

# **PERSONAL ASSETS TRUST PLC**

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
31 OCTOBER 2016**



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Hamish Buchan (Chairman)  
Robin Angus  
Gordon Neilly  
Stuart Paul  
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  
10 St Colme Street  
Edinburgh EH3 6AA  
Telephone: 0131 538 1400

## ALTERNATIVE INVESTMENT FUND MANAGER

PATAc Limited  
10 St Colme Street  
Edinburgh EH3 6AA

## 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 PLAN ADMINISTRATION

Halifax Share Dealing Limited  
Lovell Park Road  
Leeds LS1 1NS

Telephone: 0345 850 0181\*

## 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

\* Calls cost no more than those to geographic numbers (01 or 02) and may be included in your inclusive minutes with your phone provider.

† 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 2016 PAT’s net asset value per share (“NAV”) rose by 7.5% to £394.85. PAT’s share price rose by £24.50 to £397.00 over the same period, being a premium of 0.5% to the Company’s NAV at that date.

	% as at 31 October 2016	% as at 30 April 2016
US TIPS	21.1	17.0
UK Index-Linked Gilts	4.4	4.4
UK T-Bills	16.2	17.2
Gold Bullion	11.5	11.0
UK cash and cash equivalents	2.2	4.8
Overseas cash and cash equivalents	0.1	1.0
Net current (liabilities)/assets	(2.3)	0.6
<b>Total</b>	<b>53.2</b>	<b>56.0</b>

- Over the six months PAT’s shares continued to trade close to NAV. We re-issued 7,890 Ordinary shares from Treasury and issued 79,873 new Ordinary shares (adding £35.0 million of new capital) at a small premium and bought back 4,861 Ordinary shares (costing £1.8 million) at a small discount.
- 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 2016 and the second interim dividend of £1.40 was paid on 13 October 2016. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 12 January 2017 and a fourth interim dividend of £1.40 per Ordinary share will be paid in April 2017, making a total for the year of £5.60 per Ordinary share.

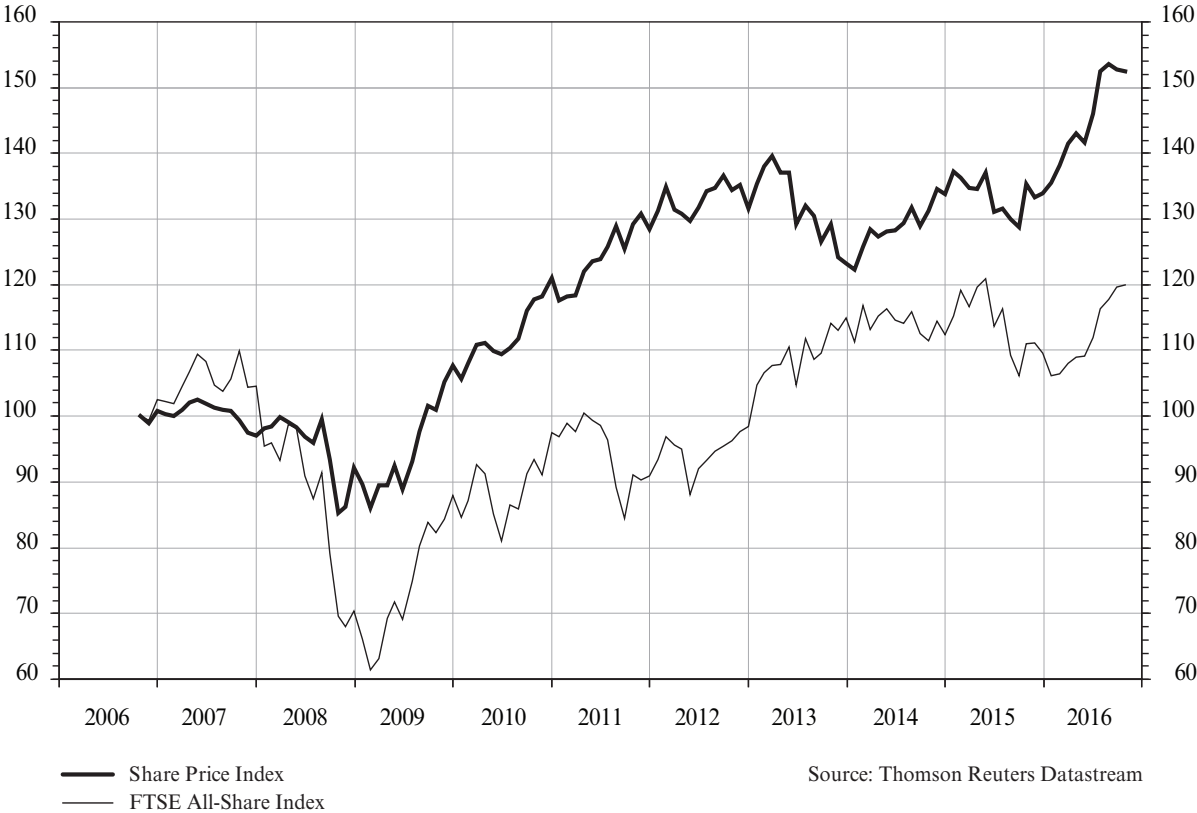
## KEY FEATURES

	As at 31 October 2016	As at 30 April 2016
Market Capitalisation	£725.6m	£650.0m
Shareholders’ Funds	£721.7m	£640.6m
Shares Outstanding	1,827,744	1,744,842
Liquidity (see fourth bullet point above)	53.2%	56.0%
Share Price	£397.00	£372.50
NAV per Share	£394.85	£367.15
FTSE All-Share Index	3,768.14	3,421.70
Premium to NAV	0.5%	1.5%
Earnings per Share	£3.13	£4.78 <sup>(1)</sup>
Dividend per Share	£2.80	£5.60 <sup>(1)</sup>

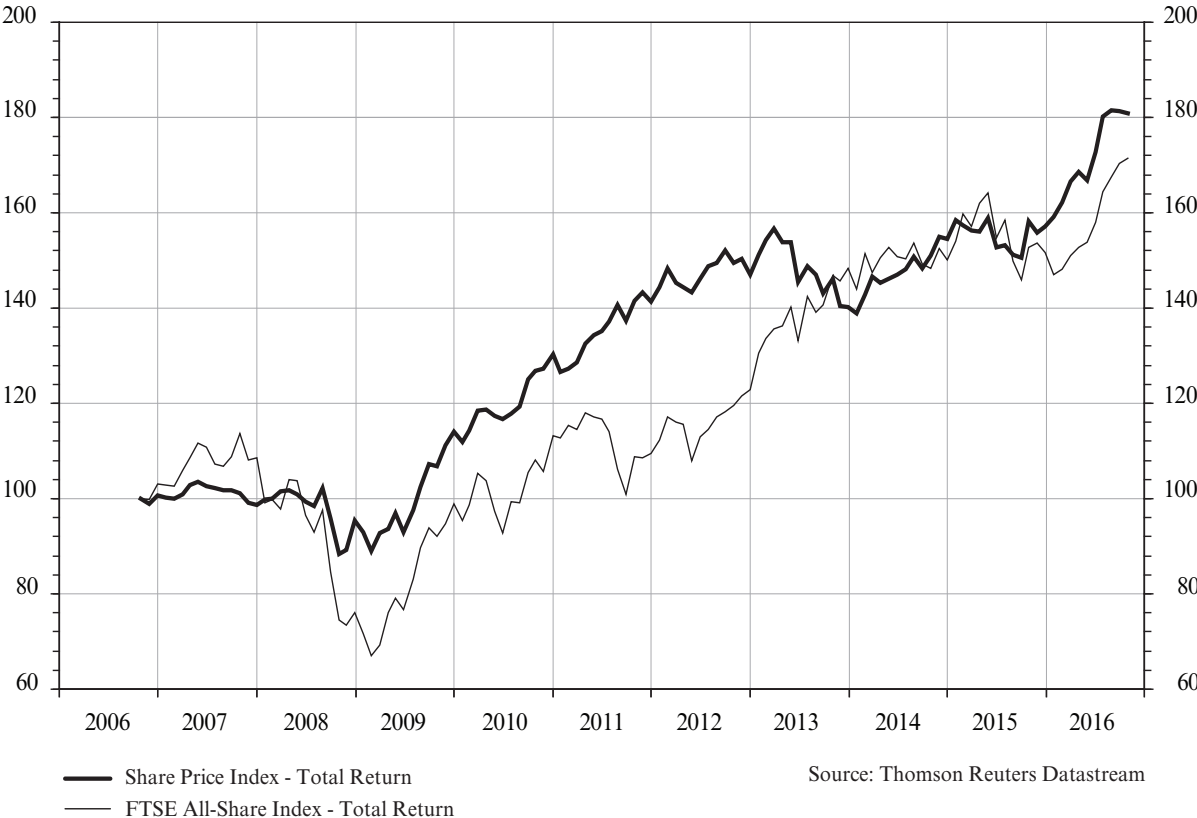
<sup>(1)</sup> Full Year.

# 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 2016

Security	Country	Equity Sector	Shareholders' Funds %	Valuation 31 October 2016 £'000	Bought/ (sold) £'000	Gain/ (loss) £'000
<b>Equities</b>						
Philip Morris	USA	Tobacco	4.9	35,446	–	5,220
British American Tobacco	UK	Tobacco	4.8	34,892	(1,903)	4,210
Coca-Cola	USA	Beverages	3.9	28,048	–	3,217
Nestlé	Switzerland	Food Producer	3.9	28,034	–	3,910
Microsoft	USA	Software	3.6	26,284	–	7,956
Altria	USA	Tobacco	2.8	20,521	–	4,206
Sage Group	UK	Technology	2.7	19,467	–	3,483
Colgate Palmolive	USA	Personal Products	2.3	16,494	–	2,756
Berkshire Hathaway	USA	Insurance	2.1	15,018	1,524	2,155
Dr Pepper Snapple	USA	Beverages	2.1	14,914	–	1,975
Imperial Oil	Canada	Oil & Gas	2.0	14,294	–	2,061
Unilever	UK	Food Producer	1.8	13,292	–	1,410
Becton Dickinson	USA	Pharmaceuticals	1.7	12,344	–	2,415
American Express	USA	Financial Services	1.7	11,936	1,509	1,919
GlaxoSmithKline	UK	Pharmaceuticals	1.4	10,188	–	1,004
Procter & Gamble	USA	Household Products	1.3	9,216	–	2,089
Diageo	UK	Beverages	1.2	8,912	–	1,362
Agnico Eagle Mines	Canada	Mining	1.1	7,881	–	1,758
Barr (AG)	UK	Beverages	0.9	6,185	1,610	(1,020)
Other Investments	–	–	0.6	4,424	682	197
<b>Total Equities</b>			<b>46.8</b>	<b>337,790</b>	<b>3,422</b>	<b>52,283</b>
US TIPS	USA		21.1	152,328	22,702	20,750
UK Index-Linked Gilts	UK		4.4	31,362	441	2,505
UK T-Bills	UK		16.2	116,965	6,858	186
Gold Bullion	–		11.5	83,239	–	12,748
<b>Total Investments</b>			<b>100.0</b>	<b>721,684</b>	<b>33,423</b>	<b>88,472</b>
UK cash and cash equivalents			2.2	15,949	n/a	n/a
Overseas cash and cash equivalents			0.1	410	n/a	n/a
Net current liabilities			(2.3)	(16,357)	n/a	n/a
<b>TOTAL PORTFOLIO</b>			<b>100.0</b>	<b>721,686</b>	<b>n/a</b>	<b>n/a</b>

## GEOGRAPHIC ANALYSIS OF INVESTMENTS AND CURRENCY EXPOSURE AS AT 31 OCTOBER 2016

	UK %	USA %	Canada %	Switzerland %	Total %
Equities	13	27	3	4	47
Inflation-Linked Securities	4	21	–	–	25
T-Bills	16	–	–	–	16
Gold Bullion	–	12	–	–	12
Cash and cash equivalents	2	–	–	–	2
Net current liabilities	(2)	–	–	–	(2)
<b>Total</b>	<b>33</b>	<b>60</b>	<b>3</b>	<b>4</b>	<b>100</b>
Net currency exposure %	70	23	3	4	100

## INVESTMENT ADVISER'S REPORT

Over the half year to 31 October 2016, the net asset value per share (“NAV”) of Personal Assets Trust (“PAT”) rose by 7.5%. The past six months have seen remarkable financial extremes. UK interest rates have been cut by 0.25% to a 322-year low. 10 year UK gilt yields have reached an all-time low of 0.5%. Sterling's effective exchange rate fell to a 168-year low (according to the Financial Times). Elsewhere, Japanese and German sovereign 10-year bond yields have turned negative as investors buy to lock in capital losses. All is not well with the financial world.

In the West there is rising political anger, epitomised by the outcome of the UK referendum in June. Now, Trump has trumped Brexit. But there remain plenty more invidious choices to be made by disgruntled electorates, including in Italy's constitutional referendum in December and in the 2017 elections in France and Germany. We hold the view that political outcomes are likely to offer investors asymmetric risks, skewed to the downside.

Thanks to these uncertainties, stock markets have failed to make much headway, having continued to trade in a range close to their all-time highs. The FTSE 100 Index has traded between 6,000 and 7,000 for three and a half years. Investors have not been well rewarded for taking risk and it has been advisable to sail close to the shore. As is often the case, PAT's NAV held up well during the market falls after the Brexit vote but we lagged the subsequent weak sterling-induced market rally.

In these febrile times we continue to be extremely defensively positioned. Portfolio activity was minimal during the half year and liquidity remains at very high levels. We increased holdings in US Treasury Inflation Protected Securities (“TIPS”), American Express, Berkshire Hathaway and AG Barr. Barr has experienced (weather-related) weaker trading conditions and has suffered from the announcement of the introduction of a tax on soft drinks in the UK. We believe these problems will prove transitory and are reflected in the company's valuation following recent share price falls. We also modestly reduced the holding in British American Tobacco after very strong performance following the Brexit referendum as investors anticipated the benefits of currency translation to the company's profits.

Inflation in the UK looks likely to re-emerge. It will not necessarily fit the 1970s template of cost-push (from rising commodities) and demand-pull (from rising wages). This time it will be due to currency debasement. A fall in the currency will lead to rising import costs. Multinationals will look to recoup devalued sales which will be passed on to consumers. Whether it is the price of Marmite, Microsoft Office software or fuel, the RPI is likely to rise in 2017 and 2018. In a previously deflationary environment in which yields are low, this seems disorientating and may prove to be temporary, as when the RPI rose to 5.6% in September 2011, only for deflationary forces to prevail. However, should sterling weakness become sustained, inflation could become more persistent. Interest rates did not move up five years ago and we would expect the Bank of England to argue once again that inflationary pressures will prove short-lived. With short rates low, conventional bond yields may not rise by much. In 2011, 10-year gilt yields were 2.3% and today they are half that level. This explains our preference for index-linked gilts and US TIPS as we remain in a negative real interest rate world.

Rising inflation is also a threat to the higher earnings multiples on stocks which have prevailed in recent years, even at a time when corporate earnings have deteriorated. With stretched valuations, future profits will be worth less. The bull market in US stocks has lasted 89 months — the longest on record. The temptation near the end of the cycle is to trade down into visually cheaper but lower quality stocks — we believe this particularly dangerous. The standard policy response during a recession, since 1980, has been to cut interest rates by 5% or more. That option is not available today so cyclical, indebted companies will not receive the traditional assistance from falling interest costs. As this realisation dawns, a reappraisal of stock market valuations is likely to occur. In that environment, our liquidity will prove very valuable.

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

# CONDENSED GROUP INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

	(Unaudited)		
	Six months ended		
	31 October 2016		
	Revenue	Capital	
	Return	Return	Total
	£'000	£'000	£'000
Investment income	7,229	–	7,229
Other operating income	351	–	351
Gains/(losses) on investments held at fair value through profit or loss	–	88,472	88,472
Foreign exchange (losses)/gains	–	(39,695)	(39,695)
<b>Total income</b>	<b>7,580</b>	<b>48,777</b>	<b>56,357</b>
Expenses	(1,734)	(1,530)	(3,264)
<b>Profit/(loss) before taxation</b>	<b>5,846</b>	<b>47,247</b>	<b>53,093</b>
Taxation	(208)	–	(208)
<b>Profit/(loss) for the period</b>	<b>5,638</b>	<b>47,247</b>	<b>52,885</b>
<b>Earnings per share</b>	<b>£3.13</b>	<b>£26.21</b>	<b>£29.34</b>

The “Profit/(loss) 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 2015			30 April 2016		
Revenue	Capital		Revenue	Capital		
Return	Return	Total	Return	Return	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
5,911	–	5,911	11,283	–	11,283	
280	–	280	619	–	619	
–	(1,012)	(1,012)	–	41,467	41,467	
–	887	887	–	(8,475)	(8,475)	
6,191	(125)	6,066	11,902	32,992	44,894	
(1,465)	(1,318)	(2,783)	(3,054)	(2,691)	(5,745)	
4,726	(1,443)	3,283	8,848	30,301	39,149	
(227)	–	(227)	(594)	–	(594)	
4,499	(1,443)	3,056	8,254	30,301	38,555	
£2.58	(£0.83)	£1.75	£4.78	£17.55	£22.33	



## CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2016

	(Unaudited) 31 October 2016 £'000	(Unaudited) 31 October 2015 £'000	(Audited) 30 April 2016 £'000
<b>Non-current assets</b>			
Investments held at fair value through profit or loss	721,684	551,431	599,789
Net current assets	2	52,428	40,835
<b>Net assets</b>	<b>721,686</b>	603,859	640,624
<b>Total equity</b>	<b>721,686</b>	603,859	640,624
<b>Net asset value per Ordinary share</b>	<b>£394.85</b>	£348.89	£367.15

## CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

	(Unaudited) Six months ended 31 October 2016 £'000	(Unaudited) Six months ended 31 October 2015 £'000	(Audited) Year ended 30 April 2016 £'000
Opening equity shareholders' funds	640,624	609,745	609,745
Profit for the period	52,885	3,056	38,555
Ordinary dividends paid	(4,978)	(4,886)	(9,691)
Issue and re-issue of Ordinary shares	34,953	1,737	20,460
Buy-back of Ordinary shares	(1,798)	(5,793)	(18,445)
<b>Closing equity shareholders' funds</b>	<b>721,686</b>	603,859	640,624

## CONDENSED GROUP CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2016

	(Unaudited) Six months ended 31 October 2016 £'000	(Unaudited) Six months ended 31 October 2015 £'000	(Audited) Year ended 30 April 2016 £'000
Net cash inflow from operating activities	2,124	1,555	3,549
Net cash (outflow)/inflow from investing activities	(30,823)	30,575	30,261
<b>Net cash (outflow)/inflow before financing activities</b>	<b>(28,699)</b>	32,130	33,810
Net cash inflow/(outflow) from financing activities	28,222	(8,940)	(7,748)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(477)</b>	23,190	26,062
Cash and cash equivalents at the start of the period	37,278	15,844	15,844
Effect of foreign exchange rate changes	(20,443)	7,635	(4,628)
<b>Cash and cash equivalents at the end of the period</b>	<b>16,358</b>	46,669	37,278

## 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 2016. 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 2016, 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 £52,885,000 (six months ended 31 October 2015: net profit of £3,056,000; year ended 30 April 2016: net profit of £38,555,000) and on 1,802,695 (six months ended 31 October 2015: 1,742,485; year ended 30 April 2016: 1,726,867) 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 2017 the Board has declared a first interim dividend of £1.40 per Ordinary share, which was paid on 14 July 2016, a second interim dividend of £1.40 per Ordinary share, which was paid on 13 October 2016 and a third interim dividend of £1.40, which will be paid on 12 January 2017. In respect of the year ended 30 April 2016 the Board declared four interim dividends of £1.40 per Ordinary share. This gave a total dividend for the year ended 30 April 2016 of £5.60 per Ordinary share.
4. At 31 October 2016 there were 1,827,744 Ordinary shares in issue (31 October 2015: 1,730,800; 30 April 2016: 1,744,842). During the six months ended 31 October 2016 the Company re-issued 7,890 Ordinary shares from Treasury and issued 79,873 new Ordinary shares. The Company also bought back 4,861 Ordinary shares to be held in Treasury for future re-issue.
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 2016:

	<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	721,684	–	487	722,171
Current liabilities	–	(16,355)	–	(16,355)
<b>Total</b>	<b>721,684</b>	<b>(16,355)</b>	<b>487</b>	<b>705,816</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 £384,000 at 30 April 2016 to £487,000 at 31 October 2016.

There were no transfers of investments between levels in the period ended 31 October 2016.

The following table summarises the Group's Level 1 investments that were accounted for at fair value in the period to 31 October 2016.

	<b>Group (Level 1) £'000</b>
Opening book cost	474,426
Opening fair value adjustment	125,363
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Opening valuation	599,789
Movement in the period:	
Purchases at cost	337,726
Effective yield adjustment	2,601
Sales – proceeds	(306,903)
– gains on sales	1,318
Increase in fair value adjustment	87,153
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Closing valuation at 31 October 2016	721,684
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Closing book cost	509,168
Closing fair value adjustment	212,516
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Closing valuation at 31 October 2016	721,684
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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 2016.

The fair value of the group's financial assets and liabilities as at 31 October 2016 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 2016, 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 2016 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 2016.

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 2016. There have been no material changes in the nature and type of the related party transactions as stated within the Annual Report.

## INVESTMENT ADVISORY FEE

The Board has negotiated a change to the investment advisory fee arrangement with Troy Asset Management Limited ("Troy"). The current fee, which is based on the Company's shareholders' funds, is: 0.5 per cent. on the first £100 million; 0.625 per cent. on the next £50 million; 0.75 per cent. between £150 million and £500 million; 0.625 per cent. between £500 million and £750 million, 0.55 per cent. between £750 million and £1 billion, and 0.5 per cent. thereafter.

Under the new fee arrangement the various bands up to £750 million will be consolidated into a single rate of 0.65 per cent. This represents a small decrease to the current fee paid. The existing arrangements above £750 million will remain in place. The new arrangements became effective from 1 November 2016.

## 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 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

17 November 2016



Personal Assets Trust PLC, 10 St Colme Street, Edinburgh EH3 6AA.  
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