

PERSONAL ASSETS TRUST PLC

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 OCTOBER 2018**



CORPORATE INFORMATION

BOARD OF DIRECTORS

Hamish Buchan (Chairman)
Robin Angus
Iain Ferguson CBE
Gordon Neilly
Paul Read
Frank Rushbrook
Jean Sharp

REGISTERED OFFICE

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COMPANY SECRETARY

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ALTERNATIVE INVESTMENT FUND MANAGER

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21 Walker Street
Edinburgh EH3 7HX

INVESTMENT ADVISER

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CUSTODIAN

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DEPOSITARY

J.P. Morgan Europe Limited
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SOLICITOR

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SHAREHOLDER INFORMATION

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INVESTMENT ACCOUNTS AND ISAS

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REGISTRAR

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STOCKBROKER

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AUDITOR

PricewaterhouseCoopers LLP
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144 Morrison Street
Edinburgh EH3 8EX

IDENTIFICATION CODES

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ISIN: GB0006827546
Bloomberg: PNL LN
EPIC: PNL

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FINANCIAL SUMMARY

- Personal Assets Trust (“PAT”) is an independent investment trust run expressly for private investors.
- The Company’s investment policy is to protect and increase (*in that order*) the value of shareholders’ funds per share over the long term.
- Over the six months to 31 October 2018 PAT’s net asset value per share (“NAV”) rose by 1.9% to £395.50. PAT’s share price rose by £8.00 to £400.00 over the same period, being a premium of 1.1% to the Company’s NAV at that date.

	% as at 31 October 2018	% as at 30 April 2018
US TIPS	27.4	20.0
US Treasuries	4.2	2.7
UK Index-Linked Gilts	3.5	3.6
UK T-Bills	16.6	22.5
Gold Bullion	8.4	8.9
UK cash	3.7	4.3
Overseas cash	–	0.5
Net current liabilities	(1.2)	(0.9)
Total	62.6	61.6

- Over the six months PAT’s shares continued to trade close to NAV. We issued 78,903 new Ordinary shares (adding £31.4 million of new capital) at a small premium.
- Dividends are paid in July, October, January and April of each year. The first interim dividend of £1.40 per Ordinary share was paid to shareholders on 13 July 2018 and the second interim dividend of £1.40 was paid on 12 October 2018. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 10 January 2019 and a fourth interim dividend of £1.40 per Ordinary share is expected to be paid in April 2019, making a total for the year of £5.60 per Ordinary share.

KEY FEATURES

	As at 31 October 2018	As at 30 April 2018
Market Capitalisation	£916.5m	£867.3m
Shareholders’ Funds	£906.2m	£858.9m
Shares Outstanding	2,291,336	2,212,433
Liquidity (see fourth bullet point above)	62.6%	61.6%
Share Price	£400.00	£392.00
NAV per Share	£395.50	£388.21
FTSE All-Share Index	3,904.23	4,127.68
Premium to NAV	1.1%	1.0%
Earnings per Share	£2.88	£5.23 ⁽¹⁾
Dividend per Share	£2.80	£5.60 ⁽¹⁾

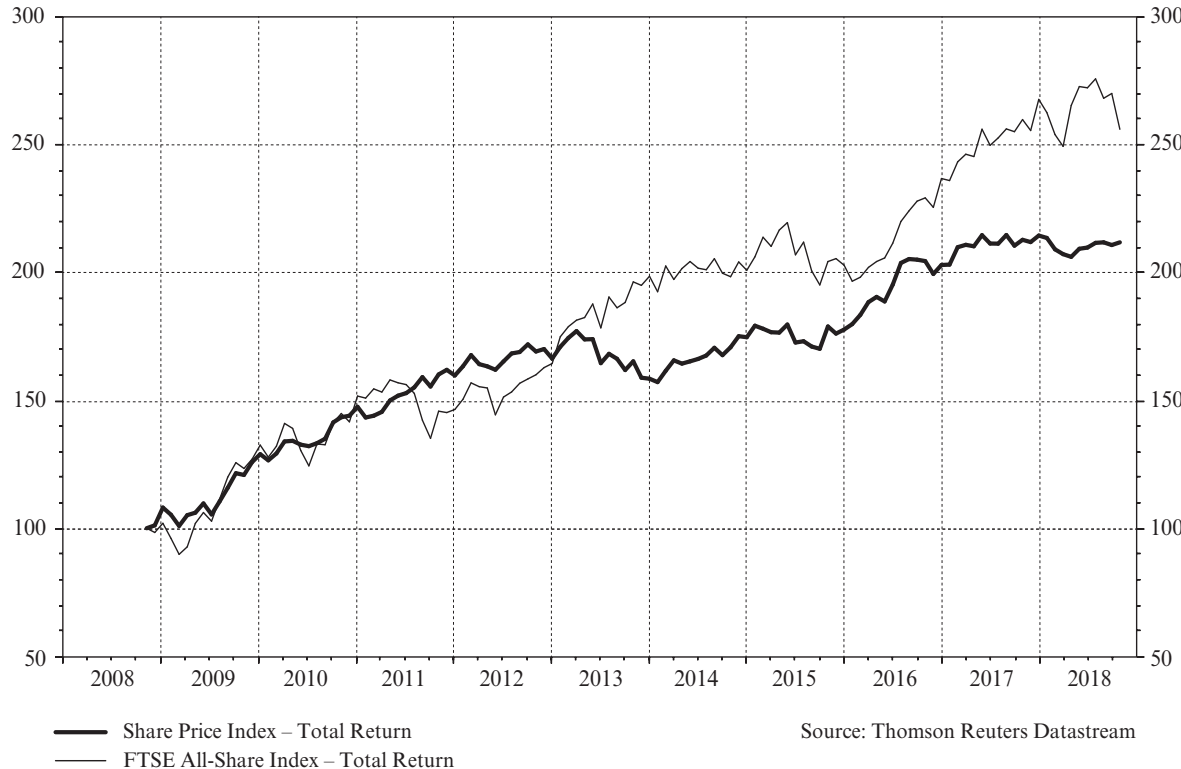
⁽¹⁾ Full Year.

TEN YEAR PERFORMANCE

Share Price versus FTSE All-Share Index (based to 100)



Share Price Total Return versus FTSE All-Share Index Total Return (based to 100)



PORTFOLIO AS AT 31 OCTOBER 2018

			Shareholders' Funds %	Valuation 31 October 2018 £'000	Bought/ (sold) £'000	Gain/ (loss) £'000
Security Equities	Country	Equity Sector				
Microsoft	USA	Technology	3.6	32,209	–	6,068
Coca-Cola	USA	Beverages	3.3	30,376	–	4,962
Philip Morris	USA	Tobacco	3.0	27,582	–	3,760
Nestlé	Switzerland	Food Producer	2.9	26,240	(4,415)	3,963
British American Tobacco	UK	Tobacco	2.6	23,754	–	(4,239)
Unilever	UK	Food Producer	2.6	23,316	–	385
Altria	USA	Tobacco	2.5	22,419	–	4,492
Berkshire Hathaway	USA	Insurance	2.3	20,487	–	2,529
American Express	USA	Financial Services	2.0	17,695	–	1,918
Procter & Gamble	USA	Household Products	1.8	16,251	–	3,959
Imperial Oil	Canada	Oil & Gas	1.7	15,583	–	1,138
Sage Group	UK	Technology	1.6	14,699	–	(2,446)
Colgate Palmolive	USA	Personal Products	1.5	13,200	–	(204)
A.G. Barr	UK	Beverages	1.3	11,700	–	1,042
Diageo	UK	Beverages	1.2	11,078	–	497
GlaxoSmithKline	UK	Pharmaceuticals	1.0	9,514	–	312
Franco-Nevada	Canada	Mining	1.0	8,734	2,749	(293)
Société BIC	France	Consumer Goods	0.8	7,484	–	84
Henkel	Germany	Consumer Goods	0.7	6,441	(5,384)	(659)
Hershey	USA	Food Producer	–	–	(8,376)	210
PZ Cussons	UK	Personal Products	–	–	(2,479)	(232)
Total Equities			37.4	338,762	(17,905)	27,246
US TIPS	USA		27.4	248,273	63,581	13,164
US Treasuries	USA		4.2	37,715	12,274	2,295
UK Index-Linked Gilts	UK		3.5	31,816	602	100
UK T-Bills	UK		16.6	150,541	(43,155)	–
Gold Bullion			8.4	76,248	–	(639)
Total Investments			97.5	883,355	15,397	42,166
UK cash			3.7	33,880	n/a	n/a
Overseas cash			0.0	209	n/a	n/a
Net current liabilities			(1.2)	(11,215)	n/a	n/a
TOTAL PORTFOLIO			100.0	906,229	n/a	n/a

GEOGRAPHIC ANALYSIS OF INVESTMENTS AND CURRENCY EXPOSURE AS AT 31 OCTOBER 2018

	UK %	USA %	Canada %	France %	Germany %	Switzerland %	Total %
Equities	10	19	3	1	1	3	37
Inflation-Linked Securities	4	27	–	–	–	–	31
T-Bills	17	–	–	–	–	–	17
Treasuries	–	4	–	–	–	–	4
Gold Bullion	–	8	–	–	–	–	8
Cash	4	–	–	–	–	–	4
Net current liabilities	(1)	–	–	–	–	–	(1)
Total	34	58	3	1	1	3	100
Net currency exposure %	72	20	3	1	1	3	100

INVESTMENT ADVISER'S REPORT

Over the half year to 31 October 2018 the net asset value per share (“NAV”) of Personal Assets Trust (“PAT”) rose by 1.9% while the FTSE All-Share Index (“FTSE”) fell 5.4%.

The American economist Hyman Minsky famously identified the ‘*Minsky Moment*’ when ‘*Stability breeds instability*’, and 2017 was a year of remarkable stability. Stock market volatility was at record lows, sentiment was positive and smooth sailing was anticipated. But high equity market valuations were flashing danger, and in retrospect 2017’s stability was indeed a warning signal. In 2018 stock markets have stumbled twice, once in February and again in October. The October dip confirmed that we were entering a period of turbulence for risk assets. From the ‘*New Normal*’ of permanently low interest rates and quantitative easing we have been witnessing the attempt by central bankers to return to an earlier ‘normality’ of tighter monetary conditions. How this will work after almost a decade of monetary munificence is unpredictable, such an exit never having been attempted before.

To date this tightening has exhibited a classic pattern, the fringe being affected first but the effects slowly shifting towards the centre. This time it began with the collapse of Bitcoin and other cryptocurrencies in December (the dotcoms of today?). Emerging markets topped out long ago, hindered by a resurgent US dollar, while developed markets (with the exception of the United States) peaked in January. The Chinese stock market has fallen sharply this year on the threat of rising trade tensions and weaker economic data. In the US, value-insensitive buying was becoming increasingly concentrated in a short list of technology-related growth stocks. The concentration of performance in a small number of large cap stocks often occurs close to the peak of stock market cycles, and October’s precipitous falls in these stocks suggest that we may have seen the peak of this cycle.

After benefiting from record profit margins and gorging on cheap debt, companies face the rising costs of labour that come with record low unemployment and a rising cost of money while vulnerabilities are now being exposed. Our asset allocation, with just over a third of the portfolio in equities, is accordingly as cautious as it has been since before the financial crisis a decade ago. Our concern is that after decades of falling yields, fixed income will not provide the portfolio protection it has in the past. (Interestingly, bonds failed to rally during the recent equity market falls.) However, liquidity, in the form of cash, short-dated index linked bonds and gold, offers some protection, while currencies offer little opportunity with the exception of a resurgent US dollar, to which we have some exposure.

Despite the recent stock market falls, the effects of tighter monetary conditions are just beginning to play out and it is too early to shift the portfolio significantly. We made only very modest changes during the six months, increasing our holdings of US TIPS and Franco-Nevada on weakness. We sold our small holding in Hershey, initiated 18 months ago. This was a much shorter holding period than usual but after Hershey agreed to acquire Amplify Snack Brands in December for \$1.6bn or 48x (adjusted) earnings, a meeting with management confirmed their appetite for further deals outside the core chocolate market. In seeking to preserve capital it is necessary to avoid companies which make expensive acquisitions by over-levering their balance sheets. Otherwise, holdings in US stocks performed respectably, particularly Microsoft, Philip Morris, Procter & Gamble and Coca-Cola. We are encouraged by management actions at P&G and Coke to concentrate less on market share gains and more on price and product mix. Our UK stocks lagged somewhat, including British American Tobacco and Sage. The latter suffered from over-promising and under-delivering, but the business remains an attractive one with recurring revenues from its installed base of six million customers.

Looking into 2019, monetary conditions are only likely to get tighter with the European Central Bank, following the Federal Reserve, committed to retreating from quantitative easing. Earnings momentum from tax cuts will begin to dissipate while GDP growth is likely to taper. However, barring a material deterioration in conditions, central bankers will be reluctant to step in and rescue markets. For those with liquidity, bargain hunting may not be too far away.

Sebastian Lyon, Investment Adviser
On behalf of the Board, Robin Angus, Executive Director

CONDENSED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	(Unaudited)		
	Six months ended		
	31 October 2018		
	Revenue	Capital	
	Return	Return	Total
	£'000	£'000	£'000
Investment income	9,026	–	9,026
Other operating income	527	–	527
Gains/(losses) on investments held at fair value through profit or loss	–	42,166	42,166
Foreign exchange (losses)/gains	–	(25,110)	(25,110)
Total income	9,553	17,056	26,609
Expenses	(2,187)	(1,869)	(4,056)
Return before taxation	7,366	15,187	22,553
Taxation	(873)	557	(316)
Return for the period	6,493	15,744	22,237
Earnings per share	£2.88	£6.98	£9.86

The “Return for the Period” is also the “Total Comprehensive Income for the Period”, as defined in IAS1 (revised), and no separate Statement of Comprehensive Income has been presented.

The “Total” column of this statement represents the Group’s Income Statement, prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The Revenue Return and Capital Return columns are supplementary to this and are prepared under guidance published by the Association of Investment Companies.

All items in the above statement derive from continuing operations.

	(Unaudited) Six months ended 31 October 2017			(Audited) Year ended 30 April 2018		
Revenue	Capital		Revenue	Capital		
Return	Return	Total	Return	Return	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
6,797	–	6,797	15,679	–	15,679	
422	–	422	972	–	972	
–	(352)	(352)	–	(35,911)	(35,911)	
–	5,923	5,923	–	14,474	14,474	
7,219	5,571	12,790	16,651	(21,437)	(4,786)	
(1,929)	(1,729)	(3,658)	(4,061)	(3,513)	(7,574)	
5,290	3,842	9,132	12,590	(24,950)	(12,360)	
(294)	–	(294)	(1,585)	602	(983)	
4,996	3,842	8,838	11,005	(24,348)	(13,343)	
£2.45	£1.88	£4.33	£5.23	(£11.57)	(£6.34)	

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2018

	(Unaudited) 31 October 2018 £'000	(Unaudited) 31 October 2017 £'000	(Audited) 30 April 2018 £'000
Non-current assets			
Investments held at fair value through profit or loss	883,355	820,950	825,792
Net current assets	22,874	28,805	33,101
Net assets	906,229	849,755	858,893
Total equity	906,229	849,755	858,893
Net asset value per Ordinary share	£395.50	£400.90	£388.21

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	(Unaudited) Six months ended 31 October 2018 £'000	(Unaudited) Six months ended 31 October 2017 £'000	(Audited) Year ended 30 April 2018 £'000
Opening equity shareholders' funds	858,893	781,499	781,499
Return for the period	22,237	8,838	(13,343)
Ordinary dividends paid	(6,300)	(5,681)	(11,745)
Issue of Ordinary shares	31,399	65,099	102,637
Cost of issue of Ordinary shares	–	–	(155)
Closing equity shareholders' funds	906,229	849,755	858,893

CONDENSED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	(Unaudited) Six months ended 31 October 2018 £'000	(Unaudited) Six months ended 31 October 2017 £'000	(Audited) Year ended 30 April 2018 £'000
Net cash inflow from operating activities	1,953	2,292	3,924
Net cash outflow from investing activities	(32,766)	(62,435)	(89,761)
Net cash outflow before financing activities	(30,813)	(60,143)	(85,837)
Net cash inflow from financing activities	24,297	59,900	91,467
Net (decrease)/increase in cash and cash equivalents	(6,516)	(243)	5,630
Cash and cash equivalents at the start of the period	40,763	34,926	34,926
Effect of exchange rate changes	(158)	171	207
Cash and cash equivalents at the end of the period	34,089	34,854	40,763

NOTES

1. The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard ('IFRS') IAS 34 'Interim Financial Reporting' and the accounting policies set out in the statutory accounts of the Group for the year ended 30 April 2018. The condensed consolidated financial statements do not include all of the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 April 2018, which were prepared under full IFRS requirements.
2. The return per Ordinary share figure is based on the net profit for the six months of £22,237,000 (six months ended 31 October 2017: net profit of £8,838,000; year ended 30 April 2018: net loss of £13,343,000) and on 2,254,221 (six months ended 31 October 2017: 2,039,837; year ended 30 April 2018: 2,103,529) Ordinary shares, being the weighted average number of Ordinary shares in issue during the respective periods.
3. In respect of the year ending 30 April 2019 the Board has declared a first interim dividend of £1.40 per Ordinary share, which was paid on 13 July 2018, a second interim dividend of £1.40 per Ordinary share, which was paid on 12 October 2018 and a third interim dividend of £1.40, which will be paid on 10 January 2019. In respect of the year ended 30 April 2018 the Board declared four interim dividends of £1.40 per Ordinary share. This gave a total dividend for the year ended 30 April 2018 of £5.60 per Ordinary share.
4. At 31 October 2018 there were 2,291,336 Ordinary shares in issue (31 October 2017: 2,119,638; 30 April 2018: 2,212,433). During the six months ended 31 October 2018 the Company issued 78,903 new Ordinary shares.
5. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Group is engaged in a single segment of business, being that of investing in equity shares, fixed interest securities and other investments, and that therefore the Group has only a single operating segment.
6. The Group held the following categories of financial instruments as at 31 October 2018:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	883,355	–	752	884,107
Current liabilities	–	(12,097)	–	(12,097)
Total	883,355	(12,097)	752	872,010

The above table provides an analysis of investments based on the fair value hierarchy described below and which reflects the reliability and significance of the information used to measure their fair value. The levels are determined by the lowest (that is, the least reliable or least independently observable) level of impact that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 reflects financial instruments quoted in an active market.

Level 2 reflects financial instruments the fair value of which is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique the variables of which include only data from observable markets. The Company's forward currency contract has been included in this level as fair value is achieved using the foreign exchange spot rate and forward points which vary depending on the duration of the contract.

Level 3 reflects financial instruments the fair value of which is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable market transactions in the same instrument and not based on available observable market data. The Company's subsidiary has been included in this level as its valuation is based on its net assets which rose from £737,000 at 30 April 2018 to £752,000 at 31 October 2018.

There were no transfers of investments between levels in the period ended 31 October 2018.

The following table summarises the Group's Level 1 investments that were accounted for at fair value in the period to 31 October 2018.

	Group (Level 1) £'000
Opening book cost	704,303
Opening fair value adjustment	121,489
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Opening valuation	825,792
Movement in the period:	
Purchases at cost	422,803
Effective yield adjustment	2,388
Sales – proceeds	(410,254)
– losses on sales	(67)
Increase in fair value adjustment	42,693
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Closing valuation at 31 October 2018	883,355
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Closing book cost	719,173
Closing fair value adjustment	164,182
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Closing valuation at 31 October 2018	883,355
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Other aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 April 2018.

The fair value of the group's financial assets and liabilities as at 31 October 2018 was not materially different from their carrying values in the financial statements.

7. These are not full statutory accounts in terms of Section 434 of the Companies Act 2006 and are unaudited. Statutory accounts for the year ended 30 April 2018, which received an unqualified audit report and which did not contain a statement under Section 498 of the Companies Act 2006, have been lodged with the Registrar of Companies. No full statutory accounts in respect of any period after 30 April 2018 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Board believes that the principal risks to shareholders, which it seeks to mitigate through continual review of its investments and through shareholder communication, are events or developments which can affect the general level of share prices and other financial assets, including, for instance, inflation or deflation, economic recessions and movements in interest rates and currencies.

Other risks faced, and the way in which they are managed, are described in more detail under the heading Principal Risks and Risk Management within the Strategic Report in the Company's Annual Report for the year ended 30 April 2018.

The Company's principal risks and uncertainties have not changed since the date of the Annual Report and are not expected to change for the remaining six months of the Company's financial year.

GOING CONCERN

The Directors believe, in the light of the controls and review processes noted on the previous page and bearing in mind the nature of the Group's business and assets, which are considered readily realisable if required, that the Group has adequate resources to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are contained in the Annual Report for the year ended 30 April 2018. There have been no material changes in the nature and type of the related party transactions as stated within the Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE INTERIM REPORT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU;
- the Investment Adviser's Report includes a fair review of the information required by the Disclosure Guidance and Transparency Rules ('DTR') 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements;
- the Statement of Principal Risks and Uncertainties shown above is a fair review of the information required by DTR 4.2.7R; *and*
- the condensed financial statements include a fair review of the information required by DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Company during the period, and any changes in the related party transactions described in the last Annual Report that could do so.

On behalf of the Board,

Hamish Buchan, Chairman

22 November 2018



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