



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## EMERGING MARKETS FUND

*A pooled management service for private clients*

ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31<sup>ST</sup> March 2014

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

## INTRODUCTION

McInroy & Wood Emerging Markets 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 principal investment objective of the fund is to maximise the total return to unitholders, primarily through investments in companies either operating or incorporated in developing countries, with an equal emphasis on the generation of income and on capital growth.

The fund may invest in any geographic areas and any economic sectors.

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](http://www.mcinroy-wood.co.uk)

## MANAGER'S INVESTMENT REPORT

At 31st March 2014, the total net assets of the fund amounted to £47,814,108, compared with £49,358,287 at 31st March 2013. There was a net investment inflow of more than six million pounds into the fund over the year. At 31st March 2014, there were 272 investors (excluding ISA holders), each with an average holding worth £167,472.

### Markets

Over the year to 31st March 2014, the performance of developed markets and emerging markets again diverged markedly. The latter performed relatively poorly. This result possibly stemmed from a reduction in monetary stimulus in the USA which led to funds being withdrawn from emerging markets back to developed markets. An additional factor was a reduction in growth prospects for some emerging economies at a time of accelerating recovery in others more developed.

Measured by the MSCI Emerging Markets Index, emerging markets as a group fell 12.5% in sterling terms. Latin America significantly underperformed Asia (excluding Japan) in sterling terms.

In foreign exchange markets, sterling rose strongly against many of the emerging market currencies. It strengthened by 10% against the US dollar and dollar-related currencies, such as the Hong Kong dollar and the Singapore dollar. The Indian rupee, the Brazilian real and the South African rand were even weaker, each depreciating by over 20% against sterling.

### Results

The price of Personal units in the fund at 31st March 2014 stood at £16.737 and that of Legacy units at £16.636. This represents a fall of 15% over the twelve months and it reflected the impact of the market and currency movements noted above.

### Dividend Distribution

A final dividend distribution of 24.519p (net) per Personal unit is now being paid. When aggregated with the interim dividend of 14.000p, the total distributed for the year amounts to 38.519p, 3% above the equivalent figure for 2013. On current estimates, the distribution in respect of the next six months is expected to be little changed from the corresponding payment last year.

The net dividend distribution in respect of the 'Legacy' class units is 24.403p.

## MANAGER'S INVESTMENT REPORT

### Portfolio Strategy

The portfolio remains broadly diversified by region and market, with continuing exposure to the four main regions within the emerging markets universe, namely Asia, Latin America, Central and Eastern Europe and Africa. As in previous periods, the fund has held no direct Russian investments. At 31st March 2014, the regional distribution of the portfolio's investments was Asia 67% (67% in 2013), Africa 6% (5%), Central and Eastern Europe 4% (2%), Latin America 21% (22%) and Canada 1% (1%) and cash 1% (3%).

### Investments

New positions were established in Jain Irrigation Systems, an Indian agricultural equipment provider; Financiero Banorte, a Mexican bank, and BIM, an operator of discount stores in Turkey, Morocco and Egypt. Otherwise, new funds added to the portfolio were used to increase existing holdings. CP All, GEO, GS Engineering & Construction and Keppel REIT were all sold.

Of the individual holdings, there were notable market gains in Larsen & Toubro (+40%), MTN (+33%), Anhanguera Educacional (+29%) and Vitasoy (+29%), all expressed in local currencies. By contrast, it was a disappointing period for Andina (-47%) and Manila Water (-40%). At 31st March 2014, there were 63 holdings in the portfolio.

### Outlook

For many investors returns from emerging markets have certainly been disappointing over the last three years (MSCI Emerging Markets Index total return -18% over the three years to 31st March 2014). However the fact that the fund's total return was positive (+4%) over the same period, perhaps underlines the case for a selective approach

In China, efforts to refocus the economy away from investment and towards domestic consumption are being continued. This is a difficult process and one that could restrict growth and possibly precipitate a bursting of a troublesome credit bubble. This in turn might lead to a collapse in property prices and a consequent "hard landing" for the economy as a whole. Despite these concerns, however, it is very encouraging that President Xi's reform plans seem prepared to confront the vested interests that have hitherto created an almost insurmountable stumbling block to change.

In many other market areas, political considerations loom large. For example, in India, there is a strong possibility that the election under way will return a new government led by Narendra Modi. If he were to live up to his reputation as a pro-business reformer, the country could see growth pick up significantly and a rise in overseas investment. Elections are also imminent in Brazil, Indonesia, South Africa and Turkey.

## MANAGER'S INVESTMENT REPORT

### Outlook (continued)

In Brazil and South Africa, where structural weaknesses have been starkly exposed, rising inflation has constrained domestic consumption and more than offset any export gains derived from currency depreciation. By contrast, the Mexican government has been robustly tackling monopolistic and oligopolistic industries and has implemented a broad programme of fiscal and energy reforms. Growth there may be rather anaemic in the current year, but the country's longer-term prospects are now much more promising.

Despite the psychological impact of recent events on the confidence of some international investors, investment sentiment should be strengthened by the prospect that growth in emerging economies will likely remain much higher than that in the developed world. Across the emerging markets area the IMF forecasts a pick-up in growth to 5% for 2014, and anticipates a similar figure in 2015. Any slowdown in domestic demand as a result of tighter financial conditions should be outweighed by a boost to exports from accelerating recovery in the USA and Europe and, after recent currency devaluations, from more competitive export prices.

In many cases current uncertainties about emerging economies appear to be discounted by market prices, even if some of the higher quality stocks in the domestic consumption sectors still stand at significant premiums. Much will depend on the progress of local reform programmes. Selectivity, both at market and stock level overall, of course will remain key to success. Overall, we expect the many positive factors historically associated with the emerging market area to reassert themselves and, over time, underpin the prospect of attractive returns for investors.

*20<sup>th</sup> May 2014*

## CAPITAL RECORD

Highest and lowest unit prices.

Year	High		Low	
	Legacy	Personal*	Legacy	Personal*
2010	£18.083	—	£13.365	—
2011	£18.313	—	£14.509	—
2012	£18.217	—	£15.397	—
2013	£20.516	£20.532	£16.750	£16.833
2014**	£16.703	£16.792	£15.737	£15.820

## INCOME RECORD

Year (to 31 <sup>st</sup> March)	Per unit (net)	
	Legacy	Personal*
2010	21.621p	—
2011	31.715p	—
2012	36.607p	—
2013	37.526p	23.528p
2014	38.403p	38.519p

## NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
31.03.12 Legacy	£37,549,704	£16.666	2,253,067
31.03.13 Legacy	£5,517,960	£19.578	281,850
31.03.13 Personal*	£43,840,327	£19.597	2,237,121
31.03.14 Legacy	£1,174,885	£16.391	71,678
31.03.14 Personal*	£46,639,223	£16.491	2,828,110

## ONGOING CHARGES FIGURE

Date	Annualised	
	Legacy	Personal*
31.03.10	1.704%	—
31.03.11	1.679%	—
31.03.12	1.692%	—
31.03.13	1.685%	1.185%
31.03.14***	1.806%	1.355%

## PORTFOLIO TURNOVER

Date	Annualised
31.03.10	(15%)
31.03.11	(1%)
31.03.12	(5%)
31.03.13	2%
31.03.14	(9%)

\*The 'Personal' class of units was created on 1<sup>st</sup> January 2013.

\*\*Up to 31<sup>st</sup> March only.

\*\*\*An Ongoing Charges Figure ("OCF") has replaced the Total Expense Ratio ("TER"). The main difference to the historic TER calculation is the inclusion of custodian handling charges in the OCF. The comparative figures have not been restated, and the historic TER is disclosed.

## PORTFOLIO STATEMENT

as at 31<sup>st</sup> March 2014

INVESTMENTS	Holding or Nominal Value of positions at 31 <sup>st</sup> March 2014	Bid Market Value £	Percentage of Value of total net assets	
<i>Equities</i>			31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
<b>BRAZIL</b>				
CEMIG - ADR	199,768	815,416	1.7	
Petrobras - ADR	22,500	177,541	0.4	
Vale Pref - ADR	40,000	298,593	0.6	
Anhanguera Educacional	270,000	999,617	2.1	
Cosan	73,000	678,417	1.4	
Localiza Rent A Car	116,000	1,017,315	2.1	
Natura Cosmetics	88,000	885,862	1.9	
Weg	120,000	1,004,970	2.1	
		<u>5,877,731</u>	<u>12.3</u>	<u>12.1</u>
<b>CANADA</b>				
Goldcorp	26,000	381,855	0.8	1.1
<b>CHILE</b>				
Andina - ADR	64,000	821,138	1.7	
Endesa Chile - ADR	21,000	544,099	1.1	
IAM	600,000	584,431	1.2	
Masisa	4,300,000	134,989	0.3	
		<u>2,084,657</u>	<u>4.3</u>	<u>6.3</u>
<b>CZECH REPUBLIC</b>				
CEZ	30,000	516,915	1.1	0.6
<b>HONG KONG</b>				
Cheung Kong	70,000	696,143	1.5	
China Mobile	160,000	879,111	1.8	
CNOOC	520,000	469,282	1.0	
Hang Lung	300,000	517,351	1.1	
Hong Kong & China Gas	749,703	979,796	2.0	
Lianhua Supermarket	1,100,000	375,138	0.8	
MTR	250,000	556,307	1.2	
Shandong Weigao	1,500,000	1,024,843	2.1	
Shenzhen Expressway	2,650,000	717,255	1.5	
TVB	210,000	755,553	1.6	
Vitasoy	1,500,000	1,306,138	2.7	
		<u>8,276,917</u>	<u>17.3</u>	<u>15.7</u>



## PORTFOLIO STATEMENT

as at 31<sup>st</sup> March 2014

continued

<i>Equities</i>	Holding or Nominal Value of positions at 31 <sup>st</sup> March 2014	Bid Market Value £	Percentage of Value of total net assets	
			31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
<b>INDIA</b>				
ICICI Bank - ADR	38,000	998,237	2.1	
Infosys - ADR	36,000	1,169,841	2.4	
Larsen & Toubro - GDR	37,500	477,762	1.0	
Mahindra & Mahindra - GDR	95,000	933,104	2.0	
Future Lifestyle Fashions	22,377	13,389	0.0	
Future Retail	67,133	55,457	0.1	
Jain Irrigation Systems	1,200,000	794,546	1.7	
Larson & Toubro	33,000	420,577	0.9	
Marico	449,940	942,550	2.0	
Marico Kaya	8,998	14,685	0.0	
Pantaloons Fashion & Retail	13,426	11,064	0.0	
		<u>5,831,212</u>	<u>12.2</u>	<u>8.4</u>
<b>INDONESIA</b>				
Kalbe Farma	20,000,000	1,544,446	3.2	
Perusahaan Gas Negara	3,500,000	944,818	2.0	
Telekomunikasi Indonesia	9,000,000	1,051,412	2.2	
		<u>3,540,676</u>	<u>7.4</u>	<u>7.3</u>
<b>MALAYSIA</b>				
Axiata	157,500	192,821	0.4	
Digi.com	750,000	741,169	1.5	
Telekom Malaysia	70,000	75,541	0.2	
		<u>1,009,531</u>	<u>2.1</u>	<u>2.1</u>
<b>MEXICO</b>				
America Movil - ADR	64,000	762,595	1.6	
Financiero Banorte	160,000	645,866	1.3	
Wal-Mart de Mexico	590,000	842,218	1.8	
		<u>2,250,679</u>	<u>4.7</u>	<u>3.3</u>
<b>PHILIPPINES</b>				
Manila Water	2,700,000	862,221	1.8	
Universal Robina	925,900	1,749,298	3.7	
		<u>2,611,519</u>	<u>5.5</u>	<u>8.7</u>
<b>PORTUGAL</b>				
Jeronimo Martins	85,527	861,171	1.8	2.0
<b>SINGAPORE</b>				
Ezion	1,440,000	1,486,624	3.1	
Keppel	177,000	919,563	1.9	
Singapore Exchange	200,000	662,343	1.4	
		<u>3,068,530</u>	<u>6.4</u>	<u>8.4</u>

## PORTFOLIO STATEMENT

as at 31<sup>st</sup> March 2014

continued

<i>Equities</i>	Holding or Nominal Value of positions at 31 <sup>st</sup> March 2014	Bid Market Value £	Percentage of Value of total net assets	
			31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
<b>SOUTH AFRICA</b>				
MTN	90,000	1,105,143	2.3	
Standard Bank South Africa	70,000	553,661	1.2	
		<u>1,658,804</u>	<u>3.5</u>	<u>2.1</u>
<b>SOUTH KOREA</b>				
LG Household & Healthcare	3,500	906,755	1.9	
Lotte Shopping	3,600	678,576	1.4	
POSCO	5,600	934,860	2.0	
		<u>2,520,191</u>	<u>5.3</u>	<u>5.8</u>
<b>TAIWAN</b>				
Chroma Ate	800,000	1,143,220	2.4	
Giant	306,680	1,245,896	2.6	
		<u>2,389,116</u>	<u>5.0</u>	<u>4.4</u>
<b>THAILAND</b>				
Thai Beverage	3,900,000	1,129,774	2.4	2.9
<b>TURKEY</b>				
BIM	30,000	404,939	0.8	0.0
<b>UK</b>				
MP Evans	194,000	846,325	1.8	
SABMiller	37,000	1,108,243	2.3	
Standard Chartered	46,000	576,840	1.2	
		<u>2,531,408</u>	<u>5.3</u>	<u>5.8</u>
<b>TOTAL EQUITIES</b>		<u>46,945,625</u>	<u>98.2</u>	<u>97.0</u>
<b>TOTAL INVESTMENTS</b>		46,945,625	98.2	97.0
Net other assets		<u>868,483</u>	<u>1.8</u>	<u>3.0</u>
<b>TOTAL NET ASSETS</b>		<u>47,814,108</u>	<u>100.0</u>	<u>100.0</u>

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

## SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 31<sup>st</sup> March 2014

Purchases	Cost £
22,000 America Movil - ADR	303,008
16,000 Andina - ADR	214,596
180,000 Anhanguera Educacional ( <i>stock split</i> )	—
30,000 BIM	328,566
69,769 CEMIG - ADR	336,077
46,999 CEMIG - ADR ( <i>bonus issue</i> )	—
14,000 CEZ	228,447
22,000 Cheung Kong	212,471
30,000 China Mobile	171,050
135,000 Chroma Ate	148,892
8,000 Cosan	101,086
240,000 Ezion ( <i>bonus issue</i> )	—
160,000 Financiero Banorte	660,162
22,377 Future Lifestyle Fashions ( <i>spin off issue</i> )	—
266,000 Hong Kong & China Gas	373,488
43,973 Hong Kong & China Gas ( <i>bonus issue</i> )	—
13,000 ICICI Bank ADR	299,735
13,000 Infosys - ADR	362,010
1,200,000 Jain Irrigation Systems	726,987
9,500 Jeronimo Martins	101,048
19,700 Keppel	105,866
44,044 Keppel REIT ( <i>spin off issue</i> )	—
6,000 Larsen & Toubro - GDR	91,594
23,500 Larsen & Toubro - GDR ( <i>bonus issue</i> )	—
400 LG Household & Healthcare	104,407
320,000 Lianhua Supermarket	159,221
26,750 Localiza Rent A Car	235,644
4,250 Localiza Rent A Car ( <i>bonus issue</i> )	—
1,000 Lotte Shopping	227,248
30,000 Mahindra & Mahindra - GDR	327,628
8,998 Marico Kaya ( <i>spin off issue</i> )	—
38,035 MP Evans	199,588
15,000 MTN	190,684
50,000 MTR	107,997
40,000 Natura Cosméticos	522,815
13,426 Pantaloons Fashion & Retail ( <i>spin off issue</i> )	—
1,100 POSCO	195,341
200,000 Shandong Weigao	142,694
28,000 Singapore Exchange	105,025
46,111 Standard Bank South Africa	360,605

## SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 31<sup>st</sup> March 2014

continued

	Cost
	£
Purchases continued	
2,700,000 Telekomunikasi Indonesia	772,201
7,000,000 Telekomunikasi Indonesia ( <i>stock split</i> )	—
400,000 Thai Beverage	100,909
70,000 TVB	271,428
170,000 Wal-Mart de Mexico	292,665
TOTAL	<u>9,081,183</u>
	Proceeds
	£
Sales	
1,400,000 CP All	1,294,711
340,000 GEO	85,576
7,000 GS Engineering & Construction	125,980
44,044 Keppel REIT	23,751
617,363 Masisa	524
1,400,000 Telekomunikasi Indonesia ( <i>stock split</i> )	—
474,100 Universal Robina	850,995
TOTAL	<u>2,381,537</u>

## GENERAL INFORMATION

### **Authorisation**

The Emerging Markets 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.

### **Income Tax**

All income distributions carry a notional tax credit of 10%. A basic rate taxpayer has no further liability in respect of this income but is unable to reclaim the tax.

### **Capital Gains Tax**

Authorised unit trusts are exempt from corporation tax on realised capital gains.

### **Applications**

The minimum initial investment in the fund is £10,000. Further investments may be made for a minimum of £1,000.

### **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.

### **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.

## GENERAL INFORMATION

continued

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

1	2	3	4	5	6	7
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#### Lower risk

Typically lower rewards

#### Higher risk

Typically higher rewards

Please note, the category stated above is the same for each class of unit within the fund.

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.

The Fund has been classed as 6 because its volatility has been measured as above average.

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 (losses)/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 October 2010.
- 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  
*Director*

J C McAulay  
*Director*

*Haddington, 20<sup>th</sup> May 2014*

## **STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES**

The Trustee is under a duty to take into custody and to hold the property of the Scheme in trust for the holders of units. Under the Rules relating to reports it is the duty of the Trustee to enquire into the conduct of the Manager in the management of the Scheme in each annual accounting period and report thereon to unitholders in a report which shall contain the matters prescribed by the Rules. A copy of the Trustee's report is included in this report.

## **TRUSTEE'S REPORT**

In our opinion, the Manager has managed the Scheme, in all material respects, during the period covered by this Report in accordance with the investment and borrowing powers and the restrictions applicable to the Scheme and otherwise in accordance with the provisions of the Trust Deed and the rules in the Financial Conduct Authority's Collective Investment Schemes Sourcebook.

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

*20<sup>th</sup> May 2014*



# INDEPENDENT AUDITORS' REPORT

## Report on the financial statements

### *Our opinion*

In our opinion the financial statements, defined below:

- give a true and fair view of the financial position of the Trust as at 31<sup>st</sup> March 2014 and of the net revenue and the net capital losses 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 Authorised Funds, the Collective Investment Schemes Sourcebook and the Trust Deed.

This opinion is to be read in the context of what we say in the remainder of this report.

### *What we have audited*

The financial statements of McInroy & Wood Emerging Markets Fund (the “Trust”), which are prepared by McInroy & Wood Portfolios Limited (the “Authorised Fund Manager”), comprise:

- the balance sheet of the Trust as at 31<sup>st</sup> March 2014;
- the statement of total return of the Trust for the year then ended;
- the statement of change in net assets attributable to unitholders of the Trust for the year then ended;
- the notes to the Trust’s 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice ‘Financial Statements of Authorised Funds’ issued by the Investment Management Association (the “Statement of Recommended Practice for Authorised Funds”), the Collective Investment Schemes Sourcebook and the Trust Deed.

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

## INDEPENDENT AUDITORS' REPORT

continued

### **Report on the financial statements 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.

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.

### **Opinion 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**

*Adequacy 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.

## INDEPENDENT AUDITORS' REPORT

continued

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

#### *Our responsibilities and those of the Authorised Fund Manager*

As explained more fully in the Statement of the Manager's Responsibilities, 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.

PricewaterhouseCoopers LLP  
Chartered Accountants  
and Statutory Auditors  
Edinburgh

20<sup>th</sup> May 2014

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 31<sup>st</sup> March 2014

	Notes	Year ended 31 <sup>st</sup> March 2014		Year ended 31 <sup>st</sup> March 2013	
		£	£	£	£
Income					
Net capital (losses)/gains	2		(7,703,956)		7,882,925
Revenue	3	1,292,993		1,104,841	
Expenses	4	<u>(632,930)</u>		<u>(698,044)</u>	
Net revenue before taxation		660,063		406,797	
Taxation	5	<u>(137,559)</u>		<u>(107,652)</u>	
Net revenue after taxation			<u>522,504</u>		<u>299,145</u>
Total return before distributions			(7,181,452)		8,182,070
Finance costs: distributions	6		<u>(1,009,970)</u>		<u>(918,347)</u>
Change in net assets attributable to unitholders from investment activities			<u>(8,191,422)</u>		<u>7,263,723</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31<sup>st</sup> March 2014

		Year ended 31 <sup>st</sup> March 2014		Year ended 31 <sup>st</sup> March 2013	
		£	£	£	£
Opening net assets attributable to unitholders			49,358,287		37,549,704
Amounts receivable on creation of units	11,194,515			6,038,092	
Amounts payable on cancellation of units	<u>(4,546,487)</u>		<u>(1,492,930)</u>		
			6,648,028		4,545,162
Stamp duty reserve tax			(785)		(302)
Change in net assets attributable to unitholders from investment activities			<u>(8,191,422)</u>		<u>7,263,723</u>
Closing net assets attributable to unitholders			<u>47,814,108</u>		<u>49,358,287</u>

## BALANCE SHEET

as at 31<sup>st</sup> March 2014

	Notes	31 <sup>st</sup> March 2014		31 <sup>st</sup> March 2013	
		£	£	£	£
ASSETS:					
Investment assets			46,945,625		47,897,712
Debtors	7	261,616		108,001	
Cash & bank balances		<u>1,803,944</u>		<u>2,012,113</u>	
Total other assets			<u>2,065,560</u>		<u>2,120,114</u>
Total assets			<u>49,011,185</u>		<u>50,017,826</u>
LIABILITIES:					
Creditors	8	(486,149)		(66,870)	
Distribution payable		<u>(710,928)</u>		<u>(592,669)</u>	
Total liabilities			<u>(1,197,077)</u>		<u>(659,539)</u>
Net assets attributable to unitholders			<u>47,814,108</u>		<u>49,358,287</u>

## NOTES TO THE FINANCIAL STATEMENTS

as at 31<sup>st</sup> March 2014

### 1. Accounting policies

- (a) The Financial Statements have been prepared under the historical cost basis, as modified by the re-valuation of investments, and in accordance with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Management Association in October 2010.
- (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 Stamp Duty Reserve Tax and 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 May. An interim distribution based on available revenue is distributed on the last day of November. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution.
- (g) Listed investments of the fund have been valued at market value on the balance sheet date. Market value is defined by the SORP as fair value which generally is the bid value of each security.
- (h) Foreign currency transactions are translated at the rates ruling on the date of the transaction.
- (i) Stamp Duty Reserve Tax (SDRT) suffered on the surrender of units has been charged against the capital assets of the fund.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 2. Net (losses)/gains on investments:

	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
	£	£
Non-derivative securities	(7,673,952)	7,882,925
Currency losses	(8,426)	—
Transaction costs	(21,578)	—
Net capital (losses)/gains*	<u>(7,703,956)</u>	<u>7,882,925</u>
<i>*includes realised gains on investments sold</i>	<u>1,068,691</u>	<u>1,250,319</u>

### 3. Revenue

Dividends on overseas equities	1,231,774	1,062,645
Dividends on UK equities	61,219	42,195
Interest on bank deposits	—	1
Total revenue	<u>1,292,993</u>	<u>1,104,841</u>

### 4. Expenses

Payable to the Manager, associates of the Manager and agents of either of them:

- Manager's periodic charge	487,466	609,294
- Registrar's fee	18,460	10,987

Payable to the Trustee, associates of the Trustee and agents of either of them:

- Trustee's fee	15,099	13,515
- Safe custody fee and activity charges	51,745	51,377

Other expenses:

- Administration fee	29,925	—
- Audit fee	7,081	9,612
- FCA fee	340	290
- Legal fee	—	2,969
- Sundry expenses	8,146	—
- Transfer agency fee	14,668	—
Total expenses	<u>632,930</u>	<u>698,044</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 5. Taxation

	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
	£	£
<b>(a) Analysis of tax charge</b>		
Overseas withholding tax	137,559	107,652
	<u>137,559</u>	<u>107,652</u>

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

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

	Year ended 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
	£	£
Net revenue before taxation	660,063	406,797
Corporation tax at 20%	132,013	81,359
<i>Effects of:</i>		
Irrecoverable overseas withholding tax	137,559	107,652
Movement in excess management charges	114,269	139,609
Overseas tax expensed	(2,169)	—
Revenue not subject to corporation tax	(244,113)	(220,968)
Current tax charge for the year	<u>137,559</u>	<u>107,652</u>

### (c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £510,844 (2013 - £396,575) in respect of unutilised 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.



## NOTES TO THE FINANCIAL STATEMENTS

continued

### 6. Finance costs: 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 31 <sup>st</sup> March 2014	Year ended 31 <sup>st</sup> March 2013
	£	£
Interim	364,985	343,082
Final	710,928	592,669
	<u>1,075,913</u>	<u>935,751</u>
Add: Revenue deducted on cancellation of units	56,338	11,567
Less: Revenue received on creation of units	<u>(122,281)</u>	<u>(28,971)</u>
Net distribution for the year	<u>1,009,970</u>	<u>918,347</u>
Reconciliation of distributions:		
Net revenue after taxation	522,504	299,145
Expenses taken to capital	<u>487,466</u>	<u>619,202</u>
Net distribution for the year	<u>1,009,970</u>	<u>918,347</u>

*Details of the distributions per unit are shown in the Distribution Table on page 31.*

### 7. Debtors

	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
	£	£
Amounts receivable for creation of units	174,834	—
Overseas withholding tax recoverable	9,919	1,952
Prepaid expenses	2,943	—
Revenue receivable:		
Overseas equities	58,137	106,049
UK equities	15,783	—
	<u>261,616</u>	<u>108,001</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

8. Creditors	31 <sup>st</sup> March 2014	31 <sup>st</sup> March 2013
	£	£
Accrued expenses:		
Audit fee	7,081	7,080
Administration fees	29,342	—
Manager's periodic charge	37,137	49,073
Registrar's fee	1,875	1,300
Safe custody fee	6,564	7,400
Transaction charges	2,850	700
Trustee's fee	1,127	1,317
Other	4,255	—
Amounts payable for cancellation of units	34,400	—
Purchases awaiting settlement	361,518	—
	<u>486,149</u>	<u>66,870</u>

### 9. Related Party Transactions

Trustee fees, safe custody fees and transaction costs paid to BNY Mellon Trust & Depositary (UK) Limited are shown in note 4 and details of units created and cancelled by BNY Mellon Trust & Depositary (UK) Limited are shown in the Statement of Change in Net Assets Attributable to Unitholders.

The Manager and the Trustee actively co-operate to exercise control over the fund and are therefore related parties by virtue of their controlling influence.

Amounts paid during the year or due to the Manager or the Trustee at the balance sheet date are disclosed under Expenses and Creditors in the Notes to the Financial Statements. Bank interest payable by the fund which is paid or payable to the Trustee is disclosed separately within Finance costs in the Notes to the Financial Statements.

Cash and bank balances with the Trustee are disclosed in the Balance Sheet. Bank interest paid or payable to the fund by the Trustee is disclosed in Revenue and Debtors 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 Finance costs 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 1.9% (2013 - 1.9%).

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 10. Unit Classes

The fund currently has two unit classes: Legacy units and Personal units. The annual management charge is based on the average value of the fund, calculated on a weekly basis, and covers the remuneration of the Manager, the Investment Adviser and their overhead expenses and for each unit class is as follows:

Legacy units	1.50%
Personal units	1.00%

The net asset value of each unit class, the net asset value per unit and the number of units in issue in each class are given in the Net Asset Value and Comparative Tables on page 6. The distributions per unit class are given in the Distribution Table on page 31. All classes have the same rights on winding up.

### 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 Liquidity Risk**

The fund has little exposure to credit or cashflow 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 mainly comprise of 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.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 11. Portfolio Risk Analysis continued

#### 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.

#### Interest Rate Risk

The fund holds cash on deposit. Changes in interest rates may have an adverse effect on the value of such deposits and on the amount of income derived from them.

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

The currency and interest rate profile of portfolio investments at 31<sup>st</sup> March was:

#### Interest rate profile

	Floating rate (Cash) £	Non interest bearing (Equities/Other) £	Total £	Total %
<b>2014</b>				
Brazilian Real		4,615,740	4,615,740	9.7
Chilean Peso		719,420	719,420	1.5
Czech Koruna		520,768	520,768	1.1
Euro		864,587	864,587	1.8
Hong Kong Dollar		8,276,917	8,276,917	17.3
Indian Rupee		2,260,177	2,260,177	4.7
Indonesian Rupiah		3,540,676	3,540,676	7.4
Malaysian Ringgit		1,009,531	1,009,531	2.1
Mexican Peso		1,488,084	1,488,084	3.1
Philippino Peso	26,007	2,611,519	2,637,526	5.5
Singaporean Dollar		4,198,305	4,198,305	8.8
South African Rand	30,689	1,299,778	1,330,467	2.8
South Korean Won		2,540,860	2,540,860	5.3
Taiwanese Dollar	25,530	2,389,115	2,414,645	5.1
Turkish Lira		404,939	404,939	0.8
UK Sterling	1,721,718	1,873,626	3,595,344	7.5
US Dollar		7,396,122	7,396,122	15.5
	<u>1,803,944</u>	<u>46,010,164</u>	<u>47,814,108</u>	<u>100.0</u>

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 11. Portfolio Risk Analysis continued

### Interest rate profile continued

	Floating rate (Cash) £	Non interest bearing (Equities/Other) £	Total £	Total %
<b>2013</b>				
Brazilian Real		6,004,007	6,004,007	12.1
Chilean Peso		3,096,570	3,096,570	6.3
Czech Koruna		309,434	309,434	0.6
Euro		973,243	973,243	2.0
Hong Kong Dollar		7,752,732	7,752,732	15.7
Indian Rupee		4,140,817	4,140,817	8.4
Indonesian Rupiah		3,587,972	3,587,972	7.3
Malaysian Ringgit		1,038,471	1,038,471	2.1
Mexican Peso		1,615,055	1,615,055	3.3
Philippino Peso		4,279,575	4,279,575	8.7
Singaporean Dollar		4,138,478	4,138,478	8.4
South African Rand		1,060,245	1,060,245	2.1
South Korean Won		2,850,954	2,850,954	5.8
Taiwanese Dollar	15,774	2,169,439	2,185,213	4.4
Thai Baht		1,445,080	1,445,080	2.9
UK Sterling	1,996,339	2,309,174	4,305,513	8.7
US Dollar		574,928	574,928	1.2
	<u>2,012,113</u>	<u>47,346,174</u>	<u>49,358,287</u>	<u>100.0</u>

### Currency profile

	Monetary (Cash/Other assets) £	Non-monetary (Securities) £	Total £	Total %
<b>2014</b>				
Brazilian Real	29,559	4,586,181	4,615,740	9.7
Chilean Peso		719,420	719,420	1.5
Czech Koruna	3,853	516,915	520,768	1.1
Euro	3,416	861,171	864,587	1.8
Hong Kong Dollar		8,276,917	8,276,917	17.3
Indian Rupee	7,908	2,252,269	2,260,177	4.7
Indonesian Rupiah		3,540,676	3,540,676	7.4
Malaysian Ringgit		1,009,531	1,009,531	2.1
Mexican Peso		1,488,084	1,488,084	3.1
Philippino Peso	26,007	2,611,519	2,637,526	5.5
Singaporean Dollar		4,198,305	4,198,305	8.8
South African Rand	(328,337)	1,658,804	1,330,467	2.8
South Korean Won	20,669	2,520,191	2,540,860	5.3
Taiwanese Dollar	25,530	2,389,115	2,414,645	5.1
Turkish Lira		404,939	404,939	0.8
UK Sterling	1,063,937	2,531,407	3,595,344	7.5
US Dollar	15,941	7,380,181	7,396,122	15.5
	<u>868,483</u>	<u>46,945,625</u>	<u>47,814,108</u>	<u>100.0</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 11. Portfolio Risk Analysis continued

#### Currency profile continued

	Monetary (Cash/Other assets)	Non-monetary (Securities)	Total	Total %
	£	£	£	%
<b>2013</b>				
Brazilian Real		6,004,007	6,004,007	12.1
Chilean Peso		3,096,570	3,096,570	6.3
Czech Koruna		309,434	309,434	0.6
Euro		973,243	973,243	2.0
Hong Kong Dollar		7,752,732	7,752,732	15.7
Indian Rupee		4,140,817	4,140,817	8.4
Indonesian Rupiah		3,587,972	3,587,972	7.3
Malaysian Ringgit		1,038,471	1,038,471	2.1
Mexican Peso		1,615,055	1,615,055	3.3
Philippino Peso		4,279,575	4,279,575	8.7
Singaporean Dollar		4,138,478	4,138,478	8.4
South African Rand		1,060,245	1,060,245	2.1
South Korean Won		2,850,954	2,850,954	5.8
Taiwanese Dollar	15,774	2,169,439	2,185,213	4.4
Thai Baht		1,445,080	1,445,080	2.9
UK Sterling	1,444,801	2,860,712	4,305,513	8.7
US Dollar		574,928	574,928	1.2
	<u>1,460,575</u>	<u>47,897,712</u>	<u>49,358,287</u>	<u>100.0</u>

Cash balances are deposited on normal commercial terms and earn interest calculated on a variable rate with reference to the Bank of England base rate or its overseas equivalent.

There were no fixed rate financial assets held during the year.

The non-interest bearing financial assets largely consist of equities, which do not have maturity dates.

#### **Fair value of financial assets and financial liabilities**

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 12. Portfolio Transaction Costs

	Year ended 31 <sup>st</sup> March 2014 £	Year ended 31 <sup>st</sup> March 2013 £
Analysis of total purchase costs		
Purchases in period before transaction costs	9,053,947	5,998,874
Add:		
Broker Commissions	26,241	18,418
Stamp Duty	995	—
Total purchase costs	<u>27,236</u>	<u>18,418</u>
Gross purchases total	<u>9,081,183</u>	<u>6,017,292</u>
Analysis of total sales costs		
Gross sales in period before transaction costs	2,391,686	2,478,716
Less:		
Broker Commissions	(10,149)	(8,661)
Total sales costs	<u>(10,149)</u>	<u>(8,661)</u>
Total sales net of transaction costs	<u>2,381,537</u>	<u>2,470,055</u>

## DISTRIBUTION TABLES

in pence per unit

for the year ended 31<sup>st</sup> March 2014

### INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> April 2013

Group 2 - Units purchased 1<sup>st</sup> April 2013 to 30<sup>th</sup> September 2013

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount paid 30.11.13
Group 1	<i>Legacy</i>	15.556	1.556	14.000	—	14.000
Group 2	<i>Legacy</i>	2.733	0.273	2.460	11.540	14.000
Group 1	<i>Personal</i> *	15.556	1.556	14.000	—	14.000
Group 2	<i>Personal</i> *	—	—	—	14.000	14.000

### FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> October 2013

Group 2 - Units purchased 1<sup>st</sup> October 2013 to 31<sup>st</sup> March 2014

	Unit Class	Gross income	Tax credit @ 10%	Net income	Equalisation	Amount payable 30.05.14
Group 1	<i>Legacy</i>	27.114	2.711	24.403	—	24.403
Group 2	<i>Legacy</i>	6.849	0.685	6.164	18.239	24.403
Group 1	<i>Personal</i> *	27.243	2.724	24.519	—	24.519
Group 2	<i>Personal</i> *	5.231	0.523	4.708	19.811	24.519

### DISTRIBUTION SUMMARY

in pence per unit

for the year ended 31<sup>st</sup> March 2014

	Year to 31 <sup>st</sup> March 2014 net rate		Year to 31 <sup>st</sup> March 2013 net rate	
	<i>Personal</i> *	<i>Legacy</i>	<i>Personal</i> *	<i>Legacy</i>
Interim paid	14.000	14.000	—	14.000
Final payable/paid	<u>24.519</u>	<u>24.403</u>	<u>23.528</u>	<u>23.526</u>
	<u>38.519</u>	<u>38.403</u>	<u>23.528</u>	<u>37.526</u>

\*The 'Personal' class of units was created on 1<sup>st</sup> January 2013.





*Manager*

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