



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 2019

SUMMARY

At 28th February 2019, total net assets of the fund amounted to £686,505,563 compared with £655,767,474 twelve months before. There were 1,189 unitholders, excluding ISAs, with an average holding worth £515,125.

The price of units in the fund at 28th February 2019 stood at £47.888, which represents an increase of 2% over the year. Gains in US equities and the strength of the US dollar more than offset falls in equity markets elsewhere.

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 on 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 Price Index, over the same period. Over the 3 years to 28th February 2019 the total return for unitholders in the fund was 23%, compared to inflation of 9% on the above basis over the same period.

A final dividend distribution of 45.874p per unit is now being paid. This brings the total distributions over the year to 76.874p per unit, 41% higher than those paid over the ten months to 28th February 2018. This increase principally reflects the extended period length over which income was earned, but also favourable currency movements and a one-off special dividend from Victrex that amounted to 1.5p of the total distributed.

The distribution for the next six months is expected to be little changed from that for the comparable interim period in 2018.

In a more difficult investment environment, discerning equity selection and a broadly diversified portfolio will be more important than ever. While recognising that many share valuations remain stretched at present, the fund's strategy emphasises the long-term returns that can be achieved from holding soundly financed companies with strong market positions. At the same time investment allocations are spread across a range of currencies, and include relatively defensive weightings in shorter-dated government bonds and gold.

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

INTRODUCTION

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

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

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

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

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

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

MANAGER'S INVESTMENT REPORT

At 28th February 2019, total net assets of the fund amounted to £686,505,563 compared with £655,767,474 twelve months before. There were 1,189 unitholders, excluding ISAs, with an average holding worth £515,125.

Markets

Although the US equity market gained ground over the year to 28th February 2019, most other equity markets were weaker. The US economy continued to grow strongly over the first part of the period, boosted by aggressive tax cuts. In response, the Federal Reserve raised interest rates four times in 2018, and this began to unsettle investors. Meanwhile, protectionist measures by the US and retaliation by its trading partners also worried markets. The uncertainty of the Brexit negotiations damaged confidence in the UK. By the end of last year, signs that growth might be slowing worldwide represented another hit to investor sentiment. In response, central banks postponed further rises in interest rates, and consequently markets rallied in the early months of the current year.

Measured by MSCI indices in local currencies, the US market rose by 3%. By contrast, the UK fell by 2% and Europe by 3%. Japan and Emerging Markets (both -7%) were even weaker. The strength of the US dollar against sterling was counterbalanced by weakness in the euro, and the MSCI All Country World Index rose by 1%, expressed in sterling terms.

Bond markets diverged over the period. US government issues held up well, with shorter-dated stocks largely unchanged and medium-dated ones rising slightly. However their equivalents in the UK and Norway both fell back by as much as 3% in some instances. US inflation-protected government bonds rose by 2%; there was little movement in their sterling index-linked counterparts.

The price of gold was largely unchanged in US dollar terms.

In the currency markets, sterling fell by 3% against the US dollar but rose by 3% against the euro. It was flat against the Japanese yen.

Inflation, as measured by the UK Retail Price Index, was 2.5% over the year to 28th February 2019.

Results

The price of units in the fund at 28th February 2019 stood at £47.888, which represents an increase of 2% over the year. Gains in US equities and the strength of the US dollar more than offset falls in equity markets elsewhere.

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 on 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 Price Index, over the same period. Over the 3 years to 28th February 2019 the total return for unitholders in the fund was 23%, compared to inflation of 9% on the above basis over the same period.

MANAGER'S INVESTMENT REPORT

Dividend Distribution

A final dividend distribution of 45.874p per unit is now being paid. This brings the total distributions over the year to 76.874p per unit, 41% higher than those paid over the ten months to 28th February 2018. This increase principally reflects the extended period length over which income was earned, but also favourable currency movements and a one-off special dividend from Victrex that amounted to 1.5p of the total distributed.

The distribution for the next six months is expected to be little changed from that for the comparable interim period in 2018.

Portfolio Strategy

There were no significant shifts in portfolio allocations over the year and they remain broadly diversified by both asset class and geography. Investment strategy is still relatively cautious. The historically low allocation to equities reflects continuing concerns that many equity valuations are too high, particularly given a more difficult outlook for profits as growth slows.

At 28th February 2019, 60% of the portfolio was allocated to equities (61% at 28th February 2018), 34% to bonds (33%), 5% to gold (5%), and 1% to cash deposits (1%).

Investments

Net new funds of £24 million were subscribed during the period. Aside from being used to increase existing holdings, new positions were added in three UK-based multinational manufacturing companies: Croda International, a supplier of speciality chemicals, Victrex, the world leader in a specialist high-performance plastic, and XP Power, a producer of critical power equipment. Other new holdings were IPG Photonics, a US supplier of fibre lasers, HELLA, a German manufacturer of LED headlamps and automotive sensors, Trend Micro, a Japanese cyber security company, and Crompton Greaves, an Indian electrical goods manufacturer. The investments in Land Securities, Keller, Reckitt Benckiser, O'Reilly Automotive, Boskalis Westminster, Giant Manufacturing and Sysmex were all sold. A summary of all portfolio changes is shown on pages 12 & 13 of this report.

Vitasoy International (+66% over the course of the year) and Tractor Supply (+47%) performed notably well. It was a disappointing period for Nabtesco (-37%) and MTN (-35%), and also for XP Power which fell 37% after its initial purchase in the fund following weak trading figures. Nevertheless, the company is strongly positioned and exposed to attractive structural growth in its key markets.

Within the bond allocation, the duration of the stocks held was shortened. As part of this process, two shorter-dated Norwegian issues were added to increase the diversification of the portfolio.

Outlook

All major economies have experienced lower growth in recent months, and investors are increasingly nervous that global growth is set to slow this year. Furthermore, the prospect of rising protectionism may amplify any weakness.

MANAGER'S INVESTMENT REPORT

Outlook (continued)

As a result, central banks have postponed further increases in interest rates while they assess the extent of the setback to growth. They continue to wrestle with the conundrum that inflation has not risen sharply at a time of record employment in some countries. The US Federal Reserve has said that it is adopting a 'patient' approach, while the ECB has maintained record low interest rates and launched a further stimulus package. However, if bond markets are correct in anticipating no change in rates until 2020, this would offer some support for financial markets.

In the US, conditions seem to be becoming more difficult. Latest figures show disappointing annualised GDP growth of 2.6%. Despite strong wage growth and increased labour participation, retail sales data have softened and the number of consumers falling behind on their credit payments has risen. More positively, a full-blown trade war between America and China looks increasingly unlikely; there are signs that compromise might suit both parties, and President Trump has been moderating his rhetoric.

The prospect of Brexit continues to dominate the UK's economic outlook. In the short term, the most significant consequence for investment is likely to be felt in exchange rate movements, and the recent strength of the pound perhaps reflects optimism that a no-deal exit can be avoided. But the final shape of Britain's relationship with the EU remains unclear at the time of writing, and this is damaging business and consumer confidence. The economy is now at a virtual standstill and the Bank of England is forecasting a one in four chance of a recession this year.

The outlook for economic growth in Europe is also weak. The eurozone recorded an anaemic 0.2% advance in GDP in the fourth quarter. Momentum in Germany halted abruptly last year as the labour market tightened and export demand slumped. Productivity has contracted for the first time in a decade. Forecasts for smaller family-owned businesses and for the car industry have been downgraded. A similar picture is evident across Europe and business confidence has fallen sharply. A difficult Brexit will not simply impact the UK, but will also be damaging for the entire EU.

Trade negotiations aside, China's economic progress in 2018 had already slowed to its lowest annual rate for almost two decades. To some extent this reflects a healthy transition from reliance on investment to consumption-led growth. However, there are also worrying signs that Chinese consumers, who are considered by some economists to have become the single most important driver of the global economy, are beginning to rein in their spending. The Chinese authorities seem uncomfortable at the extent of the slowdown in growth, but their latest measures of fiscal and monetary stimulus have made little impression so far. The effects are being felt worldwide but most acutely in Japan, where exports have suffered their worst fall in over two years.

MANAGER'S INVESTMENT REPORT

Outlook (continued)

Developing economies are expected to accelerate towards the levels of their developed counterparts in the long term, but their immediate prospects are still linked to the outlook for the global economy. They would also be affected if recent trade disputes herald a permanent shift towards increased protectionism. Growth in India has fallen to 6.6%, the slowest rate in five quarters. Nevertheless, Indian GDP per head is 40% of that in China and a mere 12% of that in the US, and there is enormous potential for growth if structural reforms can be continued. Elsewhere, the emergence of populist leaders in Brazil and Mexico may undermine economic progress, if they feel obliged to defend existing inefficiencies and established special interests. However, they potentially have mandates to achieve reforms that were difficult for their predecessors.

Low interest rates over the past decade have resulted in cheap corporate debt. Many companies have seized upon the opportunity to increase borrowing, supposedly in search of a more efficient funding structure. However, particularly in the US, management teams have often prioritised repurchasing shares in their own companies over making strategic investments. This can artificially increase investor returns and inflate stock prices. Companies with relatively high levels of borrowing will find it harder to weather the next downturn than more financially stable peers.

In a more difficult investment environment, discerning equity selection and a broadly diversified portfolio will be more important than ever. While recognising that many share valuations remain stretched at present, the fund's strategy emphasises the long-term returns that can be achieved from holding soundly financed companies with strong market positions. At the same time investment allocations are spread across a range of currencies, and include relatively defensive weightings in shorter-dated government bonds and gold.

17th April 2019

COMPARATIVE TABLE — PERSONAL CLASS

	Year to 28 th February 2019 (pence per unit)	10 months to 28 th February 2018 (pence per unit)	Year to 30 th April 2017 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	4,682.30	4,616.39	4,073.37
Return before operating charges*	183.39	165.47	667.55
Operating charges	(54.01)	(45.05)	(50.92)
Return after operating charges	129.38	120.42	616.63
Distributions	(76.87)	(54.51)	(73.61)
Closing net asset value per unit			
	4,734.81	4,682.30	4,616.39
*After direct transaction costs of	(2.50)	(0.60)	(2.20)
Performance**			
Return after charges	2.76%	2.61%	15.14%
Other information			
Closing net asset value (£'000)	686,506	655,767	634,766
Closing number of units	14,499,111	14,005,234	13,750,247
Operating charges	1.12%	1.14%	1.12%
Direct transaction costs	0.05%	0.02%	0.05%
Prices			
Highest unit price	£50.243	£48.943	£47.978
Lowest unit price	£46.498	£46.120	£40.398
Portfolio turnover			
Annualised	58%	17%	56%

**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 accounts 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 noon, whereas the valuation of investments reported in the financial statements are struck at the close of business on the last business day of the period (See note 1(g)), creating a timing difference.

PORTFOLIO STATEMENT

as at 28th February 2019

INVESTMENTS	Holding or Nominal Value of positions at 28 th Feb. 2019	Bid Market Value £'000	Percentage of Value of total net assets	
			28 th Feb. 2019	28 th Feb. 2018
<i>Bonds</i>				
UK				
UK Treasury 0.5% 2022	£12,155,000	11,997	1.7	
UK Treasury 1.5% 2021	£20,825,000	21,077	3.1	
UK Treasury 1.75% 2019	£20,895,000	20,961	3.1	
UK Treasury 1.875% I-L 2022	£8,849,000	14,193	2.1	
UK Treasury 2.25% 2023	£13,040,000	13,777	2.0	
		<u>82,005</u>	<u>12.0</u>	<u>13.3</u>
USA				
US Treasury 0.125% I-L 2022	\$45,250,000	34,527	5.0	
US Treasury 0.125% I-L 2024	\$53,654,000	41,710	6.1	
US Treasury 0.25% I-L 2025	\$16,906,000	13,161	1.9	
US Treasury 0.875% 2019	\$15,800,000	11,827	1.7	
US Treasury 1.5% 2020	\$15,900,000	11,794	1.7	
		<u>113,019</u>	<u>16.4</u>	<u>20.0</u>
Norway				
Norway 3.75% 2021	NOK178,000,000	16,542	2.4	
Norway 4.5% 2019	NOK185,000,000	16,397	2.4	
		<u>32,939</u>	<u>4.8</u>	<u>0.0</u>
TOTAL BONDS		<u><u>227,963</u></u>	<u><u>33.2</u></u>	<u><u>33.3</u></u>

Equities

UK

Croda International	223,570	10,756	1.6	
Rio Tinto	369,200	16,009	2.3	
Rotork	3,635,630	10,343	1.5	
Spirax-Sarco Engineering	346,621	23,085	3.4	
Victrex	273,800	6,412	0.9	
XP Power	284,794	5,753	0.8	
		<u>72,358</u>	<u>10.5</u>	<u>10.3</u>

PORTFOLIO STATEMENT

continued

<i>Equities (continued)</i>	Holding or Nominal Value of positions at 28 th Feb. 2019	Bid Market Value £'000	Percentage of Value of total net assets	
			28 th Feb. 2019	28 th Feb. 2018
US				
Abbott Laboratories	255,075	14,881	2.2	
Becton Dickinson	72,315	13,531	2.0	
Ecolab	82,320	10,454	1.5	
IPG Photonics	55,000	6,411	0.9	
Mettler-Toledo	30,730	15,726	2.3	
Paychex	282,700	16,374	2.4	
Schlumberger	156,440	5,181	0.8	
Tractor Supply	117,715	8,432	1.2	
Watsco	79,320	8,582	1.3	
		<u>99,572</u>	<u>14.6</u>	<u>14.5</u>
France				
EssilorLuxottica	92,975	8,473	1.2	0.9
Germany				
Deutsche Wohnen	243,660	8,540	1.2	
Fresenius Medical Care	205,750	12,129	1.8	
Fuchs Petrolub	372,245	11,233	1.6	
HELLA	182,250	6,210	0.9	
Henkel pref.	107,880	8,122	1.2	
SAP	174,250	14,052	2.1	
		<u>60,286</u>	<u>8.8</u>	<u>8.8</u>
Ireland				
Kerry 'A'	186,795	14,472	2.1	2.4
Netherlands				
Royal Dutch Shell 'B'	735,725	17,396	2.5	3.5
Switzerland				
Sonova	69,000	9,720	1.4	1.2
Australia				
ARB	589,011	5,321	0.8	1.0
Japan				
Misumi	412,800	7,522	1.1	
Nabtesco	314,400	6,236	0.9	
Nissan Chemical Industries	298,700	11,297	1.6	
Shimadzu	591,000	10,941	1.6	
Shimano	52,900	6,034	0.9	
Trend Micro	169,000	6,255	0.9	
		<u>48,285</u>	<u>7.0</u>	<u>7.9</u>

PORTFOLIO STATEMENT

continued

		Holding or Nominal Value of positions at 28 th Feb. 2019	Bid Market Value £'000	Percentage of Value of total net assets 28 th Feb. 2019	28 th Feb. 2018
<i>Equities (continued)</i>					
DEVELOPING MARKETS					
<i>Brazil</i>	Localiza Rent A Car	1,155,100	7,964	1.2	
<i>China</i>	Anta Sports Products	2,600,000	11,442	1.7	
<i>Hong Kong</i>	Vitasoy International	3,132,000	10,154	1.5	
<i>India</i>	Crompton Greaves	4,200,168	9,306	1.4	
	Mahindra & Mahindra	376,040	2,590	0.4	
	Mahindra & Mahindra-GDR	455,400	3,105	0.4	
	Marico	2,016,000	7,241	1.0	
<i>Mexico</i>	Wal-Mart de Mexico	3,666,985	7,134	1.0	
<i>Portugal</i>	Jeronimo Martins	704,500	7,991	1.2	
<i>S Africa</i>	MTN	838,575	3,744	0.5	
<i>Singapore</i>	Thai Beverage	15,054,800	6,785	1.0	
			<u>77,456</u>	<u>11.3</u>	<u>10.1</u>
TOTAL EQUITIES			<u><u>413,339</u></u>	<u><u>60.2</u></u>	<u><u>60.6</u></u>
<i>Commodities</i>					
UK					
	ETFS Physical Gold	188,400	17,786	2.6	
	Gold Bullion Securities	191,125	17,773	2.6	
			<u>35,559</u>	<u>5.2</u>	<u>4.8</u>
TOTAL COMMODITIES			<u><u>35,559</u></u>	<u><u>5.2</u></u>	<u><u>4.8</u></u>
TOTAL INVESTMENTS			676,861	98.6	98.7
Net other assets			<u>9,645</u>	<u>1.4</u>	<u>1.3</u>
TOTAL NET ASSETS			<u><u>686,506</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

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

All debt securities in the portfolio at 28th February 2019 are investment grade.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 28th February 2019

Purchases	Cost £'000
915,000 Anta Sports Products	2,776
223,570 Croda International	10,806
4,200,168 Crompton Greaves	10,052
12,720 Ecolab	1,505
43,015 EssilorLuxottica	4,275
26,630 ETFS Physical Gold	2,408
16,500 Fresenius Medical Care	1,010
27,015 Gold Bullion Securities	2,409
182,250 HELLA	8,410
36,380 Henkel pref.	3,245
55,000 IPG Photonics	7,366
253,400 Jeronimo Martins	2,750
8,595 Kerry 'A'	711
248,500 Localiza Rent A Car	999
115,000 Misumi	2,191
137,000 MTN	978
178,000,000 Norway 3.75% 2021	17,503
185,000,000 Norway 4.5% 2019	17,504
557,800 Rotork	1,626
19,250 SAP	1,515
5,144,000 Thai Beverage	1,989
169,000 Trend Micro	7,348
1,420,000 UK Treasury 0.5% 2022	1,397
20,825,000 UK Treasury 1.5% 2021	21,184
20,895,000 UK Treasury 1.75% 2019	21,163
2,842,000 UK Treasury 2.25% 2023	3,009
45,250,000 US Treasury 0.125% 2022	33,680
15,800,000 US Treasury 0.875% 2019	11,530
16,400,000 US Treasury 1.125% 2021	11,563
15,900,000 US Treasury 1.5% 2020	11,525
16,300,000 US Treasury 1.75% 2022	11,560
273,800 Victrex	7,943
505,000 Wal-Mart de Mexico	1,009
284,794 XP Power	9,185
TOTAL	254,124

SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals	Proceeds £'000
71,925 Abbott Laboratories	3,864
245,000 Anta Sports Products	981
9,235 Becton Dickinson	1,801
150,542 Boskalis Westminster	3,295
34,000 Ecolab	3,883
10,900 EssilorLuxottica	1,009
12,800 ETFS Physical Gold	1,260
1,204,000 Giant Manufacturing	4,084
12,990 Gold Bullion Securities	1,260
760,097 Keller	6,677
39,400 Kerry 'A'	3,098
1,113,750 Land Securities	10,522
679,572 Localiza Rent A Car	4,360
36,530 O'Reilly Automotive	6,261
99,700 Reckitt Benckiser	5,964
22,750 Rio Tinto	996
82,615 Royal Dutch Shell 'B'	2,001
40,500 SAP	3,624
169,000 Sysmex	12,136
2,143,200 Thai Beverage	956
36,645 Tractor Supply	2,411
8,165,000 UK Treasury 0.5% 2022	7,987
19,396,000 UK Treasury 1.5% 2026	19,492
6,670,000 UK Treasury 2.25% 2023	6,982
15,622,000 UK Treasury 2.75% 2024	17,021
1,266,000 US Treasury 0.125% I-L 2024	1,005
43,988,000 US Treasury 0.125% I-L 2026	32,068
1,259,000 US Treasury 0.25% I-L 2025	1,001
16,400,000 US Treasury 1.125% 2021	11,963
26,060,000 US Treasury 1.5% 2026	17,114
16,300,000 US Treasury 1.75% 2022	11,932
18,656,000 US Treasury 2% 2025	12,973
23,042,000 US Treasury 2.25% 2024	16,319
652,000 Vitasoy International	1,926
712,275 Wal-Mart de Mexico	1,489
TOTAL	239,715

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 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.

Applications

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

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 our 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 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 remuneration requirements which are equally as effective as those in place under the UCITS Directive. 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.

GENERAL INFORMATION

continued

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
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Lower risk

Typically lower rewards

Higher risk

Typically higher rewards

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

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

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

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

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

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

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

DIRECTORS' STATEMENT

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

T A U Wood
Director

J C McAulay
Director

Haddington, 17th April 2019

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

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

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

The Trustee is responsible for the safekeeping all of 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 monitored¹ and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

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

¹This requirement on the Trustee applied from 18th March 2016.

REPORT OF THE TRUSTEE

to the unit holders of McInroy & Wood Balanced Fund for the year ended 28th February 2019

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.

17th April 2019

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

INDEPENDENT AUDITORS' REPORT

Report on the audit of the financial statements

Opinion

In our opinion, McInroy & Wood Balanced Fund's financial statements:

- give a true and fair view of the financial position of the Trust as at 28th February 2019 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (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 2019; 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 Trust 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

ISAs (UK) require us to report to you when:

- the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

INDEPENDENT AUDITORS' REPORT

continued

Conclusions relating to going concern continued

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Trust's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the fund's business and the wider economy.

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.

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 set out on page 16, 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 Trust'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 Trust, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

continued

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

17th April 2019

STATEMENT OF TOTAL RETURN

for the year ended 28th February 2019

	Notes	Year ended 28 th Feb. 2019		Period ended 28 th Feb. 2018	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		13,373		14,159
Revenue	3	13,174		9,322	
Expenses	4	<u>(7,801)</u>		<u>(6,254)</u>	
Net revenue before taxation		5,373		3,068	
Taxation	5	<u>(593)</u>		<u>(555)</u>	
Net revenue after taxation			<u>4,780</u>		<u>2,513</u>
Total return before distributions			18,153		16,672
Distributions	6		<u>(11,033)</u>		<u>(7,560)</u>
Change in net assets attributable to unitholders from investment activities			<u>7,120</u>		<u>9,112</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 28th February 2019

	Year ended 28 th Feb. 2019		Period ended 28 th Feb. 2018	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		655,767		634,766
Amounts receivable on creation of units	56,996		35,898	
Amounts payable on cancellation of units	<u>(33,377)</u>		<u>(24,009)</u>	
		23,619		11,889
Change in net assets attributable to unitholders from investment activities		<u>7,120</u>		<u>9,112</u>
Closing net assets attributable to unitholders		<u>686,506</u>		<u>655,767</u>

BALANCE SHEET

as at 28th February 2019

	Notes	28 th Feb. 2019		28 th Feb. 2018	
		£'000	£'000	£'000	£'000
ASSETS:					
Investments			676,861		647,087
Current assets					
Debtors	7	4,340		2,092	
Cash & bank balances		12,630		17,093	
Total other assets			<u>16,970</u>		<u>19,185</u>
Total assets			<u>693,831</u>		<u>666,272</u>
LIABILITIES:					
Creditors					
Distribution payable		(6,651)		(3,293)	
Other creditors	8	<u>(674)</u>		<u>(7,212)</u>	
Total liabilities			<u>(7,325)</u>		<u>(10,505)</u>
Net assets attributable to unitholders			<u>686,506</u>		<u>655,767</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28th February 2019

1. Accounting policies

- (a) The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the IMA (now known as the Investment Association) in May 2014 (the "SORP").
- (b) Dividends receivable from equity investments are recognised net of attributable tax credits and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.
- (c) Special dividends are treated as revenue or capital depending on the facts of each particular case.
- (d) Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.
- (e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

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

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of April. An interim distribution based on available revenue is distributed on the last day of October. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution.
- (g) All investments have been valued at their fair value, at close of business on the last business day of the period, which is generally the bid market value net of any accrued revenue.
- (h) Foreign currency transactions are translated at the rates ruling on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at exchange rates prevailing at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Net capital gains on investments:

	Year ended 28 th Feb. 2019 £'000	Period ended 28 th Feb. 2018 £'000
Non-derivative securities	13,890	14,306
Currency gains/(losses)	(509)	(136)
Custodial transaction fees	(8)	(11)
Net capital gains*	<u>13,373</u>	<u>14,159</u>
<i>*includes realised gains on investments sold</i>	<u>27,534</u>	<u>22,141</u>

3. Revenue

	Year ended 28 th Feb. 2019 £'000	Period ended 28 th Feb. 2018 £'000
Bank interest	25	—
Dividends on overseas equities	5,875	4,190
Dividends on UK equities	3,079	2,044
Interest on overseas interest-bearing securities	1,205	890
Interest on UK interest-bearing securities	2,880	1,732
Property income distributions on UK REITs	110	447
Stock dividends	—	19
Total revenue	<u>13,174</u>	<u>9,322</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

4. Expenses

	Year ended 28 th Feb. 2019 £'000	Period ended 28 th Feb. 2018** £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	6,941	5,485
- Transfer agency fee	439	453
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	108	86
- Safe custody fee	220	161
Other expenses:		
- Audit fee	10	6
- Fund accounting fee	46	37
- Legal and professional service fees	10	—
- Sundry fees*	27	26
Total expenses	<u>7,801</u>	<u>6,254</u>

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

**The period ended 28th Feb. 2018 was 10 months long.

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year ended 28 th Feb. 2019 £'000	Period ended 28 th Feb. 2018 £'000
(a) Analysis of tax charge		
Overseas tax	593	555
	<u>593</u>	<u>555</u>

(b) Factors affecting the tax charge for the year/period

The tax assessed for the year is lower (2018 - lower) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	Year ended 28 th Feb. 2019 £'000	Period ended 28 th Feb. 2018 £'000
Net revenue before taxation	<u>5,373</u>	<u>3,068</u>
Corporation tax at 20%	1,075	614
<i>Effects of:</i>		
Indexation allowance	73	(230)
Movement in unrecognised tax losses	388	852
Overseas tax	593	555
Overseas tax expensed	(9)	(10)
Prior year adjustment to tax losses	201	—
Revenue not subject to tax	<u>(1,728)</u>	<u>(1,226)</u>
Current tax charge for the year/period	<u>593</u>	<u>555</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £4,902,835 (2018 - £4,514,676) 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Distributions

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

	Year ended 28 th Feb. 2019 £'000	Period ended 28 th Feb. 2018 £'000
Interim	4,456	4,324
Final	6,651	3,293
	<u>11,107</u>	<u>7,617</u>
Add: Revenue deducted on cancellation of units	244	87
Deduct: Revenue received on creation of units	(318)	(144)
Net distribution for the year/period	<u>11,033</u>	<u>7,560</u>
Net revenue after taxation	4,780	2,513
Expenses taken to capital	6,941	5,485
Tax attributable to capital	(688)	(438)
Net distribution for the year/period	<u>11,033</u>	<u>7,560</u>

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

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Debtors

	28 th Feb. 2019	28 th Feb. 2018
	£'000	£'000
Amounts receivable for creation of units	618	246
Overseas withholding tax recoverable	656	717
Prepaid expenses	4	4
Revenue receivable:		
Overseas bond interest	1,100	122
Overseas equities	404	237
UK bond interest	279	489
UK equities	299	277
Sales awaiting settlement	980	—
	<u>4,340</u>	<u>2,092</u>

8. Creditors

	28 th Feb. 2019	28 th Feb. 2018
	£'000	£'000
Accrued expenses:		
Audit fee	9	7
Fund accounting fee	7	7
Manager's periodic charge	548	500
Registrar's fee	2	2
Safe custody fee	39	46
Transfer agency fee	29	19
Trustee's fee	8	8
Custodial transaction fees	1	3
Other	9	16
Amounts payable for cancellation of units	22	145
Purchases awaiting settlement	—	6,459
	<u>674</u>	<u>7,212</u>

9. Unit movement

For the year 1st March 2018 to 28th February 2019

Opening units	14,005,234
Units created	1,187,813
Units cancelled	(693,936)
Closing units	<u>14,499,111</u>

continued

10. Related Party Transactions

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

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

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

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 0.8% (2018 - 1.6%).

11. Portfolio Risk Analysis

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

Credit and Liquidity Risk

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 ETF's, which are structured as debt securities, were backed by physical gold.

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

Credit quality

All debt securities in the portfolio at the balance sheet date are investment grade (2018 - same).

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis continued

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 fund commonly invests part of the portfolio in quoted debt instruments, generally bonds, issued by third parties. It also holds cash on deposit. Changes in interest rates may have an adverse effect on the 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 Investment Objective and Policy.

The interest rate profile of portfolio investments at 28th February was:

Interest rate profile

	Floating rate Investments £'000	Fixed rate Investments £'000	Non interest bearing Investments £'000	Total £'000
28th February 2019				
Investment assets	—	227,963	448,898	676,861
28th February 2018				
Investment assets	—	218,094	428,993	647,087

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.

Operational Risk - Brexit

Having conducted an internal risk assessment we deem the operational risks to the fund of a no-deal Brexit as low.

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis continued

Currency profile

The currency profile of the fund's net assets at 28th February was:

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
28th February 2019				
UK Sterling	6,504	171,759	178,263	26.0
US Dollar	167	250,740	250,907	36.5
Australian Dollar	—	5,321	5,321	0.8
Brazilian Real	981	7,964	8,945	1.3
Euro	656	91,222	91,878	13.4
Hong Kong Dollar	—	21,596	21,596	3.2
Indian Rupee	59	19,652	19,711	2.9
Japanese Yen	263	48,285	48,548	7.1
Mexican Peso	—	7,134	7,134	1.0
Norwegian Krone	1,015	32,939	33,954	4.9
Singapore Dollar	—	6,785	6,785	1.0
South African Rand	—	3,744	3,744	0.5
Swiss Franc	—	9,720	9,720	1.4
	9,645	676,861	686,506	100.0

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
28th February 2018				
UK Sterling	14,053	173,306	187,359	28.6
US Dollar	(6,255)	261,116	254,861	38.9
Australian Dollar	—	6,616	6,616	1.0
Brazilian Real	—	9,128	9,128	1.4
Euro	726	90,441	91,167	13.9
Hong Kong Dollar	—	14,087	14,087	2.2
Indian Rupee	56	10,608	10,664	1.6
Japanese Yen	98	51,717	51,815	7.9
Mexican Peso	—	6,560	6,560	1.0
Singapore Dollar	—	5,522	5,522	0.8
South African Rand	—	5,543	5,543	0.8
Swiss Franc	—	7,864	7,864	1.2
Taiwan Dollar	—	4,579	4,579	0.7
Thai Baht	2	—	2	0.0
	8,680	647,087	655,767	100.0

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis continued

Valuation of financial investments

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

	Assets £'000	Liabilities £'000
28th February 2019		
Quoted prices for identical instruments in active markets	676,861	—
	676,861	—

28th February 2018		
Quoted prices for identical instruments in active markets	647,087	—
	647,087	—

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/period.

	Year ended 28 th Feb. 2019	Period ended 28 th Feb. 2018
	%	%
Year/period end VaR	4.89	4.70
Minimum VaR	4.44	4.26
Maximum VaR	5.32	5.16
Average VaR	4.87	4.82

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs

For the year 1st March 2018 to 28th February 2019

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	87,487	63	0.07	140	0.16
Debt instruments (direct)	161,575	42	0.03	—	—
Commodities	4,815	2	0.04	—	—
Total purchases	253,877	107		140	

**Total purchases including
transaction costs** **254,124**

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	81,409	54	0.07	18	0.02
Debt instruments (direct)	155,896	39	0.03	—	—
Commodities	2,522	1	0.04	—	—
Total sales	239,827	94		18	

**Total sales net of
transaction costs** **239,715**

Total transaction costs	201	158
Total transaction costs as a % of average net assets	0.03%	0.02%

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs continued

For the period 1st May 2017 to 28th February 2018

	Value £'000	Commissions £'000	%	Taxes £'000	%
Purchases					
Equity instruments (direct)	38,093	35	0.09	7	0.02
Debt instruments (direct)	53,039	3	0.00	—	—
Commodities	1,511	1	0.07	—	—
Total purchases	92,643	39		7	

**Total purchases including
transaction costs** 92,689

	Value £'000	Commissions £'000	%	Taxes £'000	%
Sales					
Equity instruments (direct)	44,075	36	0.08	1	0.00
Debt instruments (direct)	36,180	—	—	—	—
Total sales	80,255	36		1	

**Total sales net of
transaction costs** 80,218

Total transaction costs 75 8

Total transaction costs
as a % of average net assets 0.01% 0.00%

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

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

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

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.10% (2018 - 0.13%).

13. Post Balance Sheet Events

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

DISTRIBUTION TABLES

**in pence per unit
for year ended 28th February 2019**

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st March 2018

Group 2 - Units purchased 1st March 2018 to 31st August 2018

	Dividend income	Equalisation*	Amount paid 31.10.18
Group 1	31.000	—	31.000
Group 2	5.941	25.059	31.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st September 2018

Group 2 - Units purchased 1st September 2018 to 28th February 2019

	Dividend income	Equalisation*	Amount payable 30.04.19
Group 1	45.874	—	45.874
Group 2	17.522	28.352	45.874

*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 2019**

	Year to 28 th Feb. 2019	Period to 28 th Feb. 2018
Interim paid	31.000	31.000
Final payable/paid	45.874	23.508
	<u>76.874</u>	<u>54.508</u>

DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	28.02.19	30.04.19
Interim	31.08.19	31.10.19

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
G A Bicocchi
W A Ferguson
A H Fraser
S J Fraser
J E Marshall
J C McAulay
Lord Francis Seymour
D H Shaw Stewart
C T F White
V N U Wood

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
PO Box 12177
Chelmsford
CM99 2EA

Independent Auditor

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

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