



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

EMERGING MARKETS FUND

A pooled management service for private clients

ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 28TH FEBRUARY 2018

SUMMARY

The fund's financial year end has moved to 28th February (from 31st March), as previously notified to unitholders. Therefore, the following report covers a reduced period of eleven months from 1st April 2017 to 28th February 2018.

At 28th February 2018 the price of units in the fund was £21.887, which represents a gain of 2% over the eleven months. The broad emerging markets index was strong, but largely concentrated in a limited number of Chinese technology stocks to which the fund has no exposure. The excessive valuations in the sector do not appear to reflect industry risks adequately.

A final dividend of 17.602p per unit is now being paid. This brings the total distributions over the eleven months to 31.602p per unit, lower than the total paid out over the twelve months to 31st March 2017. This reduction principally reflects the truncated reporting period of eleven months over which income was earned.

Overall, the outlook for investment in emerging markets remains broadly positive. The strong growth of the global economy, possibly further boosted by tax cuts in the US, provides a favourable background for company profits. Even if this results in a significant rise in global interest rates, most of the companies held in the portfolio are not highly leveraged. The rising prosperity across many emerging markets should allow for excellent returns for the selective, long-term investor.

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

INTRODUCTION

McInroy & Wood 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 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 Emerging Markets Fund is to grow the real value of investors' capital and income. Investments will primarily be in companies operating or incorporated in developing countries. 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 Limited, Easter Alderston, Haddington, EH41 3SE. (Tel. +44(0)1620 825867) or through the website www.mcinroy-wood.co.uk

MANAGER'S INVESTMENT REPORT

The fund's financial year end has moved to 28th February (from 31st March), as previously notified to unitholders. The following report therefore covers a shortened period of eleven months from 1st April 2017 to 28th February 2018.

At 28th February 2018, the fund's net assets were £66,108,239 compared with £61,622,969 at 31st March 2017. Net investment inflows to the fund were £2.5m over the eleven months. There were 249 investors (excluding ISA holders), with average holdings of £258,427.

Markets

Emerging equity markets gained ground over the eleven months to 28th February 2018. Sustained growth in the US and Europe boosted developing economies and provided a favourable background for investment. Towards the end of the period, the prospect of rising interest rates appeared to shake confidence, resulting in some weakness in global markets.

Over the eleven-month period, as measured by the MSCI Emerging Markets Index in sterling terms, emerging markets gained 13%. However, some of the underlying gains were offset by the strength of sterling. In local currency terms, Vietnam (+62%) and Kenya (+43%) were the two strongest performing markets to which the portfolio has exposure. Both are 'frontier' markets and illustrate the opportunities available in such smaller and less sophisticated markets.

Results

At 28th February 2018 the price of units in the fund was £21.887, which represents a gain of 2% over the eleven months. The strength of the broad emerging markets index was largely concentrated in a limited number of Chinese technology stocks to which the fund has no exposure. The excessive valuations in the sector do not appear to adequately reflect industry risks.

Dividend Distribution

A final dividend of 17.602p per unit is now being paid. This brings the total distributions over the eleven months to 31.602p per unit, lower than the total paid out over the twelve months to 31st March 2017. This reduction principally reflects the truncated reporting period of eleven months over which income was earned.

MANAGER'S INVESTMENT REPORT

Portfolio Strategy

The portfolio is widely diversified across different geographies. At 28th February 2018, 63% of the portfolio was invested in Asia (66% at 31st March 2017), 23% in Latin America (21%), 6% in Eastern Europe (6%) and 5% in Africa (3%). 3% was held liquid in cash deposits (4%).

Investments

A strategic initiative to invest in so-called 'frontier' economies was highlighted in the fund's previous report. In this context, new positions were established in East African Breweries, the dominant brewer in Kenya, and in EDITA Food Industries, a leading branded consumer foods company in Egypt.

New holdings were also established in Anta Sports Products, a manufacturer and retailer of sportswear to Chinese consumers, Migros Ticaret, a Turkish retailer, Crompton Greaves, an Indian producer of electrical goods, and Ginko International, a Taiwanese optical lens manufacturer. Perusahaan Gas Negara, Lotte Shopping, POSCO and Larsen & Toubro were sold. The first was sold at a loss; the other trades realised profits.

Over the eleven months Localiza Rent a Car (+96%) and Chroma ATE (+75%) recorded the strongest gains: Perusahaan Gas Negara (-31% before it was sold) and Arwana Citramulia (-28%) lost ground.

Outlook

Global economic growth is maintaining its momentum, and emerging economies are growing significantly faster than their developed counterparts. However, there are signs that inflationary pressures are beginning to pick up. As a result interest rates in many countries are being raised from record low levels, leaving financial markets exposed to the speed and timing of these changes. The US Federal Reserve, in particular, may move faster than anticipated, especially if the government deficit balloons after the recent tax cuts are implemented. Nevertheless, this economic environment should still provide attractive openings for discerning investors in emerging markets.

While any further acceleration in US growth will benefit developing economies, tighter monetary policy could lead to a stronger US dollar. Typically a rise in the dollar has hurt emerging markets as it increases borrowing costs for indebted countries and highly leveraged companies. This underlines the importance of investing in companies with strong balance sheets operating in countries with sustainable growth paths.

MANAGER'S INVESTMENT REPORT

Outlook (continued)

A further concern is President Trump's continued flirtation with setting up trade barriers to protect US producers. If this degenerates into a full scale trade war, the impact will undoubtedly be severe on developing economies. Recent comment appears to be aimed at China in particular.

Chinese growth picked up to 6.9% last year, boosted by a surge in US corporate expenditure. At the same time, The People's Bank of China has taken steps to control the high level of debt and resulting asset bubbles in the economy. There are some indications that it is succeeding in these endeavours. In any event, most debt is locally financed and denominated in renminbi, reducing vulnerability to any global credit crisis. The Chinese economy does seem to be becoming much more balanced as emphasis shifts from capital investment towards consumer spending. This should prove helpful to President Xi as he cements his grip on power. The delivery of sustainable economic growth forms a key pillar for popular acceptance of his legitimacy. It is open to question whether in the long run tight political controls can coexist with a consumer-led economy, but so far they have not prevented the latter moving onto a healthier trajectory.

Mexico is also benefiting from the strength of the US economy, and the IMF has increased its growth forecasts for the country for the next two years. However, Mexico is significantly exposed to US protectionism, specifically as a large exporter of steel, but more importantly through the North American Free Trade Agreement, which President Trump is looking to renegotiate. A further concern is the presidential election in July, where the current front runner is a strident populist, Lopez Obrador. However, the economy continues to expand steadily and the level of overall indebtedness is low. The country's favourable demographic situation of a young and growing population gives it significant long-term growth potential.

India has less trading exposure to the US than China or Mexico, and would thus appear to be better insulated from any rise in American trade barriers. However, it has introduced tariffs of its own to protect some businesses from Chinese competition, which may prove counter-productive in the long run. In the meantime, annualised growth is running at more than 7%, making it the world's fastest growing large economy. This is particularly striking as the necessary and important reforms of demonetisation and a unified sales tax had impacted growth in the early part of last year. There is also a relatively low level of debt in the Indian economy which should limit any damage from rising global interest rates. Overall the country seems particularly well placed to generate sustainable long-term growth. Even if this is already reflected in equity valuations, it is a market of particular interest with many fast-growing companies.

MANAGER'S INVESTMENT REPORT

Outlook (continued)

There are also attractive prospects in countries which are benefiting from recoveries from political or economic difficulties, or a combination of both in some cases. After a deep recession, Brazilian GDP rose by 1% in 2017, and further acceleration is expected this year. The political environment remains very uncertain ahead of October's general election, and much needed pension and privatisation reforms seem unlikely to be implemented in advance of the poll. Nevertheless, the economic revival has been reflected in improving corporate profitability and the portfolio has a significant allocation to the Brazilian market.

Another example is the Philippines where President Duterte's regime has many international and domestic critics. However, economic growth in the country has remained over 6% throughout his period in office. There are some concerns over the country's deteriorating trading deficit, although this continues to be offset, to some extent, by substantial remittances from overseas workers. Borrowing is at relatively low levels here too, and the economy should make further progress in coming years.

It is possible that there may be opportunities arising in South Africa following the resignation of President Zuma in February. His successor, Cyril Ramaphosa, has the chance to make fundamental changes to the country, and to sweep back the levels of corruption bedevilling business and politics. Economic growth remains weak, but the recent strength of the currency and relatively subdued inflation may provide scope for the central bank to cut interest rates. The portfolio has very little exposure here at present, but the market is being watched closely.

Overall, the outlook for investment in emerging markets remains broadly positive. The strong growth of the global economy, possibly further boosted by tax cuts in the US, provides a favourable background for company profits. Even if this results in a significant rise in global interest rates, most of the companies held in the portfolio are not highly leveraged. The rising prosperity across many emerging markets should allow for excellent returns for the selective, long-term investor.

18th April 2018

COMPARATIVE TABLE — PERSONAL CLASS

	11 months to 28 th February 2018 (pence per unit)	Year to 31 st March 2017 (pence per unit)	Year to 31 st March 2016 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	2,104.96	1,708.13	1,860.09
Return before operating charges*	119.61	459.28	(95.62)
Operating charges	(27.01)	(26.04)	(22.39)
Return after operating charges	92.60	433.24	(118.01)
Distributions	(31.60)	(36.41)	(33.95)
Closing net asset value per unit			
	2,165.96	2,104.96	1,708.13
*After direct transaction costs of	(1.52)	(1.66)	(0.83)
Performance**			
Return after charges	4.40%	25.36%	(6.34)%
Other information			
Closing net asset value (£'000)	66,108	61,623	46,998
Closing number of units	3,052,146	2,927,504	2,751,441
Operating charges	1.35%	1.33%	1.35%
Direct transaction costs	0.07%	0.08%	0.05%
Prices			
Highest unit price	£23.226	£22.014	£19.544
Lowest unit price	£20.765	£16.619	£14.603
Portfolio turnover			
Annualised	6%	9%	8%

**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 accounts 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 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.

PORTFOLIO STATEMENT

as at 28th February 2018

INVESTMENTS	Holding or Nominal Value of positions at 28 th Feb. 2018	Bid Market Value £'000	Percentage of Value of total net assets	
			28 th Feb. 2018	31 st Mar. 2017
<i>Equities</i>				
BRAZIL				
Kroton Educacional	576,736	1,994	3.0	
Localiza Rent A Car	500,000	2,877	4.3	
Natura	150,000	1,142	1.7	
Weg	467,000	2,441	3.7	
		<u>8,454</u>	<u>12.7</u>	<u>10.1</u>
CHILE				
Embotelladora Andina - ADR	90,000	1,912	2.9	2.7
CHINA				
Anta Sports Products	400,000	1,439	2.2	0.0
EGYPT				
Edita Food Industries SAE - GDR	207,000	706	1.1	0.0
HONG KONG				
CNOOC	820,000	865	1.3	
Hang Lung Properties	1,020,000	1,769	2.7	
MTR	270,000	1,038	1.6	
Shandong Weigao Medical Polymer	3,250,000	1,607	2.4	
Television Broadcasts	210,000	502	0.7	
Vitasoy International	1,200,000	2,265	3.4	
		<u>8,046</u>	<u>12.1</u>	<u>12.9</u>
INDIA				
Crompton Greaves Consumer Electricals	450,000	1,166	1.8	
ICICI Bank - ADR	99,000	683	1.0	
Infosys - ADR	145,000	1,858	2.8	
Jain Irrigation Systems	1,500,000	1,956	3.0	
Mahindra & Mahindra	40,000	324	0.5	
Mahindra & Mahindra - GDR	190,000	1,517	2.3	
Marico	540,000	1,855	2.8	
		<u>9,359</u>	<u>14.2</u>	<u>14.6</u>
INDONESIA				
Arwana Citramulia	52,000,000	944	1.4	
Kalbe Farma	19,023,800	1,607	2.4	
		<u>2,551</u>	<u>3.8</u>	<u>5.1</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 28 th Feb. 2018	Bid Market Value £'000	Percentage of Value of total net assets 28 th Feb. 2018 31 st Mar. 2017	
<i>Equities continued</i>				
KENYA				
East African Breweries	350,000	584	0.9	0.0
MALAYSIA				
Telekom Malaysia	1,070,000	1,168	1.8	1.7
MEXICO				
America Movil - ADR	64,000	853	1.3	
Fomento Economico Mexicano	265,000	1,773	2.7	
Grupo Financiero Banorte	140,000	609	0.9	
Wal-Mart de Mexico	1,050,000	1,778	2.7	
		5,013	7.6	8.4
PHILIPPINES				
Jollibee Foods	605,000	2,487	3.8	
Manila Water	2,700,000	978	1.5	
Universal Robina	770,000	1,599	2.4	
		5,064	7.7	7.4
PORTUGAL				
Jeronimo Martins	140,000	2,114	3.2	3.3
SINGAPORE				
Ezion	2,100,000	—	0.0	
Ezion warrants 2020	467,460	—	0.0	
Keppel	177,000	778	1.2	
Singapore Exchange	200,000	827	1.3	
Thai Beverage	3,802,700	1,742	2.6	
		3,347	5.1	6.1
SOUTH AFRICA				
MTN	280,000	2,212	3.4	2.9
SOUTH KOREA				
LG Household & Healthcare	3,200	2,359	3.6	7.4
TAIWAN				
Chroma ATE	720,000	2,864	4.3	
Giant Manufacturing	341,680	1,300	2.0	
Ginko International	164,000	872	1.3	
		5,036	7.6	6.5

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 28 th Feb. 2018	Bid Market Value £'000	Percentage of Value of total net assets	
			28 th Feb. 2018	31 st Mar. 2017
<i>Equities continued</i>				
TURKEY				
BIM Birlesik Magazalar	80,000	1,147	1.7	
Migros Ticaret	217,000	996	1.5	
		<u>2,143</u>	<u>3.2</u>	<u>2.4</u>
UK				
M.P. Evans	270,000	<u>2,036</u>	<u>3.1</u>	<u>3.2</u>
VIETNAM				
Vietnam Dairy Products	120,000	<u>750</u>	<u>1.1</u>	<u>0.5</u>
TOTAL INVESTMENTS		64,293	97.3	95.2
Net other assets		<u>1,815</u>	<u>2.7</u>	<u>4.8</u>
TOTAL NET ASSETS		<u><u>66,108</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.

SUMMARY OF ALL PORTFOLIO CHANGES

for the period ended 28th February 2018

	Cost £'000
Purchases	
400,000 Anta Sports Products	1,316
22,000,000 Arwana Citramulia	585
450,000 Crompton Greaves Consumer Electricals	1,185
350,000 East African Breweries	673
207,000 Edita Food Industries SAE - GDR	833
164,000 Ginko International	930
9,000 ICICI Bank - ADR (<i>bonus issue</i>)	—
130,000 Jollibee Foods	414
60,000 Kroton Educacional	206
9,000 Localiza Rent A Car (<i>bonus issue</i>)	—
378,000 Localiza Rent A Car (<i>stock split</i>)	—
20,000 Mahindra & Mahindra	326
20,000 Mahindra & Mahindra (<i>stock dividend</i>)	—
95,000 Mahindra & Mahindra (<i>bonus issue</i>)	—
217,000 Migros Ticaret	1,373
30,000 MTN	203
40,000 Natura	252
1,000,000 Shandong Weigao Medical Polymer	588
170,000 Telekom Malaysia	203
620,000 Thai Beverage	315
100,000 Universal Robina	248
61,100 Vietnam Dairy Products	325
55,000 Weg	229
TOTAL	<u>10,204</u>
	Proceeds £'000
Disposals	
40,000 BIM Birlesik Magazalar	681
280,000 Chroma ATE	1,023
33,000 Larsen & Toubro	695
37,500 Larsen & Toubro - GDR	785
800 LG Household & Healthcare	636
67,000 Localiza Rent A Car	368
3,600 Lotte Shopping	702
3,500,000 Perusahaan Gas	341
8,000 POSCO	1,806
TOTAL	<u>7,037</u>

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 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.

Using your personal information

The personal information which we obtain from you when you invest in the fund is used to help administer your investment. All processing of your personal information will be carried out in accordance with our Privacy Policy, which you can access at the foot of our homepage on our website (www.mcinroy-wood.co.uk). Please read our Privacy Policy, as it sets out your rights with respect to any personal information we collect from or about you, and explains in more detail how we use that information to administer your investment.

Remuneration Policy

McInroy & Wood Portfolios Limited (“MWP”) delegates investment management of the fund to McInroy & Wood 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 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.

Changes in accounting and income allocation dates

The Manager has changed the fund's annual and interim accounting dates in order to consolidate the publication of annual and interim reports. The fund's income allocation dates have changed accordingly.

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 period. In preparing the financial statements the Manager is required to:

- Select suitable accounting policies and then apply them consistently.
- Comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the IMA in May 2014.
- 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, 18th April 2018

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee in its capacity as Trustee of 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 monitored¹ 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.

¹ This requirement on the Trustee applied from 18th March 2016.

REPORT OF THE TRUSTEE

to the unitholders of McInroy & Wood Emerging Markets Fund for the period ended 28th February 2018

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.

18th April 2018

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

INDEPENDENT AUDITORS' REPORT

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 28th February 2018 and of the net revenue and the net capital gains of the scheme property of the Trust for the period 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 28th February 2018; the statement of total return and the statement of change in net assets attributable to unitholders for the period then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Authorised Fund Manager's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Authorised Fund Manager has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

INDEPENDENT AUDITORS' REPORT

continued

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 period for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 15, the Authorised Fund 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 Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Fund Manager either intends to wind up or terminate the Trust, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

continued

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

18th April 2018

STATEMENT OF TOTAL RETURN

for the period ended 28th February 2018

	Notes	Period ended 28 th Feb. 2018		Year ended 31 st Mar. 2017	
		£'000	£'000	£'000	£'000
Income					
Net capital gains	2		2,468		11,679
Revenue	3	1,268		1,309	
Expenses	4	<u>(803)</u>		<u>(708)</u>	
Net revenue before taxation		465		601	
Taxation	5	<u>(115)</u>		<u>(134)</u>	
Net revenue after taxation			350		467
Total return before distributions			2,818		12,146
Distributions	6		<u>(960)</u>		<u>(1,012)</u>
Change in net assets attributable to unitholders from investment activities			<u>1,858</u>		<u>11,134</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the period ended 28th February 2018

	Period ended 28 th Feb. 2018		Year ended 31 st Mar. 2017	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		61,623		47,291
Amounts receivable on creation of units	8,045		6,514	
Amounts payable on cancellation of units	<u>(5,418)</u>		<u>(3,316)</u>	
		2,627		3,198
Change in net assets attributable to unitholders from investment activities		<u>1,858</u>		<u>11,134</u>
Closing net assets attributable to unitholders		<u>66,108</u>		<u>61,623</u>

BALANCE SHEET

as at 28th February 2018

	Notes	28 th Feb. 2018		31 st Mar. 2017	
		£'000	£'000	£'000	£'000
ASSETS:					
Investments			64,293		58,681
Current assets					
Debtors	7	620		385	
Cash & bank balances		1,830		3,401	
Total other assets			<u>2,450</u>		<u>3,786</u>
Total assets			<u>66,743</u>		<u>62,467</u>
LIABILITIES:					
Creditors					
Distribution payable		(537)		(656)	
Other creditors	8	(98)		(188)	
Total liabilities			<u>(635)</u>		<u>(844)</u>
Net assets attributable to unitholders			<u>66,108</u>		<u>61,623</u>

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 28th February 2018

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 April. An interim distribution based on available revenue is distributed on the last day of October. 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 capital gains on investments:

	Period ended 28 th Feb. 2018	Year ended 31 st Mar. 2017
	£'000	£'000
Non-derivative securities	2,541	11,707
Currency losses	(54)	(13)
Custodial transaction fees	(19)	(15)
	<hr/>	<hr/>
Net capital gains*	2,468	11,679
	<hr/>	<hr/>
<i>*includes realised gains on investments sold</i>	2,107	1,804
	<hr/>	<hr/>

3. Revenue

Dividends on overseas equities	1,220	1,267
Dividends on UK equities	48	42
	<hr/>	<hr/>
Total revenue	1,268	1,309
	<hr/>	<hr/>

4. Expenses

Payable to the Manager, associates of the Manager and agents of either of them:

- Manager's periodic charge	610	545
- Transfer agency fee	53	33

Payable to the Trustee, associates of the Trustee and agents of either of them:

- Trustee's fee	20	19
- Safe custody fee	70	53

Other expenses:

- Audit fee	7	11
- Fund accounting fee	31	36
- Sundry fees*	12	11
	<hr/>	<hr/>

Total expenses	803	708
	<hr/>	<hr/>

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

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Period ended 28 th Feb. 2018 £'000	Year ended 31 st Mar. 2017 £'000
(a) Analysis of tax charge		
Overseas withholding tax	115	134
	<u>115</u>	<u>134</u>

(b) Factors affecting the tax charge for the period/year

The tax assessed for the period is higher (2017 - higher) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	Period ended 28 th Feb. 2018 £'000	Year ended 31 st Mar. 2017 £'000
Net revenue before taxation	465	601
Corporation tax at 20%	<u>93</u>	<u>120</u>
<i>Effects of:</i>		
Irrecoverable overseas withholding tax	115	134
Movement in excess management charges	140	125
Overseas tax expensed	(4)	(3)
Revenue not subject to corporation tax	(229)	(242)
Current tax charge for the period/year	<u>115</u>	<u>134</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £998,407 (2017 - £858,577) in respect of unutilised 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 period 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:

	Period ended 28 th Feb. 2018 £'000	Year ended 31 st Mar. 2017 £'000
Interim	439	384
Final	537	656
	<u>976</u>	<u>1,040</u>
Add: Revenue deducted on cancellation of units	33	21
Deduct: Revenue received on creation of units	(49)	(49)
Net distribution for the period/year	<u>960</u>	<u>1,012</u>
Net revenue after taxation	350	467
Expenses taken to capital	610	545
Net distribution for the period/year	<u>960</u>	<u>1,012</u>

Details of the distributions per unit are shown in the Distribution Tables on page 34.

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Debtors	28 th Feb. 2018	31 st Mar. 2017
	£'000	£'000
Amounts receivable for creation of units	509	262
Overseas withholding tax recoverable	36	22
Prepaid expenses	2	2
Revenue receivable:		
Overseas equities	73	72
UK Equities	—	27
	<u>620</u>	<u>385</u>

8. Other creditors	28 th Feb. 2018	31 st Mar. 2017
	£'000	£'000
Accrued expenses:		
Audit fee	8	9
Custodial transaction fees	3	3
Fund accounting fees	5	8
Manager's periodic charge	51	53
Overseas tax compliance	2	4
Safe custody fee	20	13
Transfer agency fee	3	5
Tax computation fee	4	3
Trustee's fee	2	2
Amounts payable for cancellation of units	—	88
	<u>98</u>	<u>188</u>

9. Unit movement

For the period 1st April 2017 to 28th February 2018

Opening units	2,927,504
Units created	373,865
Units cancelled	(249,223)
Closing units	<u>3,052,146</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 period 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 2.9% (2017 - 2.9%).

11. Portfolio Risk Analysis

In pursuing its investment objectives, the fund invests in a variety of financial assets. These comprise securities and other investments. There are also cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and debtors for accrued revenue.

Credit and Liquidity Risk

Credit risk is the risk that the counterparty in a financial transaction will fail to fulfil their obligation or commitment, and includes the risk that the issuer of a security will be unable to pay interest and principal in a timely manner.

The fund'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.

continued

11. Portfolio Risk Analysis continued

Market Price Risk

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

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

Interest Rate Risk

The fund holds cash on deposit. Changes in interest rates may have an adverse effect on future cash flows from such deposits and on the amount of income derived from them.

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

At 28th February 2018 and 31st March 2017, 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.

NOTES TO THE FINANCIAL STATEMENTS

continued

11. Portfolio Risk Analysis continued

Currency profile

The currency profile of the fund's net assets at 28th February was:

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
28th February 2018				
Brazilian Real	13	8,454	8,467	12.8
Euro	36	2,114	2,150	3.3
Hong Kong Dollar	—	9,485	9,485	14.3
Indian Rupee	14	5,301	5,315	8.0
Indonesian Rupiah	—	2,551	2,551	3.9
Kenyan Shilling	—	584	584	0.9
Korean Won	17	2,359	2,376	3.6
Malaysian Ringgit	—	1,168	1,168	1.8
Mexican Peso	—	4,159	4,159	6.3
New Turkish Lira	—	2,143	2,143	3.2
Philippine Peso	24	5,064	5,088	7.7
Singapore Dollar	—	3,347	3,347	5.1
South African Rand	—	2,212	2,212	3.3
Taiwan Dollar	—	5,036	5,036	7.6
UK Sterling	1,702	2,036	3,738	5.7
US Dollar	3	7,530	7,533	11.4
Vietnamese Dong	6	750	756	1.1
	1,815	64,293	66,108	100.0

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
31st March 2017				
Brazilian Real	29	6,226	6,255	10.2
Euro	23	2,003	2,026	3.3
Hong Kong Dollar	—	7,972	7,972	12.9
Indian Rupee	—	4,331	4,331	7.0
Indonesian Rupiah	—	3,132	3,132	5.1
Korean Won	42	4,538	4,580	7.4
Malaysian Ringgit	—	1,042	1,042	1.7
Mexican Peso	—	4,429	4,429	7.2
New Turkish Lira	—	1,473	1,473	2.4
Philippine Peso	—	4,564	4,564	7.4
Singapore Dollar	—	3,735	3,735	6.1
South African Rand	—	1,819	1,819	3.0
Taiwan Dollar	—	4,031	4,031	6.5
UK Sterling	2,830	1,998	4,828	7.8
US Dollar	—	7,091	7,091	11.5
Vietnamese Dong	18	297	315	0.5
	2,942	58,681	61,623	100.0

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
28th February 2018		
Quoted prices for identical instruments in active markets	64,293	—
	64,293	—
31st March 2017		
Quoted prices for identical instruments in active markets	58,681	—
	58,681	—

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 period/year.

	Period ended 28 th Feb. 2018	Year ended 31 st Mar. 2017
	%	%
Period/year end VaR	6.30	7.82
Minimum VaR	6.04	7.29
Maximum VaR	8.70	9.65
Average VaR	7.64	8.59

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs

For the period 1st April 2017 to 28th February 2018

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	10,179	17	0.17	8	0.08
Total purchases	10,179	17		8	

Total purchases including transaction costs

10,204

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	7,059	10	0.14	12	0.17
Total sales	7,059	10		12	

Total sales net of transaction costs

7,037

Total transaction costs 27 20

Total transaction costs
as a % of average net assets 0.04% 0.03%

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs continued

For the year 1st April 2016 to 31st March 2017

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	8,159	23	0.28	4	0.05
Total purchases	8,159	23		4	

Total purchases including transaction costs

8,186

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	6,625	16	0.24	4	0.06
Total sales	6,625	16		4	

Total sales net of transaction costs

6,605

Total transaction costs 39 8

Total transaction costs as a % of average net assets 0.07% 0.01%

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 and 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 0.62% (2017 - 0.26%).

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 period ended 28th February 2018**

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st April 2017

Group 2 - Units purchased 1st April 2017 to 30th September 2017

	Dividend income	Equalisation*	Amount paid
Group 1	14.000	—	14.000
Group 2	1.673	12.327	14.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st October 2017

Group 2 - Units purchased 1st October 2017 to 28th February 2018

	Dividend income	Equalisation*	Amount payable
Group 1	17.602	—	17.602
Group 2	2.726	14.876	17.602

*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 period ended 28th February 2018**

	Period to 28 th Feb. 2018	Year to 31 st Mar. 2017
Interim paid	14.000	14.000
Final payable/paid	17.602	22.411
	<u>31.602</u>	<u>36.411</u>

DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	28.02.18	30.04.18
Interim	31.08.18	31.10.18

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