



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

BALANCED FUND

A pooled management service for private clients

INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST AUGUST 2020

SUMMARY

At 31st August 2020, total net assets of the McInroy & Wood Balanced Fund (the fund) amounted to £829,062,523 compared with £745,129,828 six months before. There were 1,264 unitholders, excluding ISAs, with an average holding worth £563,000.

The price of units in the fund at 31st August 2020 stood at £53.236, which represents a gain of 8% over the reporting period. The allocation to gold performed strongly, as did many individual equities in the portfolio, notably stocks listed in the US and Japan.

The objective of the fund is to preserve and to 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 Price Index, over the same period. Over the 3 years to 31st August 2020, the total return for unitholders in the fund was 17%, compared to inflation of 8% on the above basis. Over 5 years, the fund returned 52% against inflation of 14%. The fund has provided a total return to unitholders of 827% above inflation since its inception in February 1990.

An interim dividend distribution of 25.000p per unit is now being paid to unitholders, which is 6.000p (19%) lower than the comparable interim payment in 2019. Based on current forecasts, the total distribution for the full year is estimated to fall by a similar proportion. This primarily reflects a significant drop in dividend payments as companies responded to the deterioration in business conditions.

In March, the fund's target equity allocation was increased from 60% to 65%, with a corresponding decrease in the allocation to bonds. The initial fall in global equity markets during the period provided an opportunity to buy stocks at relatively attractive valuations, even if there was some uncertainty over the short-term outlook for earnings.

It is still too early to make a definitive judgement on the speed or sustainability of the global recovery. Unsurprisingly, the reopening of economies has seen rising numbers of Coronavirus cases, but so long as these remain manageable and the need for further nationwide lockdowns can be avoided, further progress can be achieved. However, steep gains in share prices have left many equities appearing fully valued. Investment strategy for the fund continues to favour a broad diversification of assets and geographies, including allocations to bonds and gold.

CONTENTS

AUTHORISED FUND MANAGER'S REPORT*

	Page
Introduction	3
Manager's Investment Report	4-7
Net Asset Value per unit and Comparative Tables	8
Portfolio Statement	9-11
Summary of All Portfolio Changes	12-13
General Information	14-15
Statement of the Manager's Responsibilities and Directors' Statement	16

FINANCIAL STATEMENTS

Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders	17
Balance Sheet	18
Notes to the Financial Statements	19-20
Distribution Tables	21

**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 3SF (Tel. +44 (0)1620 825867) or through the website: www.mcinroy-wood.co.uk.

MANAGER'S INVESTMENT REPORT

At 31st August 2020, total net assets of the fund amounted to £829,062,523 compared with £745,129,828 six months before. There were 1,264 unitholders, excluding ISAs, with an average holding worth £563,000.

Markets

Equity market performance over the six months to 31st August 2020 was shaped by the coronavirus pandemic. In March, the speed with which the virus spread and the imposition of a near-worldwide lockdown triggered a loss of confidence leading to abrupt falls in all markets. However, massive intervention by governments and central banks reassured investors. As the casualty rate of the disease fell and restrictive measures eased, share prices rallied sharply. There was some loss of momentum towards the end of the half year, with indications that infections were beginning to rise again.

Measured by MSCI Indices in local currencies, the US market rose by 20% while the Emerging Markets (+10%) and Japan (+7%) also made good progress. Europe regained ground lost in the early falls to finish largely unchanged. By contrast, investors remained cautious about prospects for the UK (-11%). Overall in sterling terms, the MSCI All Country World Index recorded a 9% gain.

Interest rate cuts and new rounds of quantitative easing supported bond prices, as yields were pushed to record lows. The price of shorter-dated US government issues rose by as much as 4%, while their equivalents in the UK gained around 1%.

The price of gold rose by 24% in US dollar terms, reflecting a widespread perception of the value of its defensive qualities when confidence is lost in other assets.

In the foreign exchange markets, sterling strengthened against the US dollar (+4%) and the Japanese yen (+2%) but weakened against the euro (-4%). The dollar's depreciation was partly a result of statements made by the Federal Reserve regarding the probable longevity of a low interest rate environment.

Inflation, as measured by the UK Retail Price Index, was 1.2% over the six months to 31st August 2020.

Results

The price of units in the fund at 31st August 2020 stood at £53.236, which represents a gain of 8% over the reporting period. The allocation to gold performed strongly, as did many individual equities in the portfolio, notably stocks listed in the US and Japan.

The objective of the fund is to preserve and to 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 Price Index, over the same period. Over the 3 years to 31st August 2020, the total return for unitholders in the fund was 17%, compared to inflation of 8% on the above basis.

MANAGER'S INVESTMENT REPORT

Results continued

Over 5 years, the fund returned 52% against inflation of 14%. The fund has provided a total return to unitholders of 827% above inflation since its inception in February 1990.

Dividend Distribution

An interim dividend distribution of 25.000p per unit is now being paid to unitholders, which is 6.000p (19%) lower than the comparable interim payment in 2019. Based on current forecasts, the total distribution for the full year is estimated to fall by a similar proportion. This primarily reflects a significant drop in dividend payments as companies responded to the deterioration in business conditions.

Portfolio Strategy

In March, the fund's target equity allocation was increased from 60% to 65%, with a corresponding decrease in the allocation to bonds. The initial fall in global equity markets during the period provided an opportunity to buy stocks at relatively attractive valuations, even if there was some uncertainty over the short-term outlook for earnings. Following the subsequent rally in share prices, profits were taken across the portfolio, including on many of the recently purchased stocks.

At 31st August 64% of the portfolio was allocated to equities (59% at 28th February 2020), 29% to bonds (35%), 5% to gold (5%), and 2% to cash deposits (1%).

Investments

In addition to increasing existing equity holdings, three new positions were established. Shandong Weigao Medical Polymer sells medical devices in China, ASML is a leading supplier of semiconductor manufacturing equipment, and Ansys is a specialist in engineering software. Investments in Henkel and Tractor Supply were sold in full. A summary of all portfolio changes is shown on pages 12 to 13 of this report.

Watsco (+56%), XP Power (+49%) and Shimano (+48%) were the best performing holdings over the period. After being bought in March, Shandong Weigao Medical Polymer rose 63%. There were sharp falls in Royal Dutch Shell (-36%) and Thai Beverage (-21%).

The bond allocation was reduced by the sale of a UK gilt and a US Treasury bond, both short-dated. Proceeds from the sale of two Norwegian government bonds were used to buy two medium-dated US index-linked stocks.

Outlook

The coronavirus pandemic continues to overshadow prospects for the global economy. The World Trade Organisation has forecast that goods trade could fall by up to ten percent this year, resulting in the deepest recession since the Second World War. However, it may also turn out to be the shortest downturn in living memory if efforts to bring the disease under some sort of control can be successfully sustained.

MANAGER'S INVESTMENT REPORT

Outlook continued

Commercial activity has already picked up in many countries as lockdown measures are relaxed, and governments have massively subsidised employment and wages. Where such recoveries are under way, local containment measures have emerged as the de facto response to fresh outbreaks. Economically punitive national lockdowns, like those instituted at the onset of the pandemic, have become a last resort. This approach has enabled many businesses and individuals to rediscover some measure of normality.

The extent of the revival has varied widely, depending on the level of infections and national capacity to finance supportive measures. China was initially hit hard by the pandemic, but its economy is now expected to grow by 3% over the full year. Latest expectations for the US still envisage a strong rebound, although this assessment may prove over-optimistic if cases of the disease continue to rise and are accompanied by rising fatalities. Even if the worst-case medical scenarios can be averted, the withdrawal of public sector support for the labour market will severely challenge what economic momentum has been regenerated.

Public sector borrowing has risen dramatically almost everywhere as a result of irresistible political pressure to do 'whatever it takes' to maintain living standards. At this stage, there is no evidence of any inflationary pressures arising from the resulting looseness of monetary and fiscal policies. However, consumer prices may begin to rise rapidly if growth accelerates. Indeed the Federal Reserve has indicated that it would be prepared to tolerate higher inflation in present circumstances. Certainly, the investment case for holding government bonds has weakened when interest rates have fallen to minimal or negative levels, a trend reinforced by continued central bank bond purchases.

Direct government intervention into commercial activities may have significant implications for international trade. Financial and regulatory support for 'national champions' could undermine competition at a time when international business relationships are already severely strained. Against this background, it is alarming that the nature of the UK's future relationship with Europe remains unresolved.

The UK economy has already been hit severely by the coronavirus crisis. GDP is expected to fall by 10% this year, significantly higher than the 6% contraction forecast for the eurozone. The large service sector is particularly vulnerable to further lockdowns, and the recovery remains fragile. By contrast, there are signs that the outlook for the eurozone is more encouraging, with positive economic indicators recorded in July and retail sales already reaching pre-crisis levels.

Japan, too, is experiencing painful Covid-related economic shocks and, to add complexity, is in the midst of political change. The new Prime Minister Yoshihide Suga will need to tackle high public debt, sluggish growth and an ageing population. Still, as global growth recovers, opportunities can be found among high-quality Japanese exporters.

MANAGER'S INVESTMENT REPORT

Outlook continued

The US presidential election in November looks set to be particularly divisive. President Trump is trailing in recent opinion polls, and may react unpredictably if this trend continues in the final weeks of the campaign. Of course, an unexpectedly rapid improvement in the economic outlook, or some weakening of the strength of the virus, may yet come to his rescue. Nevertheless, at this stage Joe Biden looks likely to take over from him. While Biden could be expected to adopt a more conciliatory approach in foreign policy, his plans for increased regulation and higher taxation would not necessarily be welcomed by markets.

The Democrats have stressed the importance of ecological considerations in the management of the economy. Biden's campaign has cast the urgent challenge of climate change as the next great test of American ingenuity and is promising significant financial support to create jobs and fund innovation in this area. Of course, this is a global issue and an area of enormous importance for investors around the world. Increasingly, there will be great opportunities in businesses contributing to the improvement of the environment, while others will be left behind. It is striking to note how many large oil companies are committing to dramatic increases in low carbon investment over the coming decade.

The outlook for emerging economies is not uniform, as many are still battling with the early stages of virus containment. Those countries with large informal business sectors are likely to find the imposition of comprehensive lockdowns impractical, yet at the same time their healthcare systems may struggle to cope with the burden of a highly contagious disease. At the stage, India and Latin America, particularly Brazil, look especially hard-hit, while cases also appear to be escalating in Africa. By contrast, developing countries in Asia seem to be managing the healthcare crisis much more effectively, notably those with hard-won experience of the SARS outbreak. Many developing countries have benefited from recent US dollar weakness as it has alleviated the burden of dollar-denominated borrowings and effectively reflat their economies. Accelerating growth in China would also be supportive. Nevertheless, investment in emerging markets requires very selective stock selection and geographic allocation.

It is still too early to make a definitive judgement on the speed or sustainability of the global recovery. Unsurprisingly, the reopening of economies has seen rising numbers of Coronavirus cases, but so long as these remain manageable and the need for further nationwide lockdowns can be avoided, further progress can be achieved. However, steep gains in share prices have left many equities appearing fully valued. Investment strategy for the fund continues to favour a broad diversification of assets and geographies, including allocations to bonds and gold.

16th October 2020

CAPITAL RECORD

Highest and lowest unit prices

Accounting year
(to 28th Feb.)

	High	Low
2018*	£48.943	£46.120
2019	£50.243	£46.498
2020**	£53.681	£47.722
2021***	£54.761	£45.025

*The fund's financial year-end moved to 28th February (from 30th April).

**Up to 29th February 2020.

***Up to 31st August 2020, for the year ending 28th February 2021.

INCOME RECORD

Accounting year
(to 28th Feb.)

	Per unit (net)
2018	54.508p
2019	76.874p
2020*	81.573p
2021 (interim only)	25.000p

*Up to 29th February 2020.

NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
28.02.18	£655,767,474	£46.823	14,005,234
28.02.19	£686,505,563	£47.348	14,499,111
29.02.20	£745,129,828	£49.329	15,105,333
31.08.20	£829,062,523	£53.236	15,573,232

OPERATING CHARGES

Date	Annualised
28.02.18	1.140%
28.02.19	1.120%
29.02.20	1.140%
31.08.20	1.136%

PORTFOLIO TURNOVER

Date	Annualised
28.02.18	17%
28.02.19	58%
29.02.20	23%
31.08.20	93%

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 31.08.20	Year to 31.08.19	Year to 31.08.18	Year to 31.08.17	Year to 31.08.16
3.3%	6.9%	6.3%	5.4%	22.6%

Mid to mid, income re-invested. Source: McInroy & Wood.

PORTFOLIO STATEMENT

as at 31st August 2020 (unaudited)

INVESTMENTS	Holding or Nominal Value of positions at 31 st Aug. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			31 st Aug. 2020	29 th Feb. 2020
<i>Bonds</i>				
UK				
European Investment Bank FRN 2022	£25,000,000	25,040	3.0	
UK Treasury 0.5% 2022	£24,918,000	25,167	3.0	
UK Treasury 1.875% I-L 2022	£9,312,000	14,763	1.8	
UK Treasury 2.25% 2023	£20,405,000	21,824	2.6	
		<u>86,794</u>	<u>10.4</u>	<u>12.7</u>
USA				
US Treasury 0.125% 2022	\$23,600,000	17,620	2.1	
US Treasury 0.125% I-L 2022	\$40,618,200	32,868	4.0	
US Treasury 0.125% I-L 2024	\$42,006,000	36,310	4.4	
US Treasury 0.25% I-L 2025	\$18,986,000	16,607	2.0	
US Treasury 0.5% 2028	\$22,159,000	19,580	2.4	
US Treasury 0.875% 2029	\$21,715,000	19,489	2.3	
US Treasury 1.375% 2021	\$12,142,000	9,115	1.1	
		<u>151,589</u>	<u>18.3</u>	<u>17.5</u>
Norway		<u>—</u>	<u>0.0</u>	<u>4.7</u>
TOTAL BONDS		<u><u>238,383</u></u>	<u><u>28.7</u></u>	<u><u>34.9</u></u>

Equities

UK

Croda International	306,023	18,049	2.2	
Rio Tinto	461,951	21,409	2.6	
Rotork	5,153,521	15,430	1.9	
Spirax-Sarco	234,543	24,017	2.9	
Victrex	449,896	8,683	1.0	
XP Power	279,562	12,553	1.5	
		<u>100,141</u>	<u>12.1</u>	<u>10.4</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 31 st Aug. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			31 st Aug. 2020	29 th Feb. 2020
<i>Equities continued</i>				
USA				
Abbott Laboratories	168,202	13,748	1.7	
Ansys	33,315	8,424	1.0	
Becton Dickinson	56,949	10,325	1.2	
Ecolab	93,872	13,808	1.7	
Edwards Lifesciences	265,383	17,012	2.0	
IPG Photonics	53,990	6,514	0.8	
Mettler-Toledo	24,120	17,485	2.1	
Paychex	316,909	18,090	2.2	
Watsco	99,612	18,226	2.2	
		<u>123,632</u>	<u>14.9</u>	<u>13.8</u>
France				
Air Liquide	145,291	18,045	2.2	
EssilorLuxottica	105,182	10,532	1.3	
		<u>28,577</u>	<u>3.5</u>	<u>2.9</u>
Germany				
Fresenius Medical Care	221,253	14,032	1.7	
Fuchs Petrolub	493,839	13,255	1.6	
HELLA	309,510	11,340	1.4	
SAP	165,350	20,323	2.4	
		<u>58,950</u>	<u>7.1</u>	<u>7.6</u>
Ireland				
Kerry 'A'	171,833	16,883	2.0	2.2
Netherlands				
ASML	32,385	9,092	1.1	
Royal Dutch Shell 'B'	1,322,058	14,053	1.7	
		<u>23,145</u>	<u>2.8</u>	<u>2.0</u>
Switzerland				
Sonova	71,019	12,434	1.5	1.4

PORTFOLIO STATEMENT

continued

		Holding or Nominal Value of positions at 31 st Aug. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
				31 st Aug. 2020	29 th Feb. 2020
<i>Equities continued</i>					
Japan					
Misumi		600,900	11,765	1.4	
Nabtesco		447,900	10,583	1.3	
Nissan Chemical Industries		420,300	16,606	2.0	
Shimadzu		580,300	12,915	1.6	
Shimano		89,400	14,110	1.7	
Trend Micro		294,200	13,572	1.6	
			<u>79,551</u>	<u>9.6</u>	<u>8.2</u>
DEVELOPING MARKETS					
Brazil	Localiza Rent A Car	1,212,855	7,964	1.0	
China	Anta Sports Products	1,274,000	9,398	1.1	
	Shandong Weigao Medical Polymer	4,968,000	8,656	1.1	
Hong Kong	Vitasoy International	3,529,000	9,369	1.1	
India	Crompton Greaves	4,200,168	11,600	1.4	
	Mahindra & Mahindra	455,400	2,791	0.3	
	Mahindra & Mahindra- GDR	369,131	2,310	0.3	
	Marico	2,533,000	9,451	1.1	
Mexico	Walmart de Mexico	4,632,610	8,284	1.0	
Portugal	Jeronimo Martins	691,556	8,493	1.0	
Singapore	Thai Beverage	24,473,500	8,201	1.0	
South Africa	MTN	823,168	2,215	0.3	
			<u>88,732</u>	<u>10.7</u>	<u>10.7</u>
TOTAL EQUITIES			<u><u>532,045</u></u>	<u><u>64.2</u></u>	<u><u>59.2</u></u>
<i>Commodities</i>					
UK					
Gold Bullion Securities		156,974	21,599	2.6	
WisdomTree Physical Gold		154,769	21,627	2.6	
			<u>43,226</u>	<u>5.2</u>	<u>5.0</u>
TOTAL COMMODITIES			<u><u>43,226</u></u>	<u><u>5.2</u></u>	<u><u>5.0</u></u>
TOTAL INVESTMENTS			813,654	98.1	99.1
Net other assets			<u>15,409</u>	<u>1.9</u>	<u>0.9</u>
TOTAL NET ASSETS			<u><u>829,063</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 31st August 2020 are investment grade.

SUMMARY OF ALL PORTFOLIO CHANGES

for the six months ended 31st August 2020 (unaudited)

		Cost £'000
Purchases		
29,508	Abbott Laboratories	1,882
33,591	Air Liquide	3,741
33,315	Ansys	7,263
32,385	ASML	7,583
9,816	Becton Dickinson	1,876
78,656	Croda International	3,753
22,723	Ecolab	3,383
9,750	Edwards Lifesciences	1,489
176,922	Edwards Lifesciences (Stock split)	—
13,915	EssilorLuxottica	1,412
25,000,000	European Investment Bank FRN 2022	25,070
18,022	Fresenius Medical Care	1,124
96,056	Fuchs Petrolub	2,614
6,010	Gold Bullion Securities	755
34,100	HELLA	1,119
20,200	Kerry 'A'	1,762
517,000	Marico	1,484
150,200	Misumi	2,328
134,200	Nabtesco	2,176
55,900	Nissan Chemical Industries	1,873
56,300	Paychex	3,022
99,533	Rio Tinto	3,655
1,096,513	Rotork	3,352
433,398	Royal Dutch Shell 'B'	5,720
22,200	SAP	1,826
6,240,000	Shandong Weigao Medical Polymer	6,602
13,628	Sonova	2,551
470	Sonova (Stock Dividend)	—
5,902,000	Thai Beverage	2,464
62,200	Trend Micro	2,127
8,591,000	UK Treasury 0.5% 2022	8,694
3,442,000	UK Treasury 2.25% 2023	3,697
23,600,000	US Treasury 0.125% 2022	18,710
10,461,000	US Treasury 0.125% I-L 2022	8,900
4,236,000	US Treasury 0.125% I-L 2024	3,816
22,159,000	US Treasury 0.5% 2028	20,106
21,715,000	US Treasury 0.875% 2029	20,035
12,142,000	US Treasury 1.375% 2021	9,828
1,225,000	US Treasury 1.5% 2020	994
113,600	Victrex	2,303
506,000	Vitasoy International	1,465

SUMMARY OF ALL PORTFOLIO CHANGES

continued

		Cost £'000
Purchases		
1,033,000	Walmart de Mexico	1,989
14,657	Watsco	1,890
5,920	WisdomTree Physical Gold	755
	TOTAL	207,188
		Proceeds £'000
Disposals		
20,330	Abbott Laboratories	1,458
192,000	Anta Sports Products	1,489
18,622	Becton Dickinson	3,891
78,150	Croda International	3,962
9,659	Ecolab	1,459
14,765	Fresenius Medical Care	998
7,792	Gold Bullion Securities	991
105,899	Henkel pref.	7,199
16,025	Kerry 'A'	1,503
6,047	Mettler-Toledo	3,496
154,300	Misumi	2,939
123,900	Nabtesco	2,971
209,200,000	Norway 2% 2023	18,484
204,911,000	Norway 3.75% 2021	17,797
27,900	SAP	2,984
1,272,000	Shandong Weigao Medical Polymer	2,441
49,835	Spirax-Sarco	4,557
88,259	Tractor Supply	8,635
21,668,000	UK Treasury 1.5% 2021	21,868
23,422,200	UK Treasury 2% 2020	23,422
14,302,000	US Treasury 0.125% I-L 2022	11,784
13,822,000	US Treasury 0.125% I-L 2024	11,550
19,532,000	US Treasury 1.125% 2021	15,328
21,964,000	US Treasury 1.5% 2020	17,555
23,944	Watsco	4,292
7,652	WisdomTree Physical Gold	988
	TOTAL	194,041

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. 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.

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 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.

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 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 IMA 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.
- 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, 16th October 2020

STATEMENT OF TOTAL RETURN

for the six months ended 31st August 2020 (unaudited)

	Notes	Six months ended 31 st Aug. 2020		Six months ended 31 st Aug. 2019	
		£'000	£'000	£'000	£'000
Income					
Net capital gains			60,604		75,339
Revenue	2	7,523		8,780	
Expenses	3	<u>(4,382)</u>		<u>(4,169)</u>	
Net revenue before taxation		3,141		4,611	
Taxation	4	<u>(566)</u>		<u>(521)</u>	
Net revenue after taxation			<u>2,575</u>		<u>4,090</u>
Total return before distributions			63,179		79,429
Distributions			<u>(3,765)</u>		<u>(4,415)</u>
Change in net assets attributable to unitholders from investment activities			<u>59,414</u>		<u>75,014</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six months ended 31st August 2020 (unaudited)

	Six months ended 31 st Aug. 2020		Six months ended 31 st Aug. 2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		745,130		686,506
Amounts receivable on creation of units	33,856		40,595	
Amounts payable on cancellation of units	<u>(9,337)</u>		<u>(24,147)</u>	
		24,519		16,448
Change in net assets attributable to unitholders from investment activities		<u>59,414</u>		<u>75,014</u>
Closing net assets attributable to unitholders		<u>829,063</u>		<u>777,968</u>

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 31st August 2020 (unaudited)

	31 st Aug. 2020		29 th Feb. 2020	
	£'000	£'000	£'000	£'000
ASSETS:				
Investments		813,654		738,221
Current assets				
Debtors	3,486		18,169	
Cash & bank balances	17,306		20,780	
Total other assets		<u>20,792</u>		<u>38,949</u>
Total assets		<u>834,446</u>		<u>777,170</u>
LIABILITIES:				
Creditors				
Distribution payable	(3,893)		(7,639)	
Other creditors	<u>(1,490)</u>		<u>(24,401)</u>	
Total liabilities		<u>(5,383)</u>		<u>(32,040)</u>
Net assets attributable to unitholders		<u>829,063</u>		<u>745,130</u>

NOTES TO THE FINANCIAL STATEMENTS

as at 31st August 2020 (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 st Aug. 2020 £'000	Six months ended 31 st Aug. 2019 £'000
Bank interest	5	12
Interest on overseas debt securities	352	662
Interest on UK debt securities	1,350	1,675
Overseas dividends	3,392	3,807
Stock dividends	80	—
UK dividends	2,344	2,624
Total revenue	<u>7,523</u>	<u>8,780</u>

3. Expenses

	Six months ended 31 st Aug. 2020 £'000	Six months ended 31 st Aug. 2019 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	3,930	3,723
- Transfer agency fee	230	219
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	60	57
- Safe custody fee	105	123
Other expenses:		
- Audit fee	9	5
- Fund accounting fee	25	24
- Legal and professional service	2	1
- Sundry fees*	21	17
Total expenses	<u>4,382</u>	<u>4,169</u>

*Includes FT listing fees, financial statement printing and postage, tax computation fees for £4,342 performed by the fund's auditors, PricewaterhouseCoopers LLP (2019: £1,603), and other fees.

NOTES TO THE FINANCIAL STATEMENTS

continued

4. Taxation

	Six months ended 31 st Aug. 2020 £'000	Six months ended 31 st Aug. 2019 £'000
Analysis of tax charge		
Indian capital gains tax	214	116
Overseas withholding tax	352	405
	<hr/>	<hr/>
	566	521
	<hr/> <hr/>	<hr/> <hr/>

DISTRIBUTION TABLES

**in pence per unit
for the six months ended 31st August 2020 (unaudited)**

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st March 2020

Group 2 - Units purchased 1st March 2020 to 31st August 2020

	Dividend income	Equalisation*	Amount payable 31.10.20
Group 1	25.000	—	25.000
Group 2	2.827	22.173	25.000

*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 31st August 2020 (unaudited)**

	Six months to 31 st Aug. 2020	Year to 29 th Feb. 2020
Interim payable/paid	25.000	31.000
Final paid	—	50.573
	<u>25.000</u>	<u>81.573</u>

Manager

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

Secretary

J C McAulay

Investment Adviser

McInroy & Wood Limited
Easter Alderston
Haddington
EH41 3SF

Trustee

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Registrar

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AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY

McInroy & Wood Portfolios Limited is a subsidiary of
McInroy & Wood Limited
MWBFB0820