



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## BALANCED FUND

*A pooled management service for private clients*

INTERIM REPORT  
AND FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31<sup>ST</sup> AUGUST 2022

## SUMMARY

At 31<sup>st</sup> August 2022, total net assets of the fund amounted to £1,049,377,695 compared with £1,007,886,544 six months before. There were 1,440 unitholders, excluding ISAs, with an average holding worth £613,929.

The price of units in the fund rose by 2% to finish the reporting period on 31<sup>st</sup> August 2022 at £60.199. In light of concern over the UK's economic prospects, the weighting of overseas investments has been increased in recent years. Almost half of the portfolio's investments are US dollar-denominated, and the currency's strength against sterling in many cases more than offset any underlying price weakness in individual stocks.

The fund's objective 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 3 years to 31<sup>st</sup> August 2022, the total return for unitholders in the fund was 19%, whereas RPI was 18%. Over 5 years, the fund returned 35% against RPI of 26%. The fund has provided a total return to unitholders of 942% above inflation since its inception in February 1990. Although the marked rise in UK inflation over the past year has adversely affected the fund's ability to meet its objective and may continue to do so in the short term, the fund has successfully grown the real value of investors' capital and income over longer periods.

An interim dividend distribution of 29.000p per unit is now being paid to unitholders, which is 1.000p (4%) higher than the comparable interim payment in 2021. Based on current forecasts, the total distribution for the full year is estimated to be higher than last year. This increase primarily reflects the foreign currency effects noted above, which have boosted the sterling income expected to be earned from the fund's US dollar-denominated assets.

Global growth is slowing, and there is a heightened risk of recession across several major economies. Damage caused to supply chains by the pandemic and the manifold consequences of the conflict in Ukraine has resulted in a surge in inflation, leading to concerns over living standards as pay rises fail to keep pace. Almost universally, central banks have responded by raising interest rates. Yet, the precise amount of tightening required to bring inflation lower without triggering recession is difficult to ascertain. Indeed, recent political interventions have introduced yet another variable for central banks to contemplate, adding to the likelihood of a miscalculation. At the same time, there is a clear possibility that the rising cost of living and higher interest rates will trigger a slump in demand.

## **SUMMARY**

A broadly diversified portfolio with defensive allocations to bonds and gold remains essential in present circumstances. However, in the longer term, holdings in soundly financed companies with genuine pricing power still continue to provide the best protection against inflation. As market conditions improve, the portfolio remains well-positioned to take advantage of such investment possibilities.

## CONTENTS

### AUTHORISED FUND MANAGER'S REPORT\*

	Page
Introduction	4
Manager's Investment Report	5-9
Net Asset Value per unit and Comparative Tables	10
Portfolio Statement	11-13
Summary of All Portfolio Changes	14-15
General Information	16-17
Statement of the Manager's Responsibilities and Directors' Statement	18

### FINANCIAL STATEMENTS

Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders	19
Balance Sheet	20
Notes to the Financial Statements	21-22
Distribution Tables	23

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

## MANAGER'S INVESTMENT REPORT

At 31<sup>st</sup> August 2022, total net assets of the fund amounted to £1,049,377,695 compared with £1,007,886,544 six months before. There were 1,440 unitholders, excluding ISAs, with an average holding worth £613,929.

### Markets

The six months to 31<sup>st</sup> August were characterised by general weakness across most global equity markets, offset by the strength of the US dollar. Rising inflation and the conflict in Ukraine triggered a sharp deterioration in sentiment, with expensive high-growth companies and smaller businesses falling out of favour. Concerns focused on the response from central banks and the magnitude and frequency of interest rate increases necessary to lower inflation. Aside from its position as a safe haven during periods of uncertainty, the US dollar's strength against sterling (+13%) owes much to the rapid rise in rates made by the Federal Reserve over the period.

These themes were evident in the weak performance of the US (-10%) and European (-8%) markets over the period, measured by MSCI indices in local currency. Emerging Markets were hit even harder, falling by 15%. By contrast, Japan (+4%) and the UK (flat) held up well. The performance of the former is attributable to lower inflation than elsewhere in the developed world, and the UK market benefited from its relatively high proportion of defensive and commodity-linked stocks. Currency movements were responsible for the 2% rise in the MSCI All Country World Index in sterling terms.

Conventional government bond prices generally fell back due to their relative unattractiveness in times of higher inflation. UK short and medium-dated issues lost between 3% and 8%, their US equivalents between 2% and 7%. Swiss bonds finished the period down 4%. The performance of inflation-protected issues is closely linked to inflation expectations. Having spiked last spring, expectations of US inflation moderated over the period, whereas UK expectations continued to rise. As a result, short-dated US index-linked bonds lost ground (-2%), while the prices of UK index-linked bonds of a similar maturity rose by 3%.

In other movements on foreign exchange markets, sterling lost ground against the euro (-3%) and rose against the Japanese yen (+5%).

The price of gold fell by 11%, as rising yields encouraged a switch into bonds.

As measured by the UK Retail Price Index, inflation was 8% over the six-month period.

## MANAGER'S INVESTMENT REPORT

### Results

The price of units in the fund rose by 2% to finish the reporting period on 31<sup>st</sup> August 2022 at £60.199. In light of concern over the UK's economic prospects, the weighting of overseas investments has been increased in recent years. Almost half of the portfolio's investments are US dollar-denominated, and the currency's strength against sterling in many cases more than offset any underlying price weakness in individual stocks.

The fund's objective 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 3 years to 31<sup>st</sup> August 2022, the total return for unitholders in the fund was 19%, whereas RPI was 18%. Over 5 years, the fund returned 35% against RPI of 26%. The fund has provided a total return to unitholders of 942% above inflation since its inception in February 1990. Although the marked rise in UK inflation over the past year has adversely affected the fund's ability to meet its objective and may continue to do so in the short term, the fund has successfully grown the real value of investors' capital and income over longer periods.

### Dividend Distribution

An interim dividend distribution of 29.000p per unit is now being paid to unitholders, which is 1.000p (4%) higher than the comparable interim payment in 2021. Based on current forecasts, the total distribution for the full year is estimated to be higher than last year. This increase primarily reflects the foreign currency effects noted above, which have boosted the sterling income expected to be earned from the fund's US dollar-denominated assets.

### Portfolio Strategy

The portfolio holds a diversified selection of global equities, counterbalanced by allocations to conventional and inflation-protected government bonds and gold. In June, the weighting in conventional government bonds was increased by 10% at the expense of equities, particularly in emerging markets. This policy change reflected concern over the outlook for equity markets, given the rising possibility of an economic slowdown caused by elevated inflation.

At 31<sup>st</sup> August, 55% of the portfolio was allocated to equities (63% at 28<sup>th</sup> February 2022), 34% to government bonds (25%), 10% to gold (11%) and 1% to cash deposits (1%). The weighted average maturity of the bond portfolio at the end of the period was 2.7 years, slightly higher than the comparable figure six months before (2.5 years).

## MANAGER'S INVESTMENT REPORT

### Investments

As part of the strategic reduction in the allocation to equities noted above, the weighting in emerging markets was cut from 12% to 7%. Positions in Britannia Industries (India) and Thai Beverage (Thailand) were sold in full. Otherwise, investments in Ansys (US), EssilorLuxottica (France), Fuchs Petrolub (Germany), Rotork (UK), Shimano (Japan) and Victrex (UK) were also sold over the period. A new position was established in Weir Group, a UK mining equipment manufacturer with exposure to the rapidly growing demand for specialist commodities. A small holding in Embecta (US) was received when the company was demerged from Becton Dickinson and subsequently sold in full.

Novo Nordisk (+16%), Shell (+16%) and Jeronimo Martins (+14%) made advances despite broader market weakness. By contrast, XP Power (-55%), Sonova (-28%) and Edwards Lifesciences (-20%) all fell back.

Two Swiss conventional government bonds (maturing in 2025 and 2026) were added to the portfolio, alongside three US treasuries (maturing in 2023 and 2024), when increasing the bond allocation. Two US treasury notes and an inflation-protected issue were redeemed, and the proceeds were added to existing US dollar-denominated bonds.

### Outlook

Global growth is slowing, and there is a heightened risk of recession across several major economies. Damage caused to supply chains by the pandemic and the manifold consequences of the conflict in Ukraine has resulted in a surge in inflation, leading to concerns over living standards as pay rises fail to keep pace. Almost universally, central banks have responded by raising interest rates. Yet, the precise amount of tightening required to bring inflation lower without triggering recession is difficult to ascertain. Indeed, recent political interventions have introduced yet another variable for central banks to contemplate, adding to the likelihood of a miscalculation. At the same time, there is a clear possibility that the rising cost of living and higher interest rates will trigger a slump in demand. Given these circumstances, the portfolio is cautiously positioned with investments in a broad range of global equities and additional diversification provided by significant allocations to government bonds and gold.

There are already ominous signs of falling consumer demand in many countries. Savings and borrowing can no longer cover soaring fuel prices and sharply rising food costs, and industrial action is spreading to compensate for the erosion of earnings. Although unemployment remains very low, the US economy entered a technical recession this summer, following two consecutive quarters of economic contraction. Robust labour readings may allow the Federal Reserve to take a more aggressive approach to tackling inflation, and rates are widely expected to move higher again this autumn.



## MANAGER'S INVESTMENT REPORT

### Outlook continued

Meanwhile in the UK, a surprise budget added to uncertainty over the country's economic outlook. The new government announced tax cuts aimed at improving growth without explaining how its policies would be funded. Observers assumed this would result in higher borrowing, possibly to unsustainable levels, and they were also concerned lower taxation would add to inflationary pressures when the cost of living is already high and rising. Confidence collapsed in the days following the announcement; sterling weakened, and government bonds sold off. The Bank of England staged a remarkable intervention in debt markets to restore stability, particularly in parts of the pension market. Fiscal and monetary policies in the UK were contradicting each other. As a consequence, both the Chancellor of the Exchequer and, ultimately, the Prime Minister tendered their resignations. It is difficult to ascertain what the implications of new leadership could be for fiscal policy, and the upheaval may yet result in an early general election. However, irrespective of political events, the Bank of England appears set to increase interest rates as it seeks to temper rising inflation, which may hit businesses and make government borrowing more expensive. It seems unlikely the country will avoid a stagflationary combination of high inflation and economic contraction this winter.

The situation in Europe is also testing due to the region's dependence on Russian gas. Energy prices in Germany have risen dramatically over the past twelve months, at one point pushing inflation to levels last seen after the Second World War. Unsurprisingly, retail sales have fallen, and business confidence has slumped. With the country facing the prospect of an energy crisis over the winter, the Bundestag has already requested that municipalities ration fuel to build up reserves before temperatures drop. It is worth noting that current EU law prioritises energy supply to individuals over businesses, and the country's industrial output looks set to fall back sharply as a result. Germany's travails do not bode well for the rest of the euro area, and the region may struggle to record any meaningful economic growth next year.

Japan has battled deflation for three decades, but here too there is evidence of rising prices, albeit at a much slower pace than in the west. Inflation rose to 2.4% over the year to June, marking a tenth consecutive month of increases. Moreover, retailers are set to implement a synchronised hike in the prices of a wide range of daily staple goods in the largest uplift for over 30 years. Nevertheless the Bank of Japan believes inflationary pressure will prove transitory and has renewed its commitment to maintaining low interest rates to stimulate economic growth. Unlike elsewhere, higher prices have seldom translated into higher wages in Japan, and periods of inflation have tended to subside into economic slowdowns as consumer spending falls back.

## MANAGER'S INVESTMENT REPORT

### **Outlook continued**

Meanwhile, China's persistence with a zero-covid policy continues to hamper global supply chains and threaten the country's economy. Indeed, it reported virtually no growth in the second quarter, and while inflation is relatively low in international terms, it has risen to its highest level in two years. However, even if political tension over Taiwan remains a long-standing concern for investors, the long-term prospects for the country remain bright. A drive for self-sufficiency is generating enormous opportunities for domestic companies. The country already looks set to play a critical role in the global transition toward green energy. It manufactures almost half of the world's wind turbines, produces seven out of every ten solar modules, and has nearly 90% of the global manufacturing capacity of lithium-ion batteries.

Prospects for emerging market economies have been impacted both by the present anaemic growth in China and their vulnerability to the strength of the US dollar. The latter tends to inflate debt burdens and discourage foreign investment. India, in particular, faces specific problems arising from its heavy reliance on imported oil and the effect of climate change on its vital agricultural sector. Here too, the central bank has lifted interest rates to restrain inflation. The scale of India's rapid expansion in recent years means that any damage to the country's economy will be felt beyond its borders.

While the immediate outlook warrants considerable caution, there are several long-term themes that appear very promising. An increasingly connected world will need more and higher-performing computer chips; there will be a further acceleration in the shift to cloud computing with a corresponding increase in demand for supporting hardware and service expertise; and, the global transition to renewable energy sources will see a dramatic increase in demand for specialist commodities, including rare earth metals, requiring significant international investment in infrastructure and new technologies.

A broadly diversified portfolio with defensive allocations to bonds and gold remains essential in present circumstances. However, in the longer term, holdings in soundly financed companies with genuine pricing power still continue to provide the best protection against inflation. As market conditions improve, the portfolio remains well-positioned to take advantage of such investment possibilities.

*21<sup>st</sup> October 2022*

## CAPITAL RECORD

Highest and lowest unit prices.

Accounting year

(to 28 <sup>th</sup> Feb.)	High	Low
2020*	£53.681	£47.722
2021	£58.390	£45.020
2022	£63.303	£54.286
2023**	£61.374	£56.235

\*Up to 29<sup>th</sup> February 2020.

\*\*Up to 31<sup>st</sup> August 2022, for the year ending 28<sup>th</sup> February 2023.

## INCOME RECORD

Accounting year

(to 28 <sup>th</sup> Feb.)	Per unit (net)
2020*	81.573p
2021	66.635p
2022	81.181p
2023 (interim only)	29.000p

\*Up to 29<sup>th</sup> February 2020.

## NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
29.02.20	£745,129,828	£49.329	15,105,333
28.02.21	£872,317,520	£54.274	16,072,493
28.02.22	£1,007,886,544	£58.654	17,183,654
31.08.22	£1,049,377,695	£59.668	17,586,907

## OPERATING CHARGES

Date	Annualised
29.02.20	1.140%
28.02.21	1.120%
28.02.22	1.110%
31.08.22	1.110%

## PORTFOLIO TURNOVER

Date	Annualised
29.02.20	23%
28.02.21	60%
28.02.22	21%
31.08.22	89%

*Portfolio turnover increased as a result of a change in target asset allocations, as well as the ongoing management of the holdings during a period of significant market movements.*

## DISCRETE PERFORMANCE

Year to	Year to	Year to	Year to	Year to
31.08.22	31.08.21	31.08.20	31.08.19	31.08.18
-1.6%	16.6%	3.3%	6.9%	6.3%

*Mid to mid, income reinvested. Source: McInroy & Wood.*

## PORTFOLIO STATEMENT

as at 31<sup>st</sup> August 2022 (unaudited)

INVESTMENTS	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Aug. 2022	28 <sup>th</sup> Feb. 2022
<i>Bonds</i>				
<b>UK</b>				
UK Treasury 0.125% I-L 2026	£4,953,000	7,052	0.7	
UK Treasury 1.875% I-L 2022	£11,201,000	18,832	1.8	
UK Treasury 0.125% 2023	£29,300,000	29,023	2.7	
		<u>54,907</u>	<u>5.2</u>	<u>5.4</u>
<b>USA</b>				
US Treasury 0.125% 2023	\$39,267,000	32,736	3.1	
US Treasury 0.125% 2024	\$39,000,000	32,004	3.1	
US Treasury 0.125% I-L 2024	\$39,199,000	41,409	3.9	
US Treasury 0.125% 2027	\$39,230,000	34,510	3.3	
US Treasury 0.25% I-L 2025	\$26,899,000	28,464	2.7	
US Treasury 0.375% 2024	\$31,802,000	25,798	2.5	
US Treasury 0.5% 2028	\$29,315,000	29,789	2.8	
US Treasury 0.875% 2029	\$28,785,000	29,186	2.8	
		<u>253,896</u>	<u>24.2</u>	<u>19.9</u>
<b>SWITZERLAND</b>				
Swiss Confederation				
Government Bond 1.25% 2026	CHF 29,232,000	26,326	2.5	
Swiss Confederation				
Government Bond 1.5% 2025	CHF 28,330,000	25,581	2.5	
		<u>51,907</u>	<u>5.0</u>	<u>0.0</u>
<b>TOTAL BONDS</b>		<u><u>360,710</u></u>	<u><u>34.4</u></u>	<u><u>25.3</u></u>
<i>Equities</i>				
<b>UK</b>				
Croda International	223,313	15,020	1.4	
Rio Tinto	461,951	22,040	2.1	
Shell	1,184,113	27,104	2.6	
Spirax-Sarco Engineering	238,574	25,134	2.4	
Weir	1,044,610	15,220	1.5	
XP Power	435,912	8,509	0.8	
		<u>113,027</u>	<u>10.8</u>	<u>14.3</u>

## PORTFOLIO STATEMENT

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Aug. 2022	28 <sup>th</sup> Feb. 2022
<i>Equities continued</i>				
<b>USA</b>				
Abbott Laboratories	168,202	14,838	1.4	
Becton Dickinson	79,955	17,345	1.6	
Ecolab	124,634	17,549	1.7	
Edwards Lifesciences	265,383	20,547	2.0	
Mettler-Toledo	19,955	20,816	2.0	
Microsoft	109,556	24,615	2.3	
Paychex	155,612	16,491	1.6	
Watsco	99,612	23,274	2.2	
		<u>155,475</u>	<u>14.8</u>	<u>15.9</u>
<b>DENMARK</b>				
Novo Nordisk	307,625	28,238	2.7	2.3
<b>FRANCE</b>				
Air Liquide	220,932	23,904	2.3	
Schneider Electric	169,310	17,374	1.6	
		<u>41,278</u>	<u>3.9</u>	<u>4.7</u>
<b>GERMANY</b>				
SAP	188,870	13,851	1.3	1.4
<b>IRELAND</b>				
Kerry 'A'	198,733	17,655	1.7	1.8
<b>NETHERLANDS</b>				
ASML	45,400	19,015	1.8	2.0
<b>SWITZERLAND</b>				
Sonova	71,019	16,172	1.6	2.1
<b>JAPAN</b>				
Asahi Intecc	1,320,200	20,494	1.9	
Misumi	840,300	17,972	1.7	
Nabtesco	645,200	13,260	1.3	
Nissan Chemical Industries	445,800	19,484	1.9	
Shimadzu	580,300	14,678	1.4	
		<u>85,888</u>	<u>8.2</u>	<u>7.5</u>

## PORTFOLIO STATEMENT

continued

		Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
				31 <sup>st</sup> Aug. 2022	28 <sup>th</sup> Feb. 2022
<i>Equities continued</i>					
<b>DEVELOPING MARKETS</b>					
<b>Brazil</b>	Localiza Rent a Car	820,555	8,278	0.8	
<b>China</b>	Anta Sports Products	1,325,800	13,740	1.3	
<b>Hong Kong</b>	Shandong Weigao Medical Polymer	9,492,000	11,100	1.1	
	Vitasoy International	7,056,000	9,472	0.9	
<b>India</b>	Crompton Greaves Marico	2,756,168 1,483,904	12,131 8,397	1.1 0.8	
<b>Mexico</b>	Wal-Mart de Mexico	2,898,480	8,175	0.8	
<b>Portugal</b>	Jeronimo Martins	494,551	9,445	0.9	
			<u>80,738</u>	<u>7.7</u>	<u>10.1</u>
<b>TOTAL EQUITIES</b>			<u>571,337</u>	<u>54.5</u>	<u>63.1</u>
<i>Exchange Traded Commodities (ETC) - Physically Backed</i>					
<b>IRELAND</b>					
	Invesco Physical Gold ETC	228,542	32,655	3.1	
	iShares Physical Gold ETC	2,450,583	70,605	6.7	
			<u>103,260</u>	<u>9.8</u>	<u>11.1</u>
<b>TOTAL INVESTMENTS</b>			1,035,307	98.7	99.5
Net other assets			<u>14,071</u>	<u>1.3</u>	<u>0.5</u>
<b>TOTAL NET ASSETS</b>			<u>1,049,378</u>	<u>100.0</u>	<u>100.0</u>

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

*All debt securities in the portfolio at 31<sup>st</sup> August 2022 are investment grade.*

## SUMMARY OF ALL PORTFOLIO CHANGES

for the six months ended 31<sup>st</sup> August 2022 (unaudited)

Purchases		Cost £'000
17,911	Air Liquide	2,008
6,240	Ansys	1,490
451,800	Anta Sports Products	3,997
842,500	Asahi Intecc	12,560
5,075	ASML	2,042
36,595	Croda International	2,500
30,762	Ecolab	4,052
15,000	Invesco Physical Gold ETC	2,076
234,700	Localiza Rent a Car	1,969
48,518	Microsoft	11,311
239,400	Misumi	4,518
154,300	Nabtesco	2,979
23,520	SAP	1,983
89,410	Schneider Electric	9,973
2,008,000	Shandong Weigao Medical Polymer	1,994
22,360	Spirax-Sarco Engineering	2,464
29,232,000	Swiss Confederation Government Bond 1.25% 2026	24,992
28,330,000	Swiss Confederation Government Bond 1.5% 2025	24,544
4,944,000	Thai Beverage	2,015
39,267,000	US Treasury 0.125% 2023	31,019
39,000,000	US Treasury 0.125% 2024	29,911
39,230,000	US Treasury 0.125% 2027	32,277
31,802,000	US Treasury 0.375% 2024	24,931
2,295,000	Vitasoy International	3,131
1,044,610	Weir	14,715
156,350	XP Power	4,858
	<b>TOTAL</b>	<b>260,309</b>

## SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals		Proceeds £'000
56,983	Ansys	11,828
331,510	Britannia Industries	11,414
108,844	Croda International	7,311
15,991	Embecta	377
117,882	EssilorLuxottica	15,314
438,747	Fuchs Petrolub	9,524
540,200	iShares Physical Gold ETC	15,226
277,585	Jeronimo Martins	4,463
439,265	Localiza Rent a Car	3,895
664,096	Marico	3,357
1,890	Mettler-Toledo	1,955
128,614	Paychex	14,060
5,153,521	Rotork	12,603
457,040	Shell	10,975
57,600	Shimano	7,752
32,387,800	Thai Beverage	12,563
29,718,000	US Treasury 0.125% 2022	23,606
17,658,000	US Treasury 0.125% 2022	14,495
40,618,200	US Treasury 0.125% I-L 2022	35,913
10,770,000	US Treasury 0.125% I-L 2024	10,573
4,238,000	US Treasury 0.25% I-L 2025	3,987
449,896	Victrex	8,000
1,734,130	Wal-Mart de Mexico	4,828
	TOTAL	244,019



## **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](http://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.

## GENERAL INFORMATION

continued

### 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 conducted an assessment of value for the fund. The assessment of value report is published annually by 30<sup>th</sup> June and is available to investors in a composite report for all the McInroy & Wood funds on our website.

## **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 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 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  
*Director*

J C McAulay  
*Director*

*Haddington, 21<sup>st</sup> October 2022*

## STATEMENT OF TOTAL RETURN

for the six months ended 31<sup>st</sup> August 2022 (unaudited)

	Notes	Six months ended 31 <sup>st</sup> Aug. 2022		Six months ended 31 <sup>st</sup> Aug. 2021	
		£'000	£'000	£'000	£'000
Income					
Net capital gains			16,292		123,584
Revenue	2	11,862		10,474	
Expenses	3	(5,649)		(5,353)	
Interest payable and similar charges		(29)		—	
Net revenue before taxation		6,184		5,121	
Taxation	4	544		(1,720)	
Net revenue after taxation			6,728		3,401
Total return before distributions			23,020		126,985
Distributions			(4,940)		(4,570)
Change in net assets attributable to unitholders from investment activities			18,080		122,415

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six months ended 31<sup>st</sup> August 2022 (unaudited)

	Six months ended 31 <sup>st</sup> Aug. 2022		Six months ended 31 <sup>st</sup> Aug. 2021	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		1,007,887		872,318
Amounts receivable on creation of units		34,717		72,111
Amounts payable on cancellation of units		(11,306)		(6,509)
		23,411		65,602
Stamp duty reserve tax		—		(26)
Change in net assets attributable to unitholders from investment activities		18,080		122,415
Closing net assets attributable to unitholders		1,049,378		1,060,309

*The opening net assets for the current period do not equal the closing net assets for the comparative period as the above table relates to six month interim periods only.*

## BALANCE SHEET

as at 31<sup>st</sup> August 2022 (unaudited)

	31 <sup>st</sup> Aug. 2022		28 <sup>th</sup> Feb. 2022	
	£'000	£'000	£'000	£'000
<b>ASSETS:</b>				
Fixed assets:				
Investments		1,035,307		1,002,352
Current assets				
Debtors	4,950		1,546	
Cash & bank balances	<u>17,319</u>		<u>15,227</u>	
Total other assets		<u>22,269</u>		<u>16,773</u>
Total assets		<u>1,057,576</u>		<u>1,019,125</u>
<b>LIABILITIES:</b>				
Provision for other liabilities		–		(1,115)
Creditors				
Distribution payable	(5,100)		(9,138)	
Other creditors	<u>(3,098)</u>		<u>(985)</u>	
Total liabilities		<u>(8,198)</u>		<u>(11,238)</u>
Net assets attributable to unitholders		<u>1,049,378</u>		<u>1,007,887</u>

# NOTES TO THE FINANCIAL STATEMENTS

as at 31<sup>st</sup> August 2022 (unaudited)

## 1. Accounting policies

The Interim Financial Statements have been prepared in accordance with accounting policies set out in the most recent Annual Financial Statements.

## 2. Revenue

	Six months ended 31 <sup>st</sup> Aug. 2022 £'000	Six months ended 31 <sup>st</sup> Aug. 2021 £'000
Bank interest	16	–
Interest on overseas debt securities	801	270
Interest on UK debt securities	1,897	1,469
Overseas dividends	5,144	4,167
UK dividends	4,004	4,568
Total revenue	<u>11,862</u>	<u>10,474</u>

## 3. Expenses

	Six months ended 31 <sup>st</sup> Aug. 2022 £'000	Six months ended 31 <sup>st</sup> Aug. 2021 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	5,165	4,906
– Transfer agency fee	213	188
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	77	73
– Safe custody fee	138	127
Other expenses:		
– Audit fee	1	7
– Fund accounting fee	32	37
– Interest payable and similar charges	–	1
– Professional services fees*	8	3
– Sundry fees**	15	11
Total expenses	<u>5,649</u>	<u>5,353</u>

\*Includes non-audit service fees of £2,324 payable to the fund's auditors, PricewaterhouseCoopers LLP (2021: £2,294).

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Taxation

	Six months ended 31 <sup>st</sup> Aug. 2022 £'000	Six months ended 31 <sup>st</sup> Aug. 2021 £'000
<b>Analysis of tax charge</b>		
Indian capital gains tax	(1,115)	1,091
Overseas tax	<u>571</u>	<u>629</u>
	<u>(544)</u>	<u>1,720</u>

## DISTRIBUTION TABLES

**in pence per unit**

**for the six months ended 31<sup>st</sup> August 2022 (unaudited)**

### INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> March 2022

Group 2 - Units purchased 1<sup>st</sup> March 2022 to 31<sup>st</sup> August 2022

	Dividend income	Equalisation*	Amount payable 31.10.22
Group 1	29.000	—	29.000
Group 2	0.000	29.000	29.000

\*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 six months ended 31<sup>st</sup> August 2022 (unaudited)**

	Six months to 31 <sup>st</sup> Aug. 2022	Year to 28 <sup>th</sup> Feb. 2022
Interim payable/paid	29.000	28.000
Final paid	—	53.181
	<u>29.000</u>	<u>81.181</u>





*Manager*

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

*Directors*

D J O Cruickshank  
W A Ferguson  
J R Jesty  
J E Marshall  
J C McAulay  
T A U Wood  
J A Young

*Secretary*

J C McAulay

*Investment Adviser*

McInroy & Wood Limited  
Easter Alderston  
Haddington  
EH41 3SF

*Trustee*

The Bank of New York Mellon (International) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

*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

**AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY**

McInroy & Wood Portfolios Limited is a subsidiary of  
McInroy & Wood Limited  
MWBFB0822