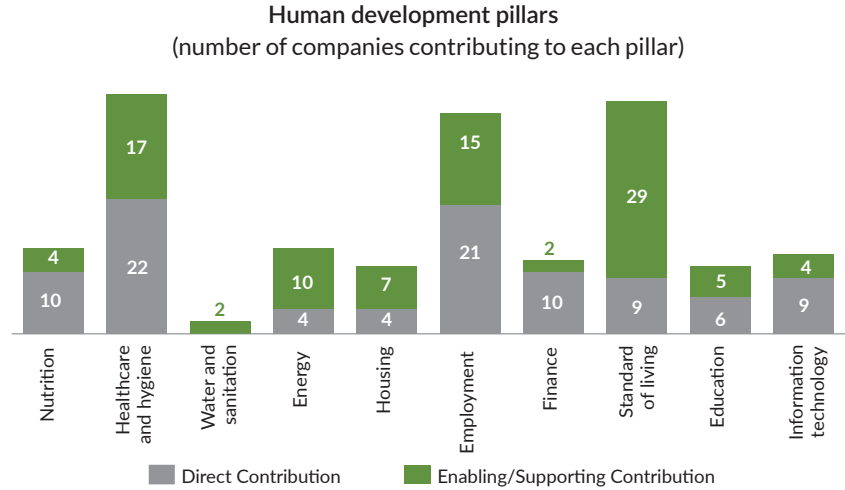
An **enabling link** would arise if the goods a company produces or services it provides enable other companies to contribute towards the achievement of the positive social or environmental outcome (e.g. manufacturers of critical components that are used as inputs in the manufacture of solar panels).

Sustainability indicators measure how the sustainable objectives of this financial product are attained.

- > How did the sustainability indicators perform?
The Portfolio Manager’s Portfolio Explorer tool provides the contribution that each company makes to climate solutions, human development and the Sustainable Development Goals, as well as the investment rationale, key risks and areas for improvement. Click on the link below to access the tool.

stewartinvestors.com/uk/en/private-investor/our-strategies/pacific-assets-trust.html?tabs-anchor=Pacific%20Assets%20Trust&active-tab=Portfolio%20Explorer

The social and environmental outcomes for the Company as at 31 December 2023 are provided in the charts below.



Notes: Direct Contribution – directly attributable to products, services or practices provided by that company. Enabling/Supporting Contribution – supported or made possible by products or technologies provided by that company.

> ...and compared to previous periods?

Changes in the sustainability outcomes for the Company year-on-year are related to bottom-up changes in the portfolio and/or changes in the sustainability profile of individual investee companies.

The social and environmental outcomes for the Company for previous periods are provided in the tables below.

Human development pillars	Contribution	31-Dec-2022	31-Dec-2021
No. of companies (%)	-	63 (100%)	63 (100%)
Total number of contributions	-	174	173
Nutrition	Direct	10	7
	Enabling/Supporting	3	3
Healthcare and hygiene	Direct	19	18
	Enabling/Supporting	12	12
Water and sanitation	Direct	-	-
	Enabling/Supporting	2	2
Energy	Direct	4	4
	Enabling/Supporting	6	6
Housing	Direct	6	5
	Enabling/Supporting	7	7
Employment	Direct	23	26
	Enabling/Supporting	10	12
Finance	Direct	9	8
	Enabling/Supporting	3	4
Standard of living	Direct	8	8
	Enabling/Supporting	29	28
Education	Direct	5	5
	Enabling/Supporting	6	5
Information technology	Direct	9	10
	Enabling/Supporting	3	3

Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited) continued

Climate solutions	Contribution	31-Dec-2022	31-Dec-2021
No. of companies (%)	-	38 (60%)	38 (60%)
Number of different solutions	-	33	32
Total number of solutions	-	111	105
Buildings	Direct	3	3
	Enabling/Supporting	15	12
	Indirect	n/a	1
Circular economy/ industry	Direct	7	3
	Enabling/Supporting	9	-
	Indirect	n/a	1
Conservation/ restoration	Direct	1	-
	Enabling/Supporting	2	-
	Indirect	n/a	2
Energy	Direct	6	4
	Enabling/Supporting	19	15
	Indirect	n/a	5
Food system	Direct	7	6
	Enabling/Supporting	4	4
	Indirect	n/a	-
Human development	Direct	9	7
	Enabling/Supporting	-	-
	Indirect	n/a	-
Transport	Direct	5	5
	Enabling/Supporting	21	25
	Indirect	n/a	10
Water	Direct	2	2
	Enabling/Supporting	1	-
	Indirect	n/a	-

During 2022 and following feedback from clients, the Portfolio Manager removed the Indirect Contribution from their climate solutions measures.

Indirect Contribution – providing generic products or services to companies making direct or enabling contributions or making operational decisions which have a material contribution.

In 2022, Project Drawdown added 11 new climate solutions to their framework. The Portfolio Manager considered these new solutions for their 2022 reporting measures. More detail on these changes are available on the Portfolio Manager's website:

stewartinvestors.com/all/insights/climate-solutions-update

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How did the sustainable investments not cause significant harm to any sustainable investment objective?

The Company only invests in companies which both contribute to, and benefit from, sustainable development, achieving positive social and environmental outcomes. All investee companies contribute to improving human development, and may also contribute to positive environmental outcomes.

The Company's exposure to harmful or controversial products, services or practices is monitored on at least a quarterly basis. For harmful products and services which are revenue-generating, the Portfolio Manager applies a 5% revenue threshold. In other areas where harmful or controversial activities are not attributable to revenue (for example, employee or supply chain issues) the Portfolio Manager uses internal analysis and research from external providers to monitor and assess companies.

Where any material exposure to these harmful activities is found, the Portfolio Manager will:

- review the company research and investment case, noting the response where they believe it is adequate,
- engage with the company where they require further information or wish to encourage improved practices and an appropriate resolution of the issues,
- exit the Company's position in the company where engagement has been unsuccessful, or where part of a pattern of behaviour raises concerns regarding the quality and integrity of the company's management. If an investment is held in a company that has material exposure to harmful products and services, this will be disclosed on the Stewart Investors website, and the reasons for the exception and for maintaining the holding explained. Exceptions may occur if a company is winding down a legacy commercial activity (in which case the company will be engaged and encouraged to cease the commercial activity concerned), or where the company is not increasing capital expenditure or if a company is only indirectly exposed to a harmful industry or activity, for example, a company making safety products for a wide range of industries may also have customers in the fossil fuel or defence industries.

The Portfolio Manager's position on harmful and controversial products and services and investment exclusions is available on the Stewart Investors website:

stewartinvestors.com/all/insights/our-position-on-harmful-and-controversial-products-and-services

How were the indicators for adverse impacts on sustainability factors taken into account?

Adverse impact indicators, relevant to each Company investee company, are taken into account through the Portfolio Manager's bottom-up research, company engagement, adherence to their position statement on harmful and controversial products and services, Group-wide exclusion policies and third-party research providers.

The Portfolio Manager meets and liaises with companies on an on-going basis and is continuously assessing their sustainability credentials and quality. Where the Portfolio Manager has identified changes to a company's quality or sustainability positioning through either meetings, ongoing monitoring and reviewing their annual reports, the Portfolio Manager will re-evaluate the investment case.

In addition, the Company portfolio is assessed on an ongoing basis by external service providers including controversy monitoring, product involvement, carbon footprints and other impact measures, and breaches of social norms.

The Principal Adverse Impacts (as prescribed under the SFDR) are incorporated into the Portfolio Manager's company analysis, team discussion and engagement programme. Every investment in the portfolio must do no significant harm, based on the adverse impact indicator assessment. It is possible that an investor does no significant harm but still have some adverse sustainability impacts. In those cases, the Portfolio Manager shall engage with the company either directly or as part of collaborations with other investment institutions.

Depending on the nature of the issue and the response by the company, the Portfolio Manager's actions can range from:

- reviewing the company research and investment case, noting the response where they believe it is adequate,
- engaging with the company where they require further information or wish to encourage improved practices and an appropriate resolution of the issues,
- Where engagement has been unsuccessful or where the harmful activities are part of a pattern of behaviour that raises concerns regarding the quality and integrity of the company's management, Stewart Investors will not invest or will exit the Company's position in the company in a timely manner.

The Portfolio Manager includes product level data on PAI indicators in the Company's SFDR periodic reports (see question below).

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Company's sustainable investments are aligned with these Guidelines and Principles.

The Portfolio Manager continually monitors the companies owned to understand any changes to the strategies. The Company's portfolio is assessed quarterly by an external service provider for compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, UN global norms and exposure to high-risk sectors. The Portfolio Manager also receives regular updates from a controversy monitoring service. Where issues are raised by these services, the Portfolio Manager will review and consider as part of the investment analysis and depending on the detail may engage with the company in question, and if necessary will divest to ensure the portfolio continues to meet the principles which sit at the heart of the investment philosophy.

During the reporting period the Trust held the following company which flagged against the Portfolio Manager's policy.

Tata Consultancy Services ("TCS")

Activity exposure: UN Global Compact Principle 2: Businesses should make sure that they are not complicit in human rights abuses.

Reason for exception/holding: TCS has no direct involvement in nuclear weapons or energy, however the external research provider considers the company to be involved because its parent company, Tata Sons, owns greater than 50% of TCS.

Tata Sons involvement is due to the company owning Tata Advanced Systems which acquired Tata Power's Strategic Engineering Division. The Strategic Engineering Division provides control systems for the Indian Navy's nuclear missile submarines.

As India has not signed the Treaty on the Non-Proliferation of Nuclear Weapons, the external data provider considers Tata Sons and by extension TCS to be in support of the nuclear weapons programme of India. The Portfolio Manager disagrees with this assessment and does not see anything in the activities or conduct of the company to question its sustainability positioning or the investment case.



How did this financial product consider principal adverse impacts on sustainability factors?

In addition to the detail described above, the Portfolio Manager has set a materiality threshold of 5% of revenue for direct involvement in companies materially involved in the exploration, production or generation of fossil fuel energy and a threshold of 0% for controversial weapons. Portfolio companies are checked against the thresholds each quarter by an external third-party research platform.

The below table sets out the PAI indicators for the Company.

Indicators	Metrics	2022	2023
Exposure	(EURm)	533	576
1. GHG Emissions	Scope 1 (tCO ₂ eq)	3,302	3,640
	Scope 2 (tCO ₂ eq)	14,848	13,753
	Scope 3 (tCO ₂ eq)	437,464	289,038
	Total Emissions Scope 1+2 (tCO ₂ eq)	18,150	17,393
	Total Emissions Scope 1+2+3 (tCO ₂ eq)	455,614	306,432
2. Carbon Footprint	Total Emissions Scope 1+2 (tCO ₂ eq/EURm)	34	30
	Total Emissions Scope 1+2+3 (tCO ₂ eq/EURm)	854	532
3. GHG Intensity of Investee Companies	Scope 1+2 (tCO ₂ eq/EURm)	75	72
	Scope 1+2+3 (tCO ₂ eq/EURm)	2,413	1,899
4. Exposure to companies active in the fossil fuel sector	(% involvement)	0%	0%

Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited) continued

Indicators	Metrics	2022	2023
5. Share of Non-Renewable Energy Consumption and Production	Non-Renewable Energy Consumption (%)	84%	85%
	Non-Renewable Energy Production (%)	35%	30%
6. Energy consumption intensity per high impact sector	Agriculture, Forestry & Fishing (GWh/EURm)	no data	no data
	Construction (GWh/EURm)	no data	no data
	Electricity, Gas, Steam & Air Conditioning Supply (GWh/EURm)	no data	no data
	Manufacturing (GWh/EURm)	0.12	0.12
	Mining & Quarrying (GWh/EURm)	no data	no data
6. Energy consumption intensity per high impact sector	Real Estate Activities (GWh/EURm)	no data	no data
	Transportation & Storage (GWh/EURm)	no data	no data
	Water Supply, Sewerage, Waste Remediation (GWh/EURm)	no data	no data
	Trade & Repair of Automobiles (GWh/EURm)	insufficient data	insufficient data
7. Activities Negatively Affecting Biodiversity Areas	(% involvement)	0%	0%
8. Emissions to Water	(t/EURm)	insufficient data	no data
9. Hazardous waste ratio	(t/EURm)	37	63
10. Violations of UNGC and OECD Guidelines for Multinational Enterprises	Watch (% involvement)	0%	1%
	Breach (% involvement)	2%	2%
11. Lack of Processes & Compliance Mechanisms to Monitor Compliance with UNGC and OECD guidelines	(% involvement)	81%	68%
12. Unadjusted Gender Pay Gap	% of Male Gross Hourly Rate	insufficient data	no data
13. Board Gender Diversity	% of Female Board Members	19%	21%
14. Exposure to Controversial Weapons	(% involvement)	0%	0%

Voluntary Indicators	Metrics	2022	2023
Water Usage and Recycling	% Water Withdrawal	n/a	58%
	Recycling & Reuse (cubic metres)	n/a	27,003,346
Number of Identified Cases of Severe Human Rights Issues & Incidents	Weighted number of incidents	n/a	0.1

Notes: Principal Adverse Impact data is sourced from third-party ESG data providers. Limitations to the data provided from third parties will stem from their coverage and methodologies and from limited disclosures by issuer companies. Where data is not available, third-party providers may use estimation models or proxy indicators. Methodologies used by data providers may include an element of subjectivity. Whilst data is collected on an ongoing basis, in this rapidly evolving environment, data can become outdated within a short time period. Data for certain metrics may be based on limited data across the portfolio companies.



The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: 1 February 2022 to 31 January 2023.

What were the top investments of this financial product?

Largest investments	Sector	% assets	Country
CG Power	Industrials	6.0	India
Mahindra & Mahindra	Consumer Discretionary	5.7	India
Tube Investments	Consumer Discretionary	5.3	India
UniCharm	Consumer Staples	3.2	Japan
OCBC Bank	Financials	3.2	Singapore
Marico	Consumer Staples	2.9	India
Voltronic Power	Industrials	2.9	Taiwan
Hoya	Health Care	2.5	Japan
Elgi Equipments	Industrials	2.3	India
Tata Consumer Products	Consumer Staples	2.2	India
Shenzhen Inovance	Industrials	2.2	China
Shanthi Gears	Industrials	2.0	India
Cholamandalam Financial	Financials	2.0	India
Taiwan Semiconductor	Information Technology	1.9	Taiwan
Bank OCBC Nisp	Financials	1.7	Indonesia

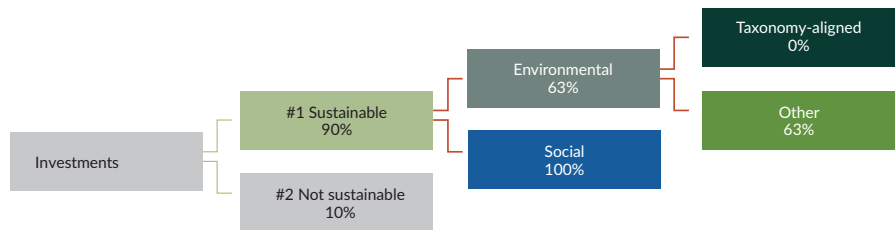


Asset allocation describes the share of investments in specific assets.

What was the proportion of sustainability-related investments?

> **What was the asset allocation?**

The Company invested at least 90% of its Net Asset Value in companies that are positioned to contribute to, and benefit from, sustainable development. Sustainable development is based on the Portfolio Manager’s own philosophy explained in the Investor Disclosure Document.



#1 Sustainable covers sustainable investments with environmental or social objectives.

#2 Not sustainable includes investments which do not qualify as sustainable investments.

Notes: The percentages are defined and measured on the basis that each sustainable investment must contribute to a social objective and may also contribute to an environmental objective. The percentages will therefore not add to 100.

To comply, with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or lower-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective

Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

> In which economic sectors were the investments made?

The average holdings (excluding cash) over the reporting period in GICs sectors:

Sector	% Assets
Communication Services	1.8
Consumer Discretionary	14.0
Consumer Staples	22.1
Energy	-
Financials	13.6
Health Care	10.0
Industrials	19.7
Information Technology	18.1
Materials	-
Real Estate	-
Utilities	
Cash and cash equivalents	0.7

The Company has no direct holdings in companies materially involved in the exploration, production or generation of fossil fuel energy.

The Portfolio Manager checks investee companies (via a third-party research platform and on a quarterly basis) for any revenues derived from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade, of fossil fuels. They disclose any companies above their material threshold (5% of revenues) on their website.

Taxonomy-aligned activities are expressed as a share of:

- > turnover reflecting the share of revenue from green activities of investee companies.
- > capital expenditure (“CapEx”) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- > operational expenditure (“OpEx”) reflecting green operational activities of investee companies.

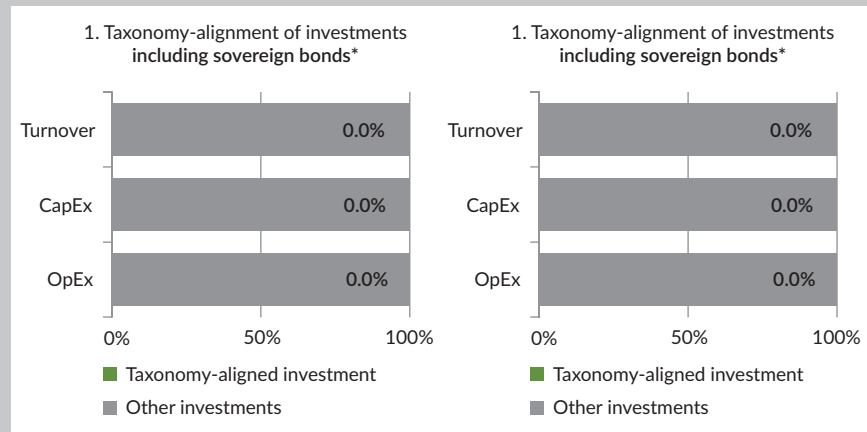


To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy¹?

> Did the financial product investment in fossil gas and/or nuclear energy related activities

- Yes
- In fossil gas In nuclear energy
- No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures



are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under the EU Taxonomy.

> What was the share of investments made in transitional and enabling activities?

The reported share of investments made in transitional and enabling activities for the Company is 0%.

> How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

The percentage of investments aligned with the EU Taxonomy for the previous reference period was 0%.

¹Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective – see explanatory notes in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

The Company does not actively target EU Taxonomy-aligned assets.

As at 31 December 2023, the Company held **67** companies. Based on reported turnover data, there was no alignment with the EU taxonomy from any of these companies.



What was the share of socially sustainable investments?

All companies in the Company were aligned to socially sustainable investments as defined by the Portfolio Manager's human development pillars.



What investments were included under "not sustainable", what was their purpose and were there any minimum environmental or social safeguards?

The "#2 Not sustainable" assets are cash and near-cash assets held pending investment, to meet liquidity requirements, or assets held in order to allow efficient operational exit of positions. Cash is held by the depositary.



What actions have been taken to attain the sustainable investment objective during the reference period?

No company is perfect and engagement and voting are key responsibilities for the Portfolio Manager as long-term shareholders. They believe that engagement is a means to mitigate business risks, protect against potential headwinds and improve sustainability outcomes. Engagement is fully integrated into the responsibilities of the Portfolio Manager as it contributes invaluable insights into their understanding of each company.

During the calendar year 2023, the Portfolio Manager met with **71%** of investee companies.

All engagement starts with bottom-up analysis, with responsibility shared across the investment team. Over the period and across their funds, the Portfolio Manager engaged on issues such as:

- > **Pollution, natural resource degradation, biodiversity and climate change** – packaging, plastic pellets, deforestation, sustainability of supply chains (soy, palm oil and coffee), fossil fuel versus renewables, water, waste and energy efficiency
- > **Aligned remuneration and incentives** – living wage, gender pay gap and complexity of incentives
- > **Animal testing/welfare** – animal testing exposure
- > **Human rights and modern slavery** – conflict minerals in the supply chains of semiconductors, trafficking, forced labour and child labour in the Asia Pacific region and public health
- > **Diversity, equity and inclusion** – diversity, particularly gender, in senior management and on boards
- > **Addictive products** – indirect exposure to tobacco, chemicals, gaming, adult entertainment, and sugar content in food
- > **Governance** – corporate strategy and legal structure

Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited) continued

During the period the Portfolio Manager engaged with **64%** of investee companies.

- > Environmental issues 44%
- > Social issues 21%
- > Governance issues 35%

Engagements may relate to one or multiple environmental, social or governance issues.

Proxy voting is an extension of the Portfolio Manager's engagement activities. It is not outsourced to an external provider or separate proxy voting/engagement team. The Portfolio Manager considers each proxy vote individually and on its own merits in the context of their knowledge about that particular company. A breakdown of voting activity for the Company is detailed below.

Voting activity:

Total proposals to vote on	682
Number of meetings to vote at	103
Number of companies that held voting meetings	68
Number of votes against management proposals	23
Number of votes abstained from voting	2
Number of shareholder proposals to vote on	0
Number of shareholder proposals voted against	0
Number of shareholder proposals abstained from voting	0

Voting rationales: 1 January 2023 to 31 December 2023

Company	Proposal	No. of proposals	Voting decision
Foshan Haitian Flavouring Glodon	Appointment of auditor	8	Against management recommendation
Selamat Sempurna Telkom Indonesia UniCharm Indonesia Vitasoy Vitrox Yifeng Pharmacy Chain	Rationale The Portfolio Manager voted against the appointment of the auditor as they have been in place for over 10 years and the companies have given no information on intended rotation. Rotating an auditor on a relatively frequent basis (e.g. every 5-10 years) helps to ensure a fresh pair of eyes are examining the accounts, and follows best practice.		
Aavas Financiers	Repricing of options granted under equity stock option plan for employees: 2020-2022	3	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to reprice options granted under various equity stock option plans for employees due to a share price fall. We do not believe this request is in shareholders' interest.		

Voting rationales: 1 January 2023 to 31 December 2023

Company	Proposal	No. of proposals	Voting decision
Amoy Diagnostics	Amendments to articles	1	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to increase share capital and share count as they did not have sufficient information at the time of voting for the justification of these amendments to articles..		
BRAC Bank	Increase in authorised share capital	1	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to increase authorised share capital by more than 100%, as the company had not given any justification at the time of voting.		
Foshan Haitian Flavouring	Connected transactions	2	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to approve connected transactions entered into between the company and related entities and their respective annual caps. The Portfolio Manager does not believe these requests are in shareholders' interests.		
Hangzhou Robam	Director election	1	Against management recommendation
	Rationale The Portfolio Manager voted against the election of the Chair of the Nomination Committee in support of encouraging better gender diversity. At present the company has no female directors, and believe the Chair of the Nomination Committee has an important role in facilitating a more gender diverse Board of Directors.		
Kingmed Diagnostics	Related party transactions	1	Against management recommendation
	Rationale The Portfolio Manager voted against a related party transaction at which would transfer 73% ownership of a subsidiary pharmaceutical company to the Deputy General Manager of the listco. The Portfolio Manager could not find any reasons behind the sale nor the valuation at which the transaction would happen.		



Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

Sustainable Finance Disclosure Regulation ("SFDR") Report (unaudited) continued

Voting rationales: 1 January 2023 to 31 December 2023

Company	Proposal	No. of proposals	Voting decision
Humanica Public	Other business matters	1	Against management recommendation
	<p>Rationale The Portfolio Manager voted against the company's request for management to approve all other business matters before the annual general meeting of shareholders. They consider themselves active shareholders and prefer to vote on such matters at the AGM.</p>		
Kalbe Farma	Appointment of auditor and authority to set fees	1	Abstained from voting
	<p>Rationale The Portfolio Manager abstained from voting on the appointment of the company's auditor and their request to set auditor fees as at the time of voting the company had not disclosed the name of the auditing firm.</p>		
Midea	Renewed liability insurance	1	Abstained from voting
	<p>Rationale The Portfolio Manager voted to abstain on the approval of a renewed liability insurance for Directors, Supervisors, and Senior Management as they did not have sufficient information on the details of the insurance policy at the time of voting.</p>		
Pentamaster	Authority to issue shares without pre-emptive rights	1	Against management recommendation
	<p>Rationale The Portfolio Manager voted against the company's request to issue shares without pre-emptive rights, as the share discount rate had not been disclosed.</p>		
Philippine Seven	Approve all other business matters	1	Against management recommendation
	<p>Rationale The Portfolio Manager voted against the company's request for management to approve all other business matters before the AGM of shareholders. The Portfolio Manager is an active shareholder and prefers to vote on such matters at the AGM.</p>		
Vinda International	Authority to issue shares without pre-emptive rights	2	Against management recommendation

Voting rationales: 1 January 2023 to 31 December 2023

Company	Proposal	No. of proposals	Voting decision
	Rationale The Portfolio Manager voted against the company's request to issue shares without pre-emptive rights and issue repurchased shares, as the share discount rate had not been disclosed.		
Vitrox	Authority to issue shares without pre-emptive rights	1	Against management recommendation
	Rationale The Portfolio Manager voted against the company's request to issue shares without pre-emptive rights as the share discount rate had not been disclosed.		



How did this financial product perform compared to the reference sustainable benchmark?

A sustainable benchmark has not been designated to compare the performance for the Company.

- > How did the reference benchmark differ from a broad market index?
Not applicable.
- > How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?
Not applicable.
- > How did this financial product perform compared with the reference benchmark?
Not applicable.
- > How did this financial product perform compared with the broad market index?
Not applicable.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.

Shareholder Information

Financial Calendar

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

Annual General Meeting

The Annual General Meeting of Pacific Assets Trust plc will be held at the Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ on Tuesday, 9 July 2024 at 12 noon. Please refer to the Chair's Statement beginning on page 6 for details of this year's arrangements.

In order to ensure that shareholders are able to follow the proceedings of the AGM without attending in person, the Company will provide access online via the Investor Meet Company platform. Please note that shareholders will not be able to vote online at the AGM via the platform and are therefore requested to submit their votes via proxy, as early as possible. Shareholders are invited to submit any questions for the Board to consider. Questions can be submitted ahead of the AGM via the Investor Meet Company platform up until 9am the day before the AGM or submitted at any time during the AGM itself. Shareholders that wish to attend the AGM remotely should register for the event in advance by using the following link:

<https://www.investormeetcompany.com/pacific-assets-trust-plc/register>

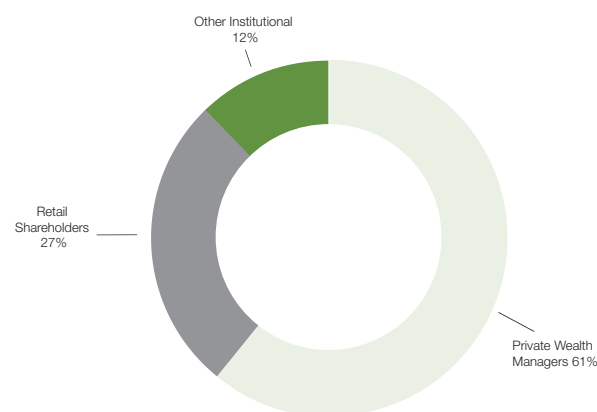
How to Vote

If you hold your shares directly you will have received a paper proxy form or voting instruction card. For this year's Annual General Meeting you should ensure that this is returned to the Registrar, Equiniti, before 12 noon on 5 July 2024. Alternatively, you can vote online at www.shareview.co.uk. Shareholders will require their Shareholder Reference Number, which can be found on the personalised proxy form or voting instruction card, to access this service. Before a proxy can be appointed, shareholders will be asked to agree to the terms and conditions for electronic proxy appointment. The use of the electronic proxy appointment service offered through Equiniti Limited, the Company's registrar, is entirely voluntary.

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

Profile of the Company's Ownership

% of shares held at 31 January 2024



Source: Richard Davies Investor Relations

Change of Address

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

Daily Net Asset Value

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

Dividend

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

Share Prices

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

How to Invest

Retail Investors advised by IFAs

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

Equiniti – Share Dealing Service

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

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

Investment Platforms

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

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

Risk warnings

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

Notice of the Annual General Meeting

Notice is hereby given that the Annual General Meeting of Pacific Assets Trust Public Limited Company (the “Company”) will be held at the Royal College of Physicians of Edinburgh, 11 Queen Street, Edinburgh EH2 1JQ on Tuesday, 9 July 2024 at 12 noon for the following purposes:

Ordinary Resolutions

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

1. That the Report of the Directors and the financial statements for the year ended 31 January 2024 together with the Report of the Auditor thereon be received and adopted.
2. That the Directors’ Remuneration Report for the year ended 31 January 2024 (other than the part containing the Directors’ Remuneration Policy) be approved.
3. That a final dividend for the year ended 31 January 2024 of 4.0p per share be declared.
4. That Mrs S E Hansen be re-elected as a Director.
5. That Mr A M Impey be re-elected as a Director.
6. That Ms N Sahgal be elected as a Director.
7. That Mr R E Talbut be re-elected as a Director.
8. That Mr E T A Troughton be re-elected as a Director.
9. That BDO LLP be re-appointed as Auditor to hold office from the conclusion of the meeting to the conclusion of the next Annual General Meeting at which accounts are laid.
10. That the Audit Committee be authorised to determine BDO LLP’s remuneration.

Authority to Allot Shares

11. That the Board of Directors of the Company (the “Board”) be and it is hereby generally and unconditionally authorised pursuant to and in accordance with section 551 of the Companies Act 2006 (the “Act”) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,511,979 (or if

changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution on such terms as the Board may determine) provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Board may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

Special Resolutions

To consider and, if thought fit, pass the following as Special Resolutions.

Disapplication of Pre-emption Rights

12. That, subject to the passing of resolution 11 proposed at the Annual General Meeting of the Company convened for 9 July 2024 (“Resolution 11”), the Board be and it is hereby generally empowered pursuant to sections 570 and 573 of the Act to allot equity securities (within the meaning of section 560 of the Act) (including the grant of rights to subscribe for, or to convert any securities into, ordinary shares of 12.5 pence each in the capital of the Company (“Ordinary Shares”)) for cash pursuant to the authority conferred on them by such Resolution 11 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to: the allotment of equity securities up to an aggregate nominal amount of £1,511,979 (or if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution) and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 or 15 months from the date of passing this resolution,

whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry make an offer or enter into an agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Authority to Repurchase Shares

13. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares for cancellation on such terms and in such manner as the board of directors may determine provided that:

- (i) the maximum aggregate number of Ordinary Shares which may be purchased is 18,131,662 or, if lower, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution;
- (ii) the minimum price which may be paid for an Ordinary Share is 12.5 pence (exclusive of associated expenses);
- (iii) the maximum price which may be paid for an Ordinary Share (exclusive of associated expenses) shall not be more than the higher of:
 - (a) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five dealing days immediately preceding the day on which the Ordinary Share is purchased; and
 - (b) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange for an Ordinary Share at the time the purchase is carried out; and

- (iv) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2025 or 15 months from the date of passing this resolution, whichever is the earlier, unless previously revoked, varied or renewed by the Company in general meeting and provided that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry and a purchase of Ordinary Shares may be made pursuant to any such contract.

General Meetings

14. That any General Meeting of the Company (other than the Annual General Meeting of the Company) may be called by not less than 14 clear days' notice in accordance with the provisions of the Articles of Association of the Company provided that the authority shall expire on the conclusion of the next Annual General Meeting of the Company to be held in 2025, or, if earlier, on the expiry 15 months from the date of the passing of this resolution.

By order of the Board

Registered office
16 Charlotte Square
Edinburgh
EH2 4DF

Frostrow Capital LLP
Company Secretary
29 April 2024

Notice of the Annual General Meeting continued

Notes

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

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

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

Members can only appoint more than one proxy where each proxy is appointed to exercise rights attached to different shares. Members cannot appoint more than one proxy to exercise the rights attached to the same share(s). If a member wishes to appoint more than one proxy, they should contact the Registrar on +44 (0)371 384 2466. Lines are open between 8.30 am and 5.30 pm, Monday to Friday (excluding public holidays in England and Wales).

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

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

A person who is not a member of the Company but who has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 9 overleaf.

3. A proxy form or voting instruction card for use in connection with the Annual General Meeting has been sent to shareholders on the shareholder register at the date of this notice. To be valid any proxy form or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed or a certified copy thereof, must be received by post or (during normal business hours only) by hand by the Registrar at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting.

If you do not have a proxy form and believe that you should have one, or you require additional proxy forms, please contact the Registrar on +44 (0)371 384 2466. Other service providers' costs may vary. Lines are open between 8.30 am and 5.30 pm, Monday to Friday (excluding public holidays in England and Wales).

4. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual and by logging on to the following website: www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must in order to be valid, be transmitted so as to be received by the Registrar (ID RA19) no later than 48 hours (excluding non-working days) before the time of the Annual General Meeting or any adjournment of that meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

5. If you are an institutional investor you may be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged by 12.00 noon on 5 July 2024 in order to be considered valid. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.
6. In the case of joint holders, where more than one of the joint holders purports to appoint one or more proxies, only the purported appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).
7. Any corporation which is a member can appoint one or more corporate representatives. Members can only appoint more than one corporate representative where each corporate representative is appointed to exercise rights attached to different shares. Members cannot appoint more than one corporate representative to exercise the rights attached to the same share(s).
8. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determining the votes they may cast), members must be registered in the Company's register of members at 6.30 p.m. on 5 July 2024 (or, if the Annual General Meeting is adjourned, at 6.30 p.m. on the day two working days prior to the adjourned meeting). Changes to the register of members after the relevant deadline will be disregarded in determining the rights of any person to attend and vote at the Annual General Meeting.
9. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.
10. Information regarding the Annual General Meeting, including information required by section 311A of the 2006 Act, and a copy of this notice of Annual General Meeting, is available from www.pacific-assets.co.uk.
11. Members should note that it is possible that, pursuant to requests made by members of the Company under, and meeting the threshold requirements in, section 527 of the Act, the Company may be required to publish on a website a statement setting out any matter relating to: (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act. The Company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.

Notice of the Annual General Meeting continued

12. As at 28 April 2024 (being the latest practicable date prior to the publication of this notice) the Company's issued share capital consisted of 120,958,386 ordinary shares carrying one vote each (and no shares were held in Treasury). Accordingly, the total voting rights in the Company at 28 April 2024 were 120,958,386 votes.
13. Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chair of the Annual General Meeting as her/ she proxy will need to ensure that both he/she, and his/her proxy, comply with their respective disclosure obligations under the UK Disclosure Guidance and Transparency Rules.
14. Under section 319A of the Act, the Company must cause to be answered any question relating to the business being dealt with at the Annual General Meeting put by a member attending the meeting unless answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, or the answer has already been given on a website in the form of an answer to a question, or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- Members who have any queries about the Annual General Meeting should contact Frostrow Capital LLP, the Company Secretary, at 25 Southampton Buildings, London WC2A 1AL or info@frostrow.com.
- Members may not use any electronic address provided in this notice or in any related documents (including the accompanying proxy form) to communicate with the Company for any purpose other than those expressly stated.
15. The following documents will be available for inspection at the offices of Frostrow Capital LLP, 25 Southampton Buildings, London WC2A 1AL during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) from the date of this notice and at the venue of the Annual General Meeting from 9.45 a.m. on the day of the Annual General Meeting until the conclusion of the Annual General Meeting:
- 15.1 copies of the Directors' letters of appointment; and
- 15.2 copies of the Directors' deeds of indemnity.
16. Under section 338 and section 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting; and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 27 May 2024, being the date six clear weeks before the meeting, and (in the case of a matter to be included on the business only) must be accompanied by a statement setting out the grounds for the request.
17. In accordance with the Articles, the Company may impose restrictions on shareholders wishing to attend the AGM. Such restrictions may include limiting the number of shareholders permitted to attend the AGM in person. Other restrictions may be imposed as the chair of the meeting may specify in order to ensure the safety of those attending the AGM.
18. In order to ensure that shareholders are able to follow the proceedings of the Annual General Meeting without attending in person, the Company will provide access online via the Investor Meet Company platform. However, please note that shareholders will not be able to vote online at the Annual General Meeting via the platform and are therefore requested to submit their votes via proxy, as early as possible. Shareholders are invited to submit any questions for the Board to consider. Questions can be submitted ahead of the Annual General Meeting via the Investor Meet Company Platform up until 9am the day before the Annual General Meeting or submitted at any time during the Annual General Meeting itself. Shareholders that wish to attend the Annual General Meeting remotely should register for the event in advance by using the following link:
- <https://www.investormeetcompany.com/pacific-assets-trust-plc/register>

Explanatory Notes to the Resolutions

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

The Report of the Directors and the financial statements for the year ended 31 January 2024 will be presented to the AGM. These accounts accompany this Notice of Meeting and shareholders will be given an opportunity to ask questions at the meeting.

Resolution 2 – Remuneration Report

It is mandatory for all listed companies to put their report on Directors' remuneration to an advisory shareholder vote every year and their remuneration policy to a binding shareholder vote every three years. As shareholders approved the Remuneration Policy last year, it is anticipated that the Remuneration Policy will next be put to shareholders at the AGM in 2026.

The Directors' Remuneration Report is set out in full on pages 58 to 60.

Resolution 3 – Declaration of a Final Dividend for the year ended 31 January 2024

Resolution 3 seeks shareholder approval for the declaration of a final dividend of 4.0p per share for the year ended 31 January 2024.

Resolutions 4 to 8 – Election and Re-election of Directors

Resolutions 4 to 8 deal with the election/re-election of each Director. Biographies of each of the Directors and details of their specific contribution to the Board, can be found on pages 36 and 37.

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

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

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

Resolutions 11 and 12 – Issue of Shares

Resolution 11 in the Notice of Annual General Meeting will renew the authority to allot share capital up to an aggregate nominal amount of £1,511,979 (equivalent to 12,095,838 shares or 10% of the Company's existing

issued share capital on 28 April 2024, being the nearest practicable date prior to the signing of this Report or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution). Such authority will expire on the date of the next AGM or after a period of 15 months from the date of the passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM.

When shares are to be allotted for cash, Section 561 of the Companies Act 2006 provides that existing shareholders have pre-emption rights and that the new shares must be offered first to such shareholders in proportion to their existing holding of shares. However, shareholders can, by special resolution, authorise the Directors to allot shares otherwise than by a pro rata issue to existing shareholders. Resolution 12 will, if passed, give the Directors power to allot for cash equity securities up to 10% of the Company's existing share capital on 28 April 2024, or, if changed, the number representing 10% of the issued share capital of the Company immediately prior to the passing of this resolution as if Section 551 of the Act does not apply. This is the same nominal amount of share capital which the Directors are seeking the authority to allot pursuant to Resolution 11. This authority will also expire on the date of the next AGM or after a period of 15 months, whichever is earlier. This authority will not be used in connection with a rights issue by the Company.

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

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

Resolution 13 – Repurchase of Shares

The Directors wish to renew the authority given by shareholders at the previous AGM. The principal aim of a

Explanatory Notes to the Resolutions continued

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

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

Special Resolution 13 in the Notice of AGM will renew the authority to purchase in the market a maximum of 14.99% of shares in issue on 28 April 2024, being the nearest practicable date prior to the signing of this Report, (amounting to 18,131,662 shares or, if less, the number representing 14.99% of the issued share capital of the Company immediately prior to the passing of this resolution). Such authority will expire on the date of the next Annual General Meeting or after a period of 15 months from the date of passing of the resolution, whichever is earlier. This means that the authority will have to be renewed at the next AGM or earlier if the authority has been exhausted.

Resolution 14 – General Meetings

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

Recommendation

The Board considers that the resolutions detailed above are in the best interests of shareholders as a whole. Accordingly, the Board unanimously recommends to the shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming AGM as the Directors intend to do in respect of their own beneficial holdings totalling 74,637 shares.

How to Vote

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

- > Electronically using: www.shareview.co.uk;
- > Submitting a paper proxy form;
- > CREST members may use the CREST electronic proxy appointment service;
- > Institutional investors may also be able to appoint a proxy electronically via the Proximity Platform www.proximity.io; or
- > If you hold your shares through a nominee or investment platform, please contact them to enquire about voting arrangements.

Company Information

Directors

A M Impey (Chair)¹

M C Ginman, FCA²

S E Hansen³

N Sahgal, FCA

R E Talbut⁴

E T A Troughton⁵

¹ Chair of the Nomination Committee

² Chair of the Audit Committee

³ Chair of the Engagement & Remuneration Committee

⁴ Senior Independent Director

⁵ Chair of the Sales, Marketing and Communications Committee

Registered Office

16 Charlotte Square

Edinburgh EH2 4DF

Website: www.pacific-assets.co.uk

Company Registration Number

SC091052 (Registered in Scotland)

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

Portfolio Manager

Stewart Investors

23 St. Andrew Square

Edinburgh EH2 1BB

Telephone: 0131 473 2200

Website: www.stewartinvestors.com

Authorised and regulated by the Financial Conduct Authority.

Alternative Investment Fund Manager

Frostrow Capital LLP

25 Southampton Buildings

London WC2A 1AL

Telephone: 0203 008 4910

Email: info@frostrow.com

Website: www.frostrow.com

Authorised and regulated by the Financial Conduct Authority.

Custodian

J.P. Morgan Chase Bank

25 Bank Street, Canary Wharf

London, E14 5JP

United Kingdom

Depository

JP Morgan Europe Limited

25 Bank Street

Canary Wharf

London E14 5JP

Independent Auditor

BDO LLP

55 Baker Street

London W1U 7EU

United Kingdom



Company Information continued

Registrar

Equiniti Limited
 Aspect House
 Spencer Road
 Lancing
 West Sussex
 BN99 6DA
 Shareholder Helpline: +44 (0)371 384 2466*
 Broker Helpline: 0906 559 6025*

For deaf and speech impaired customers, we welcome calls via Relay UK. Please see www.relayuk.bt.com for more information.

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

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

Broker

Investec Bank plc
 30 Gresham Street
 London EC2V 7QP

Solicitors

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

Identification Codes

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

Global Intermediary Identification Number ("GIIN")

MAEPFZ.99999.SL.826

Legal Entity Identifier ("LEI")

2138008U8QPGAESFYA48

Be ScamSmart**Investment scams are designed to look like genuine investments****Spot the warning signs**

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

Avoid investment fraud**1 Reject cold calls**

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm. You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at www.actionfraud.police.uk

Find out more at www.fca.org.uk/scamsmart

Remember: if it sounds too good to be true, it probably is!



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