

This document is issued by Pacific Assets Trust plc solely in order to make certain particular information available to investors in Pacific Assets Trust plc (the “Company”) before they invest, in accordance with the requirements of the United Kingdom Financial Conduct Authority (“FCA”) Handbook rules implementing in the United Kingdom the UK version of the Alternative Investment Fund Directive (Directive 2011/61/EU) as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended, as further amended by UK legislation (“AIFM Directive”) and the EU Regulation on Sustainability-related Disclosures in the Financial Services Sector (2019/2088). It is made available to investors in the Company by being made available at [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

Potential investors in the ordinary shares of 12.5 pence each in the capital of the Company (the “Ordinary Shares”) should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

## **PACIFIC ASSETS TRUST PLC**

### **INVESTOR DISCLOSURE DOCUMENT**

#### **IMPORTANT INFORMATION**

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| <b>Name of Alternative Investment Fund (“AIF”):</b>                          | <b>Pacific Assets Trust plc</b>   |
| <b>Name of Alternative Investment Fund Manager (“AIFM”):</b>                 | <b>Frostrow Capital LLP</b>   |
| <b>Name of Portfolio Manager:</b>  | <b>First Sentier Investors (UK) IM Limited, trading as Stewart Investors (“Stewart Investors”)</b>                    |
| <b>Name of Depositary:</b>   | <b>J.P. Morgan Europe Limited</b>   |
| <b>Name of Custodian:</b>  | <b>JPMorgan Chase Bank N.A., London Branch (“JPMCB”)</b>  |
| <b>Name of Auditor:</b>  | <b>BDO LLP</b>  |
| <b>Date of Investor Disclosure Document:</b>                                 | <b>January 2022</b>   |
| <b>Latest share price and Net Asset Value per Ordinary Share of the AIF:</b> | <b>This can be found on the AIF’s website: <a href="http://www.pacific-assets.co.uk">www.pacific-assets.co.uk</a></b> |

#### **Regulatory and legal status of the Company**

Pacific Assets Trust plc is an “alternative investment fund” (“AIF”) for the purposes of the AIFM Directive and has appointed Frostrow Capital LLP (“Frostrow”) to act as its Alternative Investment Fund Manager (“AIFM”). Frostrow is authorised and regulated by the FCA as a “full scope UK AIFM” for the purposes of the AIFM Directive.

The Company is an investment trust and is incorporated as a public limited company in Scotland. The Ordinary Shares are listed on the premium segment of the Official List of the FCA and are admitted to trading on the main market of the London Stock Exchange. The Company is subject to its articles of association, the Listing Rules of the FCA (the “Listing Rules”), the Disclosure Guidance and Transparency Rules, the UK Companies Act 2006 and the Financial Services and Markets Act 2000.

The provisions of the Company's articles of association are binding on the Company and its shareholders ("Shareholders"). The articles of association set out the respective rights and restrictions attaching to the Ordinary Shares. These rights and restrictions apply equally to all Shareholders. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of association. The Company's articles of association are governed by Scots law.

### **Limited purpose of this document**

This document is not being issued for any purpose other than to make certain, required regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company and its AIFM, Frostrow, and their directors and members will not be responsible to persons other than the Shareholders for their use of this document, nor will they be responsible to any person (including the Shareholders) for any use which they may make of this document other than to provide information to invest in the Ordinary Shares.

This document does not purport to provide complete details of the Company and potential investors should not solely rely upon this document when determining whether to make an investment. Furthermore, investors should refer to the risks and disclaimers contained within the Company's latest annual report, which can be found on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Ordinary Shares.

**This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Ordinary Shares.**

### **No advice**

The Company and its AIFM, Frostrow, and their directors and members are not advising any person in relation to any investment or other transaction involving the Ordinary Shares. Recipients must not treat the contents of this document or any subsequent communications from the Company, the AIFM or any of their subsidiaries, affiliates, officers, directors, members, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in the Ordinary Shares.

### **Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. No action has been taken by the Company that would permit an offer of the Ordinary Shares or distribution of any offering or publicity material in any jurisdiction where action for that purpose is required, other than the United Kingdom and the Republic of Ireland, where the Company may market to professional investors. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia, the Republic of South Africa or Japan or their respective territories or possessions. Accordingly, the Ordinary Shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia, the Republic of South Africa or Japan or their respective territories or possessions. The Company is not registered under the United States Investment Company Act of 1940, as amended, and investors are not entitled to the benefits of such legislation.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer and other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

## **THE COMPANY**

### **Investment policy and objective**

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"). Up to a maximum of 20% of the Company's total assets (at the time of investment) may be invested in companies incorporated and/or listed outside the Asia Pacific Region; at least 25% of their economic activities (at the time of investment) are within the Asia Pacific Region with this proportion being expected to grow significantly over the long term.

The implementation of the Company's Investment Objective has been delegated by the AIFM to Stewart Investors, the Company's Portfolio Manager, subject to the supervision and guidance of the Board and AIFM.

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.

### ***Investment Restrictions***

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. There are no defined limits on countries, or sectors, but 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%.

Other investment limits and guidelines:

- The Company does not retain more than 15% of its total income.

### ***Collateral and asset reuse arrangements***

The Company will not enter into collateral or asset reuse arrangements.

### ***Leverage***

The AIFM Directive prescribes two methods of measuring and expressing leverage (as opposed to gearing) and requires disclosure of the maximum amount of 'leverage' the Company might be subject to. The definition of leverage is wider than that of gearing and includes exposures that are not considered to contribute to gearing, such as the borrowing of cash and the use of derivatives.

For the purposes of the AIFM Directive, leverage is required to be calculated using two prescribed methods: (i) the Gross Method; and (ii) the Commitment Method. In accordance with the AIFM Directive, the Board has set a leverage limit of 120% under both the Gross and Commitment Method.

The use of derivatives is permitted with prior Board approval. However, given Stewart Investors approach to the management of the portfolio it is not expected that the Company will employ any leverage, hedging or derivatives instruments.

The Company will ensure that any change to the maximum level of leverage which the AIFM and Portfolio Manager may employ on behalf of the Company, as well as any right of the re-use of collateral or any guarantee granted under the leveraging arrangement and the total amount of leveraged employed by the Company, is published in the Company's annual report, which can be found on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk). In addition, the Company will notify shareholders of any such changes, rights or guarantees without undue delay by issuing an announcement via a Regulatory Information Service ("RIS").

### ***Borrowing***

The Company has the power under its articles of association to borrow up to two times the adjusted total of capital and reserves.

### **Changes to the investment policy**

In accordance with the Listing Rules, the Company can only make a material change to its published Investment Policy with the approval of its shareholders.

Any change in investment strategy or investment policy which does not amount to a material change to the published investment policy may be made by the Company without shareholder approval.

Frostrow may amend the information set out in this document from time to time.

### **Investment strategy and techniques**

Stewart Investors, the Company's Portfolio Manager since 1 July 2010, adopts a sustainable investment strategy in selecting the investments that make up the Company's investment portfolio.

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

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

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

Stewart Investors invest in those companies which they believe are particularly well-positioned to deliver positive long-term returns in the face of the huge sustainable development challenges facing all countries today. These challenges include population pressure, land and water scarcity and degradation, resource constraints, income inequality, ethnic and gender inequalities and extreme levels of poverty.

They devote a significant amount of time to engaging with management teams of the companies in which they invest. They engage on a wide range of issues, including strategy, governance, alignment of interests and reputation. Their approach to ESG is set out in the Company's latest annual report and in this document.

While the Board's strategy is to allow flexibility in managing the investments, in order to manage investment risk, it has imposed various investment and derivative guidelines and limits, within which Stewart Investors are required to manage the investments, as set out below, subject to Frostrow's supervision and guidance as AIFM.

## **ADMINISTRATION AND MANAGEMENT OF THE COMPANY**

### **The AIFM**

Frostrow Capital LLP

Frostrow Capital LLP ("Frostrow") has been appointed to act as the Company's AIFM for the purposes of the AIFM Directive and has also been appointed as the Company's administrator and company secretary under the Management Agreement. Frostrow has been authorised by the FCA to act as an AIFM and is responsible for ensuring compliance with the AIFM Directive.

Frostrow has overall responsibility to perform risk management, company secretarial and administration functions for the Company and to advise the Company on a day-to-day basis in accordance with the investment policy of the Company, subject to the supervision, review and control by the Company's Board.

As described elsewhere in this document, the AIFM has delegated a function with respect to its duties to a third party in accordance with the delegation arrangements of the AIFM Directive and has delegated the day-to-day management of the Company's portfolio to the Portfolio Manager. Notwithstanding any delegation the AIFM shall remain liable to the Company for the proper performance of the portfolio management, risk management and valuation functions. The Portfolio Manager will be responsible to the AIFM in respect of the management of the investment of the Company's assets in accordance with its investment objectives and policies, subject always to the supervision and direction of the AIFM.

The AIFM does not consider that any conflicts of interest arise from the delegation of its portfolio management function to Stewart Investors.

#### ***AIFM fees:***

Frostrow Capital LLP will receive:

- (i) a fixed annual fee of £75,000; plus
- (ii) 0.11% per annum of net assets up to £250 million; and
- (iii) 0.075% per annum of net assets in excess of £250 million.

### **The Portfolio Manager**

The Company and the AIFM have appointed the Portfolio Manager, First Sentier Investors (UK) IM Limited, trading as "Stewart Investors", to provide portfolio management and related services in respect of the Company pursuant to the Portfolio Management Agreement.

The Portfolio Management Agreement is terminable on 6 months' notice given by either party. The Portfolio Management Agreement can be terminated at any time in certain standard circumstances. The Portfolio Management Agreement is governed by English law.

### ***Portfolio Management fees***

The Portfolio Manager receives an annual management fee of 0.85% per annum, payable quarterly based on the average month end net asset value of the Company over the quarter.

### **The Depositary**

J.P. Morgan Europe

J.P. Morgan Europe Limited has been appointed as the Company's Depositary, as required by the AIFM Directive. The Depositary will carry out the core duties under Article 21(7), (8) and (9) of the AIFM Directive which include cash monitoring, asset verification and general oversight of the Company's portfolio, in accordance with the provision of depositary services, as set out in the Depositary Agreement between the AIFM, the Company and the Depositary. The notice period in the Depositary Agreement is 90 days if terminated by the Company and 120 days if terminated by the Depositary.

The Depositary holds or arranges for sub-custodians to hold all of the cash, securities and other assets of the Company and arranges and settles (directly or through sub-custodians) all transactions relating to those assets on behalf of the Company.

Under the terms of the Depositary Agreement between the Company, the Depositary and the AIFM, the Depositary is permitted to procure that JPMorgan Chase Bank N.A. ("JPMCB"), or another custodial delegate, hold the Company's financial instruments in custody on the Depositary's behalf.

In this regard, the Company, the Depositary and JPMCB have entered into a global custody agreement under which the Depositary has delegated custody of the Company's financial instruments to JPMCB. JPMCB has the authority to sub-delegate the custody of the Company's financial instruments provided that JPMCB must comply with the same requirements that would apply in the context of a delegation by the Depositary.

The Depositary procures that none of the investments shall be re-used by JPMCB or any other custodial delegate.

The AIFM does not consider that any conflicts of interest arise from the delegation of the Depositary's safekeeping function.

### ***Liability and Indemnity***

The provisions in the Depositary Agreement relating to the liability of the Depositary shall be construed in accordance with the AIFM Directive. In the event that a provision in the Depositary Agreement conflicts with the AIFM Directive, the AIFM Directive shall prevail.

The Depositary's liability to the Company shall not be affected by any delegation of its custody functions in accordance with the terms of the Depositary Agreement.

The Depositary has not entered into any contractual arrangement to discharge itself of liability in accordance with Article 21(13) and 21(14) of the AIFM Directive and, therefore, the Depositary's liability is not affected by the delegation of its safe-keeping function as outlined above.

### ***Depositary fees***

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

Custody fees are charged according to the jurisdiction in which the holdings are based. Variable transaction fees are also chargeable.

### ***Transfer and reuse of the Company's Assets***

The Depository may not use or re-use the Company's securities or other investments without the prior consent of the Company.

### **The Auditor**

BDO LLP

The Auditor provides audit services to the Company.

The Auditor has a statutory responsibility to report to the members of the Company as a whole in relation to the truth and fairness of the Company's state of affairs and profit or loss as well as confirming that the Company's financial statements have been prepared in accordance with the Company's articles of association. The Auditor is also required to report by exception if there are certain matters on which they are not satisfied, including if adequate accounting records have not been kept by the Company or the Auditor has not received all the information and explanations required in order to carry out the audit.

### ***Audit fees***

Details of the fees paid to the Auditor are set out in the Company's annual report which is published on the Company's website and can be accessed at [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

### **The Registrar**

Equiniti Limited

The Registrar maintains the Company's register of members.

### ***Registrar fees***

Details of the fees paid to the Registrar are set out in the Company's annual report which is published on the Company's website which can be accessed at [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

### **Prime brokerage**

No Prime Broker is engaged by the Company.

### **Fees, charges and expenses**

Details of the additional fees payable by the Company to those set out above, including legal fees, broker commissions, directors' fees, professional services fees and expected expenses can be found in the Company's latest annual report and financial statements published on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

Shareholders do not bear any fees, charges or expenses directly, other than any fees, charges and expenses incurred as a consequence of acquiring, transferring, redeeming or otherwise selling their Ordinary Shares.

## **SHAREHOLDER INFORMATION**

### **Annual reports and financial statements**

Copies of the Company's latest annual and half year reports may be accessed on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk) or by writing to the Company Secretary at 25 Southampton Buildings, London WC2A 1AL.

## Publication of Net Asset Values

The latest unaudited Net Asset Value per Ordinary Share of the Company may be accessed on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

## Valuation policy

The Company's portfolio of assets will be valued on each day (a "Dealing Day") on which the London Stock Exchange is open for business (the "Valuation Date"). All instructions to issue or cancel Ordinary Shares in the Company given for a prior Dealing Day shall be assumed to have been carried out (and any cash paid or received).

The valuation will be based on the following:

- (a) Cash and amounts held in current and deposit accounts and in other time-related deposits will be valued at their nominal value.
- (b) All transferable securities will be valued at fair value:
  - (i) fair value for quoted investments is deemed to be bid market prices, or last traded price, depending on the convention of the exchange on which they are quoted;
  - (ii) where the AIF trades in investments where prices are not available on an exchange, quotations from brokers are utilised as follows:
    - Where possible, at least two quotations will be obtained.
    - The quotation should come from active participants in the market.Where only one quotation can be obtained, the valuation will be considered in conjunction with other market-based observations such as comparable sources.
  - (iii) Unquoted investments are valued in accordance with International Private Equity and Venture Capital ("IPEVC") valuation guidelines.

The AIF's Board and the Frostrow Valuation Committee will review and approve the valuation and methodology applied to each unquoted investment on a six-monthly basis.
- (c) All other property contained within the Company's portfolio of assets will be priced at a value which, in the opinion of the AIFM, represents a fair and reasonable price.
- (d) If there are any outstanding agreements to purchase or sell any of the Company's portfolio of assets which are incomplete, then the valuation will assume completion of the agreement.
- (e) Added to the valuation will be:
  - (i) any accrued and anticipated tax repayments of the Company;
  - (ii) any money due to the Company because of Ordinary Shares issued prior to the relevant Dealing Day;
  - (iii) income due and attributed to the Company but not received; and
  - (iv) any other credit of the Company due to be received by the Company.



Amounts which are *de minimis* may be omitted from the valuation.

- (f) Deducted from the valuation will be:
- (i) any anticipated tax liabilities of the Company;
  - (ii) any money due to be paid out by the Company because of Ordinary Shares bought back by the Company prior to the valuation;
  - (iii) the principal amount and any accrued but unpaid interest on any borrowings; and
  - (iv) any other liabilities of the Company, with periodic items accruing on a daily basis.

Amounts which are *de minimis* may be omitted from the valuation.

Valuation of the Net Asset Value per share will be suspended only in any circumstances in which the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Any such suspension will be announced to a Regulatory Information Service.

### **Historical performance of the Company**

Details of the Company's historical financial performance are provided in the Company's annual reports and monthly factsheets, which are available on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.

### **Purchases and sales of Ordinary Shares by investors**

The issue of new Ordinary Shares by the Company, either by way of a fresh issue of Ordinary Shares or by way of the sale of Ordinary Shares from treasury, is subject to the requisite shareholder authorities being in place and all Listing Rule requirements having been met. The Ordinary Shares can also be bought in the open market through a stockbroker or other financial intermediary. Ordinary shares qualify fully for inclusion within tax-efficient ISA wrappers. Further information on how Ordinary Shares may be purchased is set out in the section headed "How to Invest" on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

The agreement between the shareholders and the Company for the acquisition of Ordinary Shares in the Company is governed by English law and, by purchasing Ordinary Shares in the Company, shareholders agree that the courts of England have exclusive jurisdiction to settle any disputes. All communications in connection with the purchase of Ordinary Shares will be in English.

The UK has acceded to the Hague Convention on Choice of Courts Agreements 2005 (the "Hague Convention") which applies between the EU member states, Montenegro, Denmark, Mexico, Singapore and the UK and provides for the recognition of foreign judgments in respect of contracts which contain an exclusive jurisdiction clause. The UK has also applied to re-join the Lugano Convention 2007 which would permit for the recognition of judgments based on contracts under the laws of member states regardless of whether the contract contains an exclusive or a non-exclusive choice of law clause in the states that are parties to that convention (i.e. EU member states and Iceland, Norway and Switzerland). However, each member of the Lugano Convention (EU, Iceland, Norway and Switzerland) has a veto on the accession of new members and UK accession may not occur.

## **Fair treatment of investors**

The AIFM has procedures, arrangements and policies in place to ensure compliance with the principles more particularly described in the AIFM Directive relating to the fair treatment of investors. The principles of treating investors fairly include, but are not limited to:

- acting in the best interests of the Company and of the shareholders;
- ensuring that the investment decisions taken for the account of the Company are executed in accordance with the Company's investment policy and objective and risk profile;
- ensuring that the interests of any group of shareholders are not placed above the interests of any other group of shareholders;
- ensuring that fair, correct and transparent pricing models and valuation systems are used for the Company;
- preventing undue costs being charged to the Company and shareholders;
- taking all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, identifying, managing, monitoring and, where applicable, disclosing those conflicts of interest to prevent them from adversely affecting the interests of shareholders; and
- recognising and dealing with complaints fairly.

The AIFM maintains and operates organisational, procedural and administrative arrangements and implements policies and procedures designed to manage actual and potential conflicts of interest.

As at the date of this document, no investor has obtained preferential treatment or the right to obtain preferential treatment.

## **RISK FACTORS**

The Company's key risks and the procedures in place for the management of those risks are set out in the Annual Report which is published on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk). The Company will report in its Half Year Reports, which are also found at [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk), whether the key risks have changed since the year end.

## **RISK MANAGEMENT**

### **Risk profile**

In accordance with the AIFM Directive, the AIFM ensures that the current risk profile of the Company and the risk management systems employed by the AIFM to manage those risks in relation to the Company's portfolio are published in the Company's latest annual report, which is available on the Company's website: [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk).

### **Risk management systems**

The AIFM has established risk management systems in order to manage key risks. Further details regarding the risk management process is available from the AIFM, on request.

## Liquidity risk management

The AIFM maintains a Liquidity Management Policy to monitor the liquidity risk of the Company. Shareholders have no right to redeem their Ordinary Shares from the Company but may trade their Ordinary Shares on the secondary market. However, there is no guarantee that there will be a liquid market in the Ordinary Shares.

Liquidity risk is therefore the risk that a position held by the Company cannot be realised at a reasonable value sufficiently quickly to meet the obligations of the Company as they fall due.

A significant portion of the Company's investment portfolio is invested in liquid equities. As such, liquidity risk is considered not to be significant due to the liquidity of the Fund's investments, cash balances and the absence of any gearing. Under normal market trading volumes, the investment portfolio could be substantially realised within a week.

In accordance with the AIFM Directive, the AIFM will ensure that the following information in relation to the Company's portfolio is published in the Company's annual report, which can be found on the Company's website [www.pacific-assets.co.uk](http://www.pacific-assets.co.uk):

- the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature; and
- any new arrangements for managing the liquidity of the Company.

## Professional negligence liability risks

The AIFM maintains professional indemnity insurance at the level required under the AIFM Directive in order to cover potential liability risks arising from professional negligence.

## SFDR DISCLOSURES

This section contains disclosures in relation to the Company required under Articles 6, 8 and 9 (where relevant) of EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR").

### Article 6 disclosures

#### *Integration of Sustainability Risks*

Stewart Investors holds the following investment beliefs relating to Sustainability Risks<sup>1</sup>:

- Sustainability issues are sources of long-term risk and return, therefore considering Sustainability Risk issues leads to better analyses and investment decisions.
- The execution of ownership rights may increase performance and lower risk over time; assets with well-managed sustainability factors should produce higher risk-adjusted returns over the long term.
- Integrating and assessing Sustainability Risk enhances the quality of our investment processes as Sustainability Risks, when poorly managed, will create long-term material adverse impacts for society, the environment and undermine investment returns.
- Every active investment decision made by the managers includes an assessment of relevant Sustainability Risks and opportunities and the results of this assessment process is documented.
- Sustainability Risks that are relevant at both an operational level (e.g. pollution, human capital management) and at a strategic level (e.g. resource constraints, regulatory change) are considered in the investment analysis.

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<sup>1</sup> means, as defined under SFDR, an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment

- Investments in companies that have a record of poor quality governance practices and systematic breaches of environmental and social standards that are expected to continue are not acceptable as they pose uncontrollable risks to our clients' capital and long-term investment performance.

Sustainability Risk information and data is sourced from in house analysis, from direct engagement and interaction with companies, and from third parties.

### ***Likely impact on returns***

Assessment of Sustainability Risks is complex and requires subjective judgements, which may be based on data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that Stewart Investors or its models will correctly assess the impact of Sustainability Risks on each Fund's investments.

To the extent that a Sustainability Risk occurs, or occurs in a manner that is not anticipated by Stewart Investors or its models there may be a sudden, material negative impact on the value of an investment, and hence the returns of the Company. Such negative impact may result in an entire loss of value of the relevant investment(s) and may have an equivalent negative impact on the returns of the Company. The impacts following the occurrence of a Sustainability Risk may be numerous and vary depending on the specific risk and asset class. In general, where a Sustainability Risk occurs in respect of an asset, there will be a negative impact on, and may be an entire loss of, its value. For a corporate, this may be because of damage to its reputation with a consequential fall in demand for its products or services, loss of key personnel, exclusion from potential business opportunities, increased costs of doing business and/or increased cost of capital. A corporate may also suffer the impact of fines and other regulatory sanctions. The time and resources of the corporate's management team may be diverted from furthering its business and be absorbed seeking to deal with the Sustainability Risk, including changes to business practices and dealing with investigations and litigation. Sustainability Risks may also give rise to loss of assets and/or physical loss including damage to real estate and infrastructure. The utility and value of assets held by businesses to which the Company is exposed may also be adversely impacted by a Sustainability Risk.

Sustainability Risks are relevant as both standalone risks, and also as cross-cutting risks which manifest through many other risk types which are relevant to the assets of the Company. For example, the occurrence of a Sustainability Risk can give rise to financial and business risk, including though a negative impact on the credit worthiness of other businesses. The increasing importance given to sustainability considerations by both businesses and consumers means that the occurrence of a Sustainability Risk may result in significant reputational damage to affected businesses. The occurrence of a Sustainability Risk may also give rise to enforcement risk by governments and regulators, and also litigation risk. A Sustainability Risk may arise and impact a specific investment or may have a broader impact on an economic sector, geographical regions and/or jurisdictions and political regions. Many economic sectors, regions and/or jurisdictions, including those in which the Company may invest, are currently and/or in the future may be, subject to a general transition to a greener, lower carbon and less polluting economic model. Drivers of this transition include governmental and/or regulatory intervention, evolving consumer preferences and/or the influence of non-governmental organisations and special interest groups.

Laws, regulations and industry norms play a significant role in controlling the impact on sustainability factors of many industries, particularly in respect of environmental and social factors. Any changes in such measures, such as increasingly stringent environmental or health and safety laws, can have a material impact on the operations, costs and profitability of businesses. Further, businesses which are in compliance with current measures may suffer claims, penalties and other liabilities in respect of alleged prior failings. Any of the foregoing may result in a material loss in value of an investment linked to such businesses. Further, certain industries face considerable scrutiny from regulatory authorities, non-governmental organisations and special interest groups in respect of their impact on sustainability factors, such as compliance with minimum wage or living wage requirements and working conditions for personnel in the supply chain. The influence of such authorities, organizations and groups along with the public attention they may bring can cause affected industries to make material changes to their business practices which can increase costs and result in a

material negative impact on the profitability of businesses. Such external influence can also materially impact the consumer demand for a business’s products and services which may result in a material loss in value of an investment linked to such businesses. Sectors, regions, businesses and technologies which are carbon-intensive, higher polluting or otherwise cause a material adverse impact on sustainability factors may suffer from a significant fall in demand and/or obsolescence, resulting in stranded assets the value of which is significantly reduced or entirely lost ahead of their anticipated useful life. Attempts by sectors, regions, businesses and technologies to adapt so as to reduce their impact on sustainability factors may not be successful, may result in significant costs being incurred, and future ongoing profitability may be materially reduced. In the event that a sustainability risk arises this may cause investors, including Stewart Investors in respect of the Company, to determine that a particular investment is no longer suitable and to divest of it (or not make an investment in it), further exacerbating the downward pressure on the value of the investment.

**Article 9 disclosures**

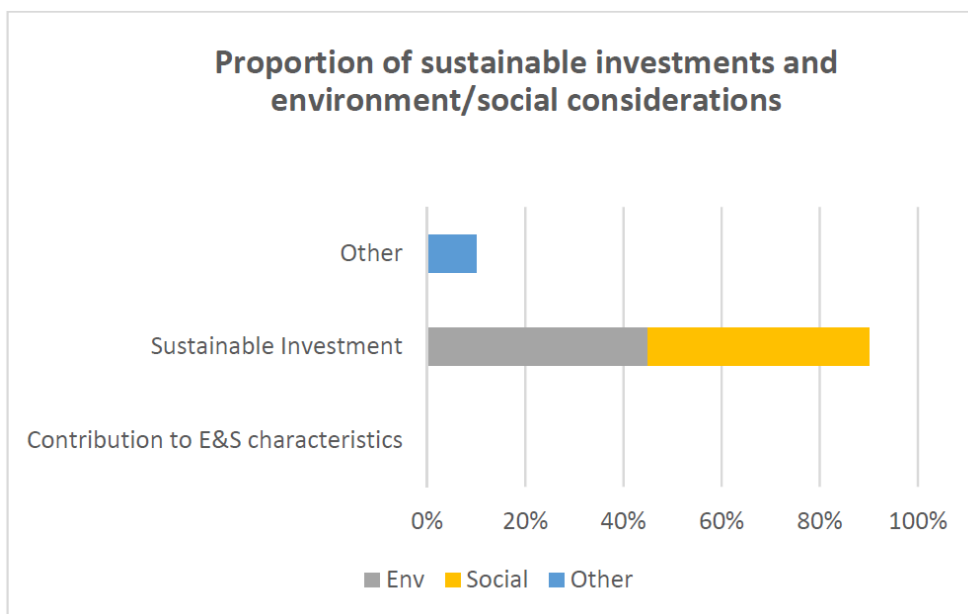
***Sustainable investment objective of the Company***

The Company seeks to achieve long-term capital appreciation by making investments that contribute to positive social and environmental sustainability outcomes.

Positive social sustainability outcomes include the enablement of improved health and wellbeing; access to income-generating and enterprise opportunities; fair employment and workplace safety; access to education and learning opportunities; communication and access to information; financial inclusion; sustainable transport and mobility; better access to housing, water, sanitation and electricity; and social inclusion and reduced inequality.

Positive environmental sustainability outcomes include more careful, efficient and productive use of natural resources; reduced waste and improved waste management; the wider adoption of circular economy practices and measures; the adoption of renewable and cleaner energy technologies; reduced greenhouse gas emissions; reduced water, air and other environmental pollution; a slowing in the rate of land degradation, land use change and loss of forests and biodiversity; and measures and technologies that enable climate change adaptation and resilience.

All existing and future investments by the Company are and will be sustainable investments with either a social or environmental principal objective, with the exception of cash and holdings of cash proxy instruments, which are considered to be sustainability-neutral.



Uninvested assets will be held in cash or near cash equivalents (shown as Other in the chart).

All securities purchased are in the listed equities of investee companies. The Company has no other types of exposure to investments.

The investment process and strategy does not set a planned proportion of investments in different sectors and sub-sectors.

***No significant harm to the sustainable investment objectives***

The bottom-up investment process results in portfolios composed of companies without material exposure to harmful products and services. All harmful business activities are defined and publicly disclosed, and subject to a materiality assessment. Stewart Investor's position on harmful activities and investment exclusions is available at <https://sfg.stewartinvestors.com/our-position-on-harmful-and-controversial-products-and-services>.

Environmentally harmful activities include the exploration, production or generation of fossil fuels and nuclear power. Companies that fail to discharge their environmental stewardship responsibilities in line with the UN Global Compact and other global standards are also excluded.

Socially harmful activities include the production of alcohol products, tobacco products and armaments; involvement in gambling operations; the production and sale of pornography; poor animal welfare practices; animal testing that breaches ethical principles and regulatory standards; failure to respect sexual and reproductive health rights; genetic and embryonic and adult stem cell research activities that fail to meet the highest ethical, safety and regulatory standards or are aimed at the reproductive cloning of humans or animals; failure to comply with globally accepted human rights, norms and standards in relation to modern slavery, child labour, customary land tenure and indigenous rights; and unethical and discriminatory employment practices.

Unacceptable governance practices include carrying out operations with and within oppressive regimes; systemic bribery and corruption; tax avoidance and unacceptably low levels of tax payments; and poor ethical conduct when dealing with customers, suppliers and competitors.

If an investment is held in a company that has a material exposure to harmful products and services, this will be disclosed on the Stewart Investor's 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 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.

***Investment strategy with respect to sustainability***

The hallmarks and binding elements of the investment strategy are an exclusive focus on companies that contribute to and benefit from sustainable development; a research-driven, fundamental, bottom-up approach to the selection and ongoing analysis of investments; a focus on the quality and sustainability attributes of every company; a focus on company stewardship and sound governance; a long-term investment horizon; and a commitment to engagement in order to address sustainability concerns and issues.

The process for selecting and making sustainable investments is oriented towards the sustainable investment objective in the following ways:

- Idea generation is focused on companies whose products and services help solve difficult problems, meet critical needs, and contribute to a more sustainable future.
- Company research is bottom-up and makes use of all available qualitative information and quantitative data to assess and form a judgement on the quality attributes, sustainability positioning, and context in which each company operates.

- Portfolio construction follows a bottom-up process and is done without reference to a sustainability benchmark or any other form of benchmark index.
- Ongoing monitoring focuses on company evolution, including changes in quality and sustainability attributes, the commercial and competitive landscape, the regulatory environment, the political economy context in which the company operates, and in valuation.
- Company engagement is aimed at encouraging company management teams to address sustainability issues and other investment risks and opportunities.

### ***Sustainability indicators***

Below is a list of the sustainability indicators used to measure the attainment of the sustainable objective.

#### ***Environmental indicators:***

|                          |   |
|--------------------------|---|
| Greenhouse Gas Emissions | Carbon footprint                                      |
|                          | Weighted average carbon intensity                     |
|                          | Climate Scenario Analysis – Paris Agreement alignment |
|                          | Carbon emission                                       |

#### ***Social indicators:***

|                     |                                      |
|---------------------|--------------------------------------|
| Social and Employee | Excessive CEO pay ratio              |
|                     | Board gender diversity CEO Pay Ratio |

#### ***Other:***

|  |  |
|--|--|
| Leverage                                       | Assets/equity  |
| Safety   | Fatalities (including contractors)                                       |
| Employee engagement                            | Employee turnover  |
| Harmful or controversial products and services | Disclosure of exposure to harmful or controversial products and services |
| Unethical conduct                              | Disclosure of significant corporate scandals                             |

### ***Sustainable investment objective attainment with a designated index***

No sustainability or any other form of benchmark index will be used to evaluate attainment of the sustainable investment objective.

### **Corporate governance policy**

Analysis of corporate governance practices, both at a boardroom level and in operational execution, is an essential part of the investment philosophy, strategy and process – from idea generation and research through to position sizing and engagement. The analysis focuses on whether company culture, ownership and incentives combine to create a governance approach which balances the interests of all stakeholders – labour, the environment, suppliers, local communities, customers and shareholders.

Important areas of focus are the independence and diversity of Board directors, remuneration structures, staff turnover rates, management longevity, supplier terms like accounts payable days, capital allocation policies and practices, tax policies and practices, and whether companies behave in ways that are more than adequate for them to retain their social license to operate.

Alongside desk research, conversations and meetings take place with company owners, leaders and independent directors in order to build conviction in investee companies' governance practices. Bespoke and

independent research is commissioned on sustainability topics – ranging from hazardous chemicals in paint production to conflict minerals in electronics supply chains – in order to understand how companies are living up to their social and environmental responsibilities.

Analysis performed by third party data providers, such as Sustainalytics, RepRisk and Glass Lewis, is used to assess and monitor whether investee companies comply with standards around governance best practice, global norms and controversies, and to gauge whether companies meet expectations in relation to governance.