

# **PERSONAL ASSETS TRUST PLC**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
31 OCTOBER 2017**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Hamish Buchan (Chairman)  
Robin Angus  
Gordon Neilly  
Frank Rushbrook  
Jean Sharp

## REGISTERED OFFICE

10 St Colme Street  
Edinburgh EH3 6AA  
Telephone: 0131 538 1400  
www.patplc.co.uk

## COMPANY SECRETARY

Steven Davidson ACIS  
PATAc Limited  
21 Walker Street  
Edinburgh EH3 7HX  
Telephone: 0131 538 1400

## ALTERNATIVE INVESTMENT FUND MANAGER

PATAc Limited  
21 Walker Street  
Edinburgh EH3 7HX

## INVESTMENT ADVISER

Troy Asset Management Limited  
33 Davies Street  
London W1K 4BP  
www.taml.co.uk

## CUSTODIAN

J.P. Morgan Chase Bank N.A.  
25 Bank Street  
Canary Wharf  
London E14 5JP

## DEPOSITARY

J.P. Morgan Europe Limited  
25 Bank Street  
Canary Wharf  
London E14 5JP

## SOLICITOR

Dickson Minto WS  
16 Charlotte Square  
Edinburgh EH2 4DF

## SHAREHOLDER INFORMATION

Telephone: 0131 538 6605

## INVESTMENT ACCOUNT AND ISA

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Telephone: 01382 573737  
Email: contact@alliancetrust.co.uk  
www.alliancetrustsavings.co.uk

## REGISTRAR

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone: 0371 384 2459\*

## STOCKBROKER

J.P. Morgan Cazenove  
25 Bank Street  
Canary Wharf  
London E14 5JP

## AUDITOR

Ernst & Young LLP  
Ten George Street  
Edinburgh EH2 2DZ

## IDENTIFICATION CODES

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

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

## 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 2017 PAT’s net asset value per share (“NAV”) rose by 0.6% to £400.90. PAT’s share price rose by £2.10 to £407.50 over the same period, being a premium of 1.6% to the Company’s NAV at that date.

	% as at 31 October 2017	% as at 30 April 2017
US TIPS	21.3	19.3
US T-Bills	3.7	–
UK Index-Linked Gilts	3.7	4.1
UK T-Bills	15.6	14.7
Gold Bullion	9.0	10.0
UK cash and cash equivalents	3.9	4.5
Overseas cash and cash equivalents	0.1	–
Net current (liabilities)/assets	(0.6)	1.7
<b>Total</b>	<b>56.7</b>	<b>54.3</b>

- Over the six months PAT’s shares continued to trade close to NAV. We issued 159,511 new Ordinary shares (adding £65.1 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 14 July 2017 and the second interim dividend of £1.40 was paid on 13 October 2017. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 11 January 2018 and a fourth interim dividend of £1.40 per Ordinary share is expected to be paid in April 2018, making a total for the year of £5.60 per Ordinary share.

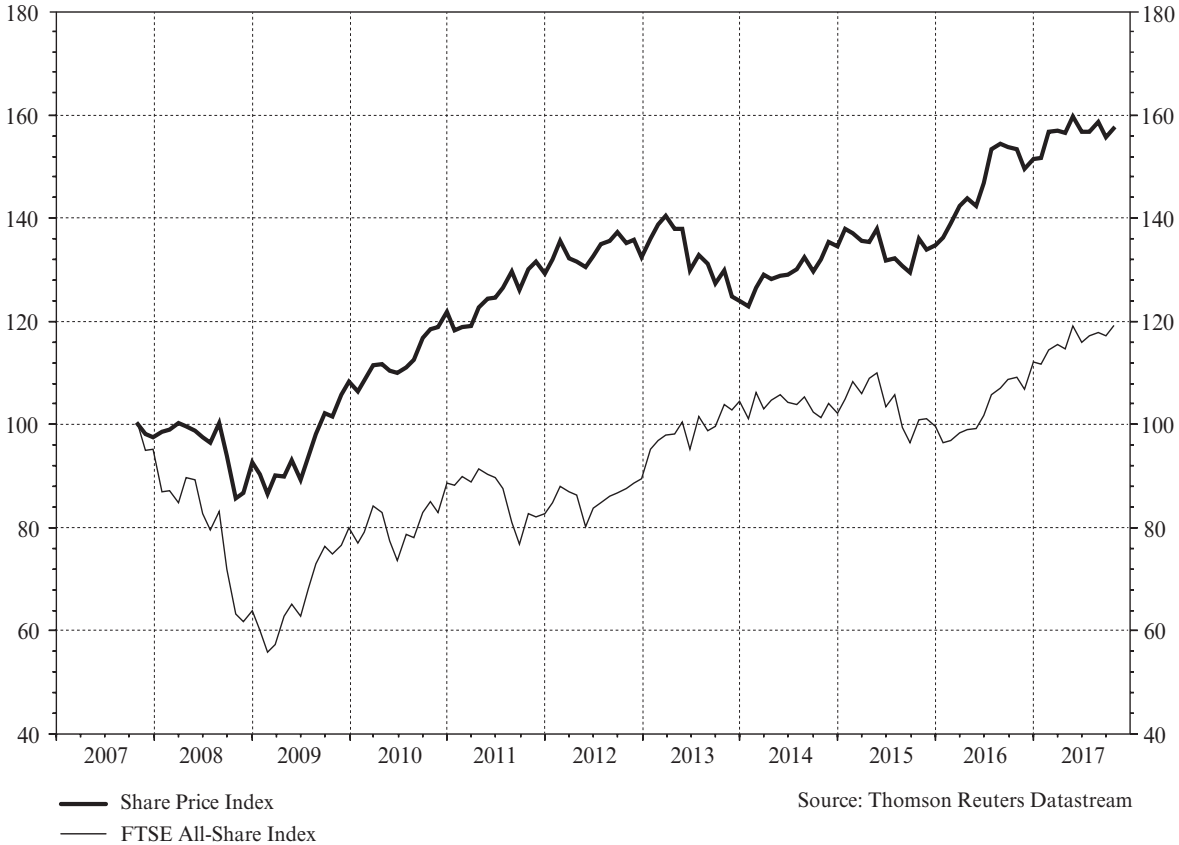
## KEY FEATURES

	As at 31 October 2017	As at 30 April 2017
Market Capitalisation	£863.8m	£794.6m
Shareholders’ Funds	£849.8m	£781.5m
Shares Outstanding	2,119,638	1,960,127
Liquidity (see fourth bullet point above)	56.7%	54.3%
Share Price	£407.50	£405.40
NAV per Share	£400.90	£398.70
FTSE All-Share Index	4,117.69	3,962.49
Premium to NAV	1.6%	1.7%
Earnings per Share	£2.45	£6.20 <sup>(1)</sup>
Dividend per Share	£2.80	£5.60 <sup>(1)</sup>

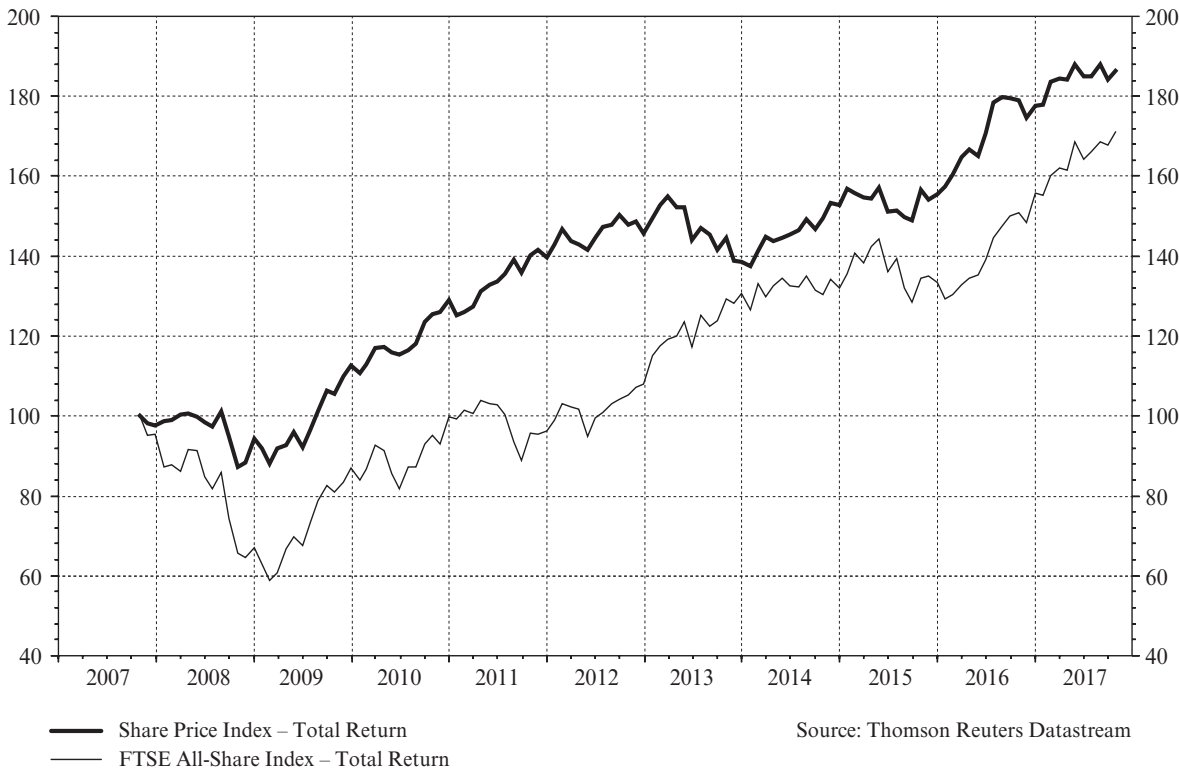
<sup>(1)</sup> Full Year.

# 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 2017

			Shareholders' Funds %	Valuation 31 October 2017 £'000	Bought/ (sold) £'000	Gain/ (loss) £'000
<b>Security Equities</b>	<b>Country</b>	<b>Equity Sector</b>				
Microsoft	USA	Software	4.0%	33,630	–	5,233
British American Tobacco	UK	Tobacco	3.7%	31,658	(5,118)	(2,014)
Philip Morris	USA	Tobacco	3.7%	31,513	(4,547)	(2,461)
Nestlé	Switzerland	Food Producer	3.5%	29,935	–	1,789
Coca-Cola	USA	Beverages	3.3%	28,041	–	1,049
Sage Group	UK	Technology	2.4%	20,101	–	2,024
Altria	USA	Tobacco	2.2%	18,376	–	(2,687)
Berkshire Hathaway	USA	Insurance	2.1%	17,935	–	1,665
Unilever	UK	Food Producer	2.0%	16,606	–	1,157
American Express	USA	Financial Services	1.9%	15,818	–	2,349
Imperial Oil	Canada	Oil & Gas	1.8%	15,621	–	1,250
Colgate Palmolive	USA	Personal Products	1.8%	15,013	–	(728)
Becton Dickinson	USA	Pharmaceuticals	1.7%	14,140	–	1,145
Dr Pepper Snapple	USA	Beverages	1.6%	13,413	–	(1,311)
Diageo	UK	Beverages	1.2%	10,518	–	1,330
Hershey	USA	Food Producer	1.1%	9,775	6,166	(151)
A.G. Barr	UK	Beverages	1.1%	9,569	–	61
GlaxoSmithKline	UK	Pharmaceuticals	1.0%	8,545	–	(1,215)
Procter & Gamble	USA	Household Products	1.0%	8,449	–	(314)
BIC	France	Consumer Goods	0.9%	7,946	8,742	(796)
Franco-Nevada	Canada	Mining	0.9%	7,291	1,308	903
PZ Cussons	UK	Personal Products	0.4%	3,633	–	(43)
Agnico Eagle Mines	Canada	Mining	0.0%	–	(5,000)	218
<b>Total Equities</b>			<b>43.3%</b>	<b>367,526</b>	<b>1,551</b>	<b>8,453</b>
US TIPS	USA		21.3%	181,044	36,250	(6,137)
US T-Bills	USA		3.7%	31,416	31,473	(57)
UK Index-Linked Gilts	UK		3.7%	31,405	634	(904)
UK T-Bills	UK		15.6%	132,950	17,915	53
Gold Bullion			9.0%	76,609	–	(1,760)
<b>Total Investments</b>			<b>96.6%</b>	<b>820,950</b>	<b>87,823</b>	<b>(352)</b>
UK cash and cash equivalents			3.9%	33,099	n/a	n/a
Overseas cash and cash equivalents			0.1%	1,047	n/a	n/a
Net current liabilities			(0.6%)	(5,341)	n/a	n/a
<b>TOTAL PORTFOLIO</b>			<b>100.0%</b>	<b>849,755</b>	<b>n/a</b>	<b>n/a</b>

## GEOGRAPHIC ANALYSIS OF INVESTMENTS AND CURRENCY EXPOSURE AS AT 31 OCTOBER 2017

	UK %	USA %	Canada %	France %	Switzerland %	Total %
Equities	12	24	3	1	3	43
Inflation-Linked Securities	4	21	–	–	–	25
T-Bills	16	4	–	–	–	20
Gold Bullion	–	9	–	–	–	9
Cash and cash equivalents	4	–	–	–	–	4
Net current liabilities	(1)	–	–	–	–	(1)
<b>Total</b>	<b>35</b>	<b>58</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>100</b>
Net currency exposure %	71	22	3	1	3	100

## INVESTMENT ADVISER'S REPORT

Markets have been becalmed for the past six months and volatility has remained remarkably low by historical standards. The VIX Index, measuring the expected future volatility of the S&P500 as implied by the options market, reached a 27-year low in September. Yet this lack of stock market volatility belies a fundamental vulnerability. Back in 2000 we recognised that we were entering a low-return era, given the record valuation levels that prevailed. Glimpses of value appeared subsequently in 2002/3 and again in 2008/9. If the axiom holds that initial valuations are key to long-term performance, investors starting from here face modest or possibly negative returns. Why take risk when you are not paid to do so? After a prolonged bull market in both bonds and equities we therefore remain focused on capital preservation, not the maximisation of upside.

In a world where European junk bonds yield less than 10-year US Treasuries and where the latter's 2.3% is hardly mouth-watering, there is little value on offer in fixed interest securities. In equities, there is a need to be extremely selective. We are determined not to overpay, especially when the economic recovery is long in the tooth. Our preference is to buy good businesses at acceptable prices rather than inferior businesses at great prices. We are not finding many investments where the juice is worth the squeeze. We do, however, hope we have picked a peach through an investment in BIC. BIC is a French, family-controlled manufacturer of disposable consumer plastic products. It enjoys impressive global market shares in shavers, stationery and lighters, and its conservative approach is shown by the net cash on its balance sheet. The shares have almost halved in price in the past two years and much of this was thanks to a reappraisal of what had been an excessively high valuation.

We continue to be drawn to companies that are controlled by stewards, very often families, because they are in a stronger position to make long-term decisions that match our own investment horizons. These include the existing holdings of A.G. Barr, PZ Cussons and Franco-Nevada. More often than not, such businesses are debt-averse, something regrettably rare in the public markets. Elsewhere, portfolio activity was low. We added to our holding in Hershey. Our preference is for companies that sell low-ticket repeat-purchase items that offer tasty investment morsels. Repeat-purchases are frequently ignored as dull but when it comes to confectionery, compared with other food categories (like ice cream or cereal) private label products are all but absent. Hershey has rewarded shareholders well over the past two decades with dividends and buybacks, the latter funded by cash and not debt. Buybacks funded by debt merely bring forward future returns.

We sold our holding in gold miner Agnico Eagle, taking profits in favour of Franco-Nevada, a royalty company which enjoys a more defensive and capital-light business model. The track record of its management team is superb, achieved over years of investing counter-cyclically into precious metals and, more recently, the energy sector. Over the course of the summer we reduced holdings in British American Tobacco and Philip Morris on valuation grounds. These sales proved timely ahead of an announcement that the US tobacco regulator has started a public consultation about reducing nicotine in cigarettes to non-addictive levels. This caused consternation among investors but was probably a case of "sell first, ask questions later". We remain holders of the sector. Changes in regulation are likely to be glacial and it is important to appreciate that the US regulator is now viewing the industry as part of the solution (by the development of next generation products) and not just a problem to be mitigated.

We wait for better value to emerge in the equity market. Market leadership has become highly concentrated in a small number of stocks. This is a common feature late in the cycle. At a recent meeting we were asked what would drive us to increase our allocation to equities. The answer is simple: valuation. Impatient capital is finding its way into inappropriate, low-return opportunities. Low market liquidity has exacerbated the rises in equities and bonds. When sellers start looking for the exits, a lack of liquidity will compound losses and provide opportunities for patient investors like ourselves.

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

# CONDENSED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	(Unaudited)		
	Six months ended		
	31 October 2017		
	Revenue	Capital	
	Return	Return	Total
	£'000	£'000	£'000
Investment income	6,797	–	6,797
Other operating income	422	–	422
(Losses)/gains on investments held at fair value through profit or loss	–	(352)	(352)
Foreign exchange gains/(losses)	–	5,923	5,923
<b>Total income</b>	<b>7,219</b>	<b>5,571</b>	<b>12,790</b>
Expenses	(1,929)	(1,729)	(3,658)
<b>Profit before taxation</b>	<b>5,290</b>	<b>3,842</b>	<b>9,132</b>
Taxation	(294)	–	(294)
<b>Profit for the period</b>	<b>4,996</b>	<b>3,842</b>	<b>8,838</b>
<b>Earnings per share</b>	<b>£2.45</b>	<b>£1.88</b>	<b>£4.33</b>

The “Profit 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)			(Audited)		
	Six months ended			Year ended		
	31 October 2016			30 April 2017		
Revenue	Capital		Revenue	Capital		
Return	Return	Total	Return	Return	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
7,229	–	7,229	15,088	–	15,088	
351	–	351	751	–	751	
–	88,472	88,472	–	83,454	83,454	
–	(39,695)	(39,695)	–	(26,403)	(26,403)	
7,580	48,777	56,357	15,839	57,051	72,890	
(1,734)	(1,530)	(3,264)	(3,716)	(3,139)	(6,855)	
5,846	47,247	53,093	12,123	53,912	66,035	
(208)	–	(208)	(685)	–	(685)	
5,638	47,247	52,885	11,438	53,912	65,350	
£3.13	£26.21	£29.34	£6.20	£29.25	£35.45	



## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2017

	(Unaudited) 31 October 2017 £'000	(Unaudited) 31 October 2016 £'000	(Audited) 30 April 2017 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	820,950	721,684	733,479
Net current assets	28,805	2	48,020
<b>Net assets</b>	<b>849,755</b>	721,686	781,499
<b>Total equity</b>	<b>849,755</b>	721,686	781,499
<b>Net asset value per Ordinary share</b>	<b>£400.90</b>	£394.85	£398.70

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	(Unaudited) Six months ended 31 October 2017 £'000	(Unaudited) Six months ended 31 October 2016 £'000	(Audited) Year ended 30 April 2017 £'000
Opening equity shareholders' funds	781,499	640,624	640,624
Profit for the period	8,838	52,885	65,350
Ordinary dividends paid	(5,681)	(4,978)	(10,310)
Issue and re-issue of Ordinary shares	65,099	34,953	87,633
Buy-back of Ordinary shares	–	(1,798)	(1,798)
<b>Closing equity shareholders' funds</b>	<b>849,755</b>	721,686	781,499

## CONDENSED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2017

	<b>(Unaudited)</b>	(Unaudited)	(Audited)
	<b>Six months</b>	Six months	Year
	<b>ended</b>	ended	ended
	<b>31 October</b>	31 October	30 April
	<b>2017</b>	2016	2017
	<b>£'000</b>	£'000	£'000
Net cash inflow from operating activities	<b>2,292</b>	2,124	3,689
Net cash outflow from investing activities	<b>(62,435)</b>	(30,823)	(81,446)
<b>Net cash outflow before financing activities</b>	<b>(60,143)</b>	(28,699)	(77,757)
Net cash inflow from financing activities	<b>59,900</b>	7,284	74,868
<b>Net decrease in cash and cash equivalents</b>	<b>(243)</b>	(21,415)	(2,889)
Cash and cash equivalents at the start of the period	<b>34,926</b>	37,278	37,278
Effect of foreign exchange rate changes	<b>171</b>	495	537
<b>Cash and cash equivalents at the end of the period</b>	<b>34,854</b>	16,358	34,926

## 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 2017. 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 2017, 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 £8,838,000 (six months ended 31 October 2016: net profit of £52,885,000; year ended 30 April 2017: net profit of £65,350,000) and on 2,039,837 (six months ended 31 October 2016: 1,802,695; year ended 30 April 2017: 1,843,254) 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 2018 the Board has declared a first interim dividend of £1.40 per Ordinary share, which was paid on 14 July 2017, a second interim dividend of £1.40 per Ordinary share, which was paid on 13 October 2017 and a third interim dividend of £1.40, which will be paid on 11 January 2018. In respect of the year ended 30 April 2017 the Board declared four interim dividends of £1.40 per Ordinary share. This gave a total dividend for the year ended 30 April 2017 of £5.60 per Ordinary share.
4. At 31 October 2017 there were 2,119,638 Ordinary shares in issue (31 October 2016: 1,827,744; 30 April 2017: 1,960,127). During the six months ended 31 October 2017 the Company issued 159,511 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 2017:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Investments	820,950	–	702	821,652
Current liabilities	–	(6,099)	–	(6,099)
<b>Total</b>	<b>820,950</b>	<b>(6,099)</b>	<b>702</b>	<b>815,553</b>

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 £487,000 at 30 April 2017 to £702,000 at 31 October 2017.

There were no transfers of investments between levels in the period ended 31 October 2017.

The following table summarises the Group's Level 1 investments that were accounted for at fair value in the period to 31 October 2017.

	<b>Group (Level 1) £'000</b>
Opening book cost	526,678
Opening fair value adjustment	206,801
<hr/>	
Opening valuation	733,479
Movement in the period:	
Purchases at cost	428,884
Effective yield adjustment	1,867
Sales – proceeds	(342,928)
– gains on sales	6,469
Decrease in fair value adjustment	(6,821)
<hr/>	
Closing valuation at 31 October 2017	820,950
<hr/>	
Closing book cost	620,970
Closing fair value adjustment	199,980
<hr/>	
Closing valuation at 31 October 2017	820,950
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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 2017.

The fair value of the group's financial assets and liabilities as at 31 October 2017 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 2017, 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 2017 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, 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 2017.

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 2017. 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

29 November 2017



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