



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

BALANCED FUND

A pooled management service for private clients

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29TH FEBRUARY 2020

SUMMARY

At 29th February 2020, total net assets of the McInroy & Wood Balanced Fund (the fund) amounted to £745,129,828 compared with £686,505,563 twelve months before. There were 1,252 unitholders, excluding ISAs, with an average holding worth £514,594.

The price of units in the fund at 29th February 2020 stood at £49.697, which represents an increase of 4% over the year. Gains in US and European equities and the weakness of sterling more than offset falls in equity markets elsewhere.

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 29th February 2020, the total return for unitholders in the fund was 11%, compared to inflation of 9% on the above basis over the same period. Over 5 years, the fund returned 34% against inflation of 14%.

A final dividend distribution of 50.573p per unit is now being paid. This brings the total distributions over the year to 81.573p per unit, 6% higher than those paid over the year to 28th February 2019. This increase principally reflects favourable currency movements and dividend increases by individual companies held by the fund. A one-off cash payment from Croda International added almost 2 pence to the amount available for distribution.

In light of the Coronavirus pandemic, the ability of companies to continue to pay historic levels of dividends is uncertain. Much will depend upon the longevity of the Coronavirus crisis, but it would be reasonable to assume that dividend payments for the forthcoming year are likely to be materially lower.

The asset allocations in the portfolio have been relatively defensive for several years, but the investment case for holding government bonds is weakening in the face of shrinking, and in some cases negative, returns. Such is the extent of this shift that, at time of writing, a UK government issue offers a total return of only 0.2% over 10 years, an underwhelming return from any investment.

At the same time, company valuations were stretched at the start of the calendar year, but subsequent market falls are starting to give rise to new investment opportunities. Even so, an element of caution is required around the level of company earnings in the short-term. Provided the global economic fabric is not irretrievably damaged, equities and many markets are now looking more reasonably valued again for investors with a longer-term horizon. One particularly interesting and vitally important area is the environmental sector, especially as climate concerns and the global response to them are already a critical consideration in assessing any investment prospect.

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

MANAGER'S INVESTMENT REPORT

At 29th February 2020, total net assets of the fund amounted to £745,129,828 compared with £686,505,563 twelve months before. There were 1,252 unitholders, excluding ISAs, with an average holding worth £514,594.

Markets

Equity markets diverged considerably over the year to 29th February. US and European shares were supported by stimulatory measures which central banks implemented in response to indications that growth might be slowing. For developing markets, however, the disruption caused by protectionist trade policies outweighed any benefits from central bank actions. The threat of a radical left-wing Labour government was removed by the UK December election but economic issues surrounding the withdrawal from Europe continued to depress the UK equity market. Towards the end of the period, the Coronavirus outbreak caused a global loss of confidence and triggered sharp falls in all equity markets.

Measured by MSCI Indices in local currencies, the US (+6%) and Europe (+3%) made good progress. By contrast, it was a relatively disappointing period both for Japan and for Emerging Markets as a group (both -4%). Continuing concerns over the health of the local economy weighed heavily on the UK (-8%).

The weakness of the pound increased the value of overseas assets for UK-based portfolios. The MSCI All Country World Index recorded a 5% gain in sterling terms.

Bond prices held up remarkably well over the period. The price of shorter-dated US government issues rose by 5% to 8%, while their equivalents in the UK increased by 1% to 3%. However Norwegian bond prices fell by up to 2%.

The price of gold rose by 20% in US dollar terms, clearly reflecting its defensive qualities when investors lose confidence in other assets.

In the foreign exchange markets, sterling weakened against the US dollar (-3%) and the yen (-6%) but was little changed against the euro.

Inflation, as measured by the UK Retail Price Index, was 2% over the year to 29th February 2020.

Results

The price of units in the fund at 29th February 2020 stood at £49.697, which represents an increase of 4% over the year. Gains in US and European equities and the weakness of sterling more than offset falls in equity markets elsewhere.

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 29th February 2020, the total return for unitholders

MANAGER'S INVESTMENT REPORT

Results continued

in the fund was 11%, compared to inflation of 9% on the above basis over the same period. Over 5 years, the fund returned 34% against inflation of 14%.

Dividend Distribution

A final dividend distribution of 50.573p per unit is now being paid. This brings the total distributions over the year to 81.573p per unit, 6% higher than those paid over the year to 28th February 2019. This increase principally reflects favourable currency movements and dividend increases by individual companies held by the fund. A one-off cash payment from Croda International added almost 2 pence to the amount available for distribution.

In light of recent events, the ability of companies to continue to pay historic levels of dividends is uncertain. Much will depend upon the longevity of the Coronavirus crisis, but it would be reasonable to assume that dividend payments for the forthcoming year are likely to be materially lower.

Portfolio Strategy

There were no significant shifts in portfolio allocations over the year to 29th February. A relatively low allocation to equities reflected concern that many equity prices were too high, given a more clouded outlook for profits.

At 29th February 2020, 59% of the portfolio was allocated to equities (60% at 28th February 2019), 35% to bonds (34%), 5% to gold (5%), and 1% to cash deposits (1%).

Shortly after the period end, the fund's target equity allocation was increased from 60% to 65%, accompanied by a corresponding decrease in the allocation to bonds. This followed a substantial fall in global equity markets.

Investments

Net new funds of £32 million were subscribed during the period. In addition to increasing existing holdings, new positions were established in Air Liquide, a French multinational group engaged in the supply of industrial gases, and Edwards Lifesciences, a pioneering manufacturer of medical devices for the treatment of cardiovascular ailments. The investments in ARB, Deutsche Wohnen and Schlumberger were sold in full. A summary of all portfolio changes is shown on pages 12-13 of this report.

Localiza Rent A Car (+51%), XP Power (+49%) and Anta Sports Products (+36%) made strong progress. It was a disappointing period for Royal Dutch Shell (-30%) and Nissan Chemical Industries (-19%).

Within the bond allocation, three issues matured during the period and were replaced with equivalent government stocks in the same currencies. As a result of these transactions and the passage of time, the portfolio's average duration has shortened over the past year.

MANAGER'S INVESTMENT REPORT

Outlook

Prospects for world economic growth have been overwhelmed by massive and unprecedented disruption occasioned by the Coronavirus pandemic. Global recession now looks imminent. Saudi Arabia's shock decision to increase its output of oil, following a disagreement with Russia, triggered the largest single-day decline in the price of crude oil since the Gulf War in 1991. It will continue to have a negative impact on share prices, particularly those which are oil-related, until such time as production targets are agreed. As a consequence of these two factors, equity markets have come under considerable pressure, pulling company valuations down to more attractive levels.

As to the future, much will depend on the success of local measures to contain the Coronavirus. It is hard to see any sustained recovery until this has been achieved. In the meantime, governments have set out massive spending packages to support economic activity and central banks have cut interest rates sharply. A low oil price will also assist disposable incomes. Once health concerns subside, these factors should support a resumption of economic growth and stock markets should strengthen accordingly.

The outlook for the US economy was deteriorating before the spread of the virus gained momentum, even while employment levels and real wage growth remained at high levels. It has now worsened dramatically, and unemployment is rising steeply. In common with other leaders, President Trump has moved aggressively to revive the economy. He is set to face a presidential election at the end of the year. With the advance of Joe Biden towards the Democrat nomination, the electorate may be somewhat less polarised than if the 'democratic socialist' Bernie Sanders had sustained his initial momentum.

Forecasts for the UK have also been overtaken by the health crisis, after beginning to look more positive following the Conservative election victory. The country was already facing difficult negotiations with the EU to reach a trade agreement. Any resolution is now likely to be delayed. The trading bloc itself finished 2019 very weakly and by February was growing at its slowest rate in seven years. Italy has now been devastated by the pandemic, but France and Spain also appear particularly weak. Although Germany narrowly avoided recession last year as structural change in the auto industry weighed on manufacturing activity and trade disruption reduced export demand, sentiment indicators have now dropped sharply and a severe slowdown is well underway.

Similarly, Japan began to slide into recession at the start of the year following a collapse in Chinese tourism and a hike in consumption tax implemented last autumn. In the face of rising numbers of infections, domestic demand is unlikely to remain resilient despite a tight job market and newly enacted limits on overtime. However, the Japanese Central Bank's share buying programme is providing some support to the local equity market.

MANAGER'S INVESTMENT REPORT

Outlook continued

Growth in China can be expected to rebound if the health emergency has really been brought under control there. The economy has deteriorated sharply in recent months; some estimate it to have contracted as much as 13%. The rest of Asia has suffered from the effect of this slowdown, while domestic demand in India has been slackening for some time. Prospects for Latin America were also looking difficult, although there have been some signs of progress in Brazil. Household consumption has been rising, as loose central bank policy and sweeping deregulation appear to be bearing fruit, but here too the impact of the disease is rapidly undermining any such positive developments.

The asset allocations in the portfolio have been relatively defensive for several years, but the investment case for holding government bonds is weakening in the face of shrinking, and in some cases negative, returns. Such is the extent of this shift that, at time of writing, a UK government issue offers a total return of only 0.2% over 10 years, an underwhelming return from any investment.

At the same time, company valuations were stretched at the start of the calendar year, but subsequent market falls are starting to give rise to new investment opportunities. Even so, an element of caution is required around the level of company earnings in the short-term. Provided the global economic fabric is not irretrievably damaged, equities and many markets are now looking more reasonably valued again for investors with a longer-term horizon. One particularly interesting and vitally important area is the environmental sector, especially as climate concerns and the global response to them are already a critical consideration in assessing any investment prospect.

As noted above, a 5% increase in the portfolio's equity weighting has already been made since the year end. It might be raised again in the event of further significant market weakness.

20th April 2020

COMPARATIVE TABLE — PERSONAL CLASS

	Year to 29 th February 2020 (pence per unit)	Year to 28 th February 2019 (pence per unit)	10 months to 28 th February 2018 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	4,734.81	4,682.30	4,616.39
Return before operating charges*	338.24	183.39	165.47
Operating charges	(58.59)	(54.01)	(45.05)
Return after operating charges	279.65	129.38	120.42
Distributions	(81.57)	(76.87)	(54.51)
Closing net asset value per unit			
	4,932.89	4,734.81	4,682.30
*After direct transaction costs of	(1.44)	(2.50)	(0.60)
Performance**			
Return after charges	5.91%	2.76%	2.61%
Other information			
Closing net asset value (£'000)	745,130	686,506	655,767
Closing number of units	15,105,333	14,499,111	14,005,234
Operating charges	1.14%	1.12%	1.14%
Direct transaction costs	0.03%	0.05%	0.02%
Prices			
Highest unit price	£53.681	£50.243	£48.943
Lowest unit price	£47.722	£46.498	£46.120
Portfolio turnover			
Annualised	23%	58%	17%

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

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

PORTFOLIO STATEMENT

as at 29th February 2020

INVESTMENTS	Holding or Nominal Value of positions at 29 th Feb. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			29 th Feb. 2020	28 th Feb. 2019
<i>Bonds</i>				
UK				
UK Treasury 0.5% 2022	£16,327,000	16,395	2.2	
UK Treasury 1.5% 2021	£21,668,000	21,851	2.9	
UK Treasury 1.875% I-L 2022	£9,312,000	14,825	2.0	
UK Treasury 2% 2020	£23,422,200	23,542	3.2	
UK Treasury 2.25% 2023	£16,963,000	18,106	2.4	
		<u>94,719</u>	<u>12.7</u>	<u>12.0</u>
USA				
US Treasury 0.125% I-L 2022	\$44,459,200	37,017	5.0	
US Treasury 0.125% I-L 2024	\$51,592,000	44,782	6.0	
US Treasury 0.25% I-L 2025	\$18,986,000	16,600	2.2	
US Treasury 1.125% 2021	\$19,532,000	15,316	2.1	
US Treasury 1.5% 2020	\$20,739,000	16,245	2.2	
		<u>129,960</u>	<u>17.5</u>	<u>16.4</u>
Norway				
Norway 2% 2023	NOK 209,200,000	17,831	2.4	
Norway 3.75% 2021	NOK 204,911,000	17,459	2.3	
		<u>35,290</u>	<u>4.7</u>	<u>4.8</u>
TOTAL BONDS		<u><u>259,969</u></u>	<u><u>34.9</u></u>	<u><u>33.2</u></u>
<i>Equities</i>				
UK				
Croda International	305,517	13,907	1.9	
Rio Tinto	362,418	13,071	1.8	
Rotork	4,057,008	11,425	1.5	
Spirax-Sarco Engineering	284,378	23,874	3.2	
Victrex	336,296	7,042	0.9	
XP Power	279,562	8,387	1.1	
		<u>77,706</u>	<u>10.4</u>	<u>10.5</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 29 th Feb. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			29 th Feb. 2020	28 th Feb. 2019
<i>Equities continued</i>				
USA				
Abbott Laboratories	159,024	9,593	1.4	
Becton Dickinson	65,755	12,250	1.6	
Ecolab	80,808	11,426	1.5	
Edwards Lifesciences	78,711	12,604	1.7	
IPG Photonics	53,990	5,395	0.7	
Mettler-Toledo	30,167	16,569	2.2	
Paychex	260,609	15,821	2.1	
Tractor Supply	88,259	6,118	0.8	
Watsco	108,899	13,390	1.8	
		<u>103,166</u>	<u>13.8</u>	<u>14.6</u>
France				
Air Liquide	111,700	11,805	1.6	
EssilorLuxottica	91,267	9,654	1.3	
		<u>21,459</u>	<u>2.9</u>	<u>1.2</u>
Germany				
Fresenius Medical Care	217,996	12,883	1.7	
Fuchs Petrolub	397,783	10,775	1.5	
HELLA	275,410	8,763	1.2	
Henkel pref.	105,899	7,577	1.0	
SAP	171,050	16,383	2.2	
		<u>56,381</u>	<u>7.6</u>	<u>8.8</u>
Ireland				
Kerry 'A'	167,658	16,537	2.2	2.1
Netherlands				
Royal Dutch Shell 'B'	888,660	14,784	2.0	2.5
Switzerland				
Sonova	56,921	10,575	1.4	1.4
Australia				
		<u>—</u>	<u>0.0</u>	<u>0.8</u>
Japan				
Misumi	605,000	9,968	1.3	
Nabtesco	437,600	9,198	1.2	
Nissan Chemical Industries	364,400	11,995	1.6	

PORTFOLIO STATEMENT

continued

		Holding or Nominal Value of positions at 29 th Feb. 2020	Bid Market Value £'000	Percentage of Value of total net assets 29 th Feb. 2020 28 th Feb. 2019	
<i>Equities continued</i>					
Japan continued					
Shimadzu		580,300	11,018	1.6	
Shimano		89,400	9,779	1.3	
Trend Micro		232,000	9,009	1.2	
			<u>60,967</u>	<u>8.2</u>	<u>7.0</u>
DEVELOPING MARKETS					
<i>Brazil</i>	Localiza Rent A Car	1,212,855	10,424	1.4	
<i>China</i>	Anta Sports Products	1,466,000	9,227	1.2	
<i>Hong Kong</i>	Vitasoy International	3,023,000	8,473	1.1	
<i>India</i>	Crompton Greaves	4,200,168	12,555	1.7	
	Mahindra & Mahindra	455,400	2,257	0.3	
	Mahindra & Mahindra- GDR	369,131	1,789	0.2	
	Marico	2,016,000	6,553	0.9	
<i>Mexico</i>	Wal-Mart de Mexico	3,599,610	7,889	1.1	
<i>Portugal</i>	Jeronimo Martins	691,556	9,459	1.3	
<i>Singapore</i>	Thai Beverage	18,571,500	8,073	1.1	
<i>South Africa</i>	MTN	823,168	3,019	0.4	
			<u>79,718</u>	<u>10.7</u>	<u>11.3</u>
TOTAL EQUITIES			<u><u>441,293</u></u>	<u><u>59.2</u></u>	<u><u>60.2</u></u>
<i>Commodities</i>					
UK					
Gold Bullion Securities		158,756	18,475	2.5	
WisdomTree Physical Gold		156,501	18,484	2.5	
			<u>36,959</u>	<u>5.0</u>	<u>5.2</u>
TOTAL COMMODITIES			<u><u>36,959</u></u>	<u><u>5.0</u></u>	<u><u>5.2</u></u>
TOTAL INVESTMENTS			738,221	99.1	98.6
Net other assets			<u>6,909</u>	<u>0.9</u>	<u>1.4</u>
TOTAL NET ASSETS			<u><u>745,130</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 29th February 2020 are investment grade.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 29th February 2020

Purchases	Cost £'000
104,453 Air Liquide	11,393
9,082 Air Liquide (<i>Stock Dividend</i>)	—
99,059 ARB	1,016
92,989 Croda International	4,535
218,246 Croda International (<i>Reverse stock split</i>)	—
79,710 Edwards Lifesciences	11,857
16,325 Fresenius Medical Care	1,000
32,377 Fuchs Petrolub	888
11,265 Gold Bullion Securities	1,054
96,508 HELLA	3,492
57,755 Localiza Rent A Car (<i>Stock Dividend</i>)	—
201,100 Misumi	3,533
131,300 Nabtesco	2,914
72,400 Nissan Chemical Industries	2,522
213,115,000 Norway 2% 2023	19,663
30,745,000 Norway 3.75% 2021	2,868
492,746 Rotork	1,525
208,000 Royal Dutch Shell 'B'	3,513
46,300 Shimano	5,404
3,793,300 Thai Beverage	1,812
67,200 Trend Micro	2,545
4,458,000 UK Treasury 0.5% 2022	4,430
3,266,000 UK Treasury 1.5% 2021	3,313
625,000 UK Treasury 1.875% I-L 2022	998
23,840,200 UK Treasury 2% 2020	24,185
4,187,000 UK Treasury 2.25% 2023	4,467
3,584,200 US Treasury 0.125% I-L 2022	2,897
2,423,000 US Treasury 0.125% I-L 2024	1,994
2,389,000 US Treasury 0.25% I-L 2025	1,996
19,532,000 US Treasury 1.125% 2021	14,673
18,450,000 US Treasury 1.375% 2019	14,610
5,226,000 US Treasury 1.5% 2020	3,971
68,190 Victrex	1,523
252,000 Vitasoy International	812
31,035 Watsco	4,038
11,090 WisdomTree Physical Gold	1,053
TOTAL	<u>166,494</u>

SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals	Proceeds £'000
93,075 Abbott Laboratories	5,525
1,108,000 Anta Sports Products	6,004
688,070 ARB	7,166
5,330 Becton Dickinson	1,010
223,570 Croda International (<i>Reverse stock split</i>)	—
239,184 Deutsche Wohnen	7,493
40,115 Gold Bullion Securities	4,518
16,000 Kerry 'A'	1,497
185,000 Noway 4.5% 2019	16,712
17,215 Paychex	1,007
42,325 Royal Dutch Shell 'B'	1,001
156,440 Schlumberger	4,631
8,600 Shimadzu	977
11,015 Sonova	2,008
56,921 Spirax-Sarco Engineering	4,441
27,805 Tractor Supply	2,002
1,981,000 UK Treasury 1.5% 2021	1,997
20,895,000 UK Treasury 1.75% 2019	20,895
3,525,000 US Treasury 0.125% I-L 2022	2,910
3,500,000 US Treasury 0.125% I-L 2024	3,011
15,800,000 US Treasury 0.875% 2019	12,501
1,811,200 US Treasury 1.375% 2019	13,528
311,000 Vitasoy International	1,011
39,520 WisdomTree Physical Gold	4,519
TOTAL	126,364

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 the remuneration requirements of the UCITS Remuneration Code. The group remuneration policy is approved annually by the MW Board and is designed to ensure that the remuneration of directors and staff is consistent with and promotes sound and effective risk management. MW pays no variable remuneration to its directors. No other employees have authority to influence the risk profile of the funds. It is, therefore, not possible for variable remuneration incentives to encourage risk taking which is inconsistent with the risk profile of the funds managed. MWP's compliance with its duty to act in the best interests of the funds it manages is therefore not subject to any conflict of interest.

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.

Value Assessment

The Manager will be conducting an assessment of value for the fund. The assessment of value report will be made available to investors annually in a composite report for all the McInroy & Wood funds on our website by 30th June.

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority (“the Rules”) requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 102), of the financial position of the fund and of its net revenue and the net capital gains on the property of the fund for the year. In preparing the financial statements the Manager is required to:

- Select suitable accounting policies and then apply them consistently.
- Comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the 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, 20th April 2020

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

to the Unitholders of the McInroy & Wood Balanced Fund ("the Trust") for the year ended 29th February 2020

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 of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

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

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

continued

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.

20th April 2020

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

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

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 29 February 2020 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 29 February 2020; 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the 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.

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

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.

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 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 Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 16, the 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 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 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 Manager either intend to wind up or terminate the Trust, or have no realistic alternative but to do so.

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

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

20th April 2020

STATEMENT OF TOTAL RETURN

for the year ended 29th February 2020

	Notes	Year ended 29 th Feb. 2020		Year ended 28 th Feb. 2019	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		33,296		13,373
Revenue	3	14,147		13,174	
Expenses	4	<u>(8,476)</u>		<u>(7,801)</u>	
Net revenue before taxation		5,671		5,373	
Taxation	5	<u>(664)</u>		<u>(593)</u>	
Net revenue after taxation			<u>5,007</u>		<u>4,780</u>
Total return before distributions			38,303		18,153
Distributions	6		<u>(11,945)</u>		<u>(11,033)</u>
Change in net assets attributable to unitholders from investment activities			<u>26,358</u>		<u>7,120</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 29th February 2020

	Year ended 29 th Feb. 2020		Year ended 28 th Feb. 2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		686,506		655,767
Amounts receivable on creation of units	76,435		56,996	
Amounts payable on cancellation of units	<u>(30,074)</u>		<u>(33,377)</u>	
In-specie transfer		<u>(14,095)</u>		<u>—</u>
Change in net assets attributable to unitholders from investment activities		32,266		23,619
		<u>26,358</u>		<u>7,120</u>
Closing net assets attributable to unitholders		<u>745,130</u>		<u>686,506</u>

BALANCE SHEET

as at 29th February 2020

	Notes	29 th Feb. 2020		28 th Feb. 2019	
		£'000	£'000	£'000	£'000
ASSETS:					
Investments			738,221		676,861
Current assets					
Debtors	7	18,169		4,340	
Cash & bank balances		<u>20,780</u>		<u>12,630</u>	
Total other assets			<u>38,949</u>		<u>16,970</u>
Total assets			<u>777,170</u>		<u>693,831</u>
LIABILITIES:					
Creditors					
Distribution payable		(7,639)		(6,651)	
Other creditors	8	<u>(24,401)</u>		<u>(674)</u>	
Total liabilities			<u>(32,040)</u>		<u>(7,325)</u>
Net assets attributable to unitholders			<u>745,130</u>		<u>686,506</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29th February 2020

1. Accounting policies

- (a) The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the IMA (now known as the Investment Association) in May 2014, updated in June 2017, (the "SORP").
- (b) Dividends receivable from equity investments are recognised gross of withholding tax and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.
- (c) Special dividends are treated as revenue or capital depending on the facts of each particular case.
- (d) Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund.
- (e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

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

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

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of April. An interim distribution based on available revenue is distributed on the last day of October. The ordinary element of stock dividends is treated as revenue and forms part of the distribution and indexation on index linked bonds is included as part of the distribution. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.
- (g) All investments have been valued at their fair value, at close of business on the last business day of the period, which is generally the bid market value net of any accrued revenue.
- (h) Foreign currency transactions are translated at the rates ruling on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at exchange rates prevailing at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

continued

2. Net capital gains

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Non-derivative securities	33,634	13,890
Currency losses	(325)	(509)
Custodial transaction fees	(13)	(8)
Net capital gains*	<u>33,296</u>	<u>13,373</u>
<i>*includes realised gains on investments sold</i>	<u>18,971</u>	<u>27,534</u>

3. Revenue

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Bank interest	22	25
Interest on UK debt securities	2,998	2,880
Interest on overseas debt securities	1,281	1,205
UK dividends	3,351	3,079
Overseas dividends	5,985	5,875
Stock dividends	510	—
Property income distributions on UK REITs	—	110
Total revenue	<u>14,147</u>	<u>13,174</u>

NOTES TO THE FINANCIAL STATEMENTS

continued

4. Expenses

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	7,586	6,941
- Transfer agency fee	456	439
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	117	108
- Safe custody fee	230	220
Other expenses:		
- Audit fee	9	10
- Fund accounting fee	49	46
- Legal and professional service fees	5	10
- Sundry fees*	24	27
Total expenses	<u>8,476</u>	<u>7,801</u>

*Includes FT listing fees, financial statement printing and postage, tax computation fees for £2,800 performed by the fund's auditors, PricewaterhouseCoopers LLP (2019: £2,700), and other fees.

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
(a) Analysis of tax charge		
Overseas tax	615	593
Indian capital gains tax	49	—
	<u>664</u>	<u>593</u>

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower (2019 - lower) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Net revenue before taxation	<u>5,671</u>	<u>5,373</u>
Corporation tax at 20%	1,134	1,075
<i>Effects of:</i>		
Indexation allowance	(80)	73
Indian capital gains tax	49	—
Movement in unrecognised tax losses	867	388
Overseas tax	615	593
Overseas tax expensed	(9)	(9)
Prior year adjustment to tax losses	—	201
Revenue not subject to tax	<u>(1,912)</u>	<u>(1,728)</u>
Current tax charge for the year	<u>664</u>	<u>593</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £5,769,360 (2019 - £4,902,835) 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 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Interim	4,589	4,456
Final	7,639	6,651
	<u>12,228</u>	<u>11,107</u>
Add: Revenue deducted on cancellation of units	70	244
Add: Revenue deducted on in-specie transfer	91	—
Deduct: Revenue received on creation of units	(444)	(318)
Net distribution for the year	<u>11,945</u>	<u>11,033</u>
Net revenue after taxation	5,007	4,780
Expenses taken to capital	7,586	6,941
Tax attributable to capital	(697)	(688)
Indian capital gains tax	49	—
Net distribution for the year	<u>11,945</u>	<u>11,033</u>

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

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Debtors

	29 th Feb. 2020	28 th Feb. 2019
	£'000	£'000
Amounts receivable for creation of units	1,526	618
Foreign currency contracts awaiting settlement	7,138	—
Overseas withholding tax recoverable	594	656
Prepaid expenses	3	4
Revenue receivable:		
Overseas bond interest	833	1,100
Overseas equities	405	404
UK bond interest	342	279
UK equities	251	299
Sales awaiting settlement	7,077	980
	<u>18,169</u>	<u>4,340</u>

8. Other Creditors

	29 th Feb. 2020	28 th Feb. 2019
	£'000	£'000
Accrued expenses:		
Audit fee	9	9
Fund accounting fee	8	7
Manager's periodic charge	623	548
Registrar's fee	2	2
Safe custody fee	35	39
Transfer agency fee	42	29
Trustee's fee	9	8
Custodial transaction fees	3	1
Other	7	9
Amounts payable for cancellation of units	—	22
Foreign currency contracts awaiting settlement	7,142	—
Indian capital gains tax	66	—
Purchases awaiting settlement	16,455	—
	<u>24,401</u>	<u>674</u>

9. Unit movement

For the year 1st March 2019 to 29th February 2020

Opening units	14,499,111
Units created	1,497,022
Units cancelled	(890,800)
Closing units	<u>15,105,333</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% (2019 - 0.8%).

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, UK or Norwegian 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.

It is estimated that 93% of the fund could be realised within 5 days, based upon normal trading activities and achieving 30% of the 30-day average traded volume.

continued

11. Portfolio Risk Analysis continued

Credit quality

All debt securities in the portfolio at the balance sheet date are investment grade (2019 - same).

Market Price Risk

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

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

Interest Rate Risk

The 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.

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 risk to the fund of reaching the end of the post-Brexit transitional period with the EU without a trade deal as low.

Dividend Risk

The fund invests part of the portfolio in equities, from which it receives dividend income. In light of the Coronavirus crisis, the ability of companies to continue to pay historic levels of dividends is uncertain. As a result, dividend payments, and therefore the income derived by the fund may be adversely affected.

To Manager seeks to mitigate such risk by maintaining a prudent diversification of investments.

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
29th February 2020		
Level 1: Quoted prices	738,221	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	738,221	—
28th February 2019		
Level 1: Quoted prices	676,861	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	676,861	—

Risk Exposure

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

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

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

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

	Year ended 29 th Feb. 2020	Year ended 28 th Feb. 2019
	%	%
Year end VaR	5.54	4.89
Minimum VaR	4.81	4.44
Maximum VaR	5.56	5.32
Average VaR	5.19	4.87

Leverage

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

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs

For the year 1st March 2019 to 29th February 2020

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	64,189	42	0.07	91	0.14
Debt instruments (direct)	100,034	32	0.03	—	—
Commodities	2,105	1	0.05	—	—
Total purchases	166,328	75		91	

**Total purchases including
transaction costs**

166,494

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	45,812	30	0.07	8	0.02
Debt instruments (direct)	71,557	3	0.00	—	—
Commodities	9,041	5	0.05	—	—
Total sales	126,410	38		8	

**Total sales net of
transaction costs**

126,364

Total transaction costs 113 99

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

There was an additional sales value of £13,205,953 due to an Inspecie transfer.

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs continued

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%

The above analysis covers any direct transaction costs carried by the fund during the year. 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 investments. Additionally for equity shares there are dealing spread costs (the difference between the buying and selling prices) which are payable on purchase and sale transactions.

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.17% (2019 - 0.10%).

NOTES TO THE FINANCIAL STATEMENTS

continued

13. Post Balance Sheet Events

Subsequent to the year end, the net asset value per unit (Personal class) has decreased from £49.697 to £48.762 as at 17th April 2020. This primarily reflects movements in financial markets resulting from the global Coronavirus pandemic.

DISTRIBUTION TABLES

**in pence per unit
for year ended 29th February 2020**

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st March 2019

Group 2 - Units purchased 1st March 2019 to 31st August 2019

	Dividend income	Equalisation*	Amount paid
Group 1	31.000	—	31.000
Group 2	5.762	25.238	31.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st September 2019

Group 2 - Units purchased 1st September 2019 to 29th February 2020

	Dividend income	Equalisation*	Amount payable
Group 1	50.573	—	50.573
Group 2	16.472	34.101	50.573

*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 29th February 2020**

	Year to 29 th Feb. 2020	Year to 28 th Feb. 2019
Interim paid	31.000	31.000
Final payable/paid	50.573	45.874
	<u>81.573</u>	<u>76.874</u>

DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	29.02.20	30.04.20
Interim	31.08.20	31.10.20

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