# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## BALANCED FUND

*A pooled management service for private clients*

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH APRIL 2017

# CONTENTS

## AUTHORISED FUND MANAGER'S REPORT*



## FINANCIAL STATEMENTS



**The information provided on the back of this booklet also forms part of the Authorised Fund Manager's Report.*

# INTRODUCTION

McInroy & Wood Balanced Fund (the fund) is an authorised unit trust for investors who wish to have their assets personally managed by McInroy & Wood Limited (MW) and for whom a discretionary managed portfolio may not be appropriate. Investors will gain access, through the fund, to a portfolio which it might well be impracticable for them to assemble themselves.

The fund has been established with the aim of providing clients with professional investment management at an economic cost.

Through the fund, investors who have similar objectives are able to pool their resources in order to secure the benefits of scale.

The investment objective of the Balanced Fund is to maximise the total return to unitholders, by preserving and growing the real value of investors' capital and income, placing an equal emphasis on the generation of income and on capital growth.

The fund may invest in any geographical areas and any economic sectors. The Manager has power to invest more than 35% in value of the scheme property of the fund in government and other public securities. This power is restricted to bonds or other securities issued by the Governments of the United Kingdom or the United States of America.

Further information and application forms may be obtained from McInroy & Wood Portfolios Limited, Easter Alderston, Haddington, EH41 3SF. (Tel.+44 (0)1620 825867) or through the website www.mcinroy-wood.co.uk.

At 30th April 2017, total net assets of the fund amounted to £634,765,528 compared with £509,787,873 twelve months before. There were 1,127 unitholders, excluding ISAs, with an average holding worth £543,669.

**Markets**
Over the year to 30th April 2017, equity markets were strong in spite of considerable political upheaval. The UK's vote to leave the European Union surprised many investors but the subsequent weakness of sterling was a boon for companies with profits generated in foreign currencies. Likewise, it increased the value of overseas investments for UK investors. The US election result was also unexpected but markets responded with optimism, sending already expensive valuations still higher.

Measured by MSCI indices in local currency, the UK equity market rose by 15% over the course of the year. The USA and Europe both gained 16%, while developing markets as a group were up 15%. In sterling terms, the impact of currency movements is evident in the 27% rise in the overall MSCI All Country World index over the period.

Bond prices in the UK and USA fell. The prospect of rising interest rates and higher inflation reduced the appeal of fixed-interest stocks. Shorter-dated government issues in each country, both conventional and inflation-protected, fell by up to 2%. However performance for their longer-dated counterparts diverged. Issues in the USA lost 4-6% of their value, but the prices of UK equivalent holdings rose significantly as Brexit made rate rises less likely in the short term.

Sterling weakened against other major currencies, falling 7% against the euro and 11% against the US dollar.

**Results**
The price of Personal units in the fund at 30th April 2017 stood at £46.612, an increase of 13% over the course of the year. This reflected the strength of equity markets, coupled with an increase in the value of overseas assets as a result of sterling weakness. These positive factors were offset to some degree by falling bond prices.

**Dividend Distribution**
A final dividend distribution of 42.609p per unit is now being paid. This brings total distributions for the year past to 73.609p, an increase of 1% on the 2016 figure.

The distribution for the next six months is expected to be broadly similar to that for the corresponding period in 2016.

**Portfolio Strategy**

As mentioned in the interim report, a 5% allocation to gold was added to the portfolio in early October. This was achieved by purchasing two securities backed by physical gold bullion. These additions should provide further diversification, as well as some protection in the event of loss of confidence in central banks and the financial system more generally. Gold has traditionally been a store of value in times of particular anxiety about the global outlook. These purchases were funded by an equivalent reduction in the bond allocation.

The portfolio allocation to Japanese equities was increased from 2% to 5% of the portfolio to gain exposure to opportunities in exporting companies, which are benefiting from favourable exchange rates and structural reforms.

At 30th April 2017, 59% of the portfolio was allocated to equities (62% at 30th April 2016), 34% to bonds (36%), 5% to gold (n/a) and 2% to cash deposits (2%).

**Investments**

Net new funds for investment of almost £57 million were subscribed during the year. These were largely used to increase existing holdings. Three Japanese companies were added to the portfolio: Misumi, an industrial component supplier, Nissan Chemical Industries, a speciality chemical manufacturer, and Shimadzu, a precision instruments manufacturer. A new position was also established in Henkel, a German chemical and consumer goods group. Holdings in Fielmann, Hong Kong & China Gas, Telekomunikasi Indonesia, Roper, RPM and WW Grainger were sold.

Spirax-Sarco (+52%) and Mettler-Toledo (+43%) recorded the strongest gains during the period in local currency terms; it was a disappointing period for MTN (-15%) and Tractor Supply (-35%).

In the bond allocations, new investments were made in medium-dated issues in the UK and USA, funded by the sale of longer-dated issues and the redemption of short-dated US dollar and sterling stocks.

**Outlook**

The global outlook for investment is heavily coloured by political uncertainty. In the USA, President Trump faces growing resistance to his initiatives and the country's direction under his leadership appears increasingly confused. Mounting scandals highlighted by the independent probe into his campaign's connections with Russia could further impede an already erratic administration. Republican opposition in Congress is likely to be emboldened. This bodes ill for his promises of protectionist measures and heavy infrastructure spending. Both are unpopular with supporters of free trade and balanced budgets. Recent equity market strength, based on the prospect of tax cuts and stimulus programmes, may prove ill-founded, potentially adding to the disillusionment of voters. The President's rhetoric to date has only reinforced existing divisions within the country. Were he to be impeached, hostility against the political establishment, the main target of his vitriol, would become even more bitter – extending perhaps, in the worst case, to violent protest.

From an international perspective, Trump's unpredictable behaviour seems to be undermining the credibility of US foreign policy, not least as it affects diplomatic efforts and international trading arrangements. His preference for deal-making over a more considered, long-term strategy makes it difficult to assess the direction of global politics.

Despite this volatile background, the USA's economic foundations are relatively reassuring. Industrial production is strong, although productivity remains stubbornly sluggish. Unemployment is at a ten-year low and inflation remains moderate, while interest rates are gradually normalising. As a result, the Federal Reserve seems confident enough to begin to unwind its policy of quantitative easing by reducing its asset holdings later this year.

Some aspects of the UK's economic performance are also quite reassuring. Job creation and retail sales figures are encouraging and unemployment here is at its lowest since 1975. On the other hand, inflation now outpaces wage rises and productivity, already low, declined in the first quarter of the year.

The country's immediate outlook is overshadowed by a hung parliament. The Conservative government's decision to call for a snap general election to strengthen their position backfired and this may make it more difficult for any 'hard' Brexit to be forced through. The route ahead is very unclear, but negotiations with European partners are likely to be greatly complicated by domestic political instability.

**Outlook (continued)**

In the eurozone, there was relief at the result of the recent French presidential election. The country's deep divisions, however, remain. Unemployment in France remains high, particularly among young people. But the prospect of a more business-friendly (if inexperienced) president, is raising confidence in both the manufacturing and service sectors. More elections are on the horizon; Germany and Italy will both vote in the next twelve months. Nevertheless growth across Europe is accelerating despite the lack of clarity on the political front, and even surpassed that of the USA in the first quarter.

Japan is also making progress with its reflationary programme, even if this has disappointed some more optimistic expectations. GDP growth is gaining momentum and appears well-balanced; exports and domestic consumption are the most important contributors to the economy. Japan remains home to some excellent companies with strong market positions.

China, too, is trying to rebalance its economy. Its dangerous reliance on exports and investment-driven growth should fall, as a much greater emphasis is made on stimulating domestic consumption. But debt levels remain worryingly high, much of it concealed in opaque structures with minimal formal reporting requirements. Meanwhile, growth in India has been encouraging and the country has made some progress with its own debt problems. More immediately, the government needs to address the shortage of cash in circulation following the withdrawal of two widely-used notes. In Brazil, there are early signs of economic recovery, but these could be undermined if corruption allegations against President Temer eventually topple his government.

Referenda and elections dominate headlines across the world, as mainstream centrists wrestle with the impact of globalisation and prolonged austerity on electorates. Equity market valuations are elevated, and price levels do not appear to discount potential risks, even if economic foundations look reasonably stable. In the light of potential setbacks, precautionary measures have been taken to protect the portfolio's underlying value. It has always been our policy to take account of apparent risk, particularly those not fully reflected in market prices. A cautious approach is favoured, based on a wide diversification of assets, including some exposure to gold.

*12th June 2017*

# COMPARATIVE TABLE — PERSONAL CLASS

| | 30th April 2017 (pence per unit) | 30th April 2016 (pence per unit) | 30th April 2015 (pence per unit) |
|---|---|---|---|
| **Change in net assets per unit** | | | |
| Opening net asset value per unit | 4,073.37 | 3,988.30 | 3,657.73 |
| Return before operating charges* | 667.55 | 202.17 | 448.17 |
| Operating charges | (50.92) | (44.53) | (43.45) |
| Return after operating charges | 616.63 | 157.64 | 404.72 |
| Distributions | (73.61) | (72.57) | (74.15) |
| **Closing net asset value per unit** | 4,616.39 | 4,073.37 | 3,988.30 |
| *After direct transaction costs of | (2.20) | (1.57) | (7.58) |
| **Performance**** | | | |
| Return after charges | 15.14% | 3.95% | 11.06% |
| **Other information** | | | |
| Closing net asset value (£'000) | 634,766 | 483,075 | 420,428 |
| Closing number of units | 13,750,247 | 11,859,360 | 10,541,545 |
| Operating charges | 1.12% | 1.13% | 1.13% |
| Direct transaction costs | 0.05% | 0.04% | 0.20% |
| **Prices** | | | |
| Highest unit price | £47.978 | £42.233 | £42.049 |
| Lowest unit price | £40.398 | £37.281 | £36.087 |
| **Portfolio turnover** | | | |
| Annualised | 56% | 68% | 78% |

**Performance is capital gains (or losses) plus income earned.

Please note that the capital return element, reflected in the performance figure noted above, may vary from the unit price movement noted in the Manager's Report. The unit price is struck at the daily valuation point at noon, whereas the valuation of investments reported in financial statements are struck at the close of business on the last business day of the period (See note 1 (g)), creating a timing difference.

## COMPARATIVE TABLE — LEGACY CLASS

| | 21st Dec. 2016 (pence per unit) | 30th April 2016 (pence per unit) | 30th April 2015 (pence per unit) |
|---|---|---|---|
| **Change in net assets per unit** | | | |
| Opening net asset value per unit | 4,005.28 | 3,941.44 | 3,633.10 |
| Return before operating charges* | 519.67 | 198.70 | 443.92 |
| Operating charges | (45.85) | (63.31) | (62.09) |
| Return after operating charges | 473.82 | 135.39 | 381.83 |
| Distributions | (31.00) | (71.55) | (73.49) |
| Amounts transferred to Personal class*** | (4,448.10) | — | — |
| **Closing net asset value per unit** | — | 4,005.28 | 3,941.44 |
| *After direct transaction costs of | (1.37) | (1.55) | (7.51) |
| **Performance**** | | | |
| Return after charges | 11.83% | 3.44% | 10.51% |
| **Other information** | | | |
| Closing net asset value (£'000) | — | 26,713 | 31,329 |
| Closing number of units | — | 666,932 | 794,868 |
| Operating charges | 1.62% | 1.63% | 1.63% |
| Direct transaction costs | 0.08% | 0.04% | 0.20% |
| **Prices** | | | |
| Highest unit price | £47.068 | £41.533 | £41.563 |
| Lowest unit price | £39.712 | £36.768 | £35.760 |

**Performance is capital gains (or losses) plus income earned.

***Units in the Legacy class were converted to units in the Personal class on 21st December 2016.

# PORTFOLIO STATEMENT

## as at 30th April 2017

| INVESTMENTS | Holding or Nominal Value of positions at 30th April 2017 | Bid Market Value £'000 | Percentage of Value of total net assets 30th April 2017 | Percentage of Value of total net assets 30th April 2016 |
|---|---|---|---|---|
| *Bonds* | | | | |
| **UK** | | | | |
| UK Treasury 1% 2017 | £17,382,000 | 17,428 | 2.7 | |
| UK Treasury 1.25% 2017 | £10,105,000 | 14,410 | 2.3 | |
| UK Treasury 1.5% 2026 | £23,719,000 | 24,715 | 3.9 | |
| UK Treasury 2.25% 2023 | £16,868,000 | 18,585 | 2.9 | |
| UK Treasury 2.75% 2024 | £12,682,000 | 14,489 | 2.3 | |
| | | 89,627 | 14.1 | 18.9 |
| **USA** | | | | |
| US Treasury 0.125% 2024 | $46,460,000 | 36,635 | 5.8 | |
| US Treasury 0.125% 2026 | $42,188,000 | 32,508 | 5.1 | |
| US Treasury 0.25% I-L 2025 | $16,125,000 | 12,745 | 2.0 | |
| US Treasury 1.5% 2026 | $23,415,000 | 16,931 | 2.7 | |
| US Treasury 2% 2025 | $17,418,000 | 13,289 | 2.1 | |
| US Treasury 2.25% 2024 | $17,147,000 | 13,343 | 2.1 | |
| | | 125,451 | 19.8 | 17.3 |
| *TOTAL BONDS* | | *215,078* | *33.9* | *36.2* |
| *Equities* | | | | |
| **UK** | | | | |
| Keller | 781,992 | 7,237 | 1.1 | |
| Land Securities | 1,188,000 | 13,127 | 2.1 | |
| Reckitt Benckiser | 99,700 | 7,089 | 1.1 | |
| Rio Tinto | 391,950 | 12,001 | 1.9 | |
| Rotork | 3,077,830 | 7,565 | 1.2 | |
| Spirax-Sarco | 346,621 | 18,007 | 2.8 | |
| | | 65,026 | 10.2 | 12.4 |
| **US** | | | | |
| Abbott Laboratories | 391,000 | 13,189 | 2.1 | |
| Becton Dickinson | 89,200 | 12,888 | 2.0 | |
| Church & Dwight | 198,680 | 7,603 | 1.2 | |
| Ecolab | 83,900 | 8,370 | 1.3 | |
| Mettler-Toledo | 51,900 | 20,596 | 3.3 | |
| O'Reilly Automotive | 41,900 | 8,037 | 1.3 | |
| Paychex | 348,500 | 15,971 | 2.5 | |
| Schlumberger | 102,700 | 5,761 | 0.9 | |
| Tractor Supply | 110,560 | 5,290 | 0.8 | |
| Watsco | 79,320 | 8,508 | 1.3 | |
| | | 106,213 | 16.7 | 20.7 |

continued

| *Equities continued* | Holding or Nominal Value of positions at 30th April 2017 | Bid Market Value £'000 | Percentage of Value of total net assets 30th April 2017 | Percentage of Value of total net assets 30th April 2016 |
|---|---|---|---|---|
| **FRANCE** | | | | |
| Essilor International | 60,860 | 6,088 | 1.0 | |
| Unibail-Rodamco | 42,670 | 8,095 | 1.3 | |
| | | 14,183 | 2.3 | 2.4 |
| **GERMANY** | | | | |
| Fresenius Medical Care | 189,250 | 12,992 | 2.0 | |
| Fuchs Petrolub | 401,000 | 13,946 | 2.2 | |
| Henkel pref. | 71,500 | 7,532 | 1.2 | |
| SAP | 208,100 | 16,132 | 2.6 | |
| | | 50,602 | 8.0 | 7.2 |
| **IRELAND** | | | | |
| Kerry 'A' | 217,600 | 13,769 | 2.2 | 2.2 |
| **NETHERLANDS** | | | | |
| Boskalis Westminster | 149,800 | 4,257 | 0.7 | |
| Royal Dutch Shell 'B' | 818,340 | 16,796 | 2.6 | |
| | | 21,053 | 3.3 | 3.7 |
| **SWITZERLAND** | | | | |
| Sonova | 69,000 | 7,876 | 1.2 | 1.2 |
| **AUSTRALIA** | | | | |
| ARB | 589,011 | 5,267 | 0.8 | 1.0 |
| **JAPAN** | | | | |
| Misumi | 446,800 | 6,537 | 1.0 | |
| Nissan Chemical Industries | 244,700 | 5,854 | 0.9 | |
| Shimadzu | 481,000 | 6,300 | 1.0 | |
| Shimano | 52,900 | 6,240 | 1.0 | |
| Sysmex | 133,600 | 6,272 | 1.0 | |
| | | 31,203 | 4.9 | 2.1 |

continued

| *Equities continued* | | Holding or Nominal Value of positions at 30th April 2017 | Bid Market Value £'000 | Percentage of Value of total net assets 30th April 2017 | 30th April 2016 |
|---|---|---|---|---|---|
| **DEVELOPING MARKETS** | | | | | |
| ***Brazil*** | Localiza Rent A Car | 700,690 | 8,007 | 1.3 | |
| ***Hong Kong*** | Vitasoy International | 3,784,000 | 5,724 | 0.9 | |
| ***India*** | Mahindra & Mahindra-GDR | 188,020 | 3,001 | 0.5 | |
| | Mahindra & Mahindra | 227,700 | 3,656 | 0.6 | |
| | Marico | 2,016,000 | 7,613 | 1.2 | |
| ***Mexico*** | Wal-Mart de Mexico | 3,874,260 | 6,687 | 1.0 | |
| ***Portugal*** | Jeronimo Martins | 451,100 | 6,396 | 1.0 | |
| ***S Africa*** | MTN | 701,575 | 5,124 | 0.8 | |
| ***Singapore*** | Thai Beverage | 12,054,000 | 6,133 | 1.0 | |
| ***Taiwan*** | Giant Manufacturing | 1,204,000 | 5,629 | 0.9 | |
| | | | 57,970 | 9.2 | 8.8 |
| *TOTAL EQUITIES* | | | *373,162* | *58.8* | *61.7* |
| *Commodities* | | | | | |
| **UK** | | | | | |
| ETFS Physical Gold | | 166,440 | 15,684 | 2.4 | |
| Gold Bullion Securities | | 168,860 | 15,688 | 2.5 | |
| | | | 31,372 | 4.9 | — |
| *TOTAL COMMODITIES* | | | *31,372* | *4.9* | — |
| TOTAL INVESTMENTS | | | 619,612 | 97.6 | 97.9 |
| Net other assets | | | 15,154 | 2.4 | 2.1 |
| *TOTAL NET ASSETS* | | | *634,766* | *100.0* | *100.0* |

Note: *Unless otherwise stated, the above securities are admitted to official stock exchange listings or traded on a regulated market.*

*All debt securities in the portfolio at 30th April 2017 are investment grade.*

# SUMMARY OF ALL PORTFOLIO CHANGES

**for the year to 30th April 2017**

| Purchases | | Cost £'000 |
|---|---|---|
| 99,340 | Church & Dwight *(stock split)* | — |
| 166,440 | ETFS Physical Gold | 16,324 |
| 15,300 | Fresenius Medical Care | 995 |
| 339,000 | Giant Manufacturing | 1,745 |
| 168,860 | Gold Bullion Securities | 16,306 |
| 71,500 | Henkel pref. | 7,053 |
| 105,300 | Jeronimo Martins | 1,402 |
| 35,930 | Kerry 'A' | 2,030 |
| 161,960 | Localiza Rent A Car | 1,603 |
| 88,700 | Mahindra & Mahindra | 1,353 |
| 446,800 | Misumi | 6,416 |
| 388,975 | MTN | 3,027 |
| 244,700 | Nissan Chemical Industries | 6,879 |
| 481,000 | Shimadzu | 6,460 |
| 5,300 | Shimano | 641 |
| 9,800 | Sysmex | 476 |
| 22,720,000 | UK Treasury 1% 2017 | 22,932 |
| 3,885,000 | UK Treasury 1.25% 2017 | 5,490 |
| 23,719,000 | UK Treasury 1.5% 2026 | 24,061 |
| 32,350,000 | UK Treasury 1.75% 2017 | 32,621 |
| 2,300,000 | UK Treasury 2.25% 2023 | 2,484 |
| 5,320 | Unibail-Rodamco | 999 |
| 1,600,000 | US Treasury 0.125% 2024 | 1,297 |
| 42,188,000 | US Treasury 0.125% 2026 | 33,342 |
| 16,125,000 | US Treasury 0.25% I-L 2025 | 12,975 |
| 1,347,000 | US Treasury 0.75% I-L 2042 | 984 |
| 23,415,000 | US Treasury 1.5% 2026 | 17,282 |
| 1,082,000 | US Treasury 2% 2025 | 793 |
| 1,042,870 | Wal-Mart de Mexico | 1,520 |
| | TOTAL | 229,490 |

# SUMMARY OF ALL PORTFOLIO CHANGES

continued

| Disposals | | Proceeds £'000 |
|---|---|---|
| 97,400 | Fielmann | 5,296 |
| 1,743,468 | Hong Kong & China Gas | 2,214 |
| 7,450 | MettlerToledo | 2,466 |
| 146,300 | Reckitt Benckiser | 10,003 |
| 52,435 | Roper Industries | 7,807 |
| 156,400 | RPM International | 6,463 |
| 29,500,000 | Telekomunikasi Indonesia | 5,293 |
| 19,025,000 | UK Treasury 1% 2017 | 19,181 |
| 32,350,000 | UK Treasury 1.75% 2017 | 32,510 |
| 11,405,000 | UK Treasury 4.25% 2036 | 15,666 |
| 29,530,000 | UK Treasury 0% 2016 | 29,530 |
| 14,472,000 | US Treasury 0.75% I-L 2042 | 11,547 |
| 15,015,000 | US Treasury 2.75% 2042 | 11,319 |
| 21,000,000 | US Treasury 0% 2016 | 16,114 |
| 43,000 | WW Grainger | 8,489 |
| | TOTAL | 183,898 |

**Authorisation**
The Balanced Fund is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is categorised as a UCITS scheme under the rules contained in the Collective Investment Schemes Sourcebook made by the Financial Conduct Authority.

McInroy & Wood Limited and its subsidiary, McInroy & Wood Portfolios Limited, are authorised and regulated by the Financial Conduct Authority.

**Capital Gains Tax**
Authorised unit trusts are exempt from capital gains tax on realised capital gains.

**Applications**
The minimum initial and subsequent investment in the fund is £1,000. Regular monthly contributions may be made for a minimum of £100.

**Data Protection**
Unitholders' names will be added to a mailing list which may be used by the Manager, or its associate, to provide investors with information related to their investment, including occasional topical articles. Unitholders who would not like to receive such information can write to the Manager requesting their removal from any such mailing list.

**Remuneration Policy**
McInroy & Wood Portfolios Limited ("MWP") delegates investment management of the fund to McInroy & Wood Ltd ("MW"), the Investment Advisor. Directors and staff working on the Fund are not remunerated by MWP, but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. The group remuneration policy is approved annually by the Board and is designed to ensure that the remuneration of directors and staff is consistent with and promotes sound and effective risk management. MW pays no variable remuneration to its directors. No other employees have authority to influence the risk profile of the funds. It is, therefore, not possible for variable remuneration incentives to encourage risk taking which is inconsistent with the risk profile of the funds managed. MWP's compliance with its duty to act in the best interests of the funds it manages is therefore not subject to any conflict of interest.

**A Word of Caution**
You should remember that the price of units and the income from them may go down as well as up. Gains are not necessarily achieved in the short term. Exchange rate fluctuations may also cause the value of an investment to rise and fall. Investment in emerging markets can be subject to risk not normally associated with developed markets.

**Synthetic Risk and Reward Indicator** (Volatility measure)

| | | | | | | |
|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

**Lower risk** — Typically lower rewards

**Higher risk** — Typically higher rewards

This indicator shows how much a fund's price has risen and fallen in the past and therefore how much its returns have varied: it is a measure of the fund's volatility. The higher the past volatility, the higher the number on the scale. The lowest number on the scale does not mean that a fund is risk free.

This indicator is prescribed by EU reporting guidelines and is based on historical data. It should not be used as an indicator of the fund's future risk profile. The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

## STATEMENT OF THE MANAGER'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority ("the Rules") requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the fund and of its net revenue and the net capital gains on the property of the fund for the year. In preparing the financial statements the Manager is required to:

- Select suitable accounting policies and then apply them consistently.
- Comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the IMA in May 2014.
- Follow generally accepted accounting principles and applicable accounting standards.
- Prepare the accounts on the basis that the fund will continue in operation unless it is inappropriate to do so.
- Keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

The Manager is responsible for the management of the fund in accordance with its Trust Deed, Prospectus and the Rules, and for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law or regulations.

The maintenance and integrity of the McInroy & Wood website is the responsibility of the Authorised Fund Manager.

## DIRECTORS' STATEMENT

In accordance with the requirements of the rules in the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority, we hereby certify the Report and Financial Statements of the fund on behalf of the Directors of McInroy & Wood Portfolios Limited.

| T A U Wood | J C McAulay |
|---|---|
| *Director* | *Director* |

*Haddington, 12th June 2017*

## STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee in its capacity as Trustee of McInroy & Wood Balanced Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits;
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

# REPORT OF THE TRUSTEE

**to the unit holders of McInroy & Wood Balanced Fund for the year ended 30th April 2017**

Having carried out such procedures as we considered necessary to discharge our responsibilities as Trustee of the Trust, it is our opinion, based on the information available to us and the explanations provided, that, in all material respects the Trust, acting through the AFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

For and on behalf of
BNY Mellon Trust & Depositary
(UK) Limited
London

*12th June 2017*

## Report on the financial statements

*Our opinion*

In our opinion, McInroy & Wood Balanced Fund's financial statements, (the "financial statements"):

- give a true and fair view of the financial position of the Trust as at 30th April 2017 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

*What we have audited*

The financial statements, which are prepared by McInroy & Wood Portfolios Limited (the "Authorised Fund Manager"), comprise:

- the balance sheet as at 30th April 2017;
- the statement of total return for the year then ended;
- the statement of change in net assets attributable to unitholders for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information; and
- the distribution tables.

The financial reporting framework that has been applied in their preparation is United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law), the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for UK Authorised Funds"), the Collective Investment Schemes sourcebook and the Trust Deed.

In applying the financial reporting framework, the Authorised Fund Manager has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the Authorised Fund Manager has made assumptions and considered future events.

continued

**Opinions on matters prescribed by the Collective Investment Schemes Sourcebook**

*In our opinion:*

- we have obtained all the information and explanations we consider necessary for the purposes of the audit; and
- the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Other matters on which we are required to report by exception**

*Propriety of accounting records and information and explanations received*

Under the Collective Investment Schemes Sourcebook we are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

*Our responsibilities and those of the Authorised Fund Manager*

As explained more fully in the Authorised Fund Manager's Responsibilities Statement set out on page 16, the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes Sourcebook and for no other purpose.

We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

continued

**Responsibilities for the financial statements and the audit continued**

*What an audit of financial statements involves*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

*12th June 2017*

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF TOTAL RETURN

**for the year ended 30th April 2017**

| | Notes | Year ended 30th April 2017 £'000 | £'000 | Year ended 30th April 2016 £'000 | £'000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital gains | 2 | | 73,776 | | 16,007 |
| Revenue | 3 | 11,219 | | 10,229 | |
| Expenses | 4 | (6,688) | | (5,410) | |
| Net revenue before taxation | | 4,531 | | 4,819 | |
| Taxation | 5 | (489) | | (508) | |
| Net revenue after taxation | | | 4,042 | | 4,311 |
| Total return before distributions | | | 77,818 | | 20,318 |
| Distributions | 6 | | (9,501) | | (8,614) |
| Change in net assets attributable to unitholders from investment activities | | | 68,317 | | 11,704 |

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

**for the year ended 30th April 2017**

| | Year ended 30th April 2017 £'000 | £'000 | Year ended 30th April 2016 £'000 | £'000 |
|---|---|---|---|---|
| Opening net assets attributable to unitholders | | 509,788 | | 451,757 |
| Amounts receivable on creation of units | 68,406 | | 58,717 | |
| Amounts payable on cancellation of units | (11,745) | | (12,390) | |
| | | 56,661 | | 46,327 |
| Change in net assets attributable to unitholders from investment activities | | 68,317 | | 11,704 |
| Closing net assets attributable to unitholders | | 634,766 | | 509,788 |

## BALANCE SHEET

### as at 30th April 2017

| | Notes | 30th April 2017 £'000 | 30th April 2017 £'000 | 30th April 2016 £'000 | 30th April 2016 £'000 |
|---|---|---|---|---|---|
| ASSETS: | | | | | |
| Investments | | | 619,612 | | 499,124 |
| Current assets | | | | | |
| Debtors | 7 | 3,287 | | 6,684 | |
| Cash & bank balances | | 18,361 | | 11,498 | |
| Total other assets | | | 21,648 | | 18,182 |
| Total assets | | | 641,260 | | 517,306 |
| LIABILITIES: | | | | | |
| Creditors | | | | | |
| Distribution payable | | (5,859) | | (5,325) | |
| Other creditors | 8 | (635) | | (2,193) | |
| Total liabilities | | | (6,494) | | (7,518) |
| Net assets attributable to unitholders | | | 634,766 | | 509,788 |

**as at 30th April 2017**

## 1. Accounting policies

(a) The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the IMA (now known as the Investment Association) in May 2014 (the "SORP").

(b) Dividends receivable from equity investments are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.

(c) Special dividends are treated as revenue or capital depending on the facts of each particular case.

(d) Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.

(e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

Deferred taxation is provided for on all timing differences that have originated but not reversed by the balance sheet date, other than those differences regarded as permanent. Any liability to deferred taxation is provided for at the average rate of taxation expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of June. An interim distribution based on available revenue is distributed on the last day of December. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution.

(g) All investments have been valued at their fair value, at close of business on the last business day of the period, which is generally the bid market value net of any accrued revenue.

(h) Foreign currency transactions are translated at the rates ruling on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at exchange rates prevailing at the balance sheet date.

continued

**2. Net gains on investments:**

| | Year ended 30th April 2017 £'000 | Year ended 30th April 2016 £'000 |
|---|---|---|
| Non-derivative securities | 74,791 | 15,497 |
| Currency (losses)/gains | (998) | 537 |
| Custodial transaction fees | (17) | (27) |
| Net capital gains* | 73,776 | 16,007 |
| **includes realised gains on investments sold* | *25,551* | *7,493* |

**3. Revenue**

| | | |
|---|---|---|
| Dividends on overseas equities | 5,333 | 4,418 |
| Dividends on UK equities | 2,579 | 2,653 |
| Interest on bank deposits | — | 1 |
| Interest on overseas interest-bearing securities | 1,018 | 984 |
| Interest on UK interest-bearing securities | 1,845 | 1,920 |
| Property income distributions | 444 | 253 |
| Total revenue | 11,219 | 10,229 |

continued

**4. Expenses**

| | Year ended 30th April 2017 £'000 | Year ended 30th April 2016 £'000 |
|---|---|---|
| Payable to the Manager, associates of the Manager and agents of either of them: | | |
| - Manager's periodic charge | 5,993 | 4,834 |
| - Transfer agency fee | 350 | 304 |
| Payable to the Trustee, associates of the Trustee and agents of either of them: | | |
| - Trustee's fee | 93 | 67 |
| - Safe custody fee | 142 | 124 |
| Other expenses: | | |
| - Audit fee | 11 | 7 |
| - French withholding tax recovery fee | 16 | 15 |
| - Fund accounting fee | 42 | 33 |
| - Legal and professional fees | 16 | 5 |
| - Sundry fees* | 25 | 21 |
| Total expenses | 6,688 | 5,410 |

*Includes FT listing fees, FTSE license fees, accounts printing and postage, tax computation fees and other fees.

## 5. Taxation

| | Year ended 30th April 2017 £'000 | Year ended 30th April 2016 £'000 |
|---|---|---|
| **(a) Analysis of tax charge** | | |
| French withholding tax recoverable | (170) | (1) |
| Overseas withholding tax | 659 | 509 |
| | 489 | 508 |

**(b) Factors affecting the tax charge for the year**

The tax assessed for the period is lower (2016 - lower) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

| | | |
|---|---|---|
| Net revenue before taxation | 4,531 | 4,819 |
| Corporation tax at 20% | 906 | 964 |
| *Effects of:* | | |
| French withholding tax recoverable | (170) | (1) |
| Irrecoverable overseas withholding tax | 659 | 509 |
| Movement in excess management expenses | 662 | 403 |
| Revenue not subject to corporation tax | (1,550) | (1,359) |
| Overseas tax expensed | (18) | (8) |
| Current tax charge for the year | 489 | 508 |

**(c) Deferred tax**

At the balance sheet date, there is a potential deferred tax asset of £3,662,892 (2016 - £3,000,975) in respect of excess management expenses. The fund may not generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the year or prior year.

continued

**6. Distributions**

The distributions take account of revenue received on the creation of units and revenue deducted on the cancellation of units, and comprise:

| | Year ended 30th April 2017 £'000 | Year ended 30th April 2016 £'000 |
|---|---|---|
| Interim | 4,001 | 3,547 |
| Final | 5,859 | 5,325 |
| | 9,860 | 8,872 |
| Add: Revenue deducted on cancellation of units | 51 | 75 |
| Deduct: Revenue received on creation of units | (410) | (333) |
| Net distribution for the year | 9,501 | 8,614 |
| Net revenue after taxation | 4,042 | 4,311 |
| Expenses taken to capital | 5,993 | 4,834 |
| Tax attributable to capital | (537) | (531) |
| Less: Equalisation on conversions | 3 | — |
| Net distribution for the year | 9,501 | 8,614 |

*Details of the distributions per unit are shown in the Distribution Tables on page 36.*

**7. Debtors**

| | 30th April 2017 £'000 | 30th April 2016 £'000 |
|---|---|---|
| Amounts receivable for creation of units | 1,396 | 1,801 |
| Foreign currency contracts awaiting settlement | — | 1,695 |
| Overseas withholding tax recoverable | 591 | 351 |
| Prepaid expenses | 2 | 5 |
| Revenue receivable: | | |
| Overseas bond interest | 282 | 251 |
| Overseas equities | 333 | 169 |
| UK bond interest | 306 | 236 |
| UK equities | 377 | 480 |
| Sales awaiting settlement | — | 1,696 |
| | 3,287 | 6,684 |

## 8. Other creditors

| | 30th April 2017 £'000 | 30th April 2016 £'000 |
|---|---|---|
| Accrued expenses: | | |
| Audit fee | 9 | 7 |
| Fund accounting fee | 6 | 1 |
| Manager's periodic charge | 532 | 422 |
| Registrar's fee | 2 | 2 |
| Safe custody fee | 35 | 23 |
| Trustee's fee | 8 | 6 |
| Transfer agency fee | 25 | 22 |
| Custodial transaction fees | 6 | 4 |
| Other | 12 | 9 |
| Amounts payable for cancellation of units | — | 1 |
| Foreign currency contracts awaiting settlement | — | 1,696 |
| | 635 | 2,193 |

## 9. Unit movement

For the year 1st May 2016 to 30th April 2017

| | Legacy | Personal |
|---|---|---|
| Opening units | 666,932 | 11,859,360 |
| Units created | 4,412 | 1,499,590 |
| Units cancelled | (36,399) | (231,012) |
| Units converted | (634,945) | 622,309 |
| Closing units | — | 13,750,247 |

## 10. Related Party Transactions

The Manager actively exercises control over the fund and is therefore a related party by virtue of their controlling influence.

Amounts paid during the year or due to the Manager at the balance sheet date are disclosed under Expenses and Creditors in the Notes to the Financial Statements.

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received through the creation and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Distributions in the Notes to the Financial Statements. Amounts due to or from the Manager in respect of unit transactions at the balance sheet date are disclosed under Debtors and Creditors in the Notes to the Financial Statements.

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 1.5% (2016 - 1.4%).

continued

**11. Portfolio Risk Analysis**

In pursuing its investment objectives, the fund invests in a variety of financial assets. These comprise securities and other investments. There are also cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and debtors for accrued revenue.

**Credit and Cashflow Risk**

The fund has little exposure to credit risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk.

The fund's assets comprise mainly readily realisable securities. There are no borrowings or unlisted securities of a material nature. The main potential liability of the fund is the redemption of any units that investors wish to sell. Assets of the fund may need to be sold if insufficient cash is available to finance such redemptions. The Manager has reviewed the portfolio's investments and considers them to be sufficiently liquid for these purposes.

**Credit quality**

All debt securities in the portfolio at the balance sheet date are investment grade (2016 - same).

**Market Price Risk**

Market price risk arises from the effect which falls in the price or value of the assets held could have on the property of the fund. The Manager seeks to mitigate such risk by maintaining a prudent diversification of its investments.

The Manager adheres to investment guidelines and to investment borrowing powers set out in the Trust Deed, Prospectus and in the rules of the Collective Investment Schemes Sourcebook. This mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Manager's Investment Report and Portfolio Statement.

## 11. Portfolio Risk Analysis continued

### Interest Rate Risk

The fund commonly invests part of the portfolio in quoted debt instruments, generally bonds, issued by third parties. It also holds cash on deposit. Changes in interest rates may have an adverse effect on the value of such securities and deposits and on the amount of revenue derived from them.

The Manager reviews policies for managing these risks in pursuance of Investment Objective and Policy.

The interest rate profile of portfolio investments at 30th April was:

### Interest rate profile

| | Floating rate Investments £'000 | Fixed rate Investments £'000 | Non interest bearing Investments £'000 | Total £'000 |
|---|---|---|---|---|
| **30th April 2017** | | | | |
| Investment assets | — | 215,078 | 404,534 | 619,612 |
| **30th April 2016** | | | | |
| Investment assets | — | 184,656 | 314,468 | 499,124 |

### Foreign Currency Risk

The fund invests in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. The fund has not hedged the sterling value of investments that are priced in other currencies. Revenue received in other currencies is translated to sterling on or near the date of receipt. The fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

### Currency profile

The currency profile of the fund's net assets at 30th April was:

| | Monetary (Cash/Other assets) £'000 | Non-monetary (Securities) £'000 | Total £'000 | Total % |
|---|---|---|---|---|
| **30th April 2017** | | | | |
| UK Sterling | 13,793 | 171,450 | 185,243 | 29.2 |
| US Dollar | 505 | 266,037 | 266,542 | 42.0 |
| Australian Dollar | | 5,267 | 5,267 | 0.8 |
| Brazilian Real | 33 | 8,007 | 8,040 | 1.3 |
| Euro | 650 | 89,206 | 89,856 | 14.2 |
| Hong Kong Dollar | | 5,724 | 5,724 | 0.9 |
| Indian Rupee | | 11,269 | 11,269 | 1.7 |
| Japanese Yen | 117 | 31,203 | 31,320 | 4.9 |
| Mexican Peso | | 6,687 | 6,687 | 1.1 |
| Singapore Dollar | | 6,133 | 6,133 | 1.0 |
| South African Rand | | 5,124 | 5,124 | 0.8 |
| Swiss Franc | 56 | 7,876 | 7,932 | 1.2 |
| Taiwan Dollar | | 5,629 | 5,629 | 0.9 |
| | 15,154 | 619,612 | 634,766 | 100.0 |

## 11. Portfolio Risk Analysis continued

### Currency profile continued

| | Monetary (Cash/Other assets) £'000 | Non-monetary (Securities) £'000 | Total £'000 | Total % |
|---|---|---|---|---|
| **30th April 2016** | | | | |
| US Dollar | 309 | 196,917 | 197,226 | 38.7 |
| UK Sterling | 9,907 | 174,350 | 184,257 | 36.1 |
| Euro | 290 | 67,773 | 68,063 | 13.4 |
| Japanese Yen | 15 | 10,412 | 10,427 | 2.0 |
| Hong Kong Dollar | | 7,057 | 7,057 | 1.4 |
| Indian Rupee | | 7,300 | 7,300 | 1.4 |
| Swiss Franc | 125 | 6,295 | 6,420 | 1.3 |
| Indonesian Rupiah | | 5,413 | 5,413 | 1.1 |
| Australian Dollar | | 4,946 | 4,946 | 1.0 |
| Mexican Peso | | 4,798 | 4,798 | 0.9 |
| Singapore Dollar | | 4,561 | 4,561 | 0.9 |
| Brazilian Real | 18 | 3,517 | 3,535 | 0.7 |
| Taiwan Dollar | | 3,543 | 3,543 | 0.7 |
| South African Rand | | 2,242 | 2,242 | 0.4 |
| | 10,664 | 499,124 | 509,788 | 100.0 |

### Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

| | Assets £'000 | Liabilities £'000 |
|---|---|---|
| **30th April 2017** | | |
| Quoted prices for identical instruments in active markets | 404,534 | — |
| Valuation techniques using observable market data | 215,078 | — |
| | **619,612** | **—** |
| **30th April 2016** | | |
| Quoted prices for identical instruments in active markets | 314,468 | — |
| Valuation techniques using observable market data | 184,656 | — |
| | **499,124** | **—** |

continued

## 11. Portfolio Risk Analysis continued

### Risk Exposure

The Manager uses Value at Risk (VaR) to measure the risks relating to the financial assets in which the fund is invested.

Value at Risk is a statistical measurement. It intends to measure the maximum potential loss in the fund's Net Asset Value under normal market conditions and is calculated for a given confidence level (probability) over a specific time period. The Manager calculates an absolute VaR daily, based on a one year historical observation period and uses a confidence level of 97.5% with a holding period of 1 month.

The absolute VaR of the fund is not permitted to be greater than 20% of its Net Asset Value.

The table below details the lowest, highest and average VaR in the year.

| | Year ended 30th Apr. 2017 % | Year ended 30th Apr. 2016 % |
|---|---|---|
| Year end VaR | 5.08 | 5.51 |
| Minimum VaR | 4.57 | 4.32 |
| Maximum VaR | 5.58 | 5.75 |
| Average VaR | 5.06 | 4.92 |

continued

## 12. Portfolio Transaction Costs

For the year 1st May 2016 to 30th April 2017

| Purchases | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|---|---|---|---|---|---|
| Equity instruments (direct) | 42,477 | 90 | 0.21 | 33 | 0.08 |
| Debt instruments (direct) | 154,261 | — | — | — | — |
| Commodities | 32,603 | 26 | 0.08 | — | — |
| **Total purchases** | **229,341** | **116** | | **33** | |
| **Total purchases including transaction costs** | **229,490** | | | | |

| Sales | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|---|---|---|---|---|---|
| Equity instruments (direct) | 48,168 | 126 | 0.26 | 11 | 0.02 |
| Debt instruments (direct) | 135,867 | — | — | — | — |
| **Total sales** | **184,035** | **126** | | **11** | |
| **Total sales net of transaction costs** | **183,898** | | | | |
| Total transaction costs | | 242 | | 44 | |
| Total transaction costs as a % of average net assets | | 0.04% | | 0.01% | |

## 12. Portfolio Transaction Costs continued

For the year 1st May 2015 to 30th April 2016

| Purchases | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|---|---|---|---|---|---|
| Equity instruments (direct) | 28,973 | 60 | 0.21 | 77 | 0.27 |
| Debt instruments (direct) | 184,862 | — | — | — | — |
| **Total purchases** | **213,835** | **60** | | **77** | |
| **Total purchases including transaction costs** | **213,972** | | | | |

| Sales | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|---|---|---|---|---|---|
| Equity instruments (direct) | 43,394 | 47 | 0.11 | 3 | 0.01 |
| Debt instruments (direct) | 134,335 | — | — | — | — |
| **Total sales** | **177,729** | **47** | | **3** | |
| **Total sales net of transaction costs** | **177,679** | | | | |
| Total transaction costs | | 107 | | 80 | |
| Total transaction costs as a % of average net assets | | 0.02% | | 0.02% | |

The above analysis covers any direct transaction costs carried by the fund during the period. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the fund's purchase and sale of equity shares. Additionally for equity shares there are dealing spread costs (the difference between the buying and selling prices) which are payable on purchase and sale transactions.

For the fund's investment transactions in debt instruments any applicable transaction charges form part of the dealing spread for these instruments.

Dealing spread costs incurred by the fund vary depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.11% (2016 - 0.10%).

## 13. Post Balance Sheet Events

There are no post balance sheet events that require disclosure or adjustments to the financial statements.

## DISTRIBUTION TABLES

**in pence per unit**
**for the year ended 30th April 2017**

## INTERIM DISTRIBUTION

Group 1 – Units purchased prior to 1st May 2016
Group 2 – Units purchased 1st May 2016 to 31st October 2016

| | Unit Class | Dividend income | Equalisation* | Amount paid 30.12.16 |
|---|---|---|---|---|
| Group 1 | *Legacy* | 31.000 | — | 31.000 |
| Group 2 | *Legacy* | 16.299 | 14.701 | 31.000 |
| Group 1 | *Personal* | 31.000 | — | 31.000 |
| Group 2 | *Personal* | 5.591 | 25.409 | 31.000 |

## FINAL DISTRIBUTION

Group 1 – Units purchased prior to 1st November 2016
Group 2 – Units purchased 1st November 2016 to 30th April 2017

| | Unit Class | Dividend income | Equalisation* | Amount payable 30.06.17 |
|---|---|---|---|---|
| Group 1 | *Legacy*** | — | — | — |
| Group 2 | *Legacy*** | — | — | — |
| Group 1 | *Personal* | 42.609 | — | 42.609 |
| Group 2 | *Personal* | 14.545 | 28.064 | 42.609 |

*Income arises throughout each reporting period. Equalisation is the average amount of income included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax. Instead, it must be deducted from the cost of units for capital gains purposes.

**Units in the Legacy class were converted to units in the personal class on 21st December 2016.

## DISTRIBUTION TABLES

continued

## DISTRIBUTION SUMMARY

**in pence per unit**
**for the year ended 30th April 2017**

| | Year to 30th April 2017 | | Year to 30th April 2016 | |
|---|---|---|---|---|
| | *Personal* | *Legacy* | *Personal* | *Legacy* |
| Interim paid | 31.000 | 31.000 | 30.000 | 30.000 |
| Final payable/paid | 42.609 | — | 42.566 | 41.546 |
| | 73.609 | 31.000 | 72.566 | 71.546 |

## DISTRIBUTION XD AND PAYMENT DATES

| | *XD Date* | *Payment Date* |
|---|---|---|
| Final | 30.04.17 | 30.06.17 |
| Interim | 31.10.17 | 30.12.17 |

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