



Flash update: Pacific Assets

The outcome of PAC’s strategic review offers strategic continuation.

Update
12 June 2026

- Pacific Assets (PAC) has announced the results of its strategic review which includes a proposed combination with Schroder Asian Total Return (ATR) and the option for a partial cash exit.
- The strategic review came about following internal restructuring at First Sentier Group, which saw the closure of the Stewart Investors business where the previous management team worked, and the transition of responsibilities to another affiliate, FSSA Investment Managers.
- ATR has several similar features to PAC, in that managers Robin Parbrook and King Fuei Lee have an unconstrained approach, allowing them to focus on stocks on their own merits, rather than because of benchmark allocations, looking to generate strong total returns. Bottom-up stock selection is combined with top-down analysis, designed to construct a portfolio of high-quality companies that can capture the growth potential of the region, whilst mitigating some of the downside risks with the tactical use of derivative instruments to provide a degree of capital preservation.
- There are no changes expected to the ATR strategy following the combination, which has been successful over multiple time periods as demonstrated by annualised returns of 15% over the past 10 years, versus 11.8% for the MSCI AC Asia Pacific ex Japan Index to 31/05/2026.
- PAC shareholders will also have the opportunity to elect for a partial cash exit, allowing for up to 25% of their investment to be returned at FAV less costs (c. 2%).
- The combination will result in a much larger asset base for ATR, with net assets rising from c. £740m to c. £1.1bn, even if the cash option is taken up in full. As such, ATR will likely become one of the largest Asia-focussed investment trusts, with a market cap that will cement its place in the middle of the FTSE 250 Index.
- ATR will also amend its fee structure should the transaction be approved, introducing a tiered management fee. The current flat fee of 0.65% on gross assets (less cash) will now apply on the first £500m of either market cap or net asset value, whichever is lower, with a charge of 0.5% for assets above this. The performance fee will remain, although this will be adjusted in the financial year in which the combination completes to ensure shareholders who rollover

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from PAC do not pay the performance fee in respect of performance they have not received the benefit of. The annual cap on total fees (base fee and performance fee) will be reduced from 1.25% of NAV to 1.15%.

- Schroders will also contribute to the costs involved in the combination, with an estimated amount of £2.4m.
- ATR is also introducing a conditional tender offer, which will enable shareholders to redeem up to 15% of their investment, should NAV total return fail to beat its reference index, the MSCI AC Asia Pacific ex Japan Index, over a five-year period to 31/12/2030.
- The transaction is subject to shareholder approval from both trusts which, should this be achieved, would see the deal completed by not later than Q4 2026.

Kepler View

We believe the outcome of this strategic review offers **Pacific Assets’ (PAC)** shareholders continuity



in several key aspects. Robin Parbrook and King Fuei Lee's approach to managing Schroder Asian Total Return (ATR) has similar characteristics such as a benchmark agnostic approach and strong consideration of risk metrics which should feel familiar to shareholders of PAC. There are of course differences in the approaches and the composition of the two portfolios, although it should be noted that ATR has delivered excellent long-term performance, with a NAV TR of c. 60% over the past five years to 10/06/2026, considerably ahead of PAC's c. 28% whilst looking to balance both risk and reward.

For those looking at alternatives, the cash exit provides an opportunity to release some of their investment at close to NAV, offering an element of flexibility, whilst the rollover will ensure shareholders with tax considerations have an efficient route to continue their investment, should the combination be approved by both sets of shareholders. We believe ATR's narrower discount is also encouraging, with the trust's shares having traded considerably closer to NAV than PAC over much of the past five years, usually trading the closest to par in the peer group. ATR's successful performance track record is likely one factor behind this, as is the fact Robin and King Fuei's open-ended equivalent is soft closed, meaning the trust is the best way of accessing the strategy. In addition, the board has been active with share buybacks with the goal of ensuring the discount is no wider than 5% in normal market conditions. This approach is expected to continue post combination.

The increased scale brought about by the combination will create economies of scale too, which are being passed on to shareholders through a change in the remuneration structure of the manager. The introduction of a tiered management fee is pragmatic, in our view, with the change to using the lower of NAV and market cap as a basis a positive one for shareholders. Furthermore, the adjustments to the performance fee offer fairness to incoming shareholders and the contribution to costs from Schroders are positive, helping mitigate the financial implications of the transaction.

Ultimately though, we believe it is the alignment of the two investment philosophies that mean this proposed transaction makes the most sense. Robin and King Fuei's approach involves focussing on stock specific issues, looking to identify the best companies to invest in within Asia, and not being concerned about arbitrary weightings of indices. In addition, the incorporation of top-down factors as part of an integrated approach should help offset some of the nearer term challenges faced by markets, due to the managers' ability to use hedging strategies which can help mitigate downside risks. This approach very much aligns with the risk-focussed approach of the former Stewart Investor team. Considering the strong run of the region over the past couple of years

we believe investing through a strategy that can capture these growth trends, whilst mitigating potential downsides is a compelling option, whilst the details of the deal itself treat investors fairly along the journey.

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