Stewart Investors
Sustainable Funds Group

Pacific Assets Trust plc

Quarterly Shareholder Update

Q2

1 April - 30 June 2020

Image location: Bangladesh

Risk factors:
This document is a financial promotion for Pacific Assets Trust plc (the "Trust") only for those people resident in the UK for tax and investment purposes. Investing involves certain risks including:

- **The value of investments and any income from them may go down as well as up and are not guaranteed. Investors may get back significantly less than the original amount invested.**
- **Emerging market risk:** emerging markets may not provide the same level of investor protection as a developed market; they may involve a higher risk than investing in developed markets.
- **Currency risk:** the Trust invests in assets which are denominated in other currencies; changes in exchange rates will affect the value of the Trust.
- The Trust's share price may not fully reflect net asset value

Reference to specific securities (if any) is included for the purpose of illustration only and should not be construed as a recommendation to buy or sell. Reference to the names of any company is merely to explain the investment strategy and should not be construed as investment advice or a recommendation to invest in any of those companies.

For an overview of the terms of investment, risks, returns, costs and charges please refer to the Key Information Document which can be found on the Trust's website: www.pacific-assets.co.uk.

If you are in any doubt as to the suitability of the Trust for your investment needs, please seek investment advice.

Contents

Investment objective

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

Rainbow washing the SDGs away

The Sustainable Development Goals (SDGs) have been broadly embraced by financial institutions. This is a positive move, and timely too. The 2019 Edelman Trust Barometer[1G] indicates that the finance industry remains the least trusted business sector and is often, quite rightly, blamed for failing to address the great social and environmental challenges of our time.

In this environment, the SDGs offer a unique opportunity, some might say life raft, to align the purpose of finance with globally agreed sustainable development objectives. The United Nations (UN) itself argues that finance must play a critical role in closing a funding a gap in developing countries, estimated to be USD2.5 – 3 trillion per year between now and 2030[2].

This shift is supported by client demand, with Morningstar reporting a 'Record-Shattering Year for Sustainable Investing'[3] in 2019. With this has come a proliferation of funds that claim to invest sustainably, with many linking their investment objectives to the SDGs. Indeed, even 'mainstream' investors, like large pension funds and sovereign (state-owned) wealth funds have sought to map their investments to the goals.

Running hard on quicksand – investors are struggling to validate and articulate SDG contributions

The embrace by investors of the SDGs is not without its issues and carries significant risks. Unlike other responsible investment approaches, the SDGs were not designed as a private investment framework, nor are there agreed disclosure requirements or minimum standards. To make matters worse, the information that investors rely on to make decisions related to the SDGs is even sketchier than it is for other environmental, social and governance (ESG) factors, with the Ethical Corporation[4] and Oxfam[5] among others finding that SDG reporting by companies is weak and given to 'greenwashing'[G], or 'rainbow washing'[G].

There are several issues we have seen with different external fund reporting:

1. Lack of balance, where case studies of positive SDG impacts are not balanced with risks and issues the company faces.

2. Lack of portfolio disclosure, so clients and stakeholders are left to rely on high level ESG metrics and case studies.

3. Simplistic and overly-broad approaches to tagging company contributions which can lead to misaligned and inappropriate stock inclusions.

4. A lack of information on the approach and processes, both where qualitative judgments are required or where quantitative approaches fail to acknowledge data issues and gaps.

It is one thing to have omissions from disclosures that are properly addressed through the investment process. However, we have also seen instances where companies are included in SDG labelled funds when we believe they do not deserve to be. For example, pharmaceutical companies like AbbVie who have faced criticism for drug pricing and rate poorly in the Access to Medicine Index[G] across most areas. The company has also faced controversies over elaborate kickback[G] schemes for doctors and engaged in extensive litigation to prevent competition from generics for their Humira drug, which is technically, although not practically, off-patent.

Companies like AbbVie are sometimes simplistically tagged with SDG 3 – Good Health and Well-being. However, as this example shows, it is important to look deeper at a company's business practices.

Examples like these also underline the importance of focusing on the 174 targets rather than take a broad view on the 17 goals, which in some applications can capture the majority of companies. Even socially useful and ethical companies should not be tagged with SDGs if they do not in fact contribute to the underlying targets.

The critique in this article is not about individual fund's investment choices, but rather the inability for clients and prospective clients to understand what choices are being made and why. Even well intended approaches in this regard risk a fund's reputation and further reducing public confidence in the whole industry.

What can fix this problem?

We believe that a principles-based framework is required - one which can help improve the credibility of SDG-related claims while allowing for the diversity of reasonably held beliefs and approaches to sustainable investment.

To achieve this end, we have developed and started to apply principles for our own SDG claims. We believe these principles have broader application, both by asset owners wishing to test the claims made by asset managers, and asset managers wanting to ensure the credibility of their own products. The principles are as follows:

SDG claims should:

1. Demonstrate a clear link to SDG targets, especially where developing countries are differentiated from developed.

2. Be meaningful and relevant for the company (not corporate philanthropy) either as:

   a. a revenue/growth driver

   b. strategic initiative backed by research and development (R&D) and capital expenditure

   c. a function of deep culture and 'how they do things' e.g. for gender equality targets

3. Make a real and preferably recurring difference to target outcomes by being demonstrable (not necessarily measurable) and deliberate.

4. Recognise and be transparent about negative impacts from the company, including contradictions and risks of perverse outcomes – with claims only being made where disclosure is balanced and comfort can be drawn that negatives are being addressed.

Additionally, investors should be clear about what type of contribution an investee company is making, recognising that not all 'sustainable' companies necessarily contribute directly to the SDG targets with companies noted as either providing:

1. Direct contributions to targets

2. Enabling/supporting activities

3. Sustainable and socially useful products and services, but not directly relevant to a target

By extension, applying these principles would require full portfolio holdings disclosure.

Principles in practice - examples of how companies are contributing to sustainable development

In our attempts to apply these principles we have started an exercise to categorise the companies held in the Trust and hope to share our findings with you in due course.

In the meantime, an example of a company whose products are sustainable and socially useful, but not directly linked to an SDG target, is Pigeon, which manufactures and distributes best-in-class infant feeding products, including bottles and breast pumps, but also health and hygiene products for the elderly.

Standards for claims made about the SDGs across the industry must improve, lest trust be further eroded and the all-important real world impacts fail to materialise. Transparency is a critical feature of building trust, as is the ability to demonstrate that companies are making a meaningful and enduring impact on sustainable development through their core business activities and conduct. As we look to improve our own disclosure, we invite other investors to join us on this journey.

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[1] Source: 2019 Edelman Trust Barometer.

[2] https://www.un.org/sustainabledevelopment/wp-content/uploads/2019/07/EXEC.SUM_SG-Roadmap-Financing-SDGs-July-2019.pdf

[3] https://www.morningstar.co.uk/uk/news/199190/record-shattering-year-for-sustainable-investments.aspx

[4] http://globalsustain.org/files/The%20Responsible%20Business%20Trends%20Report%202019.pdf

[5] https://oxfamilibrary.openrepository.com/bitstream/handle/10546/620550/dp-walking-the-talk-business-sdgs-240918-en.pdf

Source for company information: Stewart Investors investment team. The Stewart Investors Sustainable Funds Group supports the Sustainable Development Goals (SDGs). The full list of SDGs can be found on the United Nations website.

Significant Trust changes

Image location: Japan

One common characteristic of the many new purchases for the Pacific Assets Trust is the presence of net cash[G] balance sheets. Like the Trust, there is no net financial gearing (debt) in any of the new companies added to the Trust. This is not to say that we avoid companies with debt. We have and will own companies which owe money to creditors. Nippon Paint is a good example. Within the last year, the relatively new stewards here have increased debt four fold to finance an acquisition. Initially we were comfortable with this decision as earnings before interest and tax covered interest payments some 18x over and there was an intention to pay down debt quickly. A recent conversation, however, with a new and ambitious CFO left us feeling slightly less comfortable, as it was clear he was more disposed to carrying the debt than we had understood. In isolation this is not particularly alarming but we also note a changing culture as new management crowd out more conservative older voices. With this in mind and with valuations extended, we trimmed Nippon Paint and remain vigilant of an old adage: 'a hundred load of worry will not pay an ounce of debt'.

This adage must also ring true to the CEOs of banks – the creators of loans who need and demand to be paid back. While we are extremely comfortable with the resilience of the balance sheet of each of the banks in the Trust, the wonders of fractional reserve banking[G] means that assets comfortably exceed equity and are mostly financed by liabilities (debt). Moreover, with interest rates that are likely to be lower for longer, the prospect of profitable loan growth is more competitive and challenging than in previous years. For these reasons we reduced our holding in OCBC Bank in Singapore. We also divested completely from E.Sun Financial in Taiwan, with these reasons in mind, but mostly for reasons of valuation and inadequate position size. We also divested our remaining holding in Kalbe Farma due to increasing concerns over the quality of the franchise. The small reductions of Vitasoy and Tech Mahindra are explained by position size combined with mildly rising concerns over franchise quality.

Fortunately, we were able to buy an array of new franchises, with high quality stewards and strong financials. Tokyo Electron, the semiconductor equipment manufacturer is one example. As the name suggests this company is listed in Japan but sales to Japanese customers account for only 15% having been 25% six years ago. In contrast, sales to China have risen from 14% to 22% in the same period. The company has USD3 billion cash on hand and has shown itself capable of counter cyclical[G] capital allocation when it acquired a stake in the then troubled, but now strong, ASM International, back in 2009. We also acquired MediaTek, a Taiwanese fabless[G] design house, which indirectly benefits from the quality of Tokyo Electron products and is benefitting from increasing demand for semiconductors in China.

The Trust also increased its direct exposure to China through the purchase of Guangzhou

Kingmed Diagnostics, Centre Testing International and Hualan Biological Engineering. Minimal government interference, strong franchises with long growth opportunities, as well as high quality, ambitious and entrepreneurial stewards are shared by all these companies. The purchase of Naver (South Korea) and Infoedge (India) add franchises that are powered by the internet to the Trust. Naver, the most dominant search engine in South Korea, owns a messaging service that spans much of Asia and is building an e-commerce and payments business. Meanwhile, Infoedge dominates online classified advertisements in India. With these additions to the quality of the existing portfolio we remain confident of the prospect of long-term steady growth without the worry of debt.

During the quarter Chris McGoldrick recorded a webcast on the Trust. Please visit the Trust's website to listen to his update: https://www.pacific-assets.co.uk/trust-information/pacific-assets-trust-webcast-disclaimer/

Source for company information: Stewart Investors investment team.

Taiwan Semiconductor Manufacturing Company (TSMC)

Country	Taiwan
Market Cap[G]	USD283 billion
Shareholders since	July 2010
Description	Design, manufacture and sale of integrated circuits and other semiconductor devices
Stewardship	87% free-float[G], 6% owned by the Taiwan government and the rest owned by employees

TSMC is the world's largest independent semiconductor foundry, offering the most advanced semiconductor process technology available in the world (currently 5-nanometer capabilities). The company manufactures and sells integrated circuits that are used in a wide variety of end products including smart phones, PCs, automotive electronics and industrial equipment. TSMC has roughly 50% of the market share in global foundry, which is more than double the level of its nearest competitor, Samsung. The company benefits from economies of scale, leading-edge technology, excellent operational execution and high levels of trust from their clients. Their balance sheet is consistently net cash, cash flows remain strong through the cycle and they continue to invest significantly in R&D. Risks relate to technology maturity (Moore's law[G]), trade wars (particularly between China and the US), increasing competition and a general economic slowdown.

SDGs supporting

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

> SDG 8: Decent Work & Economic Growth
TSMC pay above average wages (in the top 25% of the industry) and the average monthly salary of direct labour in TSMC's facilities in Taiwan is 3 times higher than minimum wage.

> SDG 9: Industry, Innovation & Infrastructure
TSMC chips are a core component of innovative technologies, helping to improve lives across various domains (e.g. smart phones, electric and autonomous vehicles, and IoT). They spend around 9% of sales on R&D and have over 34,000 global patents.

SDGs to engage on

5 GENDER EQUALITY

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

> SDG 5: Gender Equality
Gender diversity

> SDG 12: Responsible Consumption and Production
Due diligence in their supply chain (including 3TG conflict minerals[G])

Source for company information: Stewart Investors investment team. The Stewart Investors Sustainable Funds Group supports the Sustainable Development Goals (SDGs). The full list of SDGs can be found on the United Nations website.

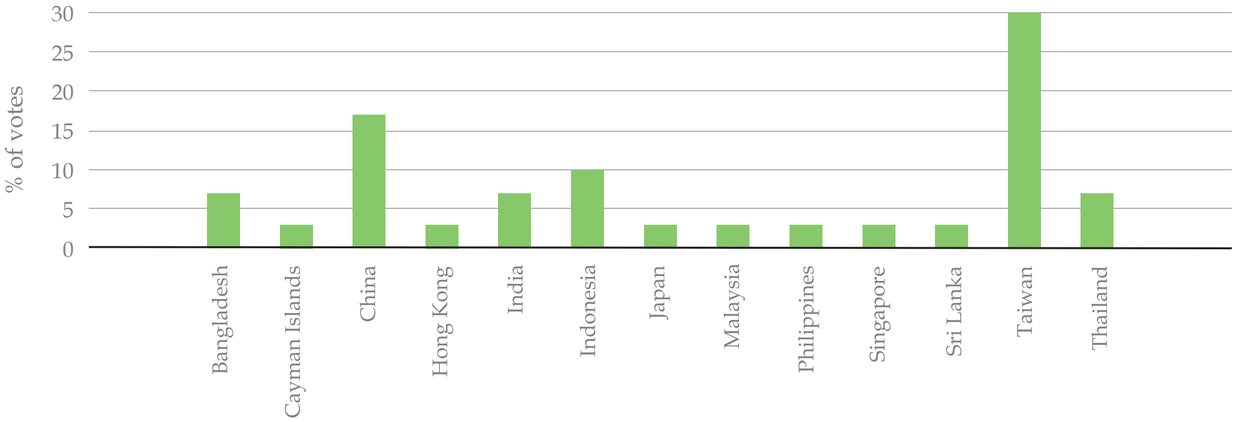
Proxy voting

During the quarter for the Pacific Assets Trust there were 262 company resolutions to vote on. On behalf of shareholders, we voted against 20 resolutions relating to corporate structure.

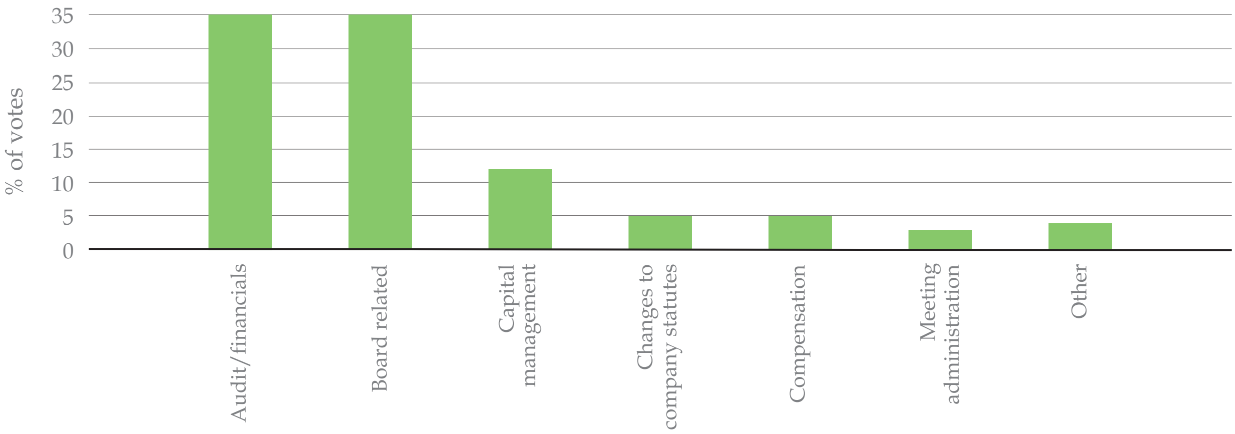
- We voted against **Hualan Biological Engineering**'s request to invest in wealth management products as we believe any idle capital within the business should either be returned to shareholders through dividends or reinvested back into the company. (1 resolution)
- We voted against **Robinsons Retail**'s request for management to approve all other business matters before the annual general meeting (AGM) of shareholders. We consider ourselves active shareholders and prefer to vote on such matters at the AGM. (1 resolution)
- We voted against a number of resolutions from **Guangzhou Kingmed Diagnostics** which related to the company requesting permission to authorise a non-public China A-share[G] offering. We do not believe the proposed private placement of the shares is in best interest of shareholders and the potential dilution exceeds recommended thresholds. (16 resolutions)
- We voted against **Pentamaster International**'s request to repurchase issued shares and issue shares without pre-emptive rights as the share discount rate has not been disclosed. (2 resolutions)

If you would like a full list of all proxy voting for the companies held in the Trust, please contact us directly.

Proxy voting by country of origin



Proxy voting by proposal categories



Source for company information: Stewart Investors investment team. Numbers may not add to 100 due to rounding.

Why climate change measures do not make sense, and how we can fix them

If asked to list climate change solutions, many of us would start with renewable energy. It is obviously a key one given the use of fossil fuels for energy is the largest contributor to greenhouse gas emissions globally[6]. However, beyond that we may soon get stuck, particularly if asked to focus on how much specific technologies or social changes can potentially contribute to decarbonising the economy; harder still if trying to identify a group of solutions which will be enough to achieve the goals of the Paris Agreement[G].

Many research providers and standard-setting bodies have been working on climate measures and disclosures for investors with mixed success. A key gap is that no current standard, when considered across a portfolio of listed-equity investments, covers the essential questions of how much of a contribution can different solutions make and whether collectively they are enough.

Some approaches focus on splitting revenues from sustainable activities like renewable energy versus unsustainable ones like burning fossil fuels, mostly based on industry involvement. More ambitious efforts like the Paris Agreement Capital Transition Assessment (PACTA), a collaboration between 2° Investing Initiative[G] and the Principles for Responsible Investment[G], goes further and looks at the capital investment plans for companies in some sectors and whether they are aligned with Paris targets.

The European Union's sustainable finance taxonomy[G] has undertaken the significant task of setting thresholds for different activities to draw a line between what can and cannot be called sustainable. While the TCFD (Financial Stability Board Task Force on Climate-related Financial Disclosures[G]), rather disappointingly, has suggested portfolio level carbon intensity should be the primary metric for investor disclosure and presumably management of climate risks.

Climate change is unquestionably a complex issue, more so when considered alongside the speed and scale of change required to prevent the worst impacts of this environmental crisis. It is understandable then, that attempts to measure the implications of this issue for an investment context will also carry a degree of complexity and that it would be impossible for any single metric to capture this complexity.

While the various approaches should be useful for some investor types in some contexts, as an active[G], global, sustainable development[G] focused, listed-equity investor, we have found current approaches near meaningless and often misleading. While regulators around the world expect investors to communicate to clients in plain and understandable language, our industry has built an incomprehensible jumble of information and ratings to describe climate change risks and opportunities.

For us, issues broadly fall into four areas:

- **Measuring the wrong things**
  Because of our focus on sustainable development, many of the companies in

carbon-intensive sectors or with highly polluting products and services, are never going to be investible and so footprints and capital expenditure[G] plans are not helpful beyond confirming what clients would already expect. For other investors who wish to tweak around the edges of benchmarks[7] or who choose to stay invested and engage with highly polluting companies, carbon footprints and tools like PACTA will be very useful, it is just not for us.

- **Drawing too narrow a frame**
  Climate change is a systemic problem, yet too often the investment implications are looked at too narrowly.

  A significant part of our investment philosophy revolves around the idea of sustainability positioning, which we often refer to as headwinds or tailwinds. The tailwinds we are looking for relate to the products or services provided by the company and so for companies offering climate solutions, the impacts are often downstream from the company itself.

  The difficulty in calculating avoided emissions for these companies is part of the issue, but for us the issue runs deeper because the supply chains which support solutions are not taken into account. Take for example companies like robotics manufacturer Fanuc and semiconductor manufacturer Taiwan Semiconductor (TSMC). Both these companies provide essential technologies for the development of electric vehicles, but neither would normally be classified as a solutions company.

  Looking upstream reveals similar challenges. For example, the role that large buyers of wood products, such as a pallet business or a consumer goods company can have on reducing deforestation and promoting forest protection is significant, but none of these important contributions would be recognised in traditional climate change assessments.

- **Backward looking**
  While PACTA considers capital expenditure plans, these are only five years out and in a few sectors. All other approaches effectively look backwards at either emissions or revenue splits. We are long-term investors and try to take at least a ten-year view, which is why sustainability considerations are so important to the way we invest. Part of looking forward is understanding how big the opportunity is likely to be years into the future, which is too often undefined in the context of investing for climate solutions.

- **False precision and hiding real insight through aggregation**
  Notwithstanding caveats in the fine print, all the approaches to measuring and describing climate change related investments, invariably offer a number at the portfolio level, often with multiple decimal places, as 'the' answer.

  Our investment approach relies on qualitative and subjective analysis in the understanding of quality. While what gets measured might get managed, we believe that not everything that gets measured matters and that not everything that matters can be measured. This includes holistically understanding company relationships, competitive dynamics, stewardship and reputation to name a few. As bottom-up investors, aggregation of climate metrics hides the stories of the companies we invest in and obscures real world impacts with abstraction.

Taken together these issues have made reporting on climate change particularly challenging for us.

Fortunately there is another way. Project Drawdown was founded in 2014 by Paul Hawken and Amanda Ravenhill to uncover the most substantive solutions to stop climate change and communicate them to the world. Using rigorous analysis and review, the initiative published the bestselling book

Drawdown in 2017 which catalogued 80 climate change solutions with the potential to meet the Paris Climate change goal of holding global warming to well-below 2°C. By estimating the emissions reductions possible from scaling each solution, the initiative not only catalogues practical solutions for emissions reductions, but how large each may become in the future. In 2020, Project Drawdown published a major review which updated the solutions to account for technological progress.

Using Project Drawdown's solutions we have begun an exercise to map the products, services and practices of the companies held within the Trust managed by the Sustainable Funds Group. We hope this analysis will present a balanced picture of how companies are impacting the climate and look forward to sharing the findings with you soon.

[6] Source: https://www.epa.gov/ghgemissions/global-greenhouse-gas-emissions-data

[7] Some other investors start with the benchmark and they make changes to that. Many low carbon strategies, particularly Exchange Traded Funds make tweaks to the benchmark to reduce carbon exposure.

Source for company information: Stewart Investors investment team.

Engagement

Micro-insurance: inclusive protection at the bottom of the pyramid[G]

In 2019, using the PRI Collaborative Engagement platform we instigated an engagement initiative entitled Micro-insurance: inclusive protection at the bottom of the pyramid. We were overwhelmed with the support this initiative received, totalling 34 investors with a combined USD1.4 trillion assets under management. It is clear that the investor community understands well that protection products have huge potential in allowing poor communities to invest in new income-generating assets without taking on undue risk.

On the basis of this collaboration, we wrote to 49 local insurance providers across Latin America, Africa and Asia Pacific, encouraging them to take a leading position in the development of best practice around the provision of micro-insurance tailored for and aimed at those who are simultaneously in the most desperate need for financial protection and yet are the least well served today.

In this, we collaborated with the MicroInsurance Centre at Milliman (MIC) in the US, a consultancy who are very experienced in helping corporates in emerging markets to develop sustainable and profitable micro-insurance products. We were fortunate enough that they agreed to support the initiative and they have been helping us by working with companies to develop new policies to see if we can create some real impact on their businesses and in the societies they operate in.

Through our Mission Investor Exchange membership, at the start of 2020, in collaboration with the MIC, we were invited to participate in one of their virtual learning opportunities outlining what micro-insurance is and why we need it. To listen to this recording please visit their website: https://missioninvestors.org/resources/what-micro-insurance-and-why-it-needed

We received responses from companies across different markets at various stages of evolution in this area. Admittedly there were a number of companies that failed to respond to our engagement efforts. Rather than force the issue with these companies, we focused our engagement efforts with those that were both interested and keen to pursue the opportunity of micro-insurance, but had not yet built up their capabilities to the fullest extent possible.

We managed to have some initial conversations with company executives at a number of large, listed emerging market firms, including SulAmérica (Brazil), Mahindra & Mahindra (India) and Commercial International Bank (Egypt). We have and will continue to make the case for micro-insurance in our interactions with emerging markets financial institutions and would encourage others to do the same.

The most promising single engagement we had was with the Chief Executive of Botswana Insurance. The company is in a sweet spot of having explored micro-insurance sufficiently to realise its potential, but not yet having gone as far as to finish building out the product suite, distribution network and underwriting models. The MIC are working with the company to take this forward.

The goal of this collaborative engagement was to generate some change in the real world, particularly in the lives of people at the bottom of the pyramid. We were under no illusions, having been investing in emerging markets since the early 1990s, that widespread change does not come quickly and that many corporates would likely not commit to it.

To have prompted progress in Botswana, helping to provide protection for the poorest people via collaborative engagement with the MIC, we believe is a good outcome.

Deforestation

In 2019 we signed the PRI global investor statement on deforestation and forest fires in the Amazon. This statement calls on companies to redouble their efforts and demonstrate clear commitment to eliminating deforestation within their operations and supply chains.

As investors, we are not forest experts and cannot claim to have the solutions, but we do try to understand risk. The deforestation trends suggest that the current approach is not working and something different needs to be done.

Sustainable sourcing and environmental stewardship are critical considerations in our company analysis. We have never owned livestock, big agricultural or trading companies due to the quality of franchise, quality of management and sustainability headwinds. However, the complexity and opacity of soft commodity supply chains make complete avoidance of deforestation very difficult, and near impossible for global consumer goods companies.

Consumer companies we invest in across the Sustainable Funds Group strategies, including Unilever, Jerónimo Martins, Marico, Kikkoman and Vitasoy, all buy and use agricultural commodities. Due to the complexity and limited traceability in soft commodity markets, particularly for soy, it is likely Brazilian sourced soft commodities linked to deforestation exist in these companies' supply chains.

As a result we engaged with a number of companies across the strategies that are either: consumer goods companies which we believe could do more to address the issue; financial lenders operating in countries/regions where deforestation is a particularly pertinent issue; companies whose industries have a specific relevance to deforestation; and companies that we believe are leading in their efforts but could also do more.

In our letters to companies we asked them to consider making a global zero deforestation commitment, to provide greater disclosure in their annual reports on their progress towards no deforestation commitments and projections, as well as provide clearer breakdowns of the percentage of production/consumption covered by their commitments, the percentage traceability of their production/consumption and whether they had any specific sustainable production/procurement standards for disclosed commodity(ies) other than third-party certification.

Responses and conversations we have had with companies to date on the issue have been encouraging and provide good signals on how seriously the issue is being taken. Many of the companies either already have their own independent strategies and/or principles in place or are working towards developing them in conjunction with their suppliers to ensure all direct and non-direct materials comply with their commitments to conservation of natural resources and no deforestation. It is a clear from our conversations that many believe collaboration and partnership are essential to stopping deforestation and there is a willingness to work with third party organisations to improve their disclosures and traceability within supply chains.

Colgate-Palmolive has traceability to the mill for 100% of tier one suppliers and are making good progress with tier two (palm oil derivatives mostly), and are increasingly using satellite technology backed with on-the-ground verification to support this.

Brambles, given the circularity of their business model, also reported impressive numbers: 99.7% of wood from certified sources, 94% of wood and 100% of plastic diverted from land fill from their largest sites, with downstream benefits for customers, including 2m tonnes of greenhouse gas (GHG) emissions saved. Their new sustainability strategy not only has ambitious targets on these already impressive numbers but has a focus on 'regeneration' and seeking to restore ecosystems.

We were also delighted to learn that Kasikornbank is the first Thai bank to have adopted the UN Environment Programme Finance Initiative – Principles of Responsible Banking and they have revised the credit policy to specifically include clauses on forest protection and biodiversity conservation. The CEO at Kasikornbank has also been personally mandated by their government to co-lead a public-private task force to tackle the assignment of the recovery of denuded forest in a mountainous northern province of Nan, adding further confidence that we are fully aligned in our concerns on these critical issues.

We will shortly be sending our findings to the companies that we engaged with as well as undertaking further research to help us continue our engagement.

Source for company information: Stewart Investors investment team.

Trip report

Due to the ongoing coronavirus pandemic, we have had to cancel several research trips planned this year to Japan and South Korea. We therefore do not have any trip reports to share for this quarterly report.

On a practical basis, the team have been committed to working flexibly, including remotely, for many years and are adept at multi-location meetings. As a result, there has been minimal disruption to the investment process from home confinement.

Over the quarter the team have managed to replace these trips with 132 company meetings via videoconference.

Other news

Altiorem

Furthering the progress of sustainable investment is a core part of the Sustainable Funds Group approach and values. We are supportive of initiatives that enable more people to consider sustainable financial practices. Recently, Altiorem, an Australian registered charity and to our knowledge the world's first community-built sustainable finance library was launched. Pablo Berrutti, a member of the Sustainable Funds Group, has been instrumental in establishing the charity and his work is testament to the team's personal commitment to this cause. According to Pablo, who donates a day a week to Altiorem, "The global platform is dedicated to supporting advocates for sustainable finance, while also engaging and educating the next generation of finance leaders on critical sustainability issues like climate change and human rights." Altiorem is a Wikipedia-like model where university student volunteers work with industry experts to publish summaries of relevant sustainable research. Members of the library suggest and rate content which ensures the library stays relevant and high quality. Altiorem's hope is to build a comprehensive and well-organised resource that benefits the whole industry. If you would like more information on the library, you can visit Altiorem at www.altiorem.org.

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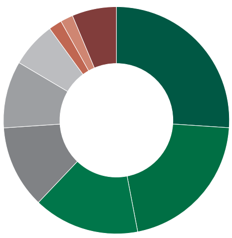
Pacific Assets Trust plc GBP - 30 June 2020

Trust Size **£340m** **Number of Holdings** **60**

Ten Largest Holdings

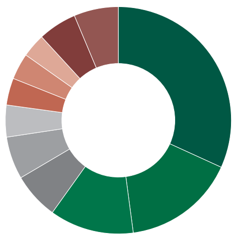
Stock Name	Portfolio Weight (%)	**Comparator Index Weight (%)
Vitasoy International Holdings	4.8	0.0
Hoya Corp.	4.1	0.0
Unicharm Corporation	3.9	0.0
Marico Limited	3.2	0.0
Mahindra & Mahindra Ltd.	3.0	0.1
Tech Mahindra Limited	3.0	0.1
Philippine Seven PHP1	2.6	0.0
Koh Young Technology Inc	2.5	0.0
Delta Electronics, Inc.	2.5	0.2
Dr Lal Pathlabs Ltd	2.5	0.0
Total	**32.1**	**0.4**

Sector Breakdown



*Comparator Index Weight

Country Breakdown



*Comparator Index Weight

Cash Equivalents may include T-Bills.

Market Capitalisation (% in GBP)

	0 to 500m	500m to 1bn	1bn to 2.5bn	2.5bn to 5bn	5bn to 10bn	10bn to 50bn	50bn to 100bn	100bn+
Portfolio Weight	10.9	8.0	14.1	12.3	17.1	27.5	2.0	1.8
**Comparator Index Weight	0.0	0.2	3.9	8.7	13.6	35.3	6.9	31.4

FactSet does not always have full stock coverage; weights may not total 100%

Contribution Analysis - 12 Months

Top Three Contributing Stocks

Stock Name	Portfolio Weight (%)	Value Added (bps)
Unicharm Corporation	3.9	132
Nippon Paint Co., Ltd.	1.8	124
Hoya Corp.	4.1	86

Bottom Three Contributing Stocks

Stock name	Portfolio Weight (%)	Value Added (bps)
Tech Mahindra Limited	3.0	-139
Kasikornbank Public Co. Ltd.	1.2	-101
Mahindra & Mahindra Ltd.	3.0	-86

Annual Performance (% in GBP)

	12 mths to 30/06/20	12 mths to 30/06/19	12 mths to 30/06/18	12 mths to 30/06/17	12 mths to 30/06/16
NAV	-3.6	8.8	9.5	15.9	12.9
Share Price	-11.8	16.8	6.3	22.1	5.8
Consumer Price Index (CPI) +6%	6.7	8.3	8.7	9.2	6.5
MSCI AC Asia ex Japan Index	4.7	3.2	8.1	30.4	3.5

Cumulative Performance (% in GBP) to 30 June 2020

	Since Inception*	10 yrs	5 yrs	3 yrs	1 yr	6 mths	3 mths
NAV	161.8	-	50.3	14.8	-3.6	0.3	19.8
Share Price	172.4	-	41.4	9.5	-11.8	-3.7	24.3
Consumer Price Index (CPI) +6%	118.6	-	46.1	25.6	6.7	3.0	1.3
MSCI AC Asia ex Japan Index	115.1	-	57.9	16.9	4.7	2.1	17.1

These figures refer to the past. Past performance is not a reliable indicator of future results.
Source for Trust: Lipper IM/Bloomberg/Trust Administrator. 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 Trust. The NAV includes dividends reinvested on a net of tax basis.
**Source for comparator MSCI AC Asia ex Japan Index and CPI data: FactSet. Comparator index calculated on an income reinvested net of tax basis. It is shown to provide additional context for investors seeking exposure to the region.
CPI data is quoted on a one month lag. Performance calculated from when Stewart Investors became Investment Manager of the Trust on 1 July 2010.

Contributions are calculated at the investee company level before the deduction of any fees incurred at Trust level (e.g. the management and administration fee) but after the deduction of transactional costs. Contribution data is calculated from the full portfolio and includes cash.
Any stocks held/listed in non-index or regional countries have at least 25% of their economic activities (at the time of investment) within the Asia Pacific region.

Glossary

2° Investing Initiative: a leading global think tank on sustainable finance, developing the regulatory frameworks, data, and tools to help align financial markets with climate goals.

3TG conflict minerals: tin, tantalum, tungsten and gold - which sometimes finance armed conflict or are mined using forced labour.

Access to Medicine Index: analyses how the world's largest pharmaceutical companies are addressing access to medicine in low- to middle-income countries for various diseases, conditions and pathogens.

Active investors: take a hands-on approach, typically making portfolio decisions based on their own analysis as opposed to passive investors who buy shares based on index constituents and weightings.

Bottom of the pyramid: the poorest group in a society.

Bottom-up: analysis of a company focused principally on its management, franchise and financials rather than the broader industry in which it operates, or macroeconomic factors, such as economic growth.

Capital expenditure: commonly known as capex, is expenditure applied by a company to acquire, upgrade, and maintain physical assets such as property, buildings, industrial plant, technology or equipment.

China A shares: also known as domestic shares are shares of mainland China-based companies that trade on the two Chinese stock exchanges, the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

Counter cyclical: companies that typically do better during economic downturns or taking action during an economic downturn.

Edelman Trust Barometer: an annual trust and credibility survey, measuring trust across a number of institutions, sectors and geographies. The 2019 Barometer surveyed more than 33,000 respondents across 27 countries.

European Union's sustainable finance taxonomy: a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy.

Fabless: a company which designs microchips but contracts out their production rather than owning its own factory.

Fractional Reserve Banking: a banking system where only a small amount of a bank's loans are backed up by cash deposits.

Free-float: a listed company where there is no identifiable principal owner.

Greenwashing: making products appear more environmentally friendly than they are.

Headwinds: conditions which slow growth or progress.

Kickback: is an illegal payment intended as compensation for preferential treatment or other improper services. The kickback may be money, a gift, credit, or anything of value.

Market capitalisation: the value/size of a company traded on the stock market.

Moore's Law: is the observation that the number of transistors in a dense integrated circuit doubles about every two years.

Net cash: a company's total cash minus total liabilities when discussing financial statements.

Paris Agreement: The Paris Agreement sets out a global framework to avoid dangerous climate change by limiting global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. It also aims to strengthen countries' ability to deal with the impacts of climate change and support them in their efforts. The Paris Agreement is the first-ever universal, legally-binding global climate change agreement, adopted at the Paris Climate Conference (COP21) in December 2015.

Principles for Responsible Investment: a United Nations-supported international network of investors working together to implement its six aspirational principles. Its goal is to understand the implications of sustainability for investors and support signatories to facilitate incorporating these issues into their investment decision-making and ownership practices.

Rainbow washing: making products appear more aligned and targeted to the colourful icons of the United Nations Sustainable Development Goals.

Tailwinds: conditions favourable to growth or progress.

TCFD: The Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) is a market-driven initiative, set up to develop a set of recommendations for voluntary and consistent climate-related financial risk disclosures in mainstream filings.

Important information

References to “we” or “us” are references to Stewart Investors. Stewart Investors is a trading name of First State Investment Management (UK) Limited.

In the UK, this document has been issued by First State Investment Management (UK) Limited which is authorised and regulated by the Financial Conduct Authority (registration number 119367). Registered office 23 St. Andrew Square, Edinburgh, EH2 1BB (company number SCO79063).

Pacific Assets Trust plc (“The Trust”) is an investment trust, incorporated in Scotland with registered number SC091052, whose shares have been admitted to the Official List of the London Stock Exchange plc. The Trust is a Small Registered UK Alternative Investment Fund Manager under the Alternative Investment Fund Managers Directive. The Trust has delegated certain portfolio management responsibilities to First State Investment Management (UK) Limited. Further information is available from Client Services, Stewart Investors, 23 St Andrew Square Edinburgh, EH2 1BB or by telephoning 0800 587 4141 between 9am and 5pm Monday to Friday or by visiting www.pacific-assets.co.uk. Telephone calls with Stewart Investors may be recorded.

The distribution or purchase of shares in the Trust, or entering into an investment agreement with Stewart Investors may be restricted in certain jurisdictions.

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SFGQIRPAC Q2 0720