



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## BALANCED FUND

*A pooled management service for private clients*

ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> APRIL 2017

## CONTENTS

### AUTHORISED FUND MANAGER'S REPORT\*

	Page
Introduction	2
Manager's Investment Report	3-6
Net Asset Value per unit and Comparative Tables	7-8
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
Statement of the Trustee's Responsibilities and Trustee's Report	17-18
Independent Auditors' Report	19-21

### FINANCIAL STATEMENTS

Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders	22
Balance Sheet	23
Notes to the Financial Statements	24-35
Distribution Tables	36-37

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

## MANAGER'S INVESTMENT REPORT

At 30<sup>th</sup> April 2017, total net assets of the fund amounted to £634,765,528 compared with £509,787,873 twelve months before. There were 1,127 unitholders, excluding ISAs, with an average holding worth £543,669.

### Markets

Over the year to 30<sup>th</sup> April 2017, equity markets were strong in spite of considerable political upheaval. The UK's vote to leave the European Union surprised many investors but the subsequent weakness of sterling was a boon for companies with profits generated in foreign currencies. Likewise, it increased the value of overseas investments for UK investors. The US election result was also unexpected but markets responded with optimism, sending already expensive valuations still higher.

Measured by MSCI indices in local currency, the UK equity market rose by 15% over the course of the year. The USA and Europe both gained 16%, while developing markets as a group were up 15%. In sterling terms, the impact of currency movements is evident in the 27% rise in the overall MSCI All Country World index over the period.

Bond prices in the UK and USA fell. The prospect of rising interest rates and higher inflation reduced the appeal of fixed-interest stocks. Shorter-dated government issues in each country, both conventional and inflation-protected, fell by up to 2%. However performance for their longer-dated counterparts diverged. Issues in the USA lost 4-6% of their value, but the prices of UK equivalent holdings rose significantly as Brexit made rate rises less likely in the short term.

Sterling weakened against other major currencies, falling 7% against the euro and 11% against the US dollar.

### Results

The price of Personal units in the fund at 30<sup>th</sup> April 2017 stood at £46.612, an increase of 13% over the course of the year. This reflected the strength of equity markets, coupled with an increase in the value of overseas assets as a result of sterling weakness. These positive factors were offset to some degree by falling bond prices.

### Dividend Distribution

A final dividend distribution of 42.609p per unit is now being paid. This brings total distributions for the year past to 73.609p, an increase of 1% on the 2016 figure.

The distribution for the next six months is expected to be broadly similar to that for the corresponding period in 2016.

## MANAGER'S INVESTMENT REPORT

### Portfolio Strategy

As mentioned in the interim report, a 5% allocation to gold was added to the portfolio in early October. This was achieved by purchasing two securities backed by physical gold bullion. These additions should provide further diversification, as well as some protection in the event of loss of confidence in central banks and the financial system more generally. Gold has traditionally been a store of value in times of particular anxiety about the global outlook. These purchases were funded by an equivalent reduction in the bond allocation.

The portfolio allocation to Japanese equities was increased from 2% to 5% of the portfolio to gain exposure to opportunities in exporting companies, which are benefiting from favourable exchange rates and structural reforms.

At 30<sup>th</sup> April 2017, 59% of the portfolio was allocated to equities (62% at 30<sup>th</sup> April 2016), 34% to bonds (36%), 5% to gold (n/a) and 2% to cash deposits (2%).

### Investments

Net new funds for investment of almost £57 million were subscribed during the year. These were largely used to increase existing holdings. Three Japanese companies were added to the portfolio: Misumi, an industrial component supplier, Nissan Chemical Industries, a speciality chemical manufacturer, and Shimadzu, a precision instruments manufacturer. A new position was also established in Henkel, a German chemical and consumer goods group. Holdings in Fielmann, Hong Kong & China Gas, Telekomunikasi Indonesia, Roper, RPM and WW Grainger were sold.

Spirax-Sarco (+52%) and Mettler-Toledo (+43%) recorded the strongest gains during the period in local currency terms; it was a disappointing period for MTN (-15%) and Tractor Supply (-35%).

In the bond allocations, new investments were made in medium-dated issues in the UK and USA, funded by the sale of longer-dated issues and the redemption of short-dated US dollar and sterling stocks.

## MANAGER'S INVESTMENT REPORT

### Outlook

The global outlook for investment is heavily coloured by political uncertainty. In the USA, President Trump faces growing resistance to his initiatives and the country's direction under his leadership appears increasingly confused. Mounting scandals highlighted by the independent probe into his campaign's connections with Russia could further impede an already erratic administration. Republican opposition in Congress is likely to be emboldened. This bodes ill for his promises of protectionist measures and heavy infrastructure spending. Both are unpopular with supporters of free trade and balanced budgets. Recent equity market strength, based on the prospect of tax cuts and stimulus programmes, may prove ill-founded, potentially adding to the disillusionment of voters. The President's rhetoric to date has only reinforced existing divisions within the country. Were he to be impeached, hostility against the political establishment, the main target of his vitriol, would become even more bitter – extending perhaps, in the worst case, to violent protest.

From an international perspective, Trump's unpredictable behaviour seems to be undermining the credibility of US foreign policy, not least as it affects diplomatic efforts and international trading arrangements. His preference for deal-making over a more considered, long-term strategy makes it difficult to assess the direction of global politics.

Despite this volatile background, the USA's economic foundations are relatively reassuring. Industrial production is strong, although productivity remains stubbornly sluggish. Unemployment is at a ten-year low and inflation remains moderate, while interest rates are gradually normalising. As a result, the Federal Reserve seems confident enough to begin to unwind its policy of quantitative easing by reducing its asset holdings later this year.

Some aspects of the UK's economic performance are also quite reassuring. Job creation and retail sales figures are encouraging and unemployment here is at its lowest since 1975. On the other hand, inflation now outpaces wage rises and productivity, already low, declined in the first quarter of the year.

The country's immediate outlook is overshadowed by a hung parliament. The Conservative government's decision to call for a snap general election to strengthen their position backfired and this may make it more difficult for any 'hard' Brexit to be forced through. The route ahead is very unclear, but negotiations with European partners are likely to be greatly complicated by domestic political instability.

## MANAGER'S INVESTMENT REPORT

### **Outlook (continued)**

In the eurozone, there was relief at the result of the recent French presidential election. The country's deep divisions, however, remain. Unemployment in France remains high, particularly among young people. But the prospect of a more business-friendly (if inexperienced) president, is raising confidence in both the manufacturing and service sectors. More elections are on the horizon; Germany and Italy will both vote in the next twelve months. Nevertheless growth across Europe is accelerating despite the lack of clarity on the political front, and even surpassed that of the USA in the first quarter.

Japan is also making progress with its reflationary programme, even if this has disappointed some more optimistic expectations. GDP growth is gaining momentum and appears well-balanced; exports and domestic consumption are the most important contributors to the economy. Japan remains home to some excellent companies with strong market positions.

China, too, is trying to rebalance its economy. Its dangerous reliance on exports and investment-driven growth should fall, as a much greater emphasis is made on stimulating domestic consumption. But debt levels remain worryingly high, much of it concealed in opaque structures with minimal formal reporting requirements. Meanwhile, growth in India has been encouraging and the country has made some progress with its own debt problems. More immediately, the government needs to address the shortage of cash in circulation following the withdrawal of two widely-used notes. In Brazil, there are early signs of economic recovery, but these could be undermined if corruption allegations against President Temer eventually topple his government.

Referenda and elections dominate headlines across the world, as mainstream centrists wrestle with the impact of globalisation and prolonged austerity on electorates. Equity market valuations are elevated, and price levels do not appear to discount potential risks, even if economic foundations look reasonably stable. In the light of potential setbacks, precautionary measures have been taken to protect the portfolio's underlying value. It has always been our policy to take account of apparent risk, particularly those not fully reflected in market prices. A cautious approach is favoured, based on a wide diversification of assets, including some exposure to gold.

*12<sup>th</sup> June 2017*

## COMPARATIVE TABLE — PERSONAL CLASS

	30 <sup>th</sup> April 2017 (pence per unit)	30 <sup>th</sup> April 2016 (pence per unit)	30 <sup>th</sup> April 2015 (pence per unit)
<b>Change in net assets per unit</b>			
Opening net asset value per unit	4,073.37	3,988.30	3,657.73
Return before operating charges*	667.55	202.17	448.17
Operating charges	(50.92)	(44.53)	(43.45)
Return after operating charges	616.63	157.64	404.72
Distributions	(73.61)	(72.57)	(74.15)
<b>Closing net asset value per unit</b>			
	4,616.39	4,073.37	3,988.30
*After direct transaction costs of	(2.20)	(1.57)	(7.58)
<b>Performance**</b>			
Return after charges	15.14%	3.95%	11.06%
<b>Other information</b>			
Closing net asset value (£'000)	634,766	483,075	420,428
Closing number of units	13,750,247	11,859,360	10,541,545
Operating charges	1.12%	1.13%	1.13%
Direct transaction costs	0.05%	0.04%	0.20%
<b>Prices</b>			
Highest unit price	£47.978	£42.233	£42.049
Lowest unit price	£40.398	£37.281	£36.087
<b>Portfolio turnover</b>			
Annualised	56%	68%	78%

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

Please note that the capital return element, reflected in the performance figure noted above, may vary from the unit price movement noted in the Manager's Report. The unit price is struck at the daily valuation point at noon, whereas the valuation of investments reported in financial statements are struck at the close of business on the last business day of the period (See note 1 (g)), creating a timing difference.



## COMPARATIVE TABLE — LEGACY CLASS

	21 <sup>st</sup> Dec. 2016 (pence per unit)	30 <sup>th</sup> April 2016 (pence per unit)	30 <sup>th</sup> April 2015 (pence per unit)
<b>Change in net assets per unit</b>			
Opening net asset value per unit	4,005.28	3,941.44	3,633.10
Return before operating charges*	519.67	198.70	443.92
Operating charges	(45.85)	(63.31)	(62.09)
Return after operating charges	473.82	135.39	381.83
Distributions	(31.00)	(71.55)	(73.49)
Amounts transferred to Personal class***	(4,448.10)	—	—
<b>Closing net asset value per unit</b>			
	—	4,005.28	3,941.44
*After direct transaction costs of	(1.37)	(1.55)	(7.51)
<b>Performance**</b>			
Return after charges	11.83%	3.44%	10.51%
<b>Other information</b>			
Closing net asset value (£'000)	—	26,713	31,329
Closing number of units	—	666,932	794,868
Operating charges	1.62%	1.63%	1.63%
Direct transaction costs	0.08%	0.04%	0.20%
<b>Prices</b>			
Highest unit price	£47.068	£41.533	£41.563
Lowest unit price	£39.712	£36.768	£35.760

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

\*\*\*Units in the Legacy class were converted to units in the Personal class on 21<sup>st</sup> December 2016.

## PORTFOLIO STATEMENT

as at 30<sup>th</sup> April 2017

INVESTMENTS	Holding or Nominal Value of positions at 30 <sup>th</sup> April 2017	Bid Market Value £'000	Percentage of Value of total net assets	
<i>Bonds</i>			30 <sup>th</sup> April 2017	30 <sup>th</sup> April 2016
<b>UK</b>				
UK Treasury 1% 2017	£17,382,000	17,428	2.7	
UK Treasury 1.25% 2017	£10,105,000	14,410	2.3	
UK Treasury 1.5% 2026	£23,719,000	24,715	3.9	
UK Treasury 2.25% 2023	£16,868,000	18,585	2.9	
UK Treasury 2.75% 2024	£12,682,000	14,489	2.3	
		<u>89,627</u>	<u>14.1</u>	<u>18.9</u>
<b>USA</b>				
US Treasury 0.125% 2024	\$46,460,000	36,635	5.8	
US Treasury 0.125% 2026	\$42,188,000	32,508	5.1	
US Treasury 0.25% I-L 2025	\$16,125,000	12,745	2.0	
US Treasury 1.5% 2026	\$23,415,000	16,931	2.7	
US Treasury 2% 2025	\$17,418,000	13,289	2.1	
US Treasury 2.25% 2024	\$17,147,000	13,343	2.1	
		<u>125,451</u>	<u>19.8</u>	<u>17.3</u>
<b>TOTAL BONDS</b>		<u><u>215,078</u></u>	<u><u>33.9</u></u>	<u><u>36.2</u></u>
<i>Equities</i>				
<b>UK</b>				
Keller	781,992	7,237	1.1	
Land Securities	1,188,000	13,127	2.1	
Reckitt Benckiser	99,700	7,089	1.1	
Rio Tinto	391,950	12,001	1.9	
Rotork	3,077,830	7,565	1.2	
Spirax-Sarco	346,621	18,007	2.8	
		<u>65,026</u>	<u>10.2</u>	<u>12.4</u>
<b>US</b>				
Abbott Laboratories	391,000	13,189	2.1	
Becton Dickinson	89,200	12,888	2.0	
Church & Dwight	198,680	7,603	1.2	
Ecolab	83,900	8,370	1.3	
Mettler-Toledo	51,900	20,596	3.3	
O'Reilly Automotive	41,900	8,037	1.3	
Paychex	348,500	15,971	2.5	
Schlumberger	102,700	5,761	0.9	
Tractor Supply	110,560	5,290	0.8	
Watsco	79,320	8,508	1.3	
		<u>106,213</u>	<u>16.7</u>	<u>20.7</u>

## PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 30 <sup>th</sup> April 2017	Bid Market Value £'000	Percentage of Value of total net assets	
			30 <sup>th</sup> April 2017	30 <sup>th</sup> April 2016
<i>Equities continued</i>				
<b>FRANCE</b>				
Essilor International	60,860	6,088	1.0	
Unibail-Rodamco	42,670	8,095	1.3	
		<u>14,183</u>	<u>2.3</u>	<u>2.4</u>
<b>GERMANY</b>				
Fresenius Medical Care	189,250	12,992	2.0	
Fuchs Petrolub	401,000	13,946	2.2	
Henkel pref.	71,500	7,532	1.2	
SAP	208,100	16,132	2.6	
		<u>50,602</u>	<u>8.0</u>	<u>7.2</u>
<b>IRELAND</b>				
Kerry 'A'	217,600	13,769	2.2	2.2
<b>NETHERLANDS</b>				
Boskalis Westminster	149,800	4,257	0.7	
Royal Dutch Shell 'B'	818,340	16,796	2.6	
		<u>21,053</u>	<u>3.3</u>	<u>3.7</u>
<b>SWITZERLAND</b>				
Sonova	69,000	7,876	1.2	1.2
<b>AUSTRALIA</b>				
ARB	589,011	5,267	0.8	1.0
<b>JAPAN</b>				
Misumi	446,800	6,537	1.0	
Nissan Chemical Industries	244,700	5,854	0.9	
Shimadzu	481,000	6,300	1.0	
Shimano	52,900	6,240	1.0	
Systemex	133,600	6,272	1.0	
		<u>31,203</u>	<u>4.9</u>	<u>2.1</u>

## PORTFOLIO STATEMENT

continued

		Holding or Nominal Value of positions at 30 <sup>th</sup> April 2017	Bid Market Value £'000	Percentage of Value of total net assets 30 <sup>th</sup> April 2017    30 <sup>th</sup> April 2016	
<i>Equities continued</i>					
<b>DEVELOPING MARKETS</b>					
<i>Brazil</i>	Localiza Rent A Car	700,690	8,007	1.3	
<i>Hong Kong</i>	Vitasoy International	3,784,000	5,724	0.9	
<i>India</i>	Mahindra & Mahindra-GDR	188,020	3,001	0.5	
	Mahindra & Mahindra	227,700	3,656	0.6	
	Marico	2,016,000	7,613	1.2	
<i>Mexico</i>	Wal-Mart de Mexico	3,874,260	6,687	1.0	
<i>Portugal</i>	Jeronimo Martins	451,100	6,396	1.0	
<i>S Africa</i>	MTN	701,575	5,124	0.8	
<i>Singapore</i>	Thai Beverage	12,054,000	6,133	1.0	
<i>Taiwan</i>	Giant Manufacturing	1,204,000	5,629	0.9	
			<u>57,970</u>	<u>9.2</u>	<u>8.8</u>
<b>TOTAL EQUITIES</b>			<u><u>373,162</u></u>	<u><u>58.8</u></u>	<u><u>61.7</u></u>
<i>Commodities</i>					
<b>UK</b>					
	ETFS Physical Gold	166,440	15,684	2.4	
	Gold Bullion Securities	168,860	15,688	2.5	
			<u>31,372</u>	<u>4.9</u>	<u>—</u>
<b>TOTAL COMMODITIES</b>			<u><u>31,372</u></u>	<u><u>4.9</u></u>	<u><u>—</u></u>
<b>TOTAL INVESTMENTS</b>			619,612	97.6	97.9
Net other assets			<u>15,154</u>	<u>2.4</u>	<u>2.1</u>
<b>TOTAL NET ASSETS</b>			<u><u>634,766</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 30<sup>th</sup> April 2017 are investment grade.

## SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 30<sup>th</sup> April 2017

	Cost £'000
Purchases	
99,340 Church & Dwight ( <i>stock split</i> )	—
166,440 ETFS Physical Gold	16,324
15,300 Fresenius Medical Care	995
339,000 Giant Manufacturing	1,745
168,860 Gold Bullion Securities	16,306
71,500 Henkel pref.	7,053
105,300 Jeronimo Martins	1,402
35,930 Kerry 'A'	2,030
161,960 Localiza Rent A Car	1,603
88,700 Mahindra & Mahindra	1,353
446,800 Misumi	6,416
388,975 MTN	3,027
244,700 Nissan Chemical Industries	6,879
481,000 Shimadzu	6,460
5,300 Shimano	641
9,800 Sysmex	476
22,720,000 UK Treasury 1% 2017	22,932
3,885,000 UK Treasury 1.25% 2017	5,490
23,719,000 UK Treasury 1.5% 2026	24,061
32,350,000 UK Treasury 1.75% 2017	32,621
2,300,000 UK Treasury 2.25% 2023	2,484
5,320 Unibail-Rodamco	999
1,600,000 US Treasury 0.125% 2024	1,297
42,188,000 US Treasury 0.125% 2026	33,342
16,125,000 US Treasury 0.25% I-L 2025	12,975
1,347,000 US Treasury 0.75% I-L 2042	984
23,415,000 US Treasury 1.5% 2026	17,282
1,082,000 US Treasury 2% 2025	793
1,042,870 Wal-Mart de Mexico	1,520
TOTAL	<u>229,490</u>

## SUMMARY OF ALL PORTFOLIO CHANGES

continued

	Proceeds
Disposals	£'000
97,400 Fielmann	5,296
1,743,468 Hong Kong & China Gas	2,214
7,450 MettlerToledo	2,466
146,300 Reckitt Benckiser	10,003
52,435 Roper Industries	7,807
156,400 RPM International	6,463
29,500,000 Telekomunikasi Indonesia	5,293
19,025,000 UK Treasury 1% 2017	19,181
32,350,000 UK Treasury 1.75% 2017	32,510
11,405,000 UK Treasury 4.25% 2036	15,666
29,530,000 UK Treasury 0% 2016	29,530
14,472,000 US Treasury 0.75% I-L 2042	11,547
15,015,000 US Treasury 2.75% 2042	11,319
21,000,000 US Treasury 0% 2016	16,114
43,000 WW Grainger	8,489
TOTAL	<u>183,898</u>

## 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 capital gains tax on realised capital gains.

### **Applications**

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

### **Data Protection**

Unitholders' names will be added to a mailing list which may be used by the Manager, or its associate, to provide investors with information related to their investment, including occasional topical articles. Unitholders who would not like to receive such information can write to the Manager requesting their removal from any such mailing list.

### **Remuneration Policy**

McInroy & Wood Portfolios Limited ("MWP") delegates investment management of the fund to McInroy & Wood Ltd ("MW"), the Investment Advisor. Directors and staff working on the Fund are not remunerated by MWP, but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. The group remuneration policy is approved annually by the 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
---	---	---	---	---	---	---

#### Lower risk

Typically lower rewards

#### Higher risk

Typically higher rewards

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

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



## **STATEMENT OF THE MANAGER'S RESPONSIBILITIES**

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

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

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

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

## **DIRECTORS' STATEMENT**

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

T A U Wood  
*Director*

J C McAulay  
*Director*

*Haddington, 12<sup>th</sup> June 2017*

## **STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES**

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

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

The Trustee is responsible for the safekeeping 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.

## REPORT OF THE TRUSTEE

### to the unit holders of **McInroy & Wood Balanced Fund** for the year ended 30<sup>th</sup> April 2017

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

For and on behalf of  
BNY Mellon Trust & Depositary  
(UK) Limited  
London

*12<sup>th</sup> June 2017*

# INDEPENDENT AUDITORS' REPORT

## Report on the financial statements

### *Our opinion*

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

- give a true and fair view of the financial position of the Trust as at 30<sup>th</sup> April 2017 and of the net revenue and the net capital gains of the scheme property of the Trust for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

### *What we have audited*

The financial statements, which are prepared by McInroy & Wood Portfolios Limited (the "Authorised Fund Manager"), comprise:

- the balance sheet as at 30<sup>th</sup> April 2017;
- the statement of total return for the year then ended;
- the statement of change in net assets attributable to unitholders for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information; and
- the distribution tables.

The financial reporting framework that has been applied in their preparation is 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 'Financial Statements of UK Authorised Funds' issued by the Investment Management Association (the "Statement of Recommended Practice for UK Authorised Funds"), the Collective Investment Schemes sourcebook and the Trust Deed.

In applying the financial reporting framework, the Authorised Fund Manager has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, the Authorised Fund Manager has made assumptions and considered future events.

## INDEPENDENT AUDITORS' REPORT

continued

### **Opinions on matters prescribed 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; and
- 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.

### **Other matters on which we are required to report by exception**

*Propriety of accounting records and information and explanations received*

Under the Collective Investment Schemes Sourcebook we are 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.

### **Responsibilities for the financial statements and the audit**

*Our responsibilities and those of the Authorised Fund Manager*

As explained more fully in the Authorised Fund Manager's Responsibilities Statement set out on page 16, the Authorised Fund Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

# INDEPENDENT AUDITORS' REPORT

continued

## **Responsibilities for the financial statements and the audit continued**

*What an audit of financial statements involves*

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (ISAs (UK & Ireland)). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Authorised Fund Manager; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

PricewaterhouseCoopers LLP  
Chartered Accountants  
and Statutory Auditors  
Edinburgh

12<sup>th</sup> June 2017

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF TOTAL RETURN

for the year ended 30<sup>th</sup> April 2017

	Notes	Year ended 30 <sup>th</sup> April 2017		Year ended 30 <sup>th</sup> April 2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		73,776		16,007
Revenue	3	11,219		10,229	
Expenses	4	<u>(6,688)</u>		<u>(5,410)</u>	
Net revenue before taxation		4,531		4,819	
Taxation	5	<u>(489)</u>		<u>(508)</u>	
Net revenue after taxation			<u>4,042</u>		<u>4,311</u>
Total return before distributions			77,818		20,318
Distributions	6		<u>(9,501)</u>		<u>(8,614)</u>
Change in net assets attributable to unitholders from investment activities			<u>68,317</u>		<u>11,704</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 30<sup>th</sup> April 2017

	Year ended 30 <sup>th</sup> April 2017		Year ended 30 <sup>th</sup> April 2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		509,788		451,757
Amounts receivable on creation of units	68,406		58,717	
Amounts payable on cancellation of units	<u>(11,745)</u>		<u>(12,390)</u>	
		56,661		46,327
Change in net assets attributable to unitholders from investment activities		<u>68,317</u>		<u>11,704</u>
Closing net assets attributable to unitholders		<u>634,766</u>		<u>509,788</u>

## BALANCE SHEET

as at 30<sup>th</sup> April 2017

	Notes	30 <sup>th</sup> April 2017		30 <sup>th</sup> April 2016	
		£'000	£'000	£'000	£'000
<b>ASSETS:</b>					
Investments			619,612		499,124
<b>Current assets</b>					
Debtors	7	3,287		6,684	
Cash & bank balances		18,361		11,498	
Total other assets			<u>21,648</u>		<u>18,182</u>
Total assets			<u>641,260</u>		<u>517,306</u>
<b>LIABILITIES:</b>					
<b>Creditors</b>					
Distribution payable		(5,859)		(5,325)	
Other creditors	8	(635)		(2,193)	
Total liabilities			<u>(6,494)</u>		<u>(7,518)</u>
Net assets attributable to unitholders			<u>634,766</u>		<u>509,788</u>



# NOTES TO THE FINANCIAL STATEMENTS

as at 30<sup>th</sup> April 2017

## 1. Accounting policies

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 2. Net gains on investments:

	Year ended 30 <sup>th</sup> April 2017 £'000	Year ended 30 <sup>th</sup> April 2016 £'000
Non-derivative securities	74,791	15,497
Currency (losses)/gains	(998)	537
Custodial transaction fees	(17)	(27)
Net capital gains*	<u>73,776</u>	<u>16,007</u>
<i>*includes realised gains on investments sold</i>	<u>25,551</u>	<u>7,493</u>

### 3. Revenue

Dividends on overseas equities	5,333	4,418
Dividends on UK equities	2,579	2,653
Interest on bank deposits	—	1
Interest on overseas interest-bearing securities	1,018	984
Interest on UK interest-bearing securities	1,845	1,920
Property income distributions	444	253
Total revenue	<u>11,219</u>	<u>10,229</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Expenses

	Year ended 30 <sup>th</sup> April 2017 £'000	Year ended 30 <sup>th</sup> April 2016 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	5,993	4,834
- Transfer agency fee	350	304
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	93	67
- Safe custody fee	142	124
Other expenses:		
- Audit fee	11	7
- French withholding tax recovery fee	16	15
- Fund accounting fee	42	33
- Legal and professional fees	16	5
- Sundry fees*	25	21
Total expenses	<u>6,688</u>	<u>5,410</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 5. Taxation

	Year ended 30 <sup>th</sup> April 2017 £'000	Year ended 30 <sup>th</sup> April 2016 £'000
<b>(a) Analysis of tax charge</b>		
French withholding tax recoverable	(170)	(1)
Overseas withholding tax	659	509
	<u>489</u>	<u>508</u>

### **(b) Factors affecting the tax charge for the year**

The tax assessed for the period is lower (2016 - lower) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

Net revenue before taxation	<u>4,531</u>	<u>4,819</u>
Corporation tax at 20%	906	964
<i>Effects of:</i>		
French withholding tax recoverable	(170)	(1)
Irrecoverable overseas withholding tax	659	509
Movement in excess management expenses	662	403
Revenue not subject to corporation tax	(1,550)	(1,359)
Overseas tax expensed	<u>(18)</u>	<u>(8)</u>
Current tax charge for the year	<u>489</u>	<u>508</u>

### **(c) Deferred tax**

At the balance sheet date, there is a potential deferred tax asset of £3,662,892 (2016 - £3,000,975) in respect of excess management expenses. 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 year 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 30 <sup>th</sup> April 2017 £'000	Year ended 30 <sup>th</sup> April 2016 £'000
Interim	4,001	3,547
Final	5,859	5,325
	<u>9,860</u>	<u>8,872</u>
Add: Revenue deducted on cancellation of units	51	75
Deduct: Revenue received on creation of units	(410)	(333)
Net distribution for the year	<u>9,501</u>	<u>8,614</u>
Net revenue after taxation	4,042	4,311
Expenses taken to capital	5,993	4,834
Tax attributable to capital	(537)	(531)
Less: Equalisation on conversions	3	—
Net distribution for the year	<u>9,501</u>	<u>8,614</u>

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

### 7. Debtors

	30 <sup>th</sup> April 2017 £'000	30 <sup>th</sup> April 2016 £'000
Amounts receivable for creation of units	1,396	1,801
Foreign currency contracts awaiting settlement	—	1,695
Overseas withholding tax recoverable	591	351
Prepaid expenses	2	5
Revenue receivable:		
Overseas bond interest	282	251
Overseas equities	333	169
UK bond interest	306	236
UK equities	377	480
Sales awaiting settlement	—	1,696
	<u>3,287</u>	<u>6,684</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

<b>8. Other creditors</b>	30 <sup>th</sup> April 2017	30 <sup>th</sup> April 2016
	£'000	£'000
Accrued expenses:		
Audit fee	9	7
Fund accounting fee	6	1
Manager's periodic charge	532	422
Registrar's fee	2	2
Safe custody fee	35	23
Trustee's fee	8	6
Transfer agency fee	25	22
Custodial transaction fees	6	4
Other	12	9
Amounts payable for cancellation of units	—	1
Foreign currency contracts awaiting settlement	—	1,696
	<u>635</u>	<u>2,193</u>

## 9. Unit movement

For the year 1<sup>st</sup> May 2016 to 30<sup>th</sup> April 2017

	Legacy	Personal
Opening units	666,932	11,859,360
Units created	4,412	1,499,590
Units cancelled	(36,399)	(231,012)
Units converted	(634,945)	622,309
Closing units	<u>—</u>	<u>13,750,247</u>

## 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 1.5% (2016 - 1.4%).

continued

### 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 Cashflow Risk**

The fund has little exposure to credit risk. There are no borrowings or unlisted securities of a material nature and so there is little exposure to liquidity risk.

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

#### **Credit quality**

All debt securities in the portfolio at the balance sheet date are investment grade (2016 - 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.

# NOTES TO THE FINANCIAL STATEMENTS

continued

## 11. Portfolio Risk Analysis continued

### 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 value of such securities and deposits and on the amount of revenue derived from them.

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

The interest rate profile of portfolio investments at 30<sup>th</sup> April was:

### Interest rate profile

	Floating rate Investments £'000	Fixed rate Investments £'000	Non interest bearing Investments £'000	Total £'000
<b>30<sup>th</sup> April 2017</b>				
Investment assets	—	215,078	404,534	619,612
<b>30<sup>th</sup> April 2016</b>				
Investment assets	—	184,656	314,468	499,124

### 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.

### Currency profile

The currency profile of the fund's net assets at 30<sup>th</sup> April was:

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
<b>30<sup>th</sup> April 2017</b>				
UK Sterling	13,793	171,450	185,243	29.2
US Dollar	505	266,037	266,542	42.0
Australian Dollar		5,267	5,267	0.8
Brazilian Real	33	8,007	8,040	1.3
Euro	650	89,206	89,856	14.2
Hong Kong Dollar		5,724	5,724	0.9
Indian Rupee		11,269	11,269	1.7
Japanese Yen	117	31,203	31,320	4.9
Mexican Peso		6,687	6,687	1.1
Singapore Dollar		6,133	6,133	1.0
South African Rand		5,124	5,124	0.8
Swiss Franc	56	7,876	7,932	1.2
Taiwan Dollar		5,629	5,629	0.9
	15,154	619,612	634,766	100.0



# NOTES TO THE FINANCIAL STATEMENTS

continued

## 11. Portfolio Risk Analysis continued

### Currency profile continued

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
<b>30<sup>th</sup> April 2016</b>				
US Dollar	309	196,917	197,226	38.7
UK Sterling	9,907	174,350	184,257	36.1
Euro	290	67,773	68,063	13.4
Japanese Yen	15	10,412	10,427	2.0
Hong Kong Dollar		7,057	7,057	1.4
Indian Rupee		7,300	7,300	1.4
Swiss Franc	125	6,295	6,420	1.3
Indonesian Rupiah		5,413	5,413	1.1
Australian Dollar		4,946	4,946	1.0
Mexican Peso		4,798	4,798	0.9
Singapore Dollar		4,561	4,561	0.9
Brazilian Real	18	3,517	3,535	0.7
Taiwan Dollar		3,543	3,543	0.7
South African Rand		2,242	2,242	0.4
	<u>10,664</u>	<u>499,124</u>	<u>509,788</u>	<u>100.0</u>

### 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
<b>30<sup>th</sup> April 2017</b>		
Quoted prices for identical instruments in active markets	404,534	—
Valuation techniques using observable market data	215,078	—
	<u><b>619,612</b></u>	<u>—</u>
<b>30<sup>th</sup> April 2016</b>		
Quoted prices for identical instruments in active markets	314,468	—
Valuation techniques using observable market data	184,656	—
	<u><b>499,124</b></u>	<u>—</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 11. Portfolio Risk Analysis continued

#### 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.

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

	Year ended 30 <sup>th</sup> Apr. 2017	Year ended 30 <sup>th</sup> Apr. 2016
	%	%
Year end VaR	5.08	5.51
Minimum VaR	4.57	4.32
Maximum VaR	5.58	5.75
Average VaR	5.06	4.92

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 12. Portfolio Transaction Costs

For the year 1<sup>st</sup> May 2016 to 30<sup>th</sup> April 2017

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	42,477	90	0.21	33	0.08
Debt instruments (direct)	154,261	—	—	—	—
Commodities	32,603	26	0.08	—	—
<b>Total purchases</b>	<b>229,341</b>	<b>116</b>		<b>33</b>	

**Total purchases including  
transaction costs**

**229,490**

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	48,168	126	0.26	11	0.02
Debt instruments (direct)	135,867	—	—	—	—
<b>Total sales</b>	<b>184,035</b>	<b>126</b>		<b>11</b>	

**Total sales net of  
transaction costs**

**183,898**

Total transaction costs	242	44
Total transaction costs as a % of average net assets	0.04%	0.01%

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 12. Portfolio Transaction Costs continued

For the year 1<sup>st</sup> May 2015 to 30<sup>th</sup> April 2016

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	28,973	60	0.21	77	0.27
Debt instruments (direct)	184,862	—	—	—	—
<b>Total purchases</b>	<b>213,835</b>	<b>60</b>		<b>77</b>	

**Total purchases including  
transaction costs** 213,972

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	43,394	47	0.11	3	0.01
Debt instruments (direct)	134,335	—	—	—	—
<b>Total sales</b>	<b>177,729</b>	<b>47</b>		<b>3</b>	

**Total sales net of  
transaction costs** 177,679

Total transaction costs 107 80

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

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

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

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

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

At the balance sheet date the average portfolio dealing spread (difference between bid and offer prices of all investments expressed as a percentage of the offer price value) was 0.11% (2016 - 0.10%).

### 13. Post Balance Sheet Events

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

## DISTRIBUTION TABLES

in pence per unit  
for the year ended 30<sup>th</sup> April 2017

### INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> May 2016

Group 2 - Units purchased 1<sup>st</sup> May 2016 to 31<sup>st</sup> October 2016

	Unit Class	Dividend income	Equalisation*	Amount paid 30.12.16
Group 1	<i>Legacy</i>	31.000	—	31.000
Group 2	<i>Legacy</i>	16.299	14.701	31.000
Group 1	<i>Personal</i>	31.000	—	31.000
Group 2	<i>Personal</i>	5.591	25.409	31.000

### FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> November 2016

Group 2 - Units purchased 1<sup>st</sup> November 2016 to 30<sup>th</sup> April 2017

	Unit Class	Dividend income	Equalisation*	Amount payable 30.06.17
Group 1	<i>Legacy**</i>	—	—	—
Group 2	<i>Legacy**</i>	—	—	—
Group 1	<i>Personal</i>	42.609	—	42.609
Group 2	<i>Personal</i>	14.545	28.064	42.609

\*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.

\*\*Units in the Legacy class were converted to units in the personal class on 21st December 2016.

## DISTRIBUTION TABLES

continued

### DISTRIBUTION SUMMARY

**in pence per unit  
for the year ended 30<sup>th</sup> April 2017**

	Year to 30 <sup>th</sup> April 2017		Year to 30 <sup>th</sup> April 2016	
	<i>Personal</i>	<i>Legacy</i>	<i>Personal</i>	<i>Legacy</i>
Interim paid	31.000	31.000	30.000	30.000
Final payable/paid	42.609	—	42.566	41.546
	<u>73.609</u>	<u>31.000</u>	<u>72.566</u>	<u>71.546</u>

### DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	30.04.17	30.06.17
Interim	31.10.17	30.12.17









*Manager*

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

*Directors*

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

*Secretary*

J C McAulay

*Investment Adviser*

McInroy & Wood Limited  
Easter Alderston  
Haddington  
EH41 3SF

*Trustee*

BNY Mellon Trust & Depositary (UK) Limited  
160 Queen Victoria Street  
London  
EC4V 4LA

*Registrar*

McInroy & Wood Portfolios Limited  
PO Box 12177  
Chelmsford  
CM99 2EA

*Independent Auditor*

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

AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY

McInroy & Wood Portfolios Limited is a subsidiary of  
McInroy & Wood Limited  
MWBF0417