



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## BALANCED FUND

*A pooled management service for private clients*

## INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31<sup>ST</sup> OCTOBER 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
Portfolio Statement	8-10
Summary of All Portfolio Changes	11
General Information	12-13
Statement of the Manager's Responsibilities and Directors' Statement	14

### FINANCIAL STATEMENTS

Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders	15
Balance Sheet	16
Notes to the Financial Statements	17-18
Distribution Tables	19

*\*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 31<sup>st</sup> October 2017, total net assets of the fund amounted to £661,898,395 compared with £634,765,528 six months earlier. There were 1,110 unitholders, excluding ISAs, with an average holding worth £572,425.

### Markets

Equity markets gained ground over the six months to 31<sup>st</sup> October 2017. Measured by MSCI indices in local currencies, the UK rose by 4% and Europe by 3%. Other markets were even stronger, the US advancing by 8%, and Japan and Emerging Markets by 14% and 15% respectively. Overall, the MSCI All Country World index rose by 6%, expressed in sterling terms.

Equity investors appeared to shrug off political uncertainty. Those in the UK were presumably heartened by the domestic economy's apparent resilience in the aftermath of the Brexit vote. In Europe, the election of President Macron in France relieved worst fears about the rise of populism. Across the world, much of the market strength was concentrated in large technology and financial companies.

Bond prices in the UK and USA weakened slightly over the period, reflecting nervousness about the sustainability of exceptionally low yields. US government stocks fell by around 1%, while their UK counterparts were 2-3% lower. The price of gold declined by 2% in sterling terms.

In the foreign exchange markets, sterling rose by 3% against the US dollar, but fell by 4% against the euro.

### Results

The price of Personal units in the fund at 31<sup>st</sup> October 2017 stood at £47.449, which represents a gain of 3% over the six months. Gains in equity markets, particularly overseas, more than compensated for lower bond prices. The portfolio has little direct exposure to technology and financial sectors due to concerns about their excessive valuations and vulnerability to significant price corrections. While the portfolio benefited from the strength of the euro against sterling, this was offset by the weakness of the US dollar.

### Dividend Distribution

A dividend distribution of 31.000p per unit is now being paid to unitholders, the same as the corresponding payment a year ago.

The fund will operate with a period end of 28<sup>th</sup> February from 2018, and the final distribution otherwise due in June will be brought forward to 30<sup>th</sup> April. As a consequence of the shortened reporting period, income earned by the fund is expected to fall slightly. The result may be a marginally lower final dividend compared to the previous payment for a full year.

## MANAGER'S INVESTMENT REPORT

### Portfolio Strategy

The portfolio remains cautiously positioned. Financial markets have performed strongly in recent years and now look exposed to the unwinding of ultra-loose monetary policies first adopted to mitigate the fallout from the financial crisis ten years ago. No significant adjustments were made to the allocations between different asset classes over the period.

At 31<sup>st</sup> October 2017, 61% of the portfolio was allocated to equities (59% at 30<sup>th</sup> April 2017), 33% to bonds (34%), 5% to gold (5%) and 1% to cash deposits (2%).

### Investments

Net new funds of over £9 million were subscribed during the period. In addition to increasing existing holdings, Nabtesco (Japan), which manufactures precision reduction gears for robots and transportation equipment, was added to the portfolio. The holding in Unibail-Rodamco was sold, with proceeds invested in a new position in Deutsche Wohnen, a Berlin-based property company.

Misumi (+47%) and Mettler-Toledo (+33%) recorded the strongest gains during the period; it was a disappointing six months for Giant Manufacturing (-15%) and O'Reilly Automotive (-15%).

Within the fixed income allocation, the proceeds from the maturity of a sterling bond were invested in a medium-dated UK government issue.

### Outlook

The political background for investment policy appears, perhaps, less daunting, after a turbulent 12 month period in which the USA, UK, France, Germany, Japan and India all staged popular elections. Despite considerable uncertainty about the implementation of Brexit and the vagaries of the Trump administration, the world economy is enjoying its strongest period of growth since a short-lived bounce back from recession in 2010.

US growth is running at the fastest level for over three years. Consumer confidence is at a seventeen year high, retail sales increased by over 4% in September and unemployment remains very low. New home sales and business sentiment are also positive. The recent weakness in the US dollar should boost profits for US exporters, and confidence in the manufacturing sector is improving. Meanwhile political debate in America appears to have reached an impasse. President Trump faces difficulties in pushing tax cuts through Congress and his promise of a massive increase in infrastructure spending looks an increasingly distant prospect. Even his persistent advocacy of protectionist policies has had little practical impact so far, and the renegotiation of NAFTA appears to be bogged down.

## MANAGER'S INVESTMENT REPORT

### Outlook (continued)

Notwithstanding these generally supportive factors, valuations of financial assets in the US look expensive, inflated by years of expansionary central bank policies. Those policies are already beginning to change. Although core inflation is showing few signs of any pick-up, the Federal Reserve has signalled its intention to pare back its bloated balance sheet and to implement a further rise in ultra-low interest rates.

After a lengthy period of depressed activity, growth in the eurozone is now much more encouraging at an annualised 2.5%. Unemployment in the currency union at 8.9% is at its lowest for eight years, while business confidence is at its highest for more than six years in Italy, Netherlands and France. The European Central Bank's stimulatory policies have held down borrowing costs for the more exposed peripheral countries, and it has indicated that it will take a very gradual approach to phasing out this strategy. In spite of the Catalonian crisis, Europe appears more stable than a year ago; Marine Le Pen's brand of populism was defeated in France, Portugal has regained its investment grade credit rating and, in July, Greece successfully returned to the debt markets after a three-year hiatus.

The nature of the future relationship between the UK and the European Union remains a great concern for both parties. Negotiations have been severely hampered by the UK government's internal divisions and disagreements, and by the multilateral requirements of different countries inherent in the European position. There is a growing danger of businesses relocating from the UK in the absence of any long-term clarity.

Brexit aside, there are signs that the UK economy is already facing more difficult times. Unemployment stands at a 42 year low, but wages are not keeping pace with inflation. A decline in real incomes was compounded by the devaluation of sterling in the wake of the Brexit vote. Retail sales have been robust, but rising consumer credit suggests such consumption is not sustainable and is vulnerable to interest rate hikes. Against this background, the Bank of England has begun to raise rates, even if it is likely to be very cautious about any early further increases.

The economic outlook for Japan has improved. Second quarter growth was an annualised 4%. Yet inflation remains stubbornly low. A 2.8% unemployment rate and labour shortages have so far failed to translate into meaningful wage growth that might stimulate increased consumer spending. However, the Liberal Democratic Party's landslide victory has reinforced President Abe's mandate and may add momentum to his efforts to improve corporate governance and lift wages. In any event, Japan is seeing its longest period of sustained growth for a decade. This backdrop provides attractive opportunities for investment, particularly in exporting companies benefiting from a weak yen.

## MANAGER'S INVESTMENT REPORT

### **Outlook (continued)**

Growth rates in emerging economies are accelerating ahead of those in developed countries, and they offer some attractive opportunities for discriminating investment. The Chinese economy seems to be gradually shifting emphasis towards consumption. Disposable income is now growing faster than the overall economy. It is also encouraging that the level of debt, as a proportion of GDP, has been brought down for the first time in six years. The Chinese political system may be opaque to outsiders, but it appears that President Xi has consolidated power to an extent not seen since Chairman Mao. Elsewhere, India is benefiting from a comprehensive reform of the taxation system. This has resulted in a 25% increase in revenues. GDP growth is just below 6% and the country exhibits healthy demographic trends and a booming middle class.

By contrast, Latin American countries are only now beginning to recover. The Brazilian economy is emerging from a particularly deep recession, but already there has been a sharp pick-up in consumer confidence. Despite allegations of corruption, President Temer has managed to sustain his reform programme, cutting public sector spending and crippling pension costs.

In broader terms, the notion of a permanently low-growth, low-interest rate environment seems misconceived; the background for investment looks set to be one of rising interest rates. Much will depend on the pace of tightening, but there is likely to be downward pressure on bond prices boosted by previous policies. At the same time, equity market valuations look stretched by a long period of monetary stimulus. In these circumstances, wide diversification forms the basis of investment strategy. This currently includes our allocation to gold which could play an important defensive role in the longer term should central banks lose control over inflation.

*14<sup>th</sup> December 2017*

## CAPITAL RECORD

Highest and lowest unit prices

Accounting year (to 30 <sup>th</sup> April)	High <i>Personal</i>	Low
2015	£42.049	£36.087
2016	£42.233	£37.281
2017	£47.978	£40.398
2018*	£48.166	£46.202

\*Up to 31<sup>st</sup> October 2017, for the year ending 28<sup>th</sup> February 2018.

## INCOME RECORD

Accounting year (to 30 <sup>th</sup> April)	Per unit (net) <i>Personal</i>
2015	74.149p
2016	72.566p
2017	73.609p
2018 ( <i>interim only</i> )	31.000p

## NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
30.04.15 <i>Personal</i>	£420,428,244	£39.883	10,541,545
30.04.16 <i>Personal</i>	£483,075,370	£40.734	11,859,360
30.04.17 <i>Personal</i>	£634,765,528	£46.164	13,750,247
31.10.17 <i>Personal</i>	£661,898,395	£47.449	13,949,666

## OPERATING CHARGES

Date	Annualised
30.04.15	1.126%
30.04.16	1.128%
30.04.17	1.120%
31.10.17	1.114%

## PORTFOLIO TURNOVER

Date	Annualised
30.04.15	78%
30.04.16	68%
30.04.17	56%
31.10.17	18%

## DISCRETE PERFORMANCE

Year to 31.10.17	Year to 31.10.16	Year to 31.10.15	Year to 31.10.14	Year to 31.10.13
3.7%	22.2%	4.3%	4.1%	15.5%

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



## PORTFOLIO STATEMENT

as at 31<sup>st</sup> October 2017 (unaudited)

INVESTMENTS	Holding or Nominal Value of positions at 31 <sup>st</sup> Oct. 2017	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Oct. 2017	30 <sup>th</sup> Apr. 2017
<i>Bonds</i>				
<b>UK</b>				
UK Treasury 0.5% 2022	£18,900,000	18,645	2.8	
UK Treasury 1.25% 2017	£10,105,000	14,339	2.2	
UK Treasury 1.5% 2026	£23,719,000	24,229	3.7	
UK Treasury 2.25% 2023	£16,868,000	18,152	2.7	
UK Treasury 2.75% 2024	£12,682,000	14,128	2.1	
		<u>89,493</u>	<u>13.5</u>	<u>14.1</u>
<b>USA</b>				
US Treasury 0.125% I-L 2024	\$50,520,000	38,857	5.9	
US Treasury 0.125% I-L 2026	\$42,188,000	31,615	4.8	
US Treasury 0.25% I-L 2025	\$18,165,000	14,017	2.1	
US Treasury 1.5% 2026	\$23,415,000	16,453	2.5	
US Treasury 2% 2025	\$18,656,000	13,801	2.1	
US Treasury 2.25% 2024	\$18,467,000	13,915	2.1	
		<u>128,658</u>	<u>19.5</u>	<u>19.8</u>
<b>TOTAL BONDS</b>		<u><u>218,151</u></u>	<u><u>33.0</u></u>	<u><u>33.9</u></u>
<i>Equities</i>				
<b>UK</b>				
Keller	781,992	7,323	1.1	
Land Securities	1,113,750	10,759	1.6	
Reckitt Benckiser	99,700	6,715	1.0	
Rio Tinto	391,950	13,908	2.1	
Rotork	3,077,830	8,082	1.2	
Spirax-Sarco	346,621	19,567	3.0	
		<u>66,354</u>	<u>10.0</u>	<u>10.2</u>
<b>US</b>				
Abbott Laboratories	391,000	15,965	2.4	
Becton Dickinson	89,200	14,017	2.1	
Church & Dwight	198,680	6,757	1.0	
Ecolab	103,600	10,193	1.6	
Mettler-Toledo	37,630	19,348	2.9	
O'Reilly Automotive	57,090	9,069	1.4	
Paychex	348,500	16,741	2.5	
Schlumberger	156,440	7,538	1.1	
Tractor Supply	154,360	7,005	1.1	
Watsco	79,320	9,946	1.5	
		<u>116,579</u>	<u>17.6</u>	<u>16.7</u>

## PORTFOLIO STATEMENT

continued

<i>Equities (continued)</i>	Holding or Nominal Value of positions at 31 <sup>st</sup> Oct. 2017	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Oct. 2017	30 <sup>th</sup> Apr. 2017
<b>FRANCE</b>				
Essilor International	60,860	<u>5,798</u>	<u>0.9</u>	<u>2.3</u>
<b>GERMANY</b>				
Deutsche Wohnen	243,660	7,812	1.2	
Fresenius Medical Care	189,250	13,799	2.1	
Fuchs Petrolub	372,245	13,911	2.1	
Henkel pref.	71,500	7,549	1.1	
SAP	195,500	<u>16,745</u>	<u>2.5</u>	
		<u>59,816</u>	<u>9.0</u>	<u>8.0</u>
<b>IRELAND</b>				
Kerry 'A'	217,600	<u>16,468</u>	<u>2.5</u>	<u>2.2</u>
<b>NETHERLANDS</b>				
Boskalis Westminster	150,542	4,049	0.6	
Royal Dutch Shell 'B'	818,340	<u>19,812</u>	<u>3.0</u>	
		<u>23,861</u>	<u>3.6</u>	<u>3.3</u>
<b>SWITZERLAND</b>				
Sonova	69,000	<u>9,383</u>	<u>1.4</u>	<u>1.2</u>
<b>AUSTRALIA</b>				
ARB	589,011	<u>6,186</u>	<u>0.9</u>	<u>0.8</u>
<b>JAPAN</b>				
Misumi	446,800	9,164	1.4	
Nabtesco	261,500	7,773	1.2	
Nissan Chemical Industries	244,700	6,827	1.0	
Shimadzu	481,000	7,481	1.1	
Shimano	52,900	5,420	0.8	
Sysmex	133,600	<u>6,835</u>	<u>1.1</u>	
		<u>43,500</u>	<u>6.6</u>	<u>4.9</u>

## PORTFOLIO STATEMENT

continued

		Holding or Nominal Value of positions at 31 <sup>st</sup> Oct. 2017	Bid Market Value £'000	Percentage of Value of total net assets 31 <sup>st</sup> Oct. 2017	30 <sup>th</sup> Apr. 2017
<i>Equities (continued)</i>					
<b>DEVELOPING MARKETS</b>					
<i>Brazil</i>	Localiza Rent A Car	528,724	7,009	1.1	
<i>Hong Kong</i>	Vitasoy International	3,784,000	6,574	1.0	
<i>India</i>	Mahindra & Mahindra-GDR	188,020	2,945	0.5	
	Mahindra & Mahindra	227,700	3,561	0.5	
	Marico	2,016,000	7,391	1.1	
<i>Mexico</i>	Wal-Mart de Mexico	3,874,260	6,532	1.0	
<i>Portugal</i>	Jeronimo Martins	451,100	6,171	0.9	
<i>S Africa</i>	MTN	701,575	4,587	0.7	
<i>Singapore</i>	Thai Beverage	12,054,000	6,496	1.0	
<i>Taiwan</i>	Giant Manufacturing	1,204,000	4,630	0.7	
			<u>55,896</u>	<u>8.5</u>	<u>9.2</u>
<b>TOTAL EQUITIES</b>			<u><u>403,841</u></u>	<u><u>61.0</u></u>	<u><u>58.8</u></u>
<i>Commodities</i>					
<b>UK</b>					
	ETFS Physical Gold	174,570	16,013	2.4	
	Gold Bullion Securities	177,100	16,018	2.4	
			<u>32,031</u>	<u>4.8</u>	<u>4.9</u>
<b>TOTAL COMMODITIES</b>			<u><u>32,031</u></u>	<u><u>4.8</u></u>	<u><u>4.9</u></u>
<b>TOTAL INVESTMENTS</b>			654,023	98.8	97.6
Net other assets			<u>7,875</u>	<u>1.2</u>	<u>2.4</u>
<b>TOTAL NET ASSETS</b>			<u><u>661,898</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 31<sup>st</sup> October 2017 are investment grade.

## SUMMARY OF ALL PORTFOLIO CHANGES

for the six months ended 31<sup>st</sup> October 2017 (unaudited)

Purchases	Cost £'000
742 Boskalis Westminster ( <i>scrip dividend</i> )	—
243,660 Deutsche Wohnen	8,004
19,700 Ecolab	2,026
8,130 ETFS Physical Gold	757
8,240 Gold Bullion Securities	756
1,113,750 Land Securities ( <i>reverse stock split</i> )	—
35,035 Localiza Rent A Car ( <i>bonus issue</i> )	—
261,500 Nabtesco	6,111
15,190 O'Reilly Automotive	3,006
53,740 Schlumberger	3,025
43,800 Tractor Supply	2,032
18,900,000 UK Treasury 0.5% 2022	18,919
4,060,000 US Treasury 0.125% I-L 2024	3,185
2,040,000 US Treasury 0.25% I-L 2025	1,587
1,238,000 US Treasury 2% 2025	931
1,320,000 US Treasury 2.25% 2024	1,011
TOTAL	<u>51,350</u>

Disposals	Proceeds £'000
28,755 Fuchs Petrolub	1,014
73,522 Land Securities	713
1,114,478 Land Securities ( <i>reverse stock split</i> )	—
207,001 Localiza Rent A Car	3,006
14,270 Mettler-Toledo	6,022
12,600 SAP	1,005
17,382,000 UK Treasury 1% 2017	17,382
42,670 Unibail-Rodamco	7,845
TOTAL	<u>36,987</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
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#### Lower risk

Typically lower rewards

#### Higher risk

Typically higher rewards

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

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

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

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

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

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

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

## **DIRECTORS' STATEMENT**

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

T A U Wood  
*Director*

J C McAulay  
*Director*

*Haddington, 14<sup>th</sup> December 2017*

## STATEMENT OF TOTAL RETURN

for the six months ended 31<sup>st</sup> October 2017 (unaudited)

	Notes	Six months ended 31 <sup>st</sup> Oct. 2017		Six months ended 31 <sup>st</sup> Oct. 2016	
		£'000	£'000	£'000	£'000
Income					
Net capital gains			19,589		74,631
Revenue	2	6,617		6,622	
Expenses	3	<u>(3,666)</u>		<u>(3,307)</u>	
Net revenue before taxation		2,951		3,315	
Taxation	4	<u>(467)</u>		<u>(256)</u>	
Net revenue after taxation			<u>2,484</u>		<u>3,059</u>
Total return before distributions			22,073		77,690
Distributions			<u>(4,281)</u>		<u>(3,880)</u>
Change in net assets attributable to unitholders from investment activities			<u>17,792</u>		<u>73,810</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six months ended 31<sup>st</sup> October 2017 (unaudited)

	Six months ended 31 <sup>st</sup> Oct. 2017		Six months ended 31 <sup>st</sup> Oct. 2016	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		634,766		509,788
Amounts receivable on creation of units	19,763		26,172	
Amounts payable on cancellation of units	<u>(10,423)</u>		<u>(8,977)</u>	
		9,340		17,195
Change in net assets attributable to unitholders from investment activities		<u>17,792</u>		<u>73,810</u>
Closing net assets attributable to unitholders		<u>661,898</u>		<u>600,793</u>

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



## BALANCE SHEET

as at 31<sup>st</sup> October 2017 (unaudited)

	31 <sup>st</sup> Oct. 2017		30 <sup>th</sup> Apr. 2017	
	£'000	£'000	£'000	£'000
ASSETS:				
Investments		654,023		619,612
Current assets				
Debtors	2,800		3,287	
Cash & bank balances	10,549		18,361	
Total other assets		<u>13,349</u>		<u>21,648</u>
Total assets		<u>667,372</u>		<u>641,260</u>
LIABILITIES:				
Creditors				
Distribution payable	(4,324)		(5,859)	
Other creditors	<u>(1,150)</u>		<u>(635)</u>	
Total liabilities		<u>(5,474)</u>		<u>(6,494)</u>
Net assets attributable to unitholders		<u>661,898</u>		<u>634,766</u>

# NOTES TO THE FINANCIAL STATEMENTS

as at 31<sup>st</sup> October 2017 (unaudited)

## 1. Accounting policies

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

## 2. Revenue

	Six months ended 31 <sup>st</sup> Oct. 2017 £'000	Six months ended 31 <sup>st</sup> Oct. 2016 £'000
Dividends on overseas equities	3,211	3,121
Dividends on UK equities	1,371	1,188
Interest on overseas interest-bearing securities	543	521
Interest on UK interest-bearing securities	1,026	1,406
Overseas property income distributions	191	154
UK property income distributions	256	232
Stock dividends	19	—
Total revenue	<u>6,617</u>	<u>6,622</u>

## 3. Expenses

	Six months ended 31 <sup>st</sup> Oct. 2017 £'000	Six months ended 31 <sup>st</sup> Oct. 2016 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	3,299	2,960
- Transfer agency fee	174	162
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	52	44
- Safe custody fee	101	70
Other expenses:		
- Audit fee	4	7
- French withholding tax recovery fee	—	13
- Fund accounting fee	22	23
- Legal and Professional fees	—	16
- Sundry expenses*	14	12
Total expenses	<u>3,666</u>	<u>3,307</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Taxation

	Six months ended 31 <sup>st</sup> Oct. 2017 £'000	Six months ended 31 <sup>st</sup> Oct. 2016 £'000
<b>Analysis of tax charge</b>		
French withholding tax recoverable	—	(181)
Swiss withholding tax written off	46	—
Overseas withholding tax	421	437
	<u>467</u>	<u>256</u>

### 5. Currency and interest rate profile

Currency	31 <sup>st</sup> Oct. 2017 %	30 <sup>th</sup> Apr. 2017 %
US Dollar	42.4	42.0
UK Sterling	27.5	29.2
Euro	14.1	14.2
Japanese Yen	6.6	4.9
Indian Rupee	1.6	1.7
Swiss Franc	1.4	1.2
Brazilian Real	1.1	1.3
Hong Kong Dollar	1.0	0.9
Mexican Peso	1.0	1.1
Singapore Dollar	1.0	1.0
Australian Dollar	0.9	0.8
South African Rand	0.7	0.8
Taiwan Dollar	0.7	0.9
	<u>100.0</u>	<u>100.0</u>

### Fixed rate Interest

	Weighted average rates		Weighted average maturity	
	31 <sup>st</sup> Oct. 2017	30 <sup>th</sup> Apr. 2017	31 <sup>st</sup> Oct. 2017	30 <sup>th</sup> Apr. 2017
UK Sterling	1.52%	1.60%	6 years	5 years
US Dollar	0.76%	0.77%	8 years	8 years

## DISTRIBUTION TABLES

in pence per unit

for the six months ended 31<sup>st</sup> October 2017 (unaudited)

### INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> May 2017

Group 2 - Units purchased 1<sup>st</sup> May 2017 to 31<sup>st</sup> October 2017

	Unit Class	Net income	Equalisation*	Amount payable 29.12.17
Group 1	<i>Personal</i>	31.000	—	31.000
Group 2	<i>Personal</i>	10.090	20.910	31.000

\*Income arises throughout each reporting period. Equalisation is the average amount of income included in the purchase price of all Group 2 units and is refunded to holders of these units as a return of capital. Being capital it is not liable to income tax. Instead, it must be deducted from the cost of units for capital gains purposes.

### DISTRIBUTION SUMMARY

in pence per unit

for the six months ended 31<sup>st</sup> October 2017

	Six months to 31 <sup>st</sup> Oct. 2017 <i>Personal</i>	Year to 30 <sup>th</sup> Apr. 2017 <i>Personal</i>
Interim payable/paid	31.000	31.000
Final paid	—	42.609
	<u>31.000</u>	<u>73.609</u>



*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*  
The Bank of New York Mellon (International) Limited  
One Canada Square  
London  
E14 5AL

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

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

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McInroy & Wood Limited  
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