



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## EMERGING MARKETS FUND

*A pooled management service for private clients*

ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28<sup>TH</sup> FEBRUARY 2021

## SUMMARY

At 28<sup>th</sup> February 2021, total net assets of the fund amounted to £83,311,194 compared with £78,239,434 twelve months before. There were 261 investors (excluding ISA holders), each with an average holding worth £305,314.

The price of units in the fund at 28<sup>th</sup> February 2021 stood at £22.559, a rise of 9% over the year. The fund's policy emphasises investment in well-financed consumer businesses across a broad range of developing countries, and such stocks proved resilient during the period. However, their share price gains lagged those of the more highly valued global technology and manufacturing companies based in China and Taiwan, which led the rises in markets.

The objective of the fund is to grow the real value of investors' capital and income, placing an equal emphasis on the generation of income and on capital growth. Real value is defined as the value of capital and income after adjusting for the impact of inflation, as measured by the UK Retail Price Index (RPI), over the same period. Over the 3 years to 28<sup>th</sup> February 2021 the total return for unitholders in the fund was 8%, compared to RPI of 7% over the same period. Over 5 years, the fund returned 50%, against RPI of 14%. The fund has provided a total return to unitholders of 148% above RPI since its inception in March 2007.

A final distribution of 20.952p is now being paid. Total distributions over the twelve months to 28<sup>th</sup> February 2021 amounted to 31.952p per unit, 19% lower than that paid over the previous year. Many companies cut or cancelled dividend payments in order to preserve cash in a very difficult environment. Confidence is returning, but it is unlikely that dividend payments will fully return to pre-crisis levels in the coming year.

Although the Covid-19 pandemic has been a significant setback, there are still excellent long-term prospects in developing markets, and their growth is likely to accelerate sharply in any general economic recovery. A broad-based rise in consumption can be expected to flow from this, and the portfolio seeks to emphasise stocks in a wide range of markets benefiting from this trend.

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

## INTRODUCTION

The McInroy & Wood Emerging Markets 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 investors 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 fund is to grow the real value of investors' capital and income. Investments will be in companies operating or incorporated in emerging markets. An equal emphasis will be placed on the generation of income and on capital growth.

The fund may invest in any geographic area and any economic sector.

Further information and application forms may be obtained from McInroy & Wood Portfolios Limited ("MWP"), 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 28<sup>th</sup> February 2021, total net assets of the fund amounted to £83,311,194 compared with £78,239,434 twelve months before. There were 261 investors (excluding ISA holders), each with an average holding worth £305,314.

### Markets

Many emerging markets recorded notable gains over the year to 28<sup>th</sup> February 2021 despite the shock of Covid-19. In the initial stages of the crisis, economic activity fell sharply as a result of lockdown measures that were instituted around the world. Global supply chains were severely disrupted and share prices dropped sharply as a result. However, governments and central banks rapidly responded by loosening monetary policy and providing direct financial support to the worst affected businesses. Boosted by this, and the way in which commercial life rapidly adapted to the new environment, equity markets recovered strongly. Confidence increased with the emergence of a range of vaccines in the winter of 2020.

There was considerable divergence in the impact of the virus on individual economies. In Asia, aggressive restrictions were very quickly imposed to suppress the virus and most countries were able to resume near-normal economic activity relatively quickly. By contrast, business in Latin America was hit hard by a regional failure to control the spread of the disease.

Developing markets, as measured by the MSCI Emerging Market Index in sterling terms, rose by 22% over the full year. The principal element in this gain was a 40% (in Hong Kong dollars) advance in the Chinese market which represents almost 40% of the index. Otherwise the strongest performing markets were South Korea (+52%) and Taiwan (+50%). India (+30%), Turkey (+17%) and Hong Kong (+16%) also made good progress, but Egypt (-20%), Brazil (-9%) and the Philippines (-2%) lost ground.

Returns for UK investors were negatively impacted by the weakness of most emerging market currencies against sterling. The most significant declines were recorded by the Brazilian real (-36%), the Mexican peso (-16%), the Indian rupee (-10%) and the Hong Kong dollar (-8%).

### Results

The price of units in the fund at 28<sup>th</sup> February 2021 stood at £22.559, a rise of 9% over the year. The fund's policy emphasises investment in well-financed consumer businesses across a broad range of developing countries, and such stocks proved resilient during the period. However, their share price gains lagged those of the more highly valued global technology and manufacturing companies based in China and Taiwan, which led the rises in markets.

## MANAGER'S INVESTMENT REPORT

### Results continued

The objective of the fund is to grow the real value of investors' capital and income, placing an equal emphasis on the generation of income and on capital growth. Real value is defined as the value of capital and income after adjusting for the impact of inflation, as measured by the UK Retail Price Index (RPI), over the same period. Over the 3 years to 28<sup>th</sup> February 2021 the total return for unitholders in the fund was 8%, compared to RPI of 7% over the same period. Over 5 years, the fund returned 50%, against RPI of 14%. The fund has provided a total return to unitholders of 148% above RPI since its inception in March 2007.

### Dividend Distribution

A final distribution of 20.952p is now being paid. Total distributions over the twelve months to 28<sup>th</sup> February 2021 amounted to 31.952p per unit, 19% lower than that paid over the previous year. Many companies cut or cancelled dividend payments in order to preserve cash in a very difficult environment. Confidence is returning, but it is unlikely that dividend payments will fully return to pre-crisis levels in the coming year.

### Portfolio Strategy

The portfolio continues to be highly diversified across different industries and geographies. At 28<sup>th</sup> February 2021, 14% of the portfolio was invested in companies operating or incorporated in China (14% on 29<sup>th</sup> February 2020), 59% in the rest of Asia (56%), 12% in Latin America (15%), 7% in Africa (7%), 6% in Eastern Europe (7%), and 2% was held in cash (1%).

### Investments

New positions were established in Midea, a Chinese electrical appliance manufacturer, and President Chain Store, Taiwan's leading operator of convenience stores. The former represents the portfolio's first investment in domestically listed Chinese 'A' shares. Cogna Educacao, Singapore Exchange and Telekom Malaysia were all sold.

The strongest performing stocks in the portfolio in local currency terms were Anta Sports (+90%), WEG (+81%) and Migros Ticaret (+80%). Edita Food Industries (-35%), America Movil (-20%) and Jeronimo Martins (-18%) all lost ground.

### Outlook

Prospects for the global economy have improved over recent months, as the rollout of a range of vaccines has raised the prospect of a return to normal life. In the meantime, central banks and governments around the world look set to maintain their support for still fragile economies to ensure recovery. Against this background, developing countries look set to benefit from a sustained pick up in demand from their more mature counterparts.

## MANAGER'S INVESTMENT REPORT

### Outlook continued

However, apart from China, India and Russia, which are all manufacturing their own vaccines, most emerging economies have to date only secured enough doses to vaccinate a small fraction of their respective populations. The continued containment of the disease will remain vital. As a result, the health crisis is likely to persist for some time in many countries. There is still little sign of effective measures being implemented in Latin America with Brazil and Mexico representing particular concerns.

China has maintained the momentum generated by its successful response to the threat of the virus. Industrial output and exports have driven a strong upturn with growth of over 6% in the fourth quarter, even if there are some concerns that the recovery has not yet resulted in a solid increase in domestic consumption. However, manufacturing operations across Asia are continuing to benefit from a surge in demand for electronic goods as Western consumers endure lockdowns, as evidenced by an even faster pace of economic expansion in Taiwan. Meanwhile the election of President Joe Biden is expected to lead to a gradual easing of trade tensions between the United States and China. While tariffs on Chinese imports are unlikely to be abolished quickly, the new administration has placed them 'under review' and indicated its intention is to take a multilateral approach in negotiations.

The whole of Asia is likely to profit from the growth in China. The Regional Comprehensive Economic Partnership, a free-trade agreement involving China and 14 other Asian and Pacific nations, was ratified in November. However, there are some concerns that the "belt and road" initiative of financing overseas projects may unravel into a debt crisis, and the political situation in Hong Kong remains unstable. Indeed, China's dominance in world supply chains has triggered some companies to reduce their dependence on the country by investing in production facilities in other emerging markets. This is already providing opportunities for countries such as Vietnam which has a strong industrial infrastructure but a much lower cost of labour.

India has also benefited from diversification away from China, and the economy is forecast to rebound with 11% growth this year. The crisis did expose the vulnerability of food supply chains, and this has prompted Prime Minister Modi to seek to implement some long overdue reforms to the agricultural sector in the face of powerful opposition from the sizeable farming community. A plan to restructure the banking sector is also politically controversial. However, success in both these areas would offer the prospect of much greater productivity and lower state subsidies in future.

## MANAGER'S INVESTMENT REPORT

### **Outlook continued**

The outlook for several other emerging countries is less encouraging as ongoing health issues are compounded by economic difficulties. In these circumstances careful stock selection is essential. Populist governments, from the right and left respectively, in Brazil and Mexico have failed to control the spread of the virus and are struggling to stimulate any economic growth. Reforms have been postponed or run into legislative sands, and debt and inflation have risen. A similar picture is evident in South Africa where growth is constrained by high unemployment and increasing levels of borrowing. Across Africa, plunging tourism and a 20% fall in remittances from citizens working overseas is impacting local consumption. Nevertheless, individual companies can continue to make good progress in testing environments as can be evidenced by the performances noted above of WEG in Brazil and Migros Ticaret in Turkey.

Although the Covid-19 pandemic has been a significant setback, there are still excellent long-term prospects in developing markets, and their growth is likely to accelerate sharply in any general economic recovery. A broad-based rise in consumption can be expected to flow from this, and the portfolio seeks to emphasise stocks in a wide range of markets benefiting from this trend.

*20<sup>th</sup> April 2021*



## COMPARATIVE TABLE - PERSONAL CLASS

	28 <sup>th</sup> February 2021 (pence per unit)	29 <sup>th</sup> February 2020 (pence per unit)	28 <sup>th</sup> February 2019 (pence per unit)
<b>Change in net assets per unit</b>			
Opening net asset value per unit	2,050.09	2,095.00	2,165.96
Return before operating charges*	223.91	23.12	(6.77)
Operating charges	(27.25)	(28.37)	(27.34)
Return after operating charges	196.66	(5.25)	(34.11)
Distributions	(31.95)	(39.66)	(36.85)
<b>Closing net asset value per unit</b>			
	2,214.80	2,050.09	2,095.00
*After direct transaction costs of	(1.30)	(1.93)	(1.43)
<b>Performance**</b>			
Return after charges	9.59%	(0.25)%	(1.57)%
<b>Other information</b>			
Closing net asset value (£'000)	83,311	78,239	68,971
Closing number of units	3,761,564	3,816,381	3,292,179
Operating charges	1.28%	1.26%	1.31%
Direct transaction costs	0.06%	0.09%	0.07%
<b>Prices</b>			
Highest unit price	£24.420	£24.199	£21.876
Lowest unit price	£16.850	£20.675	£18.804
<b>Portfolio turnover</b>			
Annualised	8%	15%	12%

\*\* 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 28<sup>th</sup> February 2021

INVESTMENTS	Holdings	Bid Market Value £'000	Percentage of Value of total net assets	
			28 <sup>th</sup> Feb. 2021	29 <sup>th</sup> Feb. 2020
<i>Equities</i>				
<b>BRAZIL</b>				
Localiza Rent a Car	192,110	1,430	1.7	
WEG	167,800	1,681	2.0	
		<u>3,111</u>	<u>3.7</u>	<u>6.1</u>
<b>CHILE</b>				
Embotelladora Andina	384,100	744	0.9	
Embotelladora Andina-ADR	124,030	1,410	1.7	
		<u>2,154</u>	<u>2.6</u>	<u>2.3</u>
<b>CHINA</b>				
Anta Sports Products	279,000	3,061	3.7	
Midea	121,000	1,247	1.5	
Trip.com	76,400	2,154	2.6	
		<u>6,462</u>	<u>7.8</u>	<u>5.8</u>
<b>EGYPT</b>				
Edita Food Industries	1,745,940	705	0.9	1.3
<b>HONG KONG</b>				
CNOOC	1,268,000	1,080	1.3	
Hang Lung Properties	1,237,000	2,292	2.8	
MTR	415,500	1,779	2.1	
Shandong Weigao Medical Polymer	1,866,000	2,292	2.8	
TravelSky Technology	1,064,000	1,907	2.3	
Vitasoy International	958,000	3,021	3.6	
		<u>12,371</u>	<u>14.9</u>	<u>16.5</u>
<b>INDIA</b>				
Asian Paints	60,120	1,331	1.6	
Britannia Industries	39,130	1,280	1.5	
Crompton Greaves	829,260	3,079	3.7	
Dabur India	194,295	949	1.1	
Hindustan Unilever	54,585	1,130	1.4	
Mahindra & Mahindra	295,000	2,309	2.8	
Marico	689,100	2,649	3.2	
Nestlé India	7,650	1,197	1.4	
Titan	113,010	1,549	1.9	
		<u>15,473</u>	<u>18.6</u>	<u>15.6</u>

## PORTFOLIO STATEMENT

continued

	Holdings	Bid Market Value £'000	Percentage of Value of total net assets	
			28 <sup>th</sup> Feb. 2021	29 <sup>th</sup> Feb. 2020
<i>Equities continued</i>				
<b>INDONESIA</b>				
Arwana Citramulia	27,000,000	997	1.2	
Kalbe Farma	26,369,300	1,947	2.3	
Ultrajaya Milk	8,646,200	658	0.8	
		<u>3,602</u>	<u>4.3</u>	<u>4.7</u>
<b>KENYA</b>				
East African Breweries	708,000	772	0.9	0.9
<b>MALAYSIA</b>				
		—	0.0	0.9
<b>MEXICO</b>				
America Movil-ADR	82,200	747	0.9	
Fomento Economico Mexicano	327,800	1,600	1.9	
Wal-Mart de Mexico	941,950	1,919	2.3	
		<u>4,266</u>	<u>5.1</u>	<u>6.1</u>
<b>PHILIPPINES</b>				
Jollibee Foods	738,300	1,947	2.3	
Universal Robina	1,080,000	2,031	2.4	
Wilcon Depot	7,881,100	2,073	2.5	
		<u>6,051</u>	<u>7.2</u>	<u>7.1</u>
<b>PORTUGAL</b>				
Jerónimo Martins	227,300	2,536	3.0	4.0
<b>SINGAPORE</b>				
Ezion warrants 2023	1,260,000	—	0.0	
Thai Beverage	6,822,000	2,679	3.2	
		<u>2,679</u>	<u>3.2</u>	<u>5.8</u>
<b>SOUTH AFRICA</b>				
Barloworld	257,385	1,105	1.3	
MTN	451,900	1,551	1.9	
		<u>2,656</u>	<u>3.2</u>	<u>3.5</u>
<b>SOUTH KOREA</b>				
LG Household & Healthcare	2,842	2,737	3.3	2.9
<b>TAIWAN</b>				
Chroma ATE	630,670	3,312	4.0	
Giant Manufacturing	241,680	1,744	2.1	

## PORTFOLIO STATEMENT

continued

	Holdings	Bid Market Value £'000	Percentage of Value of total net assets	
			28 <sup>th</sup> Feb. 2021	29 <sup>th</sup> Feb. 2020
<i>Equities continued</i>				
<b>TAIWAN continued</b>				
Ginko International	212,100	765	0.9	
President Chain Store	311,300	2,095	2.5	
		<u>7,916</u>	<u>9.5</u>	<u>6.6</u>
<b>TURKEY</b>				
BIM Birlesik Magazalar	204,270	1,302	1.6	
Migros Ticaret	344,650	1,297	1.5	
		<u>2,599</u>	<u>3.1</u>	<u>3.3</u>
<b>UK</b>				
M.P.Evans	270,000	1,607	1.9	
Vivo Energy	1,890,609	1,652	2.0	
		<u>3,259</u>	<u>3.9</u>	<u>3.9</u>
<b>VIETNAM</b>				
Vietnam Dairy Products	479,160	1,558	1.9	1.2
<b>TOTAL INVESTMENTS</b>		<b>80,907</b>	<b>97.1</b>	<b>98.5</b>
Net other assets		<u>2,404</u>	<u>2.9</u>	<u>1.5</u>
<b>TOTAL NET ASSETS</b>		<b><u>83,311</u></b>	<b><u>100.0</u></b>	<b><u>100.0</u></b>

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

## SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 28<sup>th</sup> February 2021

Purchases		Cost £'000
12,000	Asian Paints	217
8,800	Britannia Industries	321
37,820	Dabur India	189
216,400	East African Breweries	237
530,000	Edita Food Industries	239
1,215,940	Edita Food Industries ( <i>Conversion receipt</i> )	—
189,300	Embotelladora Andina	336
62,800	Fomento Economico Mexicano	315
10,100	Ginko International ( <i>Stock dividend</i> )	—
12,500	Hindustan Unilever	276
190,000	Mahindra & Mahindra ( <i>Conversion receipt</i> )	—
121,000	Midea	1,250
2,850	Nestlé India	506
311,300	President Chain Store	2,315
46,760	Titan	470
144,000	Vietnam Dairy Products	487
67,360	Vietnam Dairy Products ( <i>Stock dividend</i> )	—
615,720	Vivo Energy	484
3,181,100	Wilcon Depot	834
	TOTAL	<u><u>8,476</u></u>

## SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals	Proceeds £'000	
153,000	Anta Sports Products	1,527
25,000,000	Arwana Citramulia	694
15,730	BIM Birlesik Magazalar	129
54,330	Chroma ATE	273
376,736	Cogna Educacao	248
92,140	Crompton Greaves	357
	Edita Food Industries ( <i>Conversion</i>	
243,188	<i>delivery</i> )	—
172,000	Giant Manufacturing	1,214
177,000	Keppel	484
20,935	Localiza Rent a Car	171
60,900	Mahindra & Mahindra	545
	Mahindra & Mahindra ( <i>Conversion</i>	
190,000	<i>delivery</i> )	—
119,450	Migros Ticaret	574
	Shandong Weigao Medical	
1,384,000	Polymer	2,139
200,000	Singapore Exchange	1,135
1,070,000	Telekom Malaysia	1,075
139,400	WEG	1,526
	<b>TOTAL</b>	<b><u>12,091</u></b>

## **GENERAL INFORMATION**

### **Authorisation**

The Emerging Markets Fund is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is categorised as a UK 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. Online dealing is available.

### **Costs of Investment Research**

McInroy & Wood Limited, the Investment Adviser to the Emerging Markets 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 the homepage on our website ([www.mcinroy-wood.co.uk](http://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.

## GENERAL INFORMATION

continued

### Remuneration Policy

McInroy & Wood Portfolios Limited (“MWP”) delegates investment management of the fund, and other in-house funds (together “funds”) 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.

### 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 produces a composite annual Assessment of Value for the funds managed by it. The document is published on McInroy & Wood’s website by 30<sup>th</sup> June each year.



## **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 Investment Management Association 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; and
- 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, 20<sup>th</sup> April 2021*

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

### **to the Unitholders of the McInroy & Wood Emerging Markets Fund (“the Trust”) for the year ended 28<sup>th</sup> February 2021**

The Trustee in its capacity as Trustee of the McInroy & Wood Emerging Markets 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 UK UCITS Management Company, are carried out (unless they conflict with the Regulations).

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

continued

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.

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.

*20<sup>th</sup> April 2021*

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

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD EMERGING MARKETS FUND

## Report on the audit of the financial statements

### Opinion

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

- give a true and fair view of the financial position of the Trust as at 28<sup>th</sup> February 2021 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 28<sup>th</sup> February 2021; 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 fund 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the fund's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD EMERGING MARKETS FUND

continued

## **Conclusions relating to going concern continued**

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the fund's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Fund Manager with respect to going concern are described in the relevant sections of this report.

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Fund Manager is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

### *Authorised Fund Manager's Report*

In our opinion, the information given in the Authorised Fund Manager's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### *Responsibilities of the 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 it determines 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,

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD EMERGING MARKETS FUND

continued

disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up or terminate the Trust, or has no realistic alternative but to do so.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the fund/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the fund. Audit procedures performed included:

- discussions with the Authorised Fund Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- reviewing relevant meeting minutes, including those of the Authorised Fund Manager's board of directors;
- identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD EMERGING MARKETS FUND

continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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

20<sup>th</sup> April 2021

## STATEMENT OF TOTAL RETURN

for the year ended 28<sup>th</sup> February 2021

	Notes	Year ended 28 <sup>th</sup> Feb. 2021		Year ended 29 <sup>th</sup> Feb. 2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains/(losses)	2		7,164		(1,416)
Revenue	3	1,616		1,813	
Expenses	4	<u>(1,006)</u>		<u>(1,020)</u>	
Net revenue before taxation		610		793	
Taxation	5	<u>(422)</u>		<u>(199)</u>	
Net revenue after taxation			<u>188</u>		<u>594</u>
Total return before distributions			7,352		(822)
Distributions	6		<u>(1,217)</u>		<u>(1,438)</u>
Change in net assets attributable to unitholders from investment activities			<u>6,135</u>		<u>(2,260)</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 28<sup>th</sup> February 2021

	Year ended 28 <sup>th</sup> Feb. 2021		Year ended 29 <sup>th</sup> Feb. 2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		78,239		68,971
Amounts receivable on creation of units	6,437		14,882	
Amounts payable on cancellation of units	<u>(7,500)</u>		<u>(3,354)</u>	
		(1,063)		11,528
Change in net assets attributable to unitholders from investment activities		<u>6,135</u>		<u>(2,260)</u>
Closing net assets attributable to unitholders		<u>83,311</u>		<u>78,239</u>



## BALANCE SHEET

as at 28<sup>th</sup> February 2021

		28 <sup>th</sup> Feb. 2021		29 <sup>th</sup> Feb. 2020	
	Notes	£'000	£'000	£'000	£'000
<b>ASSETS:</b>					
Fixed assets:					
Investments			80,907		77,067
Current assets					
Debtors	7	957		106	
Cash & bank balances		<u>2,598</u>		<u>2,181</u>	
Total other assets			<u>3,555</u>		<u>2,287</u>
Total assets			<u>84,462</u>		<u>79,354</u>
<b>LIABILITIES:</b>					
Creditors					
Distribution payable		(788)		(979)	
Other creditors	8	<u>(363)</u>		<u>(136)</u>	
Total liabilities			<u>(1,151)</u>		<u>(1,115)</u>
Net assets attributable to unitholders			<u>83,311</u>		<u>78,239</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28<sup>th</sup> February 2021

## 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. 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 28 <sup>th</sup> Feb. 2021 £'000	Year ended 29 <sup>th</sup> Feb. 2020 £'000
Non-derivative securities	7,423	(1,197)
Currency losses	(236)	(203)
Custodian transaction costs	<u>(23)</u>	<u>(16)</u>
Net capital gains/(losses)*	<u>7,164</u>	<u>(1,416)</u>
<i>*includes realised gains on investments sold</i>	<u>3,893</u>	<u>969</u>

### 3. Revenue

	Year ended 28 <sup>th</sup> Feb. 2021 £'000	Year ended 29 <sup>th</sup> Feb. 2020 £'000
Bank interest	1	6
Overseas dividends	1,503	1,657
Stock dividends	34	90
UK dividends	<u>78</u>	<u>60</u>
Total revenue	<u>1,616</u>	<u>1,813</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Expenses

	Year ended 28 <sup>th</sup> Feb. 2021 £'000	Year ended 29 <sup>th</sup> Feb. 2020 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	803	821
– Transfer agency fee	46	54
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	23	23
– Safe custody fee	62	63
Other expenses:		
– Audit fee	15	9
– Fund accounting fee	38	37
– Interest payable and similar charges	1	–
– Sundry fees*	<u>18</u>	<u>13</u>
Total expenses	<u>1,006</u>	<u>1,020</u>

\*Includes FT listing fees, financial statement printing and postage, tax computation fees for £6,180 performed by the fund's auditors, PricewaterhouseCoopers LLP (2020: £2,800), and other fees.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 5. Taxation

	Year ended 28 <sup>th</sup> Feb. 2021 £'000	Year ended 29 <sup>th</sup> Feb. 2020 £'000
<b>(a) Analysis of charge for the year</b>		
Indian capital gains tax	226	23
Overseas tax	<u>196</u>	<u>176</u>
	<u>422</u>	<u>199</u>

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

The tax assessed for the year is higher (2020 - higher) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	Year ended 28 <sup>th</sup> Feb. 2021 £'000	Year ended 29 <sup>th</sup> Feb. 2020 £'000
Net revenue before taxation	<u>610</u>	<u>793</u>
Corporation tax at 20%	122	159
<i>Effects of:</i>		
Indian capital gains tax	226	23
Movement in unrecognised tax losses	186	184
Overseas tax	196	176
Overseas tax expensed	(3)	(3)
Revenue not subject to tax	<u>(305)</u>	<u>(340)</u>
Current tax charge for the year	<u>422</u>	<u>199</u>

### (c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £1,535,492 (2020 - £1,349,777) in respect of unrecognised tax losses. The fund may not generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 6. Distributions

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

	Year ended 28 <sup>th</sup> Feb. 2021 £'000	Year ended 29 <sup>th</sup> Feb. 2020 £'000
Interim	418	512
Final	<u>788</u>	<u>979</u>
	<u>1,206</u>	<u>1,491</u>
Add: Revenue deducted on cancellation of units	41	23
Deduct: Revenue received on creation of units	<u>(30)</u>	<u>(76)</u>
Net distribution for the year	<u>1,217</u>	<u>1,438</u>
Net revenue after taxation	188	594
Expenses taken to capital	803	821
Indian capital gains tax	<u>226</u>	<u>23</u>
Net distribution for the year	<u>1,217</u>	<u>1,438</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 7. Debtors

	28 <sup>th</sup> Feb. 2021	29 <sup>th</sup> Feb. 2020
	£'000	£'000
Amounts receivable for creation of units	914	8
Overseas withholding tax recoverable	23	21
Prepaid expenses	2	2
Revenue receivable:		
Overseas equities	18	75
	<u>957</u>	<u>106</u>

### 8. Other Creditors

	28 <sup>th</sup> Feb. 2021	29 <sup>th</sup> Feb. 2020
	£'000	£'000
Accrued expenses:		
Audit fee	12	9
Custodial transaction fees	1	2
Fund accounting fee	1	4
Manager's periodic charge	67	67
Safe custody fees	5	9
Transfer agency fee	14	9
Trustee's fee	2	2
Other	10	6
Amounts payable for cancellation of units	–	3
Indian capital gains tax	251	25
	<u>363</u>	<u>136</u>

### 9. Unit movement

For the year 1<sup>st</sup> March 2020 to 28<sup>th</sup> February 2021

Opening units	3,816,381
Units created	317,470
Units cancelled	<u>(372,287)</u>
Closing units	<u>3,761,564</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 10. Related Party Transactions

The Manager actively exercises control over the fund and is therefore a related party by virtue of its 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 2.7% (2020 - 2.4%).

### 11. Portfolio Risk Analysis

In pursuing its investment objectives, the fund's portfolio is invested 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'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.

#### **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.



continued

### 11. Portfolio Risk Analysis continued

#### **Market Price Risk continued**

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 holds cash on deposits. 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 the Investment Objective and Policy.

At 28<sup>th</sup> February 2021 and 29<sup>th</sup> February 2020, no interest bearing investments were held by the fund, hence no interest rate risk exposure table has been presented.

#### **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.

#### **Dividend Risk**

Part of the fund's portfolio is invested in equities, from which it receives dividend income. In light of the Covid-19 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.

The 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
<b>28<sup>th</sup> February 2021</b>		
Level 1: Quoted prices	80,907	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	<b>80,907</b>	<b>—</b>
	Assets £'000	Liabilities £'000
<b>29<sup>th</sup> February 2020</b>		
Level 1: Quoted prices	77,067	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	<b>77,067</b>	<b>—</b>

### 12. 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 28 <sup>th</sup> Feb. 2021 %	Year ended 29 <sup>th</sup> Feb. 2020 %
Year end VaR	13.38	8.36
Minimum VaR	8.39	6.62
Maximum VaR	14.46	8.49
Average VaR	13.78	7.64

#### 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

### 13. Portfolio Transaction Costs

For the year 1<sup>st</sup> March 2020 to 28<sup>th</sup> February 2021

Purchases	Value	Commissions	%	Taxes	%
	£'000	£'000		£'000	
Equity instruments (direct)	8,454	15	0.18	7	0.08
<b>Total purchases</b>	<b>8,454</b>	<b>15</b>		<b>7</b>	
<b>Total purchases including transaction costs</b>	<b>8,476</b>				
Sales	Value	Commissions	%	Taxes	%
	£'000	£'000		£'000	
Equity instruments (direct)	12,118	14	0.12	13	0.11
<b>Total sales</b>	<b>12,118</b>	<b>14</b>		<b>13</b>	
<b>Total sales net of transaction costs</b>	<b>12,091</b>				
Total transaction costs		29		20	
Total transaction costs as a % of average net assets		0.03%		0.03%	

For the year 1<sup>st</sup> March 2019 to 29<sup>th</sup> February 2020

Purchases	Value	Commissions	%	Taxes	%
	£'000	£'000		£'000	
Equity instruments (direct)	20,907	31	0.15	21	0.10
<b>Total purchases</b>	<b>20,907</b>	<b>31</b>		<b>21</b>	
<b>Total purchases including transaction costs</b>	<b>20,959</b>				
Sales	Value	Commissions	%	Taxes	%
	£'000	£'000		£'000	
Equity instruments (direct)	9,738	11	0.11	7	0.07
Debt instruments	5	-	-	-	-
<b>Total sales</b>	<b>9,743</b>	<b>11</b>		<b>7</b>	
<b>Total sales net of transaction costs</b>	<b>9,725</b>				
Total transaction costs		42		28	
Total transaction costs as a % of average net assets		0.05%		0.04%	

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 13. Portfolio Transaction Costs continued

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.

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 0.30% (2020 - 0.36%).

## DISTRIBUTION TABLES

**in pence per unit  
for the year ended 28<sup>th</sup> February 2021**

### INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> March 2020

Group 2 - Units purchased 1<sup>st</sup> March 2020 to 31<sup>st</sup> August 2020

	Dividend income	Equalisation*	Amount paid
Group 1	11.000	–	11.000
Group 2	6.481	4.519	11.000

### FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1<sup>st</sup> September 2020

Group 2 - Units purchased 1<sup>st</sup> September 2020 to 28<sup>th</sup> February 2021

	Dividend income	Equalisation*	Amount payable
Group 1	20.952	–	20.952
Group 2	2.437	18.515	20.952

\*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 28<sup>th</sup> February 2021**

	Year to 28 <sup>th</sup> Feb. 2021	Year to 29 <sup>th</sup> Feb. 2020
Interim paid	11.000	14.000
Final payable/paid	20.952	25.662
	<u>31.952</u>	<u>39.662</u>

### DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	28.02.21	30.04.21
Interim	31.08.21	31.10.21

*Manager*

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