

PERSONAL ASSETS TRUST PLC

MARCH 2009

QUARTERLY REPORT No. 52

NEW INVESTMENT ADVISER

As you will see from the accompanying Chairman's Letter and Press Release, the Board is delighted to announce that Troy Asset Management Limited ("Troy") has been appointed as Investment Adviser to Personal Assets with effect from 3rd March 2009.

Full information about Troy is given in the Press Release.¹ I should just like to add that for me it is a coming together of friends. Sebastian Lyon, Chief Executive of Troy, has been a significant private shareholder in Personal Assets since 1999. He first came to know of Ian and Personal Assets through Jonathan Davis's book *Money Makers* (1998) and thereafter kept in regular touch with Ian and me over the years, visiting us in Edinburgh, meeting the rest of the Board at the AGM and taking part in many a fascinating discussion about investment (including joining me in teasing Ian about his refusal ever to entertain the idea of investing in gold). I look forward eagerly to working with Sebastian and despite the current economic storms I am full of hope and confidence for the future of Personal Assets.

PERFORMANCE SNAPSHOT

Now I turn to our investment performance during the last quarter and over our financial year since 30 April 2008 so far. Personal Assets' share price on 31 January 2009 was £233¾, up by 5.3% from its 31 October 2008 level of £222. This compared to a fall of 4.8% in our benchmark, the FTSE All-Share Index, so that we are able to report an outperformance of 10.6% during the quarter.

¹ Including the fact that Troy was named after Lord Weinstock's 1979 Derby winner rather than the topless towers of Ilium. I was a little disappointed to learn this, given the opportunities I might have had for quoting from the *Aeneid*, but I'm sure shareholders will be greatly relieved.

For the nine months since our 30 April 2008 year end the picture is not so rosy in absolute terms but is nonetheless reassuring in relative terms: although our share price was down by 9.5% from its 30 April 2008 level of £258¼, this represented a 35.0% outperformance of our benchmark, which fell by 32.9%.

February has been another unsettled month but I am glad to say we have held our own during it. By Wednesday 25 February the FTSE All-Share Index had dropped by 6.8% from its end January level while our share price, at £224¼, was down by 4.1%. Falls in the share price are never welcome but this still represents a 2.9% outperformance over February so far and takes our outperformance against our benchmark since our 30 April 2008 year end to 38.9%.

PROTECTING OUR CAPITAL

What these figures mean is that Personal Assets managed to carry out quite a decent damage limitation exercise during a time of market slump. Since the last Quarter we have taken two further defensive steps. First, as we became more concerned about the short term outlook for markets we increased our liquidity from 16% to its present (26 February) 45%. Secondly, we rationalised our portfolio in line with our generally unenthusiastic view of equities together with a desire to present our incoming Investment Adviser with a clean slate. We sold our remaining bank holdings at prices well in excess of those prevailing today and tidied up our US holdings, selling a couple of stragglers to leave us with only two stocks there, *Philip Morris International* and *Bristol-Myers Squibb*. We disposed of our disappointing stake in *Rentokil* and sold three small holdings of investment trusts which had remained in the

portfolio since our merger with Collective Assets. By 31 January we had only the ten equity holdings shown on the back page of the Quarterly and since then we have also been realising our holding in *British Assets*. The stage is now clear for our portfolio to be rebuilt as good values re-emerge.

WEATHERING THE STORM

So far we have survived the storm of 2008 and early 2009 reasonably intact. Is it over? Mervyn King doesn't think so, forecasting that the UK economy will shrink by 4% from mid-2008 to mid-2009 and warning that interest rate cuts may no longer work; and, whether or not Mr Brown intended to use the word 'depression' rather than recession, Mr Balls, the former chief economic adviser to the Treasury, is on record as saying:

*'This is a financial crisis more extreme and more serious than that of the 1930s and we all remember how the politics of that era were shaped by the economy. The reality is that this, I am sure, is becoming the most serious global recession for, I'm sure, over 100 years — as it will turn out.'*²

Not even Ian or I in our gloomiest moments uttered words as dire as that. Rather than end on such a pessimistic note I'll quote a more cheerful but still realistic e-mail exchange between Sebastian Lyon and me the other day:

SEBASTIAN: *'What the statistics tell us is that for investors who are prepared to be patient we are for the first time in two decades looking at prospective double digit returns from equities.'*

ME: *'I think this is right, and if it proves so we shall enjoy ourselves. I do, however, feel that we are looking out over the lawn of a country house to the sunlit hills beyond, but wondering where the ha-ha is.'*

SEBASTIAN: *'Could not agree more!'*

ROBIN ANGUS

² *Financial Times*, 10 February 2009.

**PERSONAL ASSETS TRUST
INVESTMENT PLANS**

While the shares of Personal Assets Trust are listed on the London Stock Exchange and so can be bought and sold in the normal way, investors can also buy shares *free of all commissions and charges* through the Company's *Investment Plan, ISA or ISA Transfer*.

The Company also operate a *Cash Income Plan*, which allows shareholders' to take a capital return of either 4%, 7% or 10% per annum of the value of their plan.

Full details of how to invest in the shares of Personal Assets can be obtained from the Company's website, www.patplc.co.uk, or from:

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Portfolio at 31-Jan-09	£'000
Alliance Trust	15,396
Royal Dutch Shell	12,909
BP	11,862
GlaxoSmithKline	7,923
Philip Morris Int. (US)	3,327
BAE Systems	1,106
British Assets Trust	878
Bristol-Myers Squibb (US)	640
F&C Asset Management	527
F&C UK Select Trust	411
Equities held	54,979
FTSE 100 Futures held	38,167
Liquidity (43.5%)	71,883
Shareholders' Funds	165,029

**PERSONAL ASSETS TRUST
PERFORMANCE**



— PAT Share Price (£)
— FTSE All-Share re-based to PAT Share Price
— PAT Net Asset Value per Share (£)

Source: DATASTREAM

% Changes from	31-Oct-90	31-Jan-04	31-Jan-06	31-Jan-08	31-Jan-09
Period	18 Yrs 3m	5 Years	3 Years	1 Year	Values
Share price	558.5%	11.0%	-6.6%	-8.5%	£233.75
NAV per share	401.9%	13.6%	-7.1%	-9.5%	£233.06
FTSE All-Share (FTSE)	109.4%	-4.9%	-29.0%	-30.7%	2,078.92
NAV relative to FTSE	139.7%	19.5%	30.9%	30.6%	