McInroy & Wood

PERSONAL INVESTMENT MANAGERS

BALANCED FUND

A pooled management service for private clients

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY 2022

SUMMARY

At 28th February 2022, total net assets of the McInroy & Wood Balanced Fund (the fund) amounted to £1,007,886,544 compared with £872,317,520 twelve months before. There were 1,425 unitholders, excluding ISAs, with an average holding worth £601,531.

The price of units in the fund at 28th February 2022 stood at £59.004, a rise of 7% compared with the figure twelve months before. Equity markets generally gained ground over the year, reflecting the general improvement in economic prospects as countries reopened following COVID-19 lockdowns. However, even before the Russian invasion of Ukraine, inflation was proving more persistent than central banks had envisaged. In anticipation of rising living costs, the fund included significant allocations to inflation-linked bonds and gold, the latter being increased in September. These investments enhanced the fund's performance over the year to 28th February 2022.

The objective of the fund is to preserve and grow the real value of investors' capital and income, placing an equal emphasis on the generation of income and capital growth. Real value is defined as the value of capital and income after adjusting for the impact of inflation, as measured by the UK Retail Prices Index (RPI), over the same period. Over the three years to 28th February 2022, the total return to unitholders in the fund was 29%, compared to RPI of 12%. Over five years the fund returned 35% against RPI of 20%. The fund has provided a total return to unitholders of 930% above inflation since its inception in February 1990.

A final dividend distribution of 53.181 pence per unit is now being paid. This brings the total distributions over the year to 81.181 pence per unit, 22% higher than those paid over the previous year. The increase reflects a broad recovery in the level of company dividends over the past twelve months.

The Russian invasion of Ukraine has created a humanitarian crisis and greatly alarmed markets. At the time of writing, it is still unclear how Ukraine's predicament will be resolved. Investors are very concerned about the impact of rapidly increasing costs on economic activity. Western countries have coordinated a widespread boycott of trade with Russia as part of a punitive sanctions regime. This has, however, resulted in a sharp spike in global energy prices and shortages of other raw materials such as precious metals and soft commodities. Although the portfolio has no direct exposure to Russian stocks, many sectors will clearly be affected by the disruption to the entire world economy.

SUMMARY

Given this background, the fund's strategy emphasises broad diversification. The allocation to conventional short-dated government bonds is designed to be a defensive component in the portfolio, while inflation-linked issues should provide some protection against rising prices. The position in gold aims to offer a further counterbalance to any severe setbacks in equity markets, particularly if investors were to lose confidence in the ability of central banks to control inflation without stifling economic growth. The bulk of the portfolio continues to be invested in equities, reflecting the conviction that a carefully chosen selection of companies provides the best chance of achieving good long-term returns for unitholders.

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

INTRODUCTION

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

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

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

The investment objective of the fund is to maximise the total return to unitholders, by preserving and growing the real value of investors' capital and income, placing an equal emphasis on the generation of income and on capital growth. Real value is defined as the value of capital and income after adjusting for the impact of inflation. The UK Retail Prices Index is the measure of inflation used by the Manager. The investment should be held for a minimum period of 3 years. Total return is defined as capital appreciation, if any, plus income received, and does not imply that a positive return will be consistently achieved over this or any other time period. Investors should be aware that their capital is at risk.

The fund may invest in any geographical areas and any economic sectors. The fund invests at least 50% in a combination of shares of companies quoted on the world's stockmarkets, fixed income and debt securities (investment and sub-investment grade). Other appropriate investments, such as cash or cash equivalents may also be held, particularly to preserve capital in the event of volatile market conditions. In addition, not more than 10% of the property of the fund may be invested in securities dealt on the Alternative Investment Market of the London Stock Exchange, and/or equivalent overseas market. It is not intended that the fund will have an interest in any immovable property or tangible movable property.

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

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

At 28th February 2022, total net assets of the fund amounted to £1,007,886,544 compared with £872,317,520 twelve months before. There were 1,425 unitholders (ISA accounts are not included in this figure) with an average holding worth £601,531.

Markets

Global equity markets as a whole rose strongly over the year ending 28th February 2022, although there was a sharp fall in the Chinese market. The emergence of a new coronavirus variant had little effect on confidence as it proved to be relatively mild, while low interest rates and robust consumer demand buoyed western markets for much of the period. Even most developing markets were not unduly held back by less effective vaccination programmes and renewed restrictions, but the Chinese government's decision to introduce tighter regulation of private enterprises triggered a rout in the country's stock market. Elsewhere share prices lost some of their previous gains in early 2022, as it became clear that inflation had become more persistent than previously expected and significant rises in interest rates were likely to be required. The sell-off hit high-growth companies with lofty valuations particularly hard, as investors sought refuge in larger companies in less expensive sectors such as energy and finance. Markets took another step down at the very end of the period in reaction to Russia's invasion of Ukraine.

Measured by MSCI indices in local currencies, the UK market rose by 17% over the twelve months, while the US and Europe were up 13% and 11% respectively. By contrast, Japan was virtually unchanged, while Emerging Markets as a group fell 13%, principally due to a 32% decline in the Chinese market. In sterling terms, the MSCI All Country World Index rose by 10%.

Conventional bond prices lost ground in anticipation of a sustained period of rising interest rates. Short- and medium-dated gilts were down 1-3%, with similar falls in their US counterparts.

However, inflation-protected stocks rose sharply in response to rising consumer prices. UK short-dated index-linked gilts gained 7%, while their US equivalents were up 5%.

In foreign exchange markets, sterling strengthened by 4% against both the euro and the yen, but fell back 4% against the US dollar.

The price of gold rose by 10%, reflecting its status as a hedge against inflation and a store of value in times of particular uncertainty.

Inflation, as measured by the UK Retail Prices Index, was 7.8% over the year to 28th February 2022.

Results

The price of units in the fund at 28th February 2022 stood at £59.004, a rise of 7% compared with the figure twelve months before. Equity markets generally gained ground over the year, reflecting the general improvement in economic prospects as countries reopened following COVID-19 lockdowns. However, even before the Russian invasion of Ukraine, inflation was proving more persistent than central banks had envisaged. In anticipation of rising living costs, the fund included significant allocations to inflation-linked bonds and gold, the latter being increased in September. These investments enhanced the fund's performance over the year to 28th February 2022.

The objective of the fund is to preserve and grow the real value of investors' capital and income, placing an equal emphasis on the generation of income and capital growth. Real value is defined as the value of capital and income after adjusting for the impact of inflation, as measured by the UK Retail Prices Index (RPI), over the same period. Over the three years to 28th February 2022, the total return to unitholders in the fund was 29%, compared to RPI of 12%. Over five years the fund returned 35% against RPI of 20%. The fund has provided a total return to unitholders of 930% above inflation since its inception in February 1990.

Dividend Distribution

A final dividend distribution of 53.181 pence per unit is now being paid. This brings the total distributions over the year to 81.181 pence per unit, 22% higher than those paid over the previous year. The increase reflects a broad recovery in the level of company dividends over the past twelve months.

The crisis in Ukraine has resulted in some uncertainty over prospects for corporate profitability, but based on current forecasts the fund's total dividend distribution for the coming year is expected to remain at a broadly similar level.

Portfolio Strategy

The gold allocation was increased by 5% in September 2021, and it now represents 10% of the portfolio. There was a corresponding reduction in UK government bonds. This shift reflected concerns of a prolonged period of inflation, and the likely impact of higher interest rates.

At 28th February 2022, 63% of the portfolio was allocated to equities (64% at 28th February 2021), 25% to bonds (30%), 11% to gold (5%), and 1% to cash deposits (1%).

Investments

New holdings were bought in Novo Nordisk, a Danish pharmaceutical company focused on insulin treatments for diabetes, Asahi Intecc, a Japanese manufacturer of specialist equipment used in minimally invasive surgery, Microsoft, a leading US software company with particular strengths in cloud computing services, and Schneider Electric, a French multinational specialist in energy management and automation. StoneCo, a Brazilian company providing financial services for small businesses, was purchased and sold during the period after a regulatory change significantly increased competition in its market. Otherwise, positions in Fresenius Medical Care, Fuchs Petrolub, MTN Group and Trend Micro were also sold in full during the period, as was the holding in Hella, following the acquisition of the company by Faurecia.

Sonova (+53%) and Shell (+37%) performed notably well over the year, while Novo Nordisk rose by 57% after being added to the portfolio in March 2021. Nabtesco (-30%) and Vitasoy (-58%) fell back.

Within the bond allocation, a sterling-denominated floating-rate note matured, and the proceeds were reinvested in a 2023 conventional UK gilt. A 2026 UK index-linked issue was also bought, while two other UK bonds were sold to fund the increased allocation to gold.

A summary of all portfolio changes is shown on page 14-15 of this report.

Outlook

The Russian invasion of Ukraine has created a humanitarian crisis and greatly alarmed markets. At the time of writing, it is still unclear how Ukraine's predicament will be resolved. Investors are very concerned about the impact of rapidly increasing costs on economic activity. Western countries have coordinated a widespread boycott of trade with Russia as part of a punitive sanctions regime. This has, however, resulted in a sharp spike in global energy prices and shortages of other raw materials such as precious metals and soft commodities. Although the portfolio has no direct exposure to Russian stocks, many sectors will clearly be affected by the disruption to the entire world economy.

The most immediate impact of the conflict is being felt in Europe, and growth in the eurozone is widely predicted to slow in the face of uncertain demand and efforts to reduce energy dependence on Russia. This has placed the European Central Bank in a difficult position as inflation has also risen sharply to nearly 6% in February, well above its 2% target. This leaves it with a hard choice between raising interest rates in response to rising prices or maintaining a looser policy to sustain economic growth. For the time being, the bank appears set to maintain the status quo while assessing the full extent of the economic damage likely to be caused by the conflict.

Outlook continued

The US economy is much less dependent on international trade, and domestic demand remains strong. As a result, most commentators expect that the Federal Reserve will continue to normalise monetary policy by raising interest rates over the coming year. Economic growth of 5.7% in 2021 represented the biggest annual expansion of GDP since 1984, and new job creation has been well ahead of expectations. However, there are signs that the economy is overheating, and inflation reached 8% in February. A tightening of monetary policy would seem to be an inevitable response. The Biden administration's flagship 'Build Back Better Act' has been stalled by the Senate due to worries that it would further increase the upward pressure on prices.

In the UK, the economy has continued to rebound strongly from the damage inflicted by the pandemic, with businesses reporting strong sales growth and healthy order books. However, here too inflation is now running well above central bank targets, and the Bank of England has already begun to raise interest rates which are, at present, expected to increase threefold by November. This will increase the pressure on disposable household incomes at a time when personal and corporate taxation is also rising significantly.

Unlike other major economies, Japan continues to struggle with underlying deflationary trends. The new government has introduced a substantial stimulus package in response, while the Bank of Japan has maintained its ultra-loose monetary policy. To a degree, these efforts have been successful, and inflation is expected to near the Bank's 2% target this year. However, prospects for growth remain muted, and the country continues to lag other advanced nations.

For many developing markets, a combination of rising inflation and subdued growth provides a relatively gloomy near-term outlook. Brazil's Central Bank has raised rates eight times since March of last year in an effort to control surging prices. Higher borrowing costs are weighing on domestic demand, and the International Monetary Fund is forecasting minimal growth this year. Prospects are similarly difficult in Mexico, where inflation recently hit a twenty-year high.

Meanwhile, the prospects of economic growth in the Chinese economy have been hit by the government's zero-tolerance policy on Covid-19. Confidence is also flagging in an overstretched property sector while the geopolitical risks of investing in the country continue to rise. However, the government is likely to respond by increasing support for the economy, which may revive growth and improve the environment for business. Excellent companies can now be bought at much more attractive prices following recent market falls.

Outlook continued

By contrast, the Indian stock market has been very strong. The country's economy is expected to continue its robust expansion, underpinned by improving vaccination rates and increased infrastructure spending. Moreover, there appears to be a lasting commitment to reform, designed to draw the vast informal sector into the formal economy, and with a young, well-educated population, investment in India looks to offer compelling opportunities in the long run.

There is now growing confidence that vaccines and social distancing measures can contain any future outbreaks of the Covid pandemic. New working practices should limit the economic consequences of any renewed restrictions by allowing commercial activity to continue largely uninterrupted. Of course, the possibility of a variant that is both acutely virulent and highly transmissible cannot be ruled out, but the world is now much better positioned to tackle such a development.

Given the uncertain political and economic background, the fund's strategy emphasises broad diversification. The allocation to conventional short-dated government bonds is designed to be a defensive component in the portfolio, while inflation-linked issues should provide some protection against rising prices. The position in gold aims to offer a further counterbalance to any severe setbacks in equity markets, particularly if investors were to lose confidence in the ability of central banks to control inflation without stifling economic growth. The bulk of the portfolio continues to be invested in equities, reflecting the conviction that a carefully chosen selection of companies provides the best chance of achieving good long-term returns for unitholders.

21st April 2022

COMPARATIVE TABLE - PERSONAL CLASS

	28th February 2022 (pence per unit)	28th February 2021 (pence per unit)	29th February 2020 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	5,427.39	4,932.89	4,734.81
Return before operating charges*	585.09	621.05	338.24
Operating charges	(65.92)	(59.92)	(58.59)
Return after operating charges	519.17	561.13	279.65
Distributions	(81.18)	(66.63)	(81.57)
Closing net asset value per unit	5,865.38	5,427.39	4,932.89
*After direct transaction costs of	(1.34)	(2.79)	(1.44)
Performance**			
Return after charges	9.56%	11.38%	5.91%
Other information			
Closing net asset value (£'000)	1,007,887	872,318	745,130
Closing number of units	17,183,654	16,072,493	15,105,333
Operating charges	1.11%	1.12%	1.14%
Direct transaction costs	0.02%	0.05%	0.03%
Prices			
Highest unit price	£63.303	£58.390	£53.681
Lowest unit price	£54.286	£45.020	£47.722
Portfolio turnover			
Annualised	21%	60%	23%

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

Please note that the capital return element, reflected in the performance figure noted above is based on the movement in the net asset value per the published financial statements and includes the impact of post year end accounting adjustments. It may therefore vary from the unit price movement noted in the Manager's Report. The unit price is struck at the daily valuation point at 12 noon, whereas the valuation of investments reported in the financial statements is struck at the close of business on the last business day of the period (See note 1(g)), creating a timing difference.

PORTFOLIO STATEMENT

as at 28th February 2022

INVESTMENTS	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2022	28th Feb. 2021
Bonds				
UK				
UK Treasury 0.125% 2023	£29,300,000	29,089	2.9	
UK Treasury 0.125% I-L 2026	£4,953,000	7,091	0.7	
UK Treasury 1.875% I-L 2022	£11,201,000	18,540	1.8	
		54,720	5.4	10.7
USA				
US Treasury 0.125% I-L 2022	$40,618,200	35,114	3.5	
US Treasury 0.125% 2022*	$29,718,000	22,132	2.2	
US Treasury 0.125% 2022**	$17,658,000	13,133	1.3	
US Treasury 0.125% I-L 2024	$49,969,000	46,468	4.6	
US Treasury 0.25% I-L 2025	$31,137,000	29,092	2.9	
US Treasury 0.5% 2028	$29,315,000	27,104	2.7	
US Treasury 0.875% 2029	$28,785,000	26,873	2.7	
		199,916	19.9	19.1
TOTAL BONDS		*254,636*	*25.3*	*29.8*
Equities				
UK				
Croda International	295,562	22,025	2.2	
Rio Tinto	461,951	26,752	2.6	
Rotork	5,153,521	15,893	1.6	
Shell	1,641,153	32,364	3.2	
Spirax-Sarco Engineering	216,214	25,827	2.6	
Victrex	449,896	8,750	0.9	
XP Power	279,562	12,119	1.2	
		143,730	14.3	13.3
USA				
Abbott Laboratories	168,202	15,121	1.5	
Ansys	50,743	12,260	1.2	
Becton Dickinson	79,955	16,156	1.6	
Ecolab	93,872	12,316	1.2	
Edwards Lifesciences	265,383	22,226	2.2	
Mettler-Toledo	21,845	22,884	2.3	
Microsoft	61,038	13,603	1.4	

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2022	28th Feb. 2021
Equities continued				
USA continued				
Paychex	284,226	25,219	2.5	
Watsco	99,612	20,263	2.0	
		160,048	15.9	13.9
DENMARK				
Novo Nordisk	307,625	23,538	2.3	0.0
FRANCE				
Air Liquide	184,566	22,972	2.3	
EssilorLuxottica	117,882	15,464	1.5	
Schneider Electric	79,900	9,349	0.9	
		47,785	4.7	3.2
GERMANY				
Fuchs Petrolub	438,747	10,350	1.0	
SAP	165,350	14,006	1.4	
		24,356	2.4	6.2
IRELAND				
Kerry 'A'	198,733	17,660	1.8	1.7
NETHERLANDS				
ASML	40,325	20,140	2.0	4.6
SWITZERLAND				
Sonova	71,019	20,590	2.1	1.5
JAPAN				
Asahi Intecc	477,700	7,589	0.7	
Misumi	600,900	14,232	1.4	
Nabtesco	490,900	10,022	1.0	
Nissan Chemical Industries	445,800	18,751	1.9	
Shimadzu	580,300	15,396	1.5	
Shimano	57,600	9,905	1.0	
		75,895	7.5	8.7

continued

		Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2022	28th Feb. 2021
Equities continued					
DEVELOPING MARKETS					
Brazil	Localiza Rent a Car	1,025,120	8,529	0.8	
China	Anta Sports Products	874,000	9,904	1.0	
Hong Kong	Shandong Weigao Medical Polymer	7,484,000	7,638	0.8	
	Vitasoy International	4,761,000	6,566	0.6	
India	Britannia Industries	331,510	11,208	1.1	
	Crompton Greaves	2,756,168	11,678	1.2	
	Marico	2,148,000	10,820	1.1	
Mexico	Wal-Mart de Mexico	4,632,610	13,145	1.3	
Portugal	Jeronimo Martins	772,136	12,553	1.2	
Singapore	Thai Beverage	27,443,800	10,020	1.0	
			102,061	10.1	11.6
TOTAL EQUITIES			*635,803*	*63.1*	*64.7*
Exchange Traded Commodities (ETC) - Physically Backed					
Invesco Physical Gold ETC		213,542	29,267	2.9	
iShares Physical Gold ETC		2,990,783	82,646	8.2	
			111,913	11.1	4.7
TOTAL INVESTMENTS			1,002,352	99.5	99.2
Net other assets			5,535	0.5	0.8
TOTAL NET ASSETS			*1,007,887*	*100.0*	*100.0*

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

All debt securities in the portfolio at 28th February 2022 are investment grade.

* Matures 31st May 2022.

** Matures 31st July 2022.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 28th February 2022

Purchases		Cost £'000
39,275	Air Liquide	4,884
14,063	Ansys	3,167
477,700	Asahi Intecc	8,980
17,350	Becton Dickinson	3,022
83,800	Britannia Industries	2,860
12,700	EssilorLuxottica	1,502
213,542	Invesco Physical Gold ETC	26,439
1,294,388	iShares Physical Gold ETC	32,222
26,900	Kerry	2,542
61,038	Microsoft	11,162
43,000	Nabtesco	1,021
25,500	Nissan Chemical	941
307,625	Novo Nordisk	15,249
79,900	Schneider Electric	10,012
2,516,000	Shandong Weigao Medical Polymer	3,014
6,000	Shimano	1,025
170,040	StoneCo	7,243
29,300,000	UK Treasury 0.125% 2023	29,135
4,953,000	UK Treasury 0.125% I-L 2026	6,595
995,000	UK Treasury 0.5% 2022	1,000
4,255,600	UK Treasury 2.25% 2023	4,460
5,526,000	US Treasury 0.125% 2022	3,997
7,963,000	US Treasury I-L 0.125% 2024	6,980
5,951,000	US Treasury I-L 0.25% 2025	5,197
1,159,000	US Treasury I-L 0.5% 2028	997
1,150,000	US Treasury I-L 0.875% 2029	997
866,000	Vitasoy International	1,621
	TOTAL	196,264

SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals		Proceeds £'000
400,000	Anta Sports Products	5,747
9,613,790	Britannia Industries 5.5% 2024	95
10,461	Croda International	980
457,000	Crompton Greaves	2,168
29,200,000	European Investment Bank FRN 2022	29,200
221,253	Fresenius Medical Care	11,677
55,092	Fuchs Petrolub	1,369
309,510	HELLA	15,483
385,000	Marico	2,129
2,275	Mettler-Toledo International	2,510
823,168	MTN	2,980
32,683	Paychex	3,032
59,355	Royal Dutch Shell 'B'	1,000
18,329	Spirax-Sarco Engineering	2,991
170,040	StoneCo	2,077
294,200	Trend Micro	10,393
25,913,000	UK Treasury 0.5% 2022	25,989
24,660,600	UK Treasury 2.25% 2023	25,601
	TOTAL	145,421

GENERAL INFORMATION

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

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

Capital Gains Tax
Authorised unit trusts are exempt from UK capital gains tax on realised capital gains. Overseas capital gains tax is accounted for on an accruals basis.

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

Costs of Investment Research
McInroy & Wood Limited, the Investment Adviser to the Balanced Fund, pays for all research costs relating to the management of the investments within the fund from its own resources. No additional charges are placed upon the fund relating to the provision of investment research.

Using your Personal Information
The personal information which we obtain from you when you invest in the fund is used to help administer your investment. All processing of your personal information will be carried out in accordance with our Privacy Policy, which you can access at the foot of the homepage on our website (www.mcinroy-wood.co.uk). Please read our Privacy Policy, as it sets out your rights with respect to any personal information we collect from or about you, and explains in more detail how we use that information to administer your investment.

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

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

Synthetic Risk and Reward Indicator (Volatility measure)

1	2	3	4	5	6	7

Lower risk — Typically lower rewards

Higher risk — Typically higher rewards

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

This indicator is prescribed by EU reporting guidelines as adopted by the Financial Conduct Authority 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.

Value Assessment
The Manager produces a composite annual Assessment of Value for the funds managed by it. The document is published on McInroy & Wood's website by 30th June each year.

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 in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 102), of the financial position of the fund and of its net revenue and the net capital gains on the property of the fund for the year. In preparing the financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association in May 2014, updated in June 2017;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the fund will continue as a going concern unless it is inappropriate to do so; and
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

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

DIRECTORS' STATEMENT

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

T A U Wood	J C McAulay
Director	*Director*

Haddington, 21st April 2022

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE SCHEME AND REPORT OF THE TRUSTEE

to the Unitholders of the McInroy & Wood Balanced Fund ("the Trust") for the year ended 28th February 2022

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

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

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

The Trustee must ensure that:

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

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES IN RESPECT OF THE SCHEME AND REPORT OF THE TRUSTEE

continued

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

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

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

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

For and on behalf of
The Bank of New York Mellon
(International) Limited

21st April 2022

INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD BALANCED FUND

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Fund as at 28th February 2022 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 28th February 2022; the Statement of Total Return and the Statement of Change in Net Assets Attributable to Unitholders for the year then ended; the Distribution Tables; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Conclusions relating to going concern continued
However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Fund Manager with respect to going concern are described in the relevant sections of this report.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

Authorised Fund Manager's Report
In our opinion, 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.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements
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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intends to wind up or terminate the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Fund, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Fund. Audit procedures performed included:

- Discussions with the Authorised Fund Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Fund Manager's board of directors;

- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the Fund'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.

Other required reporting

Opinion on matter required 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.

Collective Investment Schemes sourcebook exception reporting
Under the Collective Investment Schemes sourcebook we are also 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.

Collective Investment Schemes sourcebook exception reporting continued
We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

21st April 2022

STATEMENT OF TOTAL RETURN

for the year ended 28th February 2022

	Notes	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000	Year ended 28th Feb. 2021 £'000
Income					
Net capital gains	2		83,498		83,383
Revenue	3	16,120		12,303	
Expenses	4	(11,081)		(9,213)	
Net revenue before taxation		5,039		3,090	
Taxation	5	(1,460)		(1,364)	
Net revenue after taxation			3,579		1,726
Total return before distributions			87,077		85,109
Distributions	6		(13,721)		(10,316)
Change in net assets attributable to unitholders from investment activities			73,356		74,793

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 28th February 2022

	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000	Year ended 28th Feb. 2021 £'000
Opening net assets attributable to unitholders		872,318		745,130
Amounts receivable on creation of units	95,948		70,424	
Amounts payable on cancellation of units	(33,709)		(18,029)	
		62,239		52,395
Stamp duty reserve tax		(26)		–
Change in net assets attributable to unitholders from investment activities		73,356		74,793
Closing net assets attributable to unitholders		1,007,887		872,318

BALANCE SHEET

as at 28th February 2022

	Notes	28th Feb. 2022 £'000	28th Feb. 2022 £'000	28th Feb. 2021 £'000	28th Feb. 2021 £'000
ASSETS:					
Fixed assets:					
Investments			1,002,352		865,199
Current assets					
Debtors	7	1,546		3,367	
Cash & bank balances		15,227		16,209	
Total other assets			16,773		19,576
Total assets			1,019,125		884,775
LIABILITIES:					
Provision for other liabilities	9		(1,115)		–
Creditors					
Distribution payable		(9,138)		(6,692)	
Other creditors	8	(985)		(5,765)	
Total liabilities			(11,238)		(12,457)
Net assets attributable to unitholders			1,007,887		872,318

for the year ended 28th February 2022

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, updated in June 2017, (the "SORP").

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

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

(d) Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund.

(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.

Overseas capital gains tax is accounted for on an accruals basis.

(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 April. An interim distribution based on available revenue is distributed on the last day of October. The ordinary element of stock dividends is treated as revenue and forms part of the distribution and indexation on index linked bonds is included as part of the distribution. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.

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

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

continued

2. Net capital gains

	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000
Non-derivative securities	84,200	84,657
Currency losses	(695)	(1,247)
Custodian transaction costs	(7)	(27)
Net capital gains*	83,498	83,383
**includes realised gains on investments sold*	7,112	42,947

3. Revenue

	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000
Bank interest	37	6
Interest on overseas debt securities	547	571
Interest on UK debt securities	2,872	2,503
Overseas dividends	6,854	6,096
Stock dividends	–	80
UK dividends	5,810	3,047
Total revenue	16,120	12,303

continued

4. Expenses

	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	10,108	8,303
– Transfer agency fee	396	451
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	151	126
– Safe custody fee	289	223
Other expenses:		
– Audit fee	13	15
– Fund accounting fee	62	53
– Interest payable and similar charges	1	1
– Professional services fees*	26	14
– Sundry fees**	35	27
Total expenses	11,081	9,213

*Includes non-audit service fees of £14,913 payable to the fund's auditors, PricewaterhouseCoopers LLP (2021: £6,180).

**Includes FT listing fees, financial statement printing and postage and other fees.

continued

5. Taxation

	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000
(a) Analysis of tax charge for the year		
Indian capital gains tax	544	735
Overseas tax	916	629
	1,460	1,364

(b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2021 - higher) than the standard rate of corporation tax in the UK for an authorised unit trust (20% (2021 - 20%)). The differences are explained below:

	Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000
Net revenue before taxation	5,039	3,090
Corporation tax at 20%	1,008	618
Effects of:		
Indexation allowance	(354)	(24)
Indian capital gains tax	544	735
Movement in unrecognised tax losses	1,836	1,202
Overseas tax	916	629
Overseas tax expensed	(8)	(8)
Revenue not subject to tax	(2,482)	(1,788)
Current tax charge for the year	1,460	1,364

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £8,806,847 (2021 - £6,971,332) in respect of unrecognised tax losses. 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 current or prior year.

continued

6. Distributions

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

		Year ended 28th Feb. 2022 £'000	Year ended 28th Feb. 2021 £'000
Interim		4,825	3,893
Final		9,138	6,692
		13,963	10,585
Add:	Revenue deducted on cancellation of units	197	80
Deduct:	Revenue received on creation of units	(440)	(349)
Net distribution for the year		13,720	10,316
Net revenue after taxation		3,579	1,726
Expenses taken to capital		10,108	8,303
Indian capital gains tax		544	735
Tax attributable to capital		(511)	(448)
Net distribution for the year		13,720	10,316

Details of the distributions per unit are shown in the Distribution Tables on page 39.

continued

7. Debtors

	28th Feb. 2022 £'000	28th Feb. 2021 £'000
Amounts receivable for creation of units	444	1,664
Overseas withholding tax recoverable	475	651
Prepaid expenses	2	3
Revenue receivable:		
Overseas equities	161	451
Overseas bond interest	79	80
UK bond interest	94	315
UK equities	291	203
	1,546	3,367

8. Other Creditors

	28th Feb. 2022 £'000	28th Feb. 2021 £'000
Accrued expenses:		
Audit fee	13	12
Custodial transaction fees	1	1
Fund accounting fee	10	9
Manager's periodic charge	773	700
Registrar's fee	–	2
Safe custody fees	50	14
Transfer agency fee	68	71
Trustee's fee	12	11
Other	21	13
Amounts payable for cancellation of units	37	4,204
Indian capital gains tax	–	728
	985	5,765

9. Provisions for other liabilities

The fund had the following provisions during the year:

	Overseas capital gains tax provision £'000	Total £'000
At 28th February 2021	–	–
Additions dealt with in profit or loss	1,115	1,115
At 28th February 2022	1,115	1,115

There were no provisions for other liabilities in the prior year.

continued

10. Unit movement

For the year 1st March 2021 to 28th February 2022

Opening units	16,072,493
Units created	1,665,496
Units cancelled	(554,335)
Closing units	17,183,654

11. Related Party Transactions

The Manager actively exercises control over the fund and is therefore a related party by virtue of its 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 0.7% (2021 - 0.8%).

12. Portfolio Risk Analysis

In pursuing its investment objectives, the fund's portfolio is invested 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 is operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and debtors for accrued revenue.

Credit and Liquidity Risk

Credit risk is the risk that the counterparty in a financial transaction will fail to fulfil their obligation or commitment, and includes the risk that the issuer of a security will be unable to pay interest and principal in a timely manner. The fund is exposed to credit risk through its investment in debt securities. In order to limit credit risk during the period, bonds held by the fund were backed by either the US or UK government and the gold ETC's, which are structured as debt securities, were backed by physical gold.

12. Portfolio Risk Analysis continued

Credit and Liquidity Risk continued

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.

It is estimated that 96% of the fund could be realised within 5 days, based upon normal trading activities and achieving 30% of the 30-day average traded volume.

Credit Quality

All debt securities in the portfolio at the balance sheet date are investment grade (2021 - same).

Market Price Risk

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

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

Interest Rate Risk

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

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

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.

continued

12. 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
28th February 2022		
Level 1: Quoted prices	1,002,352	–
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
	1,002,352	**–**

	Assets £'000	Liabilities £'000
28th February 2021		
Level 1: Quoted prices	865,199	–
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
	865,199	**–**

13. Risk Exposure

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

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

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

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

	Year ended 28th Feb. 2022 %	Year ended 28th Feb. 2021 %
Year end VaR	4.18	9.19
Minimum VaR	4.10	5.59
Maximum VaR	9.23	10.18
Average VaR	4.73	9.57

Leverage

The fund had no exposure to leverage, either in the form of debt or derivatives during the current or prior year.

continued

14. Portfolio Transaction Costs

For the year 1st March 2021 to 28th February 2022

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	78,113	50	0.06	83	0.11
Debt instruments	117,991	29	0.02	–	–
Total purchases	**196,104**	**79**		**83**	
Total purchases including transaction costs	**196,266**				

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	64,588	41	0.06	12	0.02
Debt instruments	80,899	13	0.02	–	-
Total sales	**145,487**	**54**		**12**	
Total sales net of transaction costs	**145,421**				
Total transaction costs		133		95	
Total transaction costs as a % of average net assets		0.01%		0.01%	

For the year 1st March 2020 to 28th February 2021

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	106,670	76	0.07	170	0.16
Debt instruments	206,687	70	0.03	–	–
Total purchases	**313,357**	**146**		**170**	
Total purchases including transaction costs	**313,673**				

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	80,557	58	0.07	17	0.02
Debt instruments	192,236	44	0.02	–	-
Total sales	**272,793**	**102**		**17**	
Total sales net of transaction costs	**272,674**				
Total transaction costs		248		187	
Total transaction costs as a % of average net assets		0.03%		0.02%	

14. Portfolio Transaction Costs continued

The above analysis covers any direct transaction costs carried by the fund during the most recent financial year and prior financial year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and investment 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 0.12% (2021 - 0.13%).

DISTRIBUTION TABLES

in pence per unit
for the year ended 28th February 2022

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st March 2021
Group 2 - Units purchased 1st March 2021 to 31st August 2021

	Dividend income	Equalisation*	Amount paid 31.10.21
Group 1	28.000	–	28.000
Group 2	5.124	22.876	28.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st September 2021
Group 2 - Units purchased 1st September 2021 to 28th February 2022

	Dividend income	Equalisation*	Amount payable 30.04.22
Group 1	53.181	–	53.181
Group 2	14.470	38.711	53.181

*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 28th February 2022

	Year to 28th Feb. 2022	Year to 28th Feb. 2021
Interim paid	28.000	25.000
Final payable/paid	53.181	41.635
	81.181	66.635

DISTRIBUTION XD AND PAYMENT DATES

	XD Date	*Payment Date*
Final	28.02.22	30.04.22
Interim	31.08.22	31.10.22

Manager
McInroy & Wood Portfolios Limited
Easter Alderston
Haddington
EH41 3SF
Telephone +44 (0)1620 825867
www.mcinroy-wood.co.uk

Directors
T A U Wood
W A Ferguson
S J Fraser[1]
J R Jesty
J E Marshall
J C McAulay
D H Shaw Stewart[2]
J A Young

[1]Deceased 9/8/2021, [2]Retired 24/6/2021

Secretary
J C McAulay

Investment Adviser
McInroy & Wood Limited
Easter Alderston
Haddington
EH41 3SF

Trustee
The Bank of New York Mellon (International) Limited
One Canada Square
London
E14 5AL

Registrar
McInroy & Wood Portfolios Limited
Investor Administration
64 St James's Street
Nottingham
NG1 6FJ

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants
Level 4
Atria One
144 Morrison Street
Edinburgh
EH3 8EX