

PERSONAL ASSETS TRUST PLC

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 OCTOBER 2019**



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 2019 PAT’s net asset value per share (“NAV”) rose by 2.5% to £415.16. PAT’s share price rose by £11.50 to £419.50 over the same period, being a premium of 1.0% to the Company’s NAV at that date.

	% as at 31 October 2019	% as at 30 April 2019
US TIPS	32.1	27.8
US Treasuries	3.4	3.8
UK Index-Linked Gilts	3.0	3.3
UK T-Bills	14.6	18.7
Gold Bullion	9.0	8.1
UK cash	3.2	2.4
Net current assets/(liabilities)	2.2	(0.1)
Total	67.5	64.0

- Over the six months PAT’s shares continued to trade close to NAV. We issued 263,388 new Ordinary shares (adding £111.0 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 12 July 2019 and the second interim dividend of £1.40 was paid on 11 October 2019. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 10 January 2020 and a fourth interim dividend of £1.40 per Ordinary share is expected to be paid in April 2020, making a total for the year of £5.60 per Ordinary share.

KEY FEATURES

	As at 31 October 2019	As at 30 April 2019
Market Capitalisation	£1,114.1m	£976.0m
Shareholders’ Funds	£1,102.5m	£968.6m
Shares Outstanding	2,655,663	2,392,275
Liquidity (see fourth bullet point above)	67.5%	64.0%
Share Price	£419.50	£408.00
NAV per Share	£415.16	£404.88
FTSE All-Share Index	3,993.46	4,067.98
Premium to NAV	1.0%	0.8%
Earnings per Share	£3.63	£4.97 ⁽¹⁾
Dividend per Share	£2.80	£5.60 ⁽¹⁾

⁽¹⁾ Full Year.

IMPORTANT DEVELOPMENTS DURING THE PERIOD

As noted in the 2019 Annual Report it is expected that Robin Angus, the Company's Executive Director, will retire following the Annual General Meeting in July 2020. The Board has therefore reached agreement to appoint Troy Asset Management ("Troy") as the Company's Investment Manager with effect from 1 May 2020. Troy has served as Investment Adviser to the Company since 2009.

The Board will continue to work closely with Troy, as it has done in the past, to achieve long term success for the Company. There will be no changes to the basis of fee payable to Troy or the notice period under the new arrangement and the following matters will continue to be expressly reserved to the Board: (a) the introduction of gearing within the portfolio and the gearing levels thereafter; (b) matters relating to the buyback and issuance of the Company's shares; (c) matters relating to shareholder communication; (d) investment in any new asset class; and (e) such other matters as the Board may reasonably intimate from time to time.

In addition, in August 2019 the Company acquired a freehold office at 28 Walker Street in Edinburgh, having rented its current office since 1990. The property establishes a permanent presence for the Company and its subsidiary, PATAC, which employs 12 staff and provides secretarial and administrative, alternative investment fund manager ("AIFM") and discount management services to the Company and six other investment trust clients.

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 Important Developments During the Period and Investment Adviser's Report include 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 on page 12 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 2019

INVESTMENT ADVISER'S REPORT

Over the half year to 31 October 2019 the net asset value per share (“NAV”) of Personal Assets Trust (“PAT”) rose by 2.5% while the FTSE All-Share Index (“FTSE”) fell by 1.8%. After a decade of low interest rates, investors must weave a treacherous path through high valuations, low growth and heightened political risk. We continue to tread carefully. Our exposure to risk assets is modest with only a third of the portfolio committed to equities. Our preference remains for sustainable and robust business franchises which are moderately valued but offer growth in a low growth world. The dangers of too much capital chasing too few opportunities is there for all to see, be it the egregious valuations of IPOs of loss making business models like Uber and Lyft or the recent material write down of WeWork’s valuation. We choose to invest in financially productive companies that pay us to invest in them.

The performance of PAT and the stock market over the past six months indicate that this has been a benign period. Despite the modest fall in the FTSE, the environment has been relatively supportive amid falling bond yields and a resilient US stock market. Performance was driven by core holdings in Microsoft, Coca-Cola, Procter & Gamble, Nestlé and Franco-Nevada. The last of these was buoyed by the rising price of gold bullion, up 18% over the period in sterling terms. Our small holding in A.G. Barr was the biggest detractor following the announcement of weaker trading. Sterling’s rally from its early September lows has been a headwind, although most of our US dollar exposure is hedged back into sterling.

Portfolio turnover was modest. We chose to sell our small holding in GlaxoSmithKline into recent strength and reduce the holding in Sage Group following a very strong recovery this year. We added two new holdings in Medtronic and Alphabet (parent company of Google). We have had a longstanding preference for medical device companies over pharmaceuticals for their consistency of returns and lack of exposure to patent expiries. Demand for medical interventions such as stents and heart valves has grown steadily as populations in developed countries get older and emerging markets modernise healthcare provision. Shares in Medtronic have not taken part in the re-rating enjoyed by high quality businesses in the past five years, partly because of over-optimistic management guidance. It is evident that management have learned from past mistakes and guidance is now realistic. The company today is in good shape with a strong pipeline of products. Sales from robotics and data analytics are just beginning to be realised.

Alphabet had de-rated to just over 10x cash flow in June when we bought the shares. Revenues will be cyclical but the business has the capacity to grow at attractive rates throughout the cycle. The company has eight platforms with over 1bn users, most of which are far from being fully ‘monetised’. This testifies to the company’s long-term approach and its focus on its users rather than short-term financial targets. Over \$100bn in cash in the balance sheet offers options other companies lack. Management have been vocal in their admiration for Berkshire Hathaway (a longstanding PAT holding); valuation sensitive buybacks seem the most likely destination for much of the cash and a \$25bn repurchase is underway.

Since the end of August there has been a resurgence in structurally challenged or cyclical ‘value’ stocks, including those confronted by ongoing technological change and the erosion of pricing power. An upturn in the global economy could support a more sustained period of positive performance for such businesses, but as yet we see few signs of it. We have experienced these bouts of stock market rotation before, most recently in late 2016 and early 2017. Such snap-backs usually throw up opportunities for us in our favoured sectors and enable us to increase PAT’s equity allocation.

As regards specific political events such as Brexit, the UK general election or the US 2020 presidential election, short-term tactical decision-making is likely to fail. We try to take account of, and protect against, substantive risks to the portfolio. This requires an appreciation and understanding of multifarious political outcomes. However, we spend a much greater part of our time identifying and analysing businesses which should perform well regardless of the wider political and macroeconomic backdrop.

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

PORTFOLIO AS AT 31 OCTOBER 2019

Security Equities	Country	Equity Sector	Shareholders' Funds %	Valuation	Bought/(sold) in period £'000	Gain/(loss) in period £'000
				31 October 2019 £'000		
Microsoft	USA	Technology	4.3	47,095	–	4,507
Nestlé	Switzerland	Food Producer	3.0	32,760	–	3,455
Unilever	UK	Food Producer	2.8	30,846	1,970	(341)
Coca-Cola	USA	Beverages	2.8	30,339	(3,910)	3,772
British American Tobacco	UK	Tobacco	2.6	29,214	4,424	(3,048)
Philip Morris	USA	Tobacco	2.3	25,175	–	(1,389)
Berkshire Hathaway	USA	Insurance	1.9	20,931	–	(274)
American Express	USA	Financial Services	1.8	19,941	–	155
Procter & Gamble	USA	Household Products	1.8	19,860	(2,656)	3,404
Alphabet	USA	Technology	1.6	17,326	15,481	1,845
Franco-Nevada	Canada	Mining	1.2	13,374	–	3,553
Diageo	UK	Beverages	1.2	12,943	–	(280)
Medtronic	USA	Healthcare	1.0	11,865	9,544	2,321
Colgate Palmolive	USA	Personal Products	1.0	11,128	(4,328)	(348)
Imperial Oil	Canada	Oil & Gas	0.9	10,499	(1,844)	(1,937)
Sage Group	UK	Technology	0.9	10,365	(10,235)	1,030
A.G. Barr	UK	Beverages	0.7	7,392	(1,363)	(4,295)
Société BIC	France	Consumer Goods	0.5	5,366	–	(1,249)
GlaxoSmithKline	UK	Pharmaceuticals	–	–	(9,585)	(319)
Total Equities			32.3	356,419	(2,502)	10,562
US TIPS	USA		32.1	354,549	85,074	60
US Treasuries	USA		3.4	37,557	18	378
UK Index-Linked Gilts	UK		3.0	32,748	671	(19)
UK T-Bills	UK		14.6	160,422	(20,174)	–
Property	UK		0.2	1,628	1,628	–
Gold Bullion			9.0	99,380	6,033	14,515
Total Investments			94.6	1,042,703	70,748	25,496
UK cash			3.2	35,383	n/a	n/a
Overseas cash			0.0	137	n/a	n/a
Net current assets			2.2	24,315	n/a	n/a
TOTAL PORTFOLIO			100.0	1,102,538	n/a	n/a

GEOGRAPHIC ANALYSIS OF INVESTMENTS AND CURRENCY EXPOSURE AS AT 31 OCTOBER 2019

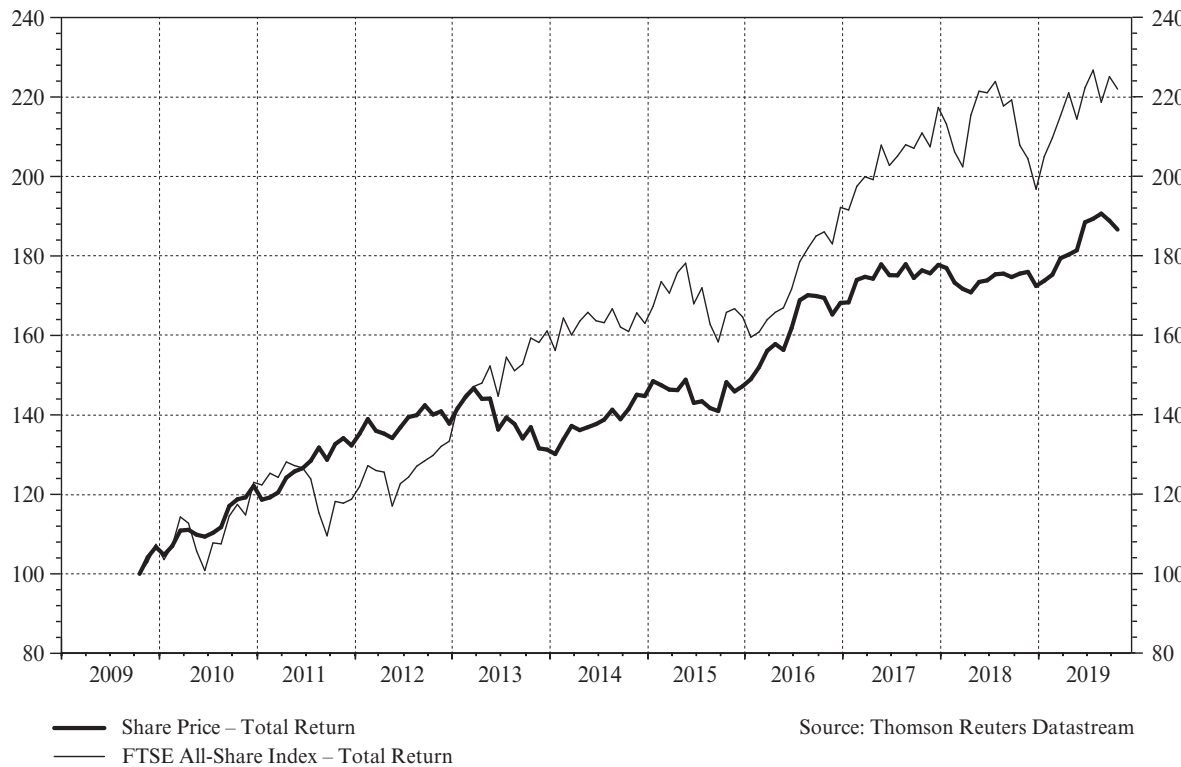
	UK %	USA %	Canada %	France %	Switzerland %	Total %
Equities	8	19	2	1	3	33
Inflation-Linked Securities	3	32	–	–	–	35
T-Bills	15	–	–	–	–	15
Treasuries	–	3	–	–	–	3
Gold Bullion	–	9	–	–	–	9
Cash	3	–	–	–	–	3
Property	0	–	–	–	–	0
Net current assets	2	–	–	–	–	2
Total	31	63	2	1	3	100
Net currency exposure %	76	18	2	1	3	100

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)



CONDENSED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	(Unaudited)		
	Six months ended		
	31 October 2019		
	Revenue	Capital	
	Return	Return	Total
	£'000	£'000	£'000
Investment income	12,087	–	12,087
Other operating income	847	–	847
Gains on investments held at fair value through profit or loss	–	25,496	25,496
Foreign exchange (losses)/gains	–	(3,537)	(3,537)
Total income	12,934	21,959	34,893
Expenses	(2,418)	(2,176)	(4,594)
Return before taxation	10,516	19,783	30,299
Taxation	(1,341)	1,025	(316)
Return for the period	9,175	20,808	29,983
Return per share	£3.63	£8.25	£11.88

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 as adopted by the European Union (“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)			(Audited)		
	Six months ended			Year ended		
	31 October 2018			30 April 2019		
Revenue	Capital		Revenue	Capital		
Return	Return	Total	Return	Return	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
9,026	–	9,026	16,180	–	16,180	
527	–	527	1,112	–	1,112	
–	42,166	42,166	–	63,327	63,327	
–	(25,110)	(25,110)	–	(20,495)	(20,495)	
9,553	17,056	26,609	17,292	42,832	60,124	
(2,187)	(1,869)	(4,056)	(4,477)	(3,815)	(8,292)	
7,366	15,187	22,553	12,815	39,017	51,832	
(873)	557	(316)	(1,400)	538	(862)	
6,493	15,744	22,237	11,415	39,555	50,970	
£2.88	£6.98	£9.86	£4.97	£17.20	£22.17	

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2019

	(Unaudited) 31 October 2019 £'000	(Unaudited) 31 October 2018 £'000	(Audited) 30 April 2019 £'000
Non-current assets			
Investments held at fair value through profit or loss	1,042,703	883,355	946,459
Net current assets	59,835	22,874	22,120
Net assets	1,102,538	906,229	968,579
Total equity	1,102,538	906,229	968,579
Net asset value per Ordinary share	£415.16	£395.50	£404.88

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	(Unaudited) Six months ended 31 October 2019 £'000	(Unaudited) Six months ended 31 October 2018 £'000	(Audited) Year ended 30 April 2019 £'000
Opening equity shareholders' funds	968,579	858,893	858,893
Return for the period	29,983	22,237	50,970
Ordinary dividends paid	(7,018)	(6,300)	(12,850)
Issue of Ordinary shares	110,994	31,399	71,566
Closing equity shareholders' funds	1,102,538	906,229	968,579

CONDENSED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2019

	(Unaudited) Six months ended 31 October 2019 £'000	(Unaudited) Six months ended 31 October 2018 £'000	(Audited) Year ended 30 April 2019 £'000
Net cash inflow from operating activities	2,635	1,953	4,991
Net cash outflow from investing activities	(94,851)	(32,766)	(80,632)
Net cash outflow before financing activities	(92,216)	(30,813)	(75,641)
Net cash inflow from financing activities	103,977	24,297	58,716
Net increase/(decrease) in cash and cash equivalents	11,761	(6,516)	(16,925)
Cash and cash equivalents at the start of the period	23,605	40,763	40,763
Effect of exchange rate changes	154	(158)	(233)
Cash and cash equivalents at the end of the period	35,520	34,089	23,605

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 2019. 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 2019, 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 £29,983,000 (six months ended 31 October 2018: net profit of £22,237,000; year ended 30 April 2019: net profit of £50,970,000) and on 2,523,148 (six months ended 31 October 2018: 2,254,221; year ended 30 April 2019: 2,299,470) 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 2020 the Board has declared a first interim dividend of £1.40 per Ordinary share, which was paid on 12 July 2019 and a second interim dividend of £1.40 per Ordinary share, which was paid on 11 October 2019. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 10 January 2020 and a fourth interim dividend of £1.40 per Ordinary share is expected to be paid in April 2020, making a total for the year of £5.60 per Ordinary share. In respect of the year ended 30 April 2019 the Board declared four interim dividends of £1.40 per Ordinary share. This gave a total dividend for the year ended 30 April 2019 of £5.60 per Ordinary share.
4. At 31 October 2019 there were 2,655,663 Ordinary shares in issue (31 October 2018: 2,291,336; 30 April 2019: 2,392,275). During the six months ended 31 October 2019 the Company issued 263,388 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 2019:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	1,041,075	–	2,749	1,043,824
Current assets	–	23,760	–	23,760
Total	1,041,075	23,760	2,749	1,067,584

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 £783,000 at 30 April 2019 to £1,121,000 at 31 October 2019.

The property that the Company purchased during the period has also been included in this level. The amount of £1,628,000 is based on a professional valuation.

There were no transfers of investments between levels in the period ended 31 October 2019.

The following table summarises the Group's Level 1 investments that were accounted for at fair value in the period to 31 October 2019.

	Group (Level 1) £'000
Opening book cost	767,790
Opening fair value adjustment	178,669
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Opening valuation	946,459
Movement in the period:	
Purchases at cost	443,156
Effective yield adjustment	4,885
Sales – proceeds	(378,921)
– gains on sales	16,017
Increase in fair value adjustment	9,479
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Closing valuation at 31 October 2019	1,041,075
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Closing book cost	852,927
Closing fair value adjustment	188,148
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Closing valuation at 31 October 2019	1,041,075
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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 2019.

The fair value of the group's financial assets and liabilities as at 31 October 2019 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 2019, 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 2019 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 2019.

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 2019. There have been no material changes in the nature and type of the related party transactions as stated within the Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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DATA PROTECTION

The Company is committed to ensuring the privacy of any personal data provided to it. Further details of the Company's privacy policy can be found on the Company's website www.patplc.co.uk

SHAREHOLDER INFORMATION

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INVESTMENT ACCOUNTS AND ISAS

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IDENTIFICATION CODES

SEDOL: 0682754
ISIN: GB0006827546
Bloomberg: PNL LN
EPIC: PNL

GLOBAL INTERMEDIARY IDENTIFICATION NUMBER (GIIN)

2W8KH5.99999.SL.826

LEGAL ENTITY IDENTIFIER (LEI)

213800Z7ABM7RLQ41516

* Lines open 8:30am to 5:30pm, Monday to Friday. The overseas helpline number is +44 (0)121 415 7047.



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