



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

SMALLER COMPANIES FUND

A pooled management service for private clients

ANNUAL REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JANUARY 2016

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FINANCIAL STATEMENTS

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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 Smaller Companies 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 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 smaller companies, 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 Limited, Easter Alderston, Haddington, EH41 3SE. (Tel. +44(0)1620 825867) or through the website www.mcinroy-wood.co.uk

MANAGER'S INVESTMENT REPORT

At 31st January 2016, total net assets of the fund amounted to £59,369,550 compared with £59,398,407 twelve months before. There was a small net outflow from the fund over the twelve months. At 31st January, there were 294 investors (excluding ISA holders), with an average holding worth £183,972.

Markets

Global equity markets were weak over the year to 31st January 2016, particularly towards the end of the period. Investors became increasingly cautious about the state of world demand, which put pressure on already stretched equity market valuations. Apprehension about the potential impact of the slowdown in developing economies, particularly China, increased nervousness about the resilience of corporate profitability.

Among smaller companies specifically, performance was more varied; in the USA, they were weaker than their larger counterparts, while in the UK and European they outperformed.

The UK equity index (FTSE 100) fell by 10% over the year. Measured by MSCI indices in local currency, the USA and Europe also declined by 3% and 6% respectively. Expressed in sterling, the MSCI All Country World index lost ground, ending the period 3% lower than the prior year.

In the foreign exchange markets, sterling fell against major world currencies, weakening by 1% against the euro, by 2% against the Japanese yen and by 5% against the US dollar. Against the Swiss franc, by contrast, sterling gained 5%.

Results

The price of Personal class units in the fund at 31st January 2016 stood at £35.329, representing a 0.5% increase over the twelve months. The price of Legacy class units stood at £34.783. Weakness in the portfolio's US investments was offset by the relative strength of smaller companies in the UK and Europe and the gains of most foreign currencies against sterling.

Dividend Distribution

A final dividend distribution of 40.160p (net) per unit is now being paid in respect of Personal units (39.422p to Legacy units). This means that total distributions in respect of the past year will amount to 59.160p per Personal unit, a decline of 4% from the corresponding figure for the previous year.

The distribution for the next six months is expected to be broadly similar to that for the corresponding period in 2015.

MANAGER'S INVESTMENT REPORT

continued

Portfolio Strategy

There were no significant changes to the portfolio's geographic weightings over the period. At 31st January 2016, the UK allocation, including cash deposits, accounted for 32% of the portfolio investments (30% at 31st January 2015), the USA for 30% (32%), Europe for 30% (30%), Japan for 3% (4%) and Australia for 5% (4%). Although the portfolio's diversification is closely monitored, stocks have always been selected more with regard to specific fundamental characteristics, such as high quality management teams, good cash generation and strong market positions, than with an eye to targeted geographic allocations.

Investments

In the UK, new holdings were bought in NCC Group, an information assurance and security company, Sepura, a designer and developer of digital handheld radios, and XP Power, a specialist in critical power supplies. Two US companies were also acquired: Proto Labs, a low volume manufacturer of custom parts for prototyping and short-run production, and Dorman Products, a domestically focused vendor of replacement automobile parts. In Germany, ISRA Vision, a designer of machine vision systems for quality control and robot guidance, and Dr Hönle, a manufacturer of UV technology, were bought. Otherwise, purchases were directed towards existing holdings.

The investments in Immunodiagnostic Systems, Majestic Wine, QEP Resources and Kone were all sold, reflecting concerns about their growth prospects.

It was a notably strong period for Galenica (+92%) and Abcam (+49%); Energen Corp (-44%) and Parkmead Group (-56%) were severely impacted by the fall in the oil price.

Outlook

Looking ahead, there are grounds for considerable caution. Deflationary forces appear to be widespread. Meanwhile manufacturing sentiment in the USA and Germany has deteriorated and productivity growth remains lacklustre in both the UK and USA.

A deceleration in growth in China is a major concern, particularly for businesses exposed to the country. The slowdown there should perhaps be regarded as an inevitable corollary of the difficult transition from an unbalanced investment-led economy to a more stable consumer-based one.

MANAGER'S INVESTMENT REPORT

continued

Outlook continued

Nonetheless, indicators are not universally negative. The OECD is projecting a gradual strengthening of global growth in 2016 and 2017. Unemployment statistics remain healthy; the UK rate is at its lowest for more than a decade. While somewhat sluggish, wages here and in the USA are still growing in real terms. While the immediate impact of weakness in the oil price has been negative for markets, it should also result in lower costs for many consumers and businesses. If this seems likely to be sustainable, spending can be expected to pick up.

The possibility of the UK leaving the European Union will continue to unsettle international investors. Although recent opinion polls have suggested that support for 'Brexit' is at its highest in two years, the poor performance of pollsters in recent referendums and elections cast doubt over the real value of such conclusions.

In the US, this year's presidential election will inject some uncertainty into economic policy. Candidates have been quick to try to differentiate themselves by announcing an array of new initiatives, with perhaps a broader range of views represented than in many previous years.

Central bank policies are unusually divergent at present. In December, the US Federal Reserve raised interest rates for the first time in nine years, albeit by only 0.25%. Disquiet over the wisdom of that decision has grown and any further increases now look more distant. The Bank of England has become increasingly guarded about the timing of any similar shift. Elsewhere, the picture could hardly be more different. Both the European Central Bank and the Bank of Japan have reaffirmed commitments to further quantitative easing. Negative interest rates, hitherto scarcely imaginable, have become a feature of their capital markets. In the face of future shocks, central banks now have a limited scope to steady markets.

Against this global background, companies may struggle to meet sales expectations. Even after recent market falls, company valuations still look to have been artificially inflated by monetary policies. However, provided that the world does not slip back into recession, further weakness may well throw up good investment opportunities, particularly in smaller companies, which can be marked down indiscriminately in the short term. The fund's robust performance over the last ten years is perhaps some indication that, over a longer time horizon, a diversified portfolio of high quality smaller companies can provide satisfactory returns to investors.

14th March 2016

COMPARATIVE TABLE — PERSONAL CLASS

| | 31 st Jan. 2016 (pence per unit) | 31 st Jan. 2015 (pence per unit) | 31 st Jan. 2014 (pence per unit) |
|---|--|--|--|
| Change in net assets per unit | | | |
| Opening net asset value per unit | 3,442.51 | 3,225.50 | 2,785.10 |
| Return before operating charges* | 207.75 | 319.73 | 532.10 |
| Operating charges | (44.40) | (40.79) | (37.65) |
| Return after operating charges | 163.35 | 278.94 | 494.45 |
| Distributions on income units | (59.16) | (61.93) | (54.05) |
| Closing net asset value per unit | 3,546.70 | 3,442.51 | 3,225.50 |
| *After direct transaction costs of | (2.34) | (1.00) | (1.32) |
| Performance** | | | |
| Return after charges | 4.75% | 8.65% | 17.75% |
| Other information | | | |
| Closing net asset value (£'000) | 57,758 | 57,522 | 54,178 |
| Closing number of units | 1,628,498 | 1,670,942 | 1,679,663 |
| Operating charges | 1.23% | 1.22% | 1.21% |
| Direct transaction costs | 0.06% | 0.03% | 0.04% |
| Prices | | | |
| Highest unit price | £38.174 | £35.308 | £34.036 |
| Lowest unit price | £33.909 | £30.566 | £28.017 |
| Portfolio turnover | | | |
| Annualised | 11% | (3%) | 2% |

This table is a new disclosure requirement, as defined by the updated accounting standards. See Note 1(a).

**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

| | 31 st Jan. 2016 (pence per unit) | 31 st Jan. 2015 (pence per unit) | 31 st Jan. 2014 (pence per unit) |
|---|--|--|--|
| Change in net assets per unit | | | |
| Opening net asset value per unit | 3,406.49 | 3,208.03 | 2,784.20 |
| Return before operating charges* | 205.17 | 316.63 | 528.32 |
| Operating charges | (61.28) | (56.71) | (50.56) |
| Return after operating charges | 143.89 | 259.92 | 477.76 |
| Distributions on income units | (58.42) | (61.46) | (53.93) |
| Closing net asset value per unit | | | |
| | 3,491.96 | 3,406.49 | 3,208.03 |
| *After direct transaction costs of | (2.31) | (0.99) | (1.32) |
| Performance** | | | |
| Return after charges | 4.22% | 8.10% | 17.16% |
| Other information | | | |
| Closing net asset value (£'000) | 1,612 | 1,876 | 2,208 |
| Closing number of units | 46,151 | 55,075 | 68,835 |
| Operating charges | 1.72% | 1.71% | 1.63% |
| Direct transaction costs | 0.06% | 0.03% | 0.04% |
| Prices | | | |
| Highest unit price | £37.737 | £34.940 | £33.856 |
| Lowest unit price | £33.441 | £30.290 | £28.017 |

This table is a new disclosure requirement, as defined by the updated accounting standards. See Note 1(a).

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

PORTFOLIO STATEMENT

as at 31st January 2016

| INVESTMENTS | Holding or Nominal Value of positions at 31 st Jan. 2016 | Bid Market Value £'000 | Percentage of Value of total net assets | |
|--------------------------|--|---------------------------------|--|-------------------------------|
| | | | 31 st Jan. 2016 | 31 st Jan. 2015 |
| <i>Equities</i> | | | | |
| UK | | | | |
| Abcam | 164,020 | 1,057 | 1.8 | |
| AG Barr | 276,414 | 1,458 | 2.5 | |
| Assura | 2,874,400 | 1,564 | 2.6 | |
| Cape | 234,353 | 525 | 0.9 | |
| Craneware | 118,820 | 867 | 1.5 | |
| Hill & Smith | 115,395 | 864 | 1.5 | |
| Intermediate Capital | 204,822 | 1,192 | 2.0 | |
| Keller | 118,165 | 968 | 1.6 | |
| MP Evans | 189,610 | 723 | 1.2 | |
| NCC Group | 99,500 | 314 | 0.5 | |
| Parkmead | 1,126,691 | 563 | 0.9 | |
| Rotork | 494,000 | 845 | 1.4 | |
| RPS | 528,465 | 962 | 1.6 | |
| Sepura | 850,000 | 1,475 | 2.5 | |
| Spectris | 70,140 | 1,111 | 1.9 | |
| Spirax Sarco Engineering | 45,785 | 1,397 | 2.4 | |
| Treatt | 519,650 | 935 | 1.6 | |
| XP Power | 38,750 | 593 | 1.0 | |
| | | <u>17,413</u> | <u>29.4</u> | <u>27.0</u> |
| USA | | | | |
| Anika Therapeutics | 62,975 | 1,668 | 2.8 | |
| Anixter International | 26,230 | 913 | 1.5 | |
| Dorman Products | 36,300 | 1,109 | 1.9 | |
| Energen | 29,380 | 730 | 1.2 | |
| Landauer | 25,060 | 540 | 0.9 | |
| Lindsay Corp. | 24,190 | 1,195 | 2.0 | |
| O'Reilly Automotive | 6,630 | 1,219 | 2.0 | |
| Owens & Minor | 40,464 | 988 | 1.7 | |
| Proto Labs | 28,000 | 1,085 | 1.8 | |
| Questar | 99,870 | 1,436 | 2.4 | |
| Sun Hydraulics | 63,392 | 1,137 | 1.9 | |
| Tractor Supply Company | 33,060 | 2,056 | 3.5 | |
| US Physical Therapy | 55,335 | 1,993 | 3.4 | |
| Watsco | 22,135 | 1,814 | 3.1 | |
| | | <u>17,883</u> | <u>30.1</u> | <u>31.6</u> |
| FINLAND | | | — | 1.2 |

PORTFOLIO STATEMENT

continued

| | Holding or Nominal Value of positions at 31 st Jan. 2016 | Bid Market Value £'000 | Percentage of Value of total net assets | |
|---------------------------|--|---------------------------------|--|-------------------------------|
| | | | 31 st Jan. 2016 | 31 st Jan. 2015 |
| <i>Equities continued</i> | | | | |
| FRANCE | | | | |
| Boiron | 24,938 | 1,313 | 2.2 | |
| Medicrea International | 181,100 | 783 | 1.3 | |
| Rubis | 29,437 | 1,547 | 2.6 | |
| Somfy | 3,931 | 919 | 1.5 | |
| Teleperformance | 25,910 | 1,515 | 2.5 | |
| Virbac | 10,520 | 1,340 | 2.3 | |
| | | <u>7,417</u> | <u>12.4</u> | <u>14.4</u> |
| GERMANY | | | | |
| Dr Höhle | 46,062 | 824 | 1.4 | |
| ISRA Vision | 7,500 | 342 | 0.6 | |
| Krones | 22,150 | 1,664 | 2.8 | |
| Pfeiffer Vacuum | 7,176 | 461 | 0.8 | |
| | | <u>3,291</u> | <u>5.6</u> | <u>3.7</u> |
| NETHERLANDS | | | | |
| Boskalis Westminster | 46,000 | 1,274 | 2.1 | 2.3 |
| SWITZERLAND | | | | |
| Belimo | 930 | 1,477 | 2.5 | |
| Galenica | 1,624 | 1,591 | 2.7 | |
| Kuehne & Nagel | 13,920 | 1,291 | 2.2 | |
| Sonova | 14,160 | 1,193 | 2.0 | |
| | | <u>5,552</u> | <u>9.4</u> | <u>8.9</u> |
| AUSTRALIA | | | | |
| ARB | 162,300 | 1,232 | 2.1 | |
| Technology One | 842,500 | 1,975 | 3.3 | |
| | | <u>3,207</u> | <u>5.4</u> | <u>4.0</u> |
| JAPAN | | | | |
| Symex | 35,500 | 1,577 | 2.6 | 3.6 |
| TOTAL INVESTMENTS | | 57,614 | 97.0 | 96.7 |
| Net other assets | | <u>1,756</u> | <u>3.0</u> | <u>3.3</u> |
| TOTAL NET ASSETS | | <u><u>59,370</u></u> | <u><u>100.0</u></u> | <u><u>100.0</u></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 31st January 2016

| | Cost £'000 |
|--|-------------------|
| Purchases | |
| 162,300 ARB (<i>spin off issue</i>) | — |
| 574,880 Assura (<i>rights Issue</i>) | — |
| 36,300 Dorman Products | 1,159 |
| 46,062 Dr Hönle | 824 |
| 204,822 Intermediate Capital (<i>reverse stock split</i>) | — |
| 7,500 ISRA Vision | 314 |
| 60,000 Medicrea International | 306 |
| 99,500 NCC Group | 300 |
| 568,041 Parkmead | 682 |
| 28,000 Proto Labs | 1,224 |
| 24,000 Questar | 330 |
| 494,000 Rotork (<i>stock split</i>) | — |
| 1,962 Rubis | 69 |
| 27,475 Rubis (<i>rights Issue</i>) | — |
| 850,000 Sepura | 1,412 |
| 45,785 Spirax Sarco Engineering (<i>reverse stock split</i>) | — |
| 190,000 Treatt | 306 |
| 38,750 XP Power | 597 |
| TOTAL | <u>7,523</u> |
| | Proceeds £'000 |
| Sales | |
| 162,300 ARB (<i>spin off issue</i>) | — |
| 574,800 Assura (<i>rights Issue</i>) | 191 |
| 9,482 Boiron | 665 |
| 950 Galenica | 704 |
| 132,345 Immunodiagnostic Systems | 429 |
| 33,446 Intermediate Capital | 195 |
| 205,514 Intermediate Capital (<i>reverse stock split</i>) | — |
| 23,648 Kone B | 631 |
| 188,900 Majestic Wine | 700 |
| 12,370 O'Reilly Automotive | 1,949 |
| 5,800 Pfeiffer Vacuum | 482 |
| 28,370 QEP Resources | 331 |
| 49,400 Rotork (<i>stock split</i>) | — |
| 27,475 Rubis (<i>rights Issue</i>) | — |
| 47,481 Spirax Sarco Engineering (<i>reverse stock split</i>) | — |
| 35,500 Sysmex | 1,440 |
| 19,000 Teleperformance | 853 |
| 15,340 Tractor Supply Company | 831 |
| 22,130 US Physical Therapy | 706 |
| TOTAL | <u>10,107</u> |

GENERAL INFORMATION

Authorisation

The Smaller Companies 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 UK 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 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.

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 |
|---|---|---|---|---|---|---|

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.

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 period. 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
Director

J C McAulay
Director

Haddington, 14th March 2016

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee is responsible for the safekeeping of all the property of the Trust (other than tangible moveable property) which is entrusted to it and for the collection of income that arises from that property.

It is the duty of the Trustee to take reasonable care to ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL"), the Trust Deed and Prospectus, in relation to the pricing of, and dealings in, units in the Trust; the application of income of the Trust; and the investment and borrowing powers and restrictions applicable to the Trust.

REPORT OF THE TRUSTEE

to the unit holders of McInroy & Wood Smaller Companies Fund for the year ended 31st January 2016

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 Manager:

- (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 Sourcebook, the Trust Deed and Prospectus, and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust.

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

14th March 2016

INDEPENDENT AUDITORS' REPORT

Report on the financial statements

Our opinion

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

- give a true and fair view of the financial position of the Trust as at 31st January 2016 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 31st January 2016;
- 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 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 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.

INDEPENDENT AUDITORS' REPORT

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 15, 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.

INDEPENDENT AUDITORS' REPORT

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

14th March 2016

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 31st January 2016

| | Notes | Year ended 31 st Jan. 2016 | | Year ended 31 st Jan. 2015 | |
|---|-------|--|----------------|--|----------------|
| | | £'000 | £'000 | £'000 | £'000 |
| Income | | | | | |
| Net capital gains | 2 | | 2,490 | | 4,339 |
| Revenue | 3 | 1,208 | | 1,281 | |
| Expenses | 4 | <u>(733)</u> | | <u>(704)</u> | |
| Net revenue before taxation | | 475 | | 577 | |
| Taxation | 5 | <u>(90)</u> | | <u>(86)</u> | |
| Net revenue after taxation | | | <u>385</u> | | <u>491</u> |
| Total return before distributions | | 2,875 | | 4,830 | |
| Distributions | 6 | | <u>(1,002)</u> | | <u>(1,086)</u> |
| Change in net assets attributable to unitholders from investment activities | | | <u>1,873</u> | | <u>3,744</u> |

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 31st January 2016

| | Year ended 31 st Jan. 2016 | | Year ended 31 st Jan. 2015 | |
|---|--|---------------|--|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Opening net assets attributable to unitholders | | 59,398 | | 56,386 |
| Amounts receivable on creation of units | 4,587 | | 4,230 | |
| Amounts payable on cancellation of units | <u>(6,488)</u> | | <u>(4,960)</u> | |
| | | (1,901) | | (730) |
| Stamp duty reserve tax | | — | | (2) |
| Change in net assets attributable to unitholders from investment activities | | <u>1,873</u> | | <u>3,744</u> |
| Closing net assets attributable to unitholders | | <u>59,370</u> | | <u>59,398</u> |

BALANCE SHEET

as at 31st January 2016

| | Notes | 31 st Jan. 2016 | | 31 st Jan. 2015 | |
|--|-------|----------------------------|---------------|----------------------------|---------------|
| | | £'000 | £'000 | £'000 | £'000 |
| ASSETS: | | | | | |
| Investments | | | 57,614 | | 57,461 |
| Current assets | | | | | |
| Debtors | 7 | 155 | | 200 | |
| Cash & bank balances | | <u>2,355</u> | | <u>2,561</u> | |
| Total other assets | | | <u>2,510</u> | | <u>2,761</u> |
| Total assets | | | <u>60,124</u> | | <u>60,222</u> |
| LIABILITIES: | | | | | |
| Creditors | | | | | |
| Distribution payable | | (672) | | (741) | |
| Other creditors | 8 | <u>(82)</u> | | <u>(83)</u> | |
| Total liabilities | | | <u>(754)</u> | | <u>(824)</u> |
| Net assets attributable to unitholders | | | <u>59,370</u> | | <u>59,398</u> |

NOTES TO THE FINANCIAL STATEMENTS

as at 31st January 2016

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").

In applying UK GAAP, the financial statements have been prepared in compliance with FRS 102 as adopted for the first time. While there have not been any changes in underlying accounting treatments or accounting policies and there is no impact on net assets attributable to unitholders or distributions, certain additional disclosures must now be included in the financial statements, with related prior year comparatives.

- (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 February. An interim distribution based on available revenue is distributed on the last day of August. 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

1. Accounting policies continued

- (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 the exchange rates prevailing at the balance sheet date.
- (i) Stamp Duty Reserve Tax (SDRT) suffered on the surrender of units has been charged against the capital assets of the fund.

2. Net capital gains on investments:

| | Year ended 31 st Jan. 2016 £'000 | Year ended 31 st Jan. 2015 £'000 |
|---|---|---|
| Non-derivative securities | 2,546 | 4,311 |
| Currency (losses)/gains | (34) | 45 |
| Custodial transaction fees | (22) | (17) |
| Net capital gains* | <u>2,490</u> | <u>4,339</u> |
| <i>*includes realised gains on investments sold</i> | <u>7,026</u> | <u>2,405</u> |

3. Revenue

| | | |
|--------------------------------|--------------|--------------|
| Dividends on UK equities | 466 | 370 |
| Dividends on overseas equities | 742 | 858 |
| UK REITs | — | 53 |
| Total revenue | <u>1,208</u> | <u>1,281</u> |

4. Expenses

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

| | | |
|-----------------------------|-----|-----|
| - Manager's periodic charge | 617 | 595 |
| - Transfer agency fee | 41 | 26 |
| - Registrar's fee | — | 6 |

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

| | | |
|--------------------|----|----|
| - Trustee's fee | 18 | 18 |
| - Safe custody fee | 12 | 12 |

Other expenses:

| | | |
|-----------------------|----|----|
| - Audit fee | 8 | 7 |
| - Fund accounting fee | 29 | 31 |
| - FT listing fee | 2 | 3 |
| - Sundry fees* | 6 | 6 |

| | | |
|----------------|------------|------------|
| Total expenses | <u>733</u> | <u>704</u> |
|----------------|------------|------------|

*Includes accounts printing and postage, tax computation fees and other fees.

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

| | Year ended 31 st Jan. 2016 £'000 | Year ended 31 st Jan. 2015 £'000 |
|------------------------------------|---|---|
| (a) Analysis of tax charge | | |
| Overseas withholding tax | 90 | 91 |
| French withholding tax recoverable | — | (5) |
| | <u>90</u> | <u>86</u> |

(b) Factors affecting the tax charge for the year

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

| | Year ended 31 st Jan. 2016 £'000 | Year ended 31 st Jan. 2015 £'000 |
|-----------------------------|---|---|
| Net revenue before taxation | <u>475</u> | <u>577</u> |
| Corporation tax at 20% | 95 | 115 |

Effects of:

| | | |
|--|-----------|-----------|
| Revenue not subject to corporation tax | (241) | (245) |
| Movement in excess management expenses | 146 | 130 |
| Irrecoverable overseas withholding tax | 90 | 91 |
| French withholding tax recoverable | — | (5) |
| Current tax charge for the year | <u>90</u> | <u>86</u> |

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £876,362 (2015 - £719,560) 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.

NOTES TO THE FINANCIAL STATEMENTS

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 31 st Jan. 2016 £'000 | Year ended 31 st Jan. 2015 £'000 |
|---|---|---|
| Interim | 317 | 337 |
| Final | 672 | 741 |
| | <u>989</u> | <u>1,078</u> |
| Add: Revenue deducted on cancellation of units | 46 | 30 |
| Deduct: Revenue received on creation of units | (33) | (22) |
| Net distribution for the year | <u>1,002</u> | <u>1,086</u> |
| Net revenue after taxation | 385 | 491 |
| Expenses taken to capital | 617 | 595 |
| Net distribution for the year | <u>1,002</u> | <u>1,086</u> |

Details of the distributions per unit are shown in the Distribution Tables on page 29.

7. Debtors

| | 31 st Jan. 2016 £'000 | 31 st Jan. 2015 £'000 |
|--|-------------------------------------|-------------------------------------|
| Amounts receivable for creation of units | 30 | — |
| Overseas withholding tax recoverable | 120 | 66 |
| Prepaid expenses | 3 | 3 |
| Revenue receivable: | | |
| UK equities | 2 | 7 |
| Sales awaiting settlement | — | 124 |
| | <u>155</u> | <u>200</u> |

NOTES TO THE FINANCIAL STATEMENTS

continued

| 8. Other creditors | 31 st Jan. 2016 | 31 st Jan. 2015 |
|----------------------------|----------------------------|----------------------------|
| | £'000 | £'000 |
| Accrued expenses: | | |
| Audit fees | 7 | 7 |
| Fund accounting fee | 10 | 13 |
| Manager's periodic charge | 51 | 51 |
| Transfer Agency fee | 3 | 2 |
| Trustee's fee | 2 | 2 |
| Custodial transaction fees | 6 | 3 |
| Safe custody fee | — | 2 |
| Other | 3 | 3 |
| | <u>82</u> | <u>83</u> |

9. Unit movement

For the year 1st February 2015 to 31st January 2016

| | Legacy | Personal |
|-----------------|---------------|------------------|
| Opening units | 55,075 | 1,670,942 |
| Units created | 175 | 127,863 |
| Units cancelled | (4,456) | (174,893) |
| Units converted | (4,643) | 4,586 |
| Closing units | <u>46,151</u> | <u>1,628,498</u> |

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 2.8% (2015 - 2.8%).

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.

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

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 Investment Objective and Policy.

The interest rate profile of portfolio investments at 31st January was:

Interest rate profile

| | Floating rate Investments £'000 | Fixed rate Investments £'000 | Non interest bearing Investments £'000 | Total £'000 |
|----------------------------------|---------------------------------------|------------------------------------|---|----------------|
| 31st Jan. 2016 | | | | |
| Investment assets | — | — | 57,614 | 57,614 |
| 31st Jan. 2015 | | | | |
| Investment assets | — | — | 57,461 | 57,461 |

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.

The currency profile of the fund's net assets at 31st January was:

Currency profile

| | Monetary (Cash/Other assets) £'000 | Non-monetary (Securities) £'000 | Total £'000 | Total % |
|----------------------------------|--|---------------------------------------|----------------|--------------|
| 31st Jan. 2016 | | | | |
| UK Sterling | 1,632 | 17,414 | 19,046 | 32.1 |
| US Dollar | 3 | 17,883 | 17,886 | 30.1 |
| Euro | 44 | 11,982 | 12,026 | 20.2 |
| Swiss Franc | 77 | 5,552 | 5,629 | 9.5 |
| Australian Dollar | | 3,206 | 3,206 | 5.4 |
| Japanese Yen | | 1,577 | 1,577 | 2.7 |
| Total | 1,756 | 57,614 | 59,370 | 100.0 |
| 31st Jan. 2015 | | | | |
| UK Sterling | 1,450 | 16,025 | 17,475 | 29.4 |
| US Dollar | 420 | 18,786 | 19,206 | 32.3 |
| Euro | 19 | 12,798 | 12,817 | 21.6 |
| Swiss Franc | 48 | 5,325 | 5,373 | 9.1 |
| Australian Dollar | | 2,398 | 2,398 | 4.0 |
| Japanese Yen | | 2,129 | 2,129 | 3.6 |
| Total | 1,937 | 57,461 | 59,398 | 100.0 |

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis continued

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 |
|---|-----------------|----------------------|
| 31st Jan. 2016 | | |
| Quoted prices for identical instruments in active markets | 57,614 | — |
| | 57,614 | — |
| 31st Jan. 2015 | | |
| Quoted prices for identical instruments in active markets | 57,461 | — |
| | 57,461 | — |

12. Portfolio Transaction Costs

For the year 1st February 2015 to 31st January 2016

| | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|-----------------------------|----------------|----------------------|------|----------------|------|
| Purchases | | | | | |
| Equity instruments (direct) | 7,501 | 12 | 0.16 | 10 | 0.13 |
| Total purchases | 7,501 | 12 | | 10 | |

Total purchases including transaction costs

7,523

| | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|-----------------------------|----------------|----------------------|------|----------------|---|
| Sales | | | | | |
| Equity instruments (direct) | 10,124 | 17 | 0.17 | — | — |
| Total sales | 10,124 | 17 | | — | |

Total sales net of transaction costs

10,107

Total transaction costs 29 10

Total transaction costs as a % of average net assets 0.04% 0.02%

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs continued

For the year 1st February 2014 to 31st January 2015

| Purchases | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|-----------------------------|----------------|----------------------|------|----------------|------|
| Equity instruments (direct) | 2,935 | 6 | 0.20 | 6 | 0.21 |
| Total purchases | 2,935 | 6 | | 6 | |

**Total purchases including
transaction costs** 2,947

| Sales | Value £'000 | Commissions £'000 | % | Taxes £'000 | % |
|-----------------------------|----------------|----------------------|------|----------------|---|
| Equity instruments (direct) | 4,574 | 5 | 0.12 | — | — |
| Total sales | 4,574 | 5 | | — | |

**Total sales net of
transaction costs** 4,569

Total transaction costs 11 6

Total transaction costs
as a % of average net assets 0.02% 0.01%

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.

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 0.23% (2015 - 0.25%).

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 31st January 2016

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st February 2015

Group 2 - Units purchased 1st February 2015 to 31st July 2015

| | Unit Class | Net income* | Equalisation** | Amount paid |
|---------|------------|-------------|----------------|-------------|
| Group 1 | Legacy | 19.000 | — | 19.000 |
| Group 2 | Legacy | 15.030 | 3.970 | 19.000 |
| Group 1 | Personal | 19.000 | — | 19.000 |
| Group 2 | Personal | 4.615 | 14.385 | 19.000 |

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st August 2015

Group 2 - Units purchased 1st August 2015 to 31st January 2016

| | Unit Class | Net income* | Equalisation** | Amount payable |
|---------|------------|-------------|----------------|----------------|
| Group 1 | Legacy | 39.422 | — | 39.422 |
| Group 2 | Legacy | 11.040 | 28.382 | 39.422 |
| Group 1 | Personal | 40.160 | — | 40.160 |
| Group 2 | Personal | 6.006 | 34.154 | 40.160 |

*Income rate net of a 10% notional tax credit.

**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.

DISTRIBUTION SUMMARY

in pence per unit
for the year ended 31st January 2016

| | Year to 31 st Jan. 2016 net rate | | Year to 31 st Jan. 2015 net rate | |
|--------------------|---|---------------|---|---------------|
| | <i>Personal</i> | <i>Legacy</i> | <i>Personal</i> | <i>Legacy</i> |
| Interim paid | 19.000 | 19.000 | 19.000 | 19.000 |
| Final payable/paid | 40.160 | 39.422 | 42.932 | 42.459 |
| | <u>59.160</u> | <u>58.422</u> | <u>61.932</u> | <u>61.459</u> |

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