

February 2010



**Peter Dalgliesh**  
Fund Manager

## Trust aims

To achieve long term capital growth through investment in selected companies in the Asia Pacific region and the Indian sub-continent, but excluding Japan and Australasia.

## Trust highlights

- Offers investors a concentrated portfolio of Asia's leading growth companies.
- Asian export growth remains dependent on the global economic cycle, but of greater interest is the recent improvement in access to credit which is supporting the emergence of the Asian consumer.
- Underleveraged corporate balance sheets in Asia reduces sensitivity to changes in interest rates, increases free cash flow generation and is increasingly attracting merger and acquisition activity.
- Employs gearing selectively to enhance performance, predominantly in the top 10 core holdings.

## Peergroup

Pacific Assets Trust is managed against a peergroup of similar investment companies investing in the Asia-Pacific region comprising of Henderson TR Pacific Investment Trust, INVESCO Asia Trust, Schroder Asia Pacific Fund, Fidelity Asian Values, Edinburgh Dragon Trust, Pacific Horizon Investment Trust and JPMorgan Asian Investment Trust.

## Average annual return

Average annual return figure over 5 years 11.64%

## Key details

Fund Type	Investment Trust
Launch Date	1985
Total assets	£135.2 million
Share price	104.25p
NAV	114.26p
Discount/Premium(+/-)	-8.8%
Dividend Payment Dates	Jun
Net dividend yield	1.2%
Actual gearing**	99.4
Management fee rate***	1.00%
Total expenses***	1.50%
Year end	31 January
Sector	Asia Pacific (Excluding Japan)
Currency	Sterling
Website	www.pacific-assets.co.uk

## Standardised performance

	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
<b>Fund</b>	55.0%	-40.4%	24.8%	10.1%	36.6%

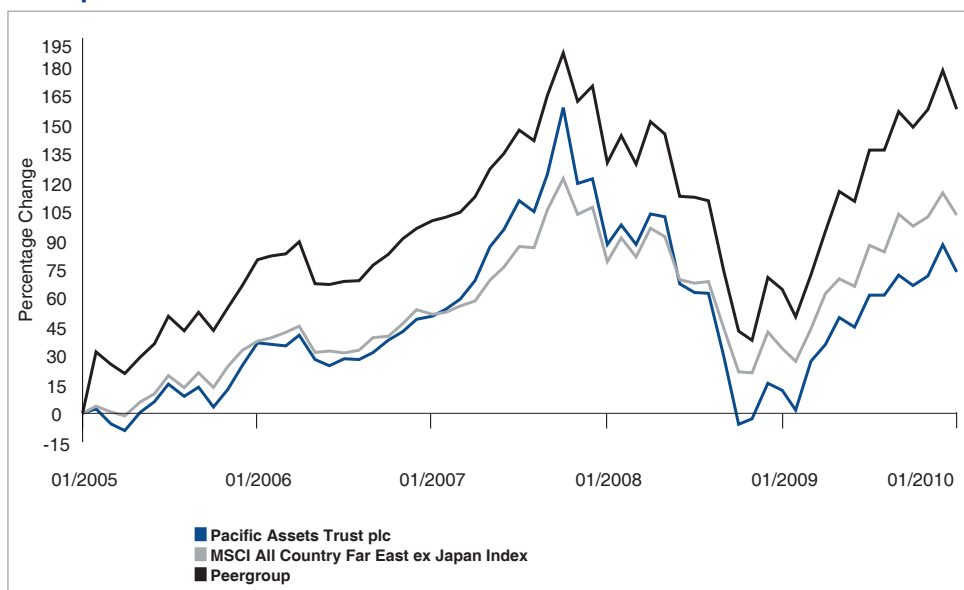
## Cumulative performance

	1 Month	Year to date	1 Year	3 Years	5 Years
<b>Fund</b>	-7.5%	-7.5%	55.0%	15.3%	73.5%
<b>MSCI All Country Far East ex Japan Index</b>	-5.4%	-5.4%	51.8%	34.0%	103.0%
<b>Peergroup</b>	-7.2%	-7.2%	60.0%	27.4%	104.1%

This Trust is managed against a Peergroup, and this Index was only chosen for comparison purposes as it represents a comparable broad equity market index.

Source: Datastream & Lipper. Basis: share price, percentage growth, bid to bid, net income reinvested expressed in Sterling. Basis in accordance to the regulations of the FSA. Past performance is not a guide to future performance. The standardised performance table refers to 12 month periods ending 31 January. The cumulative performance table refers to cumulative periods ending 31.01.2010

## Fund performance



## Top ten holdings

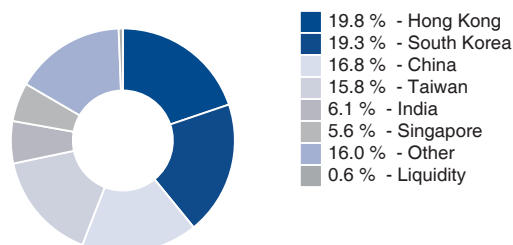
Holdings	Sector/Country	%
<b>Perusahaan Gas Negara</b>	Indonesia	4.2%
<b>Hon Hai Precision</b>	Taiwan	3.8%
<b>China Water Affairs</b>	Hong Kong	3.4%
<b>Shinhan Financial</b>	South Korea	3.3%
<b>NHN Corporation</b>	South Korea	3.2%
<b>DBS Group</b>	Singapore	3.1%
<b>Kasikornbank</b>	Thailand	3.0%
<b>Advanced Semiconductor</b>	Taiwan	3.0%
<b>China Mobile</b>	China	2.9%
<b>Bank of China</b>	China	2.4%
<b>Total</b>		<b>32.3%</b>

# Pacific Assets Trust plc

Continued

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## Trust geographical breakdown



## Manager's commentary

China's impressive economic recovery through 2009 has come at a cost, the return of inflation. Yet to be announced January CPI and PPI numbers are expected to move meaningfully higher, continuing a trend that has been in place since the end of the third quarter of last year. In an attempt to prevent rising inflation expectations the authorities have already made a number of policy adjustments primarily aimed at withdrawing excess liquidity from the system. This has raised investor concerns over GDP momentum, the possibility of earnings disappointment, and uncertainty over implied equity market valuations. Consequently risk appetite waned and the higher beta markets of Asia came under pressure over the month with the MSCI AC Asia ex Japan Index falling 5.4% in sterling terms and the Trust matching the index falling 5.5% based on NAV.

Evidence of mean reversion in risk appetite was highlighted by the recovery in the US Dollar. From its lows of late November 2009 the US Dollar has steadily drifted higher supported by improving macroeconomic data and easing fears over further fiscal slippage by the Obama administration. With the US Federal Reserve reiterating the need of 'lower for longer' interest rates investors have been focussing on relative changes to GDP growth rates rather than the absolute growth differential. As a result, asset allocation has turned less negative on the US with proceeds being sourced from the 2009 outperformers including the Asia Pacific ex Japan region. This combined withdrawal of liquidity is in danger of persisting until such time that either valuations become compelling once more or relative growth rates turn more favourable again.

Rising inflationary pressures were not limited to just China though, with all markets across the region witnessing an acceleration of varying magnitudes. India saw the fastest pace of inflation as rising food prices, following the poor monsoons in 2009, fed through into the CPI basket. The Reserve Bank of India decided not to raise interest rates directly, as this would not resolve the food shortage problem, but instead chose to withdraw liquidity from the system by raising the cash reserve ratio held by banks by a higher than expected 0.75% to 5.75%. With capacity increasingly appearing tight in India, suggesting that inflation may remain a persistent problem for a while yet, a short position in Indian futures was put in place in an attempt to protect the Trust's equity exposure to the Indian market.

The smaller markets of Indonesia and Malaysia outperformed the region rising 2.8% and falling 0.1% respectively in sterling terms. Improving domestic consumption activity in Indonesia combined with an upgrade by the rating agency Fitch to BB+ helped to support the currency and raise the possibility that monetary policy may remain on hold for longer than had been expected. For Malaysia, its low beta and under-owned status helped to make it less vulnerable to international investor selling pressure. Unfolding economic recovery and solid corporate earnings in Malaysia continue to intrigue investors yet relative valuations remain at a premium to the region.

The region now trades on 13.3x PE and 2x PB, though how achievable these forecast earnings are remains in some doubt. In light of this and heightened policy risks, as authorities in various countries attempt to control inflation, indicates that near term market prospects appear vulnerable to heightened volatility as the market adjusts to an environment of less loose monetary conditions. Consequently a cautious stance is being adopted targeting investments in companies with solid balance sheets, visible growth prospects and solid market positioning.

Nonetheless, from a long term perspective, any globally induced sell off due to rising risk aversion would ultimately be viewed as a buying opportunity for the Trust, to tap into Asia's relatively solid financial system, rising domestic consumption and improving international competitiveness.

All data as at 31.01.10 unless otherwise stated.

The yield is calculated on an historic basis using the actual dividends paid during the company's last financial year and the closing share price as at the end of the relevant month.

All information is sourced from F&C, unless otherwise stated. All percentages are based on gross assets. \* Total assets / shareholders' funds. \*\* (total assets - cash) / shareholders' funds. \*\*\* Management fee and expenses information as at the end of January 2008 and expressed as a percentage of average shareholders' funds. The share price may either be below (at a discount) or above (at a premium) to the NAV. Discounts and premiums vary continuously. Performance information excludes any product charges which can be found in the 'Key Features' document for the relevant product. Stock market and currency movements may cause the value of investments and the income from them to fall as well as rise and investors may not get back the amount originally invested. Where investments are made in emerging markets, unquoted securities or smaller companies, their potential volatility may increase the risk to the value of, and the income from the investment. If markets fall, gearing can magnify the negative impact on performance. The fact sheet is issued and approved by F&C Management Limited. Authorised and regulated in the UK by the Financial Services Authority (FSA). Registered office: Exchange House, Primrose Street, London EC2A 2NY. Registered in England & Wales No 517895.

## Trust codes

Sedol	
F&C PAT - GBP	0667438