

PERSONAL ASSETS TRUST PLC

**INTERIM REPORT
FOR THE SIX MONTHS ENDED
31 OCTOBER 2020**



FINANCIAL SUMMARY

- Personal Assets Trust (“PAT”) is an 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 2020 PAT’s net asset value per share (“NAV”) rose by 2.9% to £438.67. PAT’s share price rose by £7.00 to £440.00 over the same period, being a premium of 0.3% to the Company’s NAV at that date.

	% as at 31 October 2020	% as at 30 April 2020
US TIPS	30.0	31.3
UK T-Bills	12.6	9.1
Gold Bullion	9.4	9.9
Property	0.2	0.2
UK cash	6.0	4.9
Overseas cash	0.0	0.0
Net current (liabilities)/assets	(0.4)	0.1
Total	57.8	55.5

- Over the six months PAT’s shares continued to trade close to NAV. We re-issued 43,546 Ordinary shares from Treasury and issued 228,350 new Ordinary shares (adding £121.5 million of 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 17 July 2020 and the second interim dividend of £1.40 was paid on 9 October 2020. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 8 January 2021 and a fourth interim dividend of £1.40 per Ordinary share is expected to be paid in April 2021, making a total for the year of £5.60 per Ordinary share.

KEY FEATURES

	As at 31 October 2020	As at 30 April 2020
Market Capitalisation	£1,317.8m	£1,179.1m
Shareholders’ Funds	£1,313.8m	£1,161.0m
Shares Outstanding	2,994,899	2,723,003
Liquidity (see fourth bullet point above)	57.8%	55.5%
Share Price	£440.00	£433.00
NAV per Share	£438.67	£426.36
FTSE All-Share Index	3,151.27	3,262.51
Premium to NAV	0.3%	1.6%
Earnings per Share	£2.03	£5.86 ⁽¹⁾
Dividend per Share	£2.80	£5.60 ⁽¹⁾

⁽¹⁾ Full Year.

INVESTMENT MANAGER'S REPORT

Over the half year to 31 October 2020 the net asset value per share (“NAV”) of Personal Assets Trust (“PAT”) rose by 2.9% while the FTSE All-Share Index (“FTSE”) fell by 3.4%. This was a surprisingly stable six months for stock markets following the remarkable period of Covid-induced collapse and subsequent rally that occurred in February, March and April. This apparently dull performance for the half year belies continued material divergence between technology stocks, along with companies seen as beneficiaries from lockdowns, versus the remainder that lagged. This has been a tale of two stock markets, commonly described as a ‘K’-shaped recovery, with the U.S. market’s largest five companies; Apple, Microsoft, Amazon, Facebook and Alphabet (Google’s parent) driving returns disproportionately. Despite the anticipated rebound in the economy, we expect the recovery to be gradual as businesses reopen. However, as the post-Covid economy reveals itself, it may look different from previous economic recoveries with trends such as working from home, digital payments and the transition to a low carbon economy likely to accelerate.

Portfolio activity was very modest during the half year following the high activity of February and March, when we raised the Trust’s equity exposure materially. We sold the Trust’s investment in Coca-Cola, held since 2009, during the period due to what we believed to be persistent headwinds to volume growth over the long term. Carbonated soft drinks face a number of challenges, not least the environmental scrutiny faced by their packaging and a secular shift in consumer preferences towards healthier alternatives. Added to this is the more immediate threat to its cash flows from Coke’s out-of-home consumption. We have concerns over balance sheet strength, free cash flow generation and the valuation. We also sold the residual holding in AG Barr. We acquired a holding in Becton Dickinson. Becton is a wonderfully diversified portfolio of small-ticket, repeat purchase items that are indispensable to healthcare globally. The opportunity to improve outcomes by bringing digital capabilities to bear on Becton’s portfolio is one that appears as yet underappreciated but which the new CEO understands and articulates well. Growth in sales is underpinned by Becton’s unrivalled competitive position and the increasing demand for medical devices in both developed markets with aging populations and developing markets where the provision of healthcare is becoming more sophisticated. The shares were acquired at an attractive valuation following a prolonged period of dull performance.

Whilst the shift towards digital payments has been occurring for some time, there is evidence that this is now accelerating as ecommerce becomes ubiquitous and governments around the world are shaping regulation to drive the share of digital payments, which incur less cost and help reduce crime. During the pandemic, cash has also become a vector for virus transmission, causing more merchants to accept card and encourage contactless payments. There are also substantial opportunities in digitising payments between businesses (B2B) and other channels such as bill payments and government disbursements in addition to the core C2B (consumer to business) payments which make up the majority of the card networks’ businesses today. During the period we added to the Trust’s holdings in American Express and Visa, both beneficiaries of these dynamics that we expect to strengthen as the economy begins to reopen.

Asset prices have been supported by aggressive monetary and fiscal policies, which are endeavouring to replace the collapse in demand resulting from the pandemic. Interest rates have been nailed to the floor indefinitely, making yielding assets relatively more attractive. The prospect of interest rates in the UK following Japan and Europe into negative territory, supports our longstanding thesis of a shift to negative real rates. Zero-bound yields in fixed income are less appealing but index-linked bonds and gold should provide protection against a financially repressive future. This said, there is no guarantee that either asset class will provide an offset to equities during short-term bouts of volatility, as conventional bonds once did. Correlations have now increased across the board, as was apparent during the weakness in March, and we are entering an era in which it will become harder to generate low risk, absolute returns. This will not change the way we manage the portfolio to achieve the Trust’s aim; to protect and grow capital (*in that order*) but shareholders should prepare for greater short-term volatility in both absolute and relative terms.

Sebastian Lyon, Investment Manager

PORTFOLIO AS AT 31 OCTOBER 2020

			Shareholders' Funds %	Valuation 31 October 2020 £'000	Bought/(sold) in period £'000	Gain/(loss) in period £'000
Security Equities	Country	Equity Sector				
Microsoft	USA	Technology	5.2	67,919	–	6,159
Alphabet	USA	Technology	4.1	54,342	–	7,809
Unilever	UK	Food Producer	3.7	49,111	–	3,368
Nestlé	Switzerland	Food Producer	3.7	48,138	–	1,690
Philip Morris	USA	Tobacco	2.8	37,530	–	(2,836)
Visa	USA	Financial Services	2.8	36,813	3,134	(227)
Diageo	UK	Beverages	2.5	32,799	–	(3,309)
Medtronic	USA	Healthcare	2.4	32,407	–	79
American Express	USA	Financial Services	2.1	27,613	6,378	(575)
British American Tobacco	UK	Tobacco	2.1	27,319	–	(7,038)
Franco-Nevada	Canada	Mining	2.1	27,170	3,806	186
Berkshire Hathaway	USA	Insurance	2.0	26,698	–	1,268
Agilent Technology	USA	Healthcare	2.0	26,244	–	5,992
Procter & Gamble	USA	Household Products	1.7	21,862	–	2,569
Becton Dickinson	USA	Pharmaceuticals	1.4	18,007	19,074	(1,067)
Colgate Palmolive	USA	Personal Products	1.1	14,147	–	1,208
Experian	UK	Industrial	0.5	6,224	6,237	(13)
Coca-Cola	USA	Beverages	–	–	(11,421)	450
A.G. Barr	UK	Beverages	–	–	(4,400)	(534)
Total Equities			42.2	554,343	22,808	15,179
US TIPS	USA		30.0	393,610	30,785	(800)
UK T-Bills	UK		12.6	165,997	60,206	(110)
Gold Bullion			9.4	123,766	–	8,675
Total Investments			94.2	1,237,716	113,799	22,944
Property			0.2	2,105	406	–
Subsidiary			–	–	(2,793)	1,560
Other Assets			94.4	1,239,821	111,412	24,504
UK cash			6.0	79,181	n/a	n/a
Overseas cash			0.0	11	n/a	n/a
Net current liabilities			(0.4)	(5,251)	n/a	n/a
TOTAL PORTFOLIO			100.0	1,313,762	n/a	n/a

GEOGRAPHIC ANALYSIS OF INVESTMENTS AND CURRENCY EXPOSURE AS AT 31 OCTOBER 2020

	UK %	USA %	Canada %	Switzerland %	Total %
Equities	9	27	2	4	42
Inflation-Linked Securities	–	30	–	–	30
T-Bills	13	–	–	–	13
Gold Bullion	–	9	–	–	9
Cash	6	–	–	–	6
Property	0	–	–	–	0
Net current liabilities	0	–	–	–	0
Total	28	66	2	4	100
Net currency exposure %	58	36	2	4	100

TEN YEAR PERFORMANCE

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



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



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. There remain uncertainties resulting from the COVID-19 pandemic that may impact the Company, including investment risks surrounding the companies within the portfolio. The Board continues to work with the Investment Manager, PATAC and its other advisers to manage these risks as far as possible in these uncertain times.

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 2020.

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 acknowledge that the situation surrounding the COVID-19 pandemic continues to create risks and uncertainties which may impact the Company. Nevertheless, 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 Company's business and assets, which are considered readily realisable if required, that the Company 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 2020. 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 Manager'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,

Iain Ferguson, Chairman

19 November 2020

CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

	(Unaudited)		
	Six months ended		
	31 October 2020		
	Revenue	Capital	
	Return	Return	Total
	£'000	£'000	£'000
Investment income	8,263	–	8,263
Other operating income	–	–	–
Gains on investments held at fair value through profit or loss	–	22,944	22,944
Gain from discontinued operation	–	1,560	1,560
Foreign exchange gains/(losses)	–	11,433	11,433
Total income	8,263	35,937	44,200
Expenses	(2,390)	(2,517)	(4,907)
Return before taxation	5,873	33,420	39,293
Taxation	(79)	–	(79)
Return for the period	5,794	33,420	39,214
Return per share	£2.03	£11.69	£13.72

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 Company’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 other than the sale of the Company’s subsidiary which is included as “Gain from discontinued operation”. Details of the sale can be found in Note 7. There are no other discontinued operations. Therefore, the post taxation profit from discontinued operations is £1,560,000.

	(Unaudited)			(Audited)		
	Six months ended			Year ended		
	31 October 2019			30 April 2020		
Revenue	Capital		Revenue	Capital		
Return	Return	Total	Return	Return	Total	
£'000	£'000	£'000	£'000	£'000	£'000	
12,070	–	12,070	21,690	–	21,690	
107	–	107	162	–	162	
–	25,866	25,866	–	69,319	69,319	
–	–	–	–	–	–	
–	(3,537)	(3,537)	–	(16,260)	(16,260)	
12,177	22,329	34,506	21,852	53,059	74,911	
(2,031)	(2,176)	(4,207)	(4,068)	(4,427)	(8,495)	
10,146	20,153	30,299	17,784	48,632	66,416	
(1,341)	1,025	(316)	(2,433)	1,444	(989)	
8,805	21,178	29,983	15,351	50,076	65,427	
£2.87	£9.01	£11.88	£5.86	£19.13	£24.99	

CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2020

	(Unaudited) 31 October 2020 £'000	(Unaudited) 31 October 2019 £'000	(Audited) 30 April 2020 £'000
Non-current assets			
Investments held at fair value through profit or loss	1,237,716	1,042,229	1,100,973
Property	2,105	1,628	1,699
Net current assets	73,941	58,681	58,294
Net assets	1,313,762	1,102,538	1,160,966
Total equity	1,313,762	1,102,538	1,160,966
Net asset value per Ordinary share	£438.67	£415.16	£426.36

CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

	(Unaudited) Six months ended 31 October 2020 £'000	(Unaudited) Six months ended 31 October 2019 £'000	(Audited) Year ended 30 April 2020 £'000
Opening equity shareholders' funds	1,160,966	968,579	968,579
Return for the period	39,214	29,983	65,427
Ordinary dividends paid	(7,963)	(7,018)	(14,639)
Issue of Ordinary shares	121,545	110,994	171,240
Share buybacks	–	–	(29,641)
Closing equity shareholders' funds	1,313,762	1,102,538	1,160,966

CONDENSED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2020

	(Unaudited)	(Unaudited)	(Audited)
	Six months	Six months	Year
	ended	ended	ended
	31 October	31 October	30 April
	2020	2019	2020
	£'000	£'000	£'000
Net cash inflow from operating activities	2,605	2,698	5,525
Net cash outflow from investing activities	(92,380)	(94,851)	(97,794)
Net cash outflow before financing activities	(89,775)	(92,153)	(92,269)
Net cash inflow from financing activities	113,031	103,977	125,876
Net increase in cash and cash equivalents	23,256	11,824	33,607
Cash and cash equivalents at the start of the period	56,091	22,792	22,792
Effect of exchange rate changes	(155)	154	(308)
Cash and cash equivalents at the end of the period	79,192	34,770	56,091

NOTES

1. The condensed 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 Company for the year ended 30 April 2020. The condensed 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 Company for the year ended 30 April 2020, 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 £39,214,000 (six months ended 31 October 2019: net profit of £29,983,000; year ended 30 April 2020: net profit of £65,427,000) and on 2,858,320 (six months ended 31 October 2019: 2,523,148; year ended 30 April 2020: 2,617,987) 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 2021 the Board has declared a first interim dividend of £1.40 per Ordinary share, which was paid on 17 July 2020 and a second interim dividend of £1.40 per Ordinary share, which was paid on 9 October 2020. A third interim dividend of £1.40 per Ordinary share will be paid to shareholders on 8 January 2021 and a fourth interim dividend of £1.40 per Ordinary share is expected to be paid in April 2021, making a total for the year of £5.60 per Ordinary share. In respect of the year ended 30 April 2020 the Board declared four interim dividends of £1.40 per Ordinary share. This gave a total dividend for the year ended 30 April 2020 of £5.60 per Ordinary share.
4. At 31 October 2020 there were 2,994,899 Ordinary shares in issue (31 October 2019: 2,655,663; 30 April 2020: 2,723,003). During the six months ended 31 October 2020 the Company re-issued 43,546 Ordinary shares from Treasury and issued 228,350 new Ordinary shares.
5. The Board has considered the requirements of IFRS 8 'Operating Segments'. The Board is of the view that the Company 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 Company has only a single operating segment.
6. The Company held the following categories of financial instruments as at 31 October 2020:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	1,237,716	–	–	1,237,716
Current liabilities	–	(346)	–	(346)
Total	1,237,716	(346)	–	1,237,370

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 was sold on 30 September 2020.

There were no transfers of investments between levels in the period ended 31 October 2020.

The following table summarises the Company's Level 1 investments that were accounted for at fair value in the period to 31 October 2020.

	(Level 1) £'000
Opening book cost	884,917
Opening fair value adjustment	216,056
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Opening valuation	1,100,973
Movement in the period:	
Purchases at cost	285,662
Effective yield adjustment	452
Sales – proceeds	(172,315)
– gains on sales	4,664
Increase in fair value adjustment	18,280
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Closing valuation at 31 October 2020	1,237,716
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Closing book cost	1,003,380
Closing fair value adjustment	234,336
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Closing valuation at 31 October 2020	1,237,716

Other aspects of the Company'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 2020.

The fair value of the Company's financial assets and liabilities as at 31 October 2020 was not materially different from their carrying values in the financial statements.

7. The Company's subsidiary was sold on 30 September 2020. Details of the sale are as follows:

	£'000
Total disposal consideration	2,943
Costs of disposal	(149)
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Net consideration	2,794*
Carrying amounts of net assets sold	(1,234)
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Gain on sale before taxation	1,560
Taxation	–
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Gain on sale after taxation	1,560

* The net consideration has been included in the Company's Condensed Cash Flow Statement under "Net cash outflow from investing activities".

8. 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 2020, 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 2020 have been reported on by the Company's auditors or delivered to the Registrar of Companies.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Iain Ferguson CBE (Chairman)
Mandy Clements
Gordon Neilly
Paul Read
Robbie Robertson
Jean Sharp

REGISTERED OFFICE

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COMPANY SECRETARY

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ALTERNATIVE INVESTMENT FUND MANAGER

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INVESTMENT MANAGER

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SOLICITOR

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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

Website: www.patplc.co.uk
Telephone: 0131 378 0500

A new website for the Company is expected to be launched shortly. Shareholders are encouraged to visit the website for more information on the Company.

INVESTMENT ACCOUNTS AND ISAS

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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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