



McInroy & Wood

PERSONAL INVESTMENT MANAGERS

EMERGING MARKETS FUND

A pooled management service for private clients

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29TH FEBRUARY 2020

SUMMARY

At 29th February 2020, total net assets of the McInroy & Wood Emerging Markets Fund (the fund) amounted to £78,239,434 compared with £68,971,167 at 28th February 2019. There were 266 investors (excluding ISA holders), each with an average holding worth £280,998.

The price of units in the fund at 29th February 2020 stood at £20.675, a fall of 3% over the year. Widespread weakness in equity markets was partially offset by the weakness of sterling, which boosted the value of overseas assets to sterling investors.

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, over the same period. Over the 3 years to 29th February 2020, the total return for unitholders in the fund was 4%, compared to inflation of 9% on the above basis over the same period. Over 5 years, the fund returned 22%, against inflation of 14%.

A final distribution of 25.662p is now being paid. Total distributions over the twelve months to 29th February 2020 amounted to 39.662p per unit, 8% higher than that paid out in the 12 months to 28th February 2019.

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

Despite the immediate crisis, emerging markets continue to offer long-term potential for higher growth rates than their developed peers. At the time of writing, there is still considerable uncertainty about the scale of lasting disruption from the Coronavirus and the effectiveness of the different containment strategies being implemented. The economic health of countries in emerging markets has always varied widely, and the portfolio aims to invest in sound businesses with strong market positions, particularly those that will benefit from increased wealth in the middle classes.

CONTENTS

AUTHORISED FUND MANAGER'S REPORT*

	Page
Introduction	3
Manager's Investment Report	4-7
Comparative Table	8
Portfolio Statement	9-11
Summary of All Portfolio Changes	12-13
General Information	14-15
Statement of the Manager's Responsibilities and Directors' Statement	16
Statement of the Trustee's Responsibilities in Respect of the Scheme and Report of the Trustee	17-18
Independent Auditors' Report to the Unitholders of the McInroy & Wood Emerging Markets Fund	19-21

FINANCIAL STATEMENTS

Statement of Total Return and Statement of Change in Net Assets Attributable to Unitholders	22
Balance Sheet	23
Notes to the Financial Statements	24-33
Distribution Tables	34

**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 Portfolios Limited, Easter Alderston, Haddington, EH41 3SE. (Tel. +44(0)1620 825867) or through the website: www.mcinroy-wood.co.uk.

MANAGER'S INVESTMENT REPORT

At 29th February 2020, total net assets of the fund amounted to £78,239,434 compared with £68,971,167 at 28th February 2019. There were 266 investors (excluding ISA holders), each with an average holding worth £280,998.

Markets

The year to 29th February 2020 was characterised by broad weakness in emerging markets, offset by a decline in the value of sterling, which increased the value of overseas assets for UK-based investors. Rising tensions, particularly between China and USA, undermined already weak global trade and violent protests in Hong Kong and India contributed to a deterioration in investor sentiment. Towards the end of the period, the Coronavirus outbreak caused a global loss of confidence and triggered sharp falls in all equity markets.

Emerging markets were little changed, as measured by the MSCI Emerging Market Index in sterling terms, over the year. Sterling declined against the Hong Kong dollar (-4%) and Indian rupee (-1%) but strengthened considerably against the Brazilian real (+14%). In local currency terms, the Hong Kong and Philippines markets declined by 12%, the Brazilian market by 11%, while India was broadly flat.

Results

The price of units in the fund at 29th February 2020 stood at £20.675, a fall of 3% over the year. Widespread weakness in equity markets was partially offset by the weakness of sterling, which boosted the value of overseas assets to sterling investors.

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, over the same period. Over the 3 years to 29th February 2020, the total return for unitholders in the fund was 4%, compared to inflation of 9% on the above basis over the same period. Over 5 years, the fund returned 22%, against inflation of 14%.

Dividend Distribution

A final distribution of 25.662p is now being paid. Total distributions over the twelve months to 29th February 2020 amounted to 39.662p per unit, 8% higher than that paid out in the 12 months to 28th February 2019.

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

Portfolio Strategy

The portfolio continues to be highly diversified across different industries and geographies. At 29th February 2020, 14% of the portfolio was invested in China (8% on 28th February 2019), 56% in the rest of Asia (57%), 15% in Latin America (18%), 7% in Eastern Europe (7%), 7% in Africa (7%) and 1% was held in cash (3%).

MANAGER'S INVESTMENT REPORT

Investments

Net new funds of £12 million were subscribed during the period. In the first half of the year, the portfolio's allocation to India was increased, and several companies operating in the consumer sector were added: Asian Paints, Britannia Industries, Dabur India, Hindustan Unilever, Nestlé India and Titan. New positions were also established in Trip.com and TravelSky Technology, Chinese technology companies focused on the travel industry. Both investments have been hit by the damage wrought by the Coronavirus, but their strong business models and healthy balance sheets offer reassurance to their long-term investment case. In the second half of the year, initial investments were made in two family-controlled businesses: Ultrajaya Milk Industry, an Indonesian company that manufactures and distributes branded consumer drinks, and Wilcon Depot, a Filipino home-improvement retailer. Natura Cosméticos (Brazil), Television Broadcasts (Hong Kong), Infosys (India), Jain Irrigation Systems (India) and Manila Water (Philippines) were all sold.

The strongest performing stocks in the portfolio in local currency terms were WEG (+134%), Nestlé India and Localiza Rent A Car (both +51%). Jollibee Foods (-45%), Embotelladora Andina (-36%) and Barloworld (-34%) all fell back.

Outlook

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

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

One factor in favour of emerging economies relates to their demographics. At the time of writing, the virus appears to be more dangerous to those who either have existing health conditions or are older. While many emerging markets lack social security systems and widespread access to quality healthcare, their populations tend to be younger and may be better placed to withstand the pandemic than ageing western populations.

MANAGER'S INVESTMENT REPORT

Outlook continued

Growth in China can be expected to rebound in the short-term if reports that the virus has been brought under control are to be believed. Once factories have rebuilt their inventory levels, they too will be dependent upon the restoration of global demand before further progress might be expected. Their economy contracted sharply during the year, by as much as 13% according to some estimates. This has already had widespread ramifications elsewhere, exposing the vulnerability to sudden interruptions of lean global supply chains. The Chinese central bank responded accordingly by considerably loosening monetary policy, in an effort to stave off both the ongoing effects of US trade sanctions as well as the impact of the virus. At the same time, the tensions in Hong Kong remain unresolved. While protests have virtually stopped in the face of the viral infection, a fresh wave of grievances is possible once the health picture improves.

The outlook for the Indian economy was also deteriorating before the spread of the virus gained momentum, with growth falling to a six-year low of 4.7% last year. The country has itself also faced violent protests triggered by President Modi's proposed citizenship legislation, which incorporates religious criteria into its refugee policies for the first time. Meanwhile, the government's progress on structural reform has been disappointing. The failure of a large private lender, Yes Bank, has also sparked wider concerns over the country's financial system, undermining a drive to convince poor households to place their savings in bank accounts.

South Africa, too, is making little headway with its reform agenda. Its economy had already fallen into its second recession in as many years before the global health crisis widened into a pandemic, and the country faces rolling power cuts as years of underinvestment by Eskom, the state-owned power company, have resulted in several ageing plants failing. President Ramaphosa's promised economic growth and anti-corruption measures face considerable resistance, not least from within his own party. If these fail to be implemented, it is difficult to see how the country can escape its present toils, even when the health crisis clears. A highly selective approach to investment in the economy is critical.

Forecasts for Latin America have also been overtaken by the health crisis. Prospects were already looking difficult with social unrest in Chile and weak investment in Mexico, but there had been some signs of progress in Brazil. Household consumption has been rising, as loose central bank policy and sweeping deregulation appear to be bearing fruit. President Bolsonaro is poised to make the central bank independent, reducing political influence over key economic decisions. Furthermore, he has managed to push through pension reform in the face of considerable opposition. This willingness to make unpopular but economically necessary decisions is encouraging for the country's long-term health, but even in Brazil the impact of the disease is rapidly undermining any such positive developments.

MANAGER'S INVESTMENT REPORT

Outlook continued

Despite the immediate crisis, emerging markets continue to offer long-term potential for higher growth rates than their developed peers. At the time of writing, there is still considerable uncertainty about the scale of lasting disruption from the Coronavirus and the effectiveness of the different containment strategies being implemented. The economic health of countries in emerging markets has always varied widely, and the portfolio aims to invest in sound businesses with strong market positions, particularly those that will benefit from increased wealth in the middle classes.

20th April 2020

COMPARATIVE TABLE — PERSONAL CLASS

	Year to 29 th February 2020 (pence per unit)	Year to 28 th February 2019 (pence per unit)	11 months to 28 th February 2018 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	2,095.00	2,165.96	2,104.96
Return before operating charges*	23.12	(6.77)	119.61
Operating charges	(28.37)	(27.34)	(27.01)
Return after operating charges	(5.25)	(34.11)	92.60
Distributions	(39.66)	(36.85)	(31.60)
Closing net asset value per unit			
	2,050.09	2,095.00	2,165.96
*After direct transaction costs of	(1.93)	(1.43)	(1.52)
Performance**			
Return after charges	(0.25)%	(1.57)%	4.40%
Other information			
Closing net asset value (£'000)	78,239	68,971	66,108
Closing number of units	3,816,381	3,292,179	3,052,146
Operating charges	1.26%	1.31%	1.35%
Direct transaction costs	0.09%	0.07%	0.07%
Prices			
Highest unit price	£24.199	£21.876	£23.226
Lowest unit price	£20.675	£18.804	£20.765
Portfolio turnover			
Annualised	15%	12%	6%

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

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

PORTFOLIO STATEMENT

as at 29th February 2020

INVESTMENTS	Holding or Nominal Value of positions at 29 th Feb. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			29 th Feb. 2020	28 th Feb. 2019
<i>Equities</i>				
BRAZIL				
Cogna Educacao	376,736	659	0.9	
Localiza Rent A Car	213,045	1,831	2.3	
WEG	307,200	2,294	2.9	
		<u>4,784</u>	<u>6.1</u>	<u>9.6</u>
CHILE				
Embotelladora Andina 'B' pref.	938,980	1,767	2.3	2.1
CHINA				
Anta Sports Products	432,000	2,719	3.5	
Trip.com ADS	76,400	1,816	2.3	
		<u>4,535</u>	<u>5.8</u>	<u>3.6</u>
EGYPT				
Edita Food Industries	243,188	1,028	1.3	0.9
HONG KONG				
CNOOC	1,268,000	1,358	1.7	
Hang Lung Properties	1,237,000	2,115	2.7	
MTR	415,500	1,828	2.4	
Shandong Weigao Medical Polymer	3,250,000	3,278	4.2	
TravelSky Technology	1,064,000	1,629	2.1	
Vitasoy International	958,000	2,685	3.4	
		<u>12,893</u>	<u>16.5</u>	<u>14.7</u>
INDIA				
Asian Paints	48,120	942	1.2	
Britannia Industries	30,330	975	1.2	
Crompton Greaves Consumer Electricals	921,400	2,754	3.5	
Dabur India	156,475	838	1.1	
Hindustan Unilever	42,085	995	1.3	
Mahindra & Mahindra	165,900	822	1.0	
Mahindra & Mahindra-GDR	190,000	921	1.2	
Marico	689,100	2,240	2.9	
Nestlé India	4,800	819	1.0	
Titan	66,250	902	1.2	
		<u>12,208</u>	<u>15.6</u>	<u>12.8</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 29 th Feb. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			29 th Feb. 2020	28 th Feb. 2019
<i>Equities continued</i>				
INDONESIA				
Arwana Citramulia	52,000,000	1,209	1.5	
Kalbe Farma	26,369,300	1,748	2.2	
Ultrajaya Milk Industry	8,646,200	745	1.0	
		<u>3,702</u>	<u>4.7</u>	<u>4.4</u>
KENYA				
East African Breweries	491,600	723	0.9	0.8
MALAYSIA				
Telekom Malaysia	1,070,000	735	0.9	0.9
MEXICO				
America Movil - ADR	82,200	1,022	1.3	
Fomento Economico Mexicano	265,000	1,676	2.2	
Wal-Mart de Mexico	941,950	2,065	2.6	
		<u>4,763</u>	<u>6.1</u>	<u>7.0</u>
MOROCCO				
Vivo Energy	1,274,889	1,272	1.6	1.1
PHILIPPINES				
Jollibee Foods	738,300	1,928	2.4	
Universal Robina	1,080,000	2,342	3.0	
Wilcon Depot	4,700,000	1,307	1.7	
		<u>5,577</u>	<u>7.1</u>	<u>8.7</u>
PORTUGAL				
Jeronimo Martins	227,300	3,109	4.0	3.7
SINGAPORE				
Ezion warrants 2023	1,260,000	—	0.0	
Keppel	177,000	629	0.8	
Singapore Exchange	200,000	951	1.2	
Thai Beverage	6,822,000	2,966	3.8	
		<u>4,546</u>	<u>5.8</u>	<u>6.0</u>

PORTFOLIO STATEMENT

continued

	Holding or Nominal Value of positions at 29 th Feb. 2020	Bid Market Value £'000	Percentage of Value of total net assets	
			29 th Feb. 2020	28 th Feb. 2019
<i>Equities continued</i>				
SOUTH AFRICA				
Barloworld	257,385	1038	1.4	
MTN	451,900	1,658	2.1	
		<u>2,696</u>	<u>3.5</u>	<u>4.1</u>
SOUTH KOREA				
LG Household & Healthcare	2,842	2,235	2.9	3.1
TAIWAN				
Chroma ATE	685,000	2,515	3.2	
Giant Manufacturing	413,680	1,760	2.2	
Ginko International	202,000	919	1.2	
		<u>5,194</u>	<u>6.6</u>	<u>6.7</u>
TURKEY				
BIM Birlesik Magazalar	220,000	1,311	1.7	
Migros Ticaret	464,100	1,265	1.6	
		<u>2,576</u>	<u>3.3</u>	<u>3.1</u>
UK				
M.P. Evans	270,000	1,782	2.3	2.7
VIETNAM				
Vietnam Dairy Products	267,800	942	1.2	1.1
TOTAL INVESTMENTS		77,067	98.5	97.1
Net other assets		<u>1,172</u>	<u>1.5</u>	<u>2.9</u>
TOTAL NET ASSETS		<u><u>78,239</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 year to 29th February 2020

	Cost £'000
Purchases	
18,200 America Movil - ADR	251
48,120 Asian Paints	834
27,385 Barloworld	170
110,000 BIM Birlesik Magazalar (<i>Bonus issue</i>)	—
30,330 Britannia Industries	986
441,450 Britannia Industries 8% 2022 (<i>Bonus issue</i>)	—
115,000 Chroma ATE	407
158,000 CNOOC	214
156,475 Dabur India	735
91,600 East African Breweries	148
36,188 Edita Food Industries	152
34,030 Embotelladora Andina - ADR	538
194,800 Embotelladora Andina 'B' pref.	408
744,180 Embotelladora Andina 'B' pref. (<i>Reverse stock split</i>)	—
21,500 Fomento Economico Mexicano	153
42,085 Hindustan Unilever	902
17,820 Infosys - ADR	151
237,500 Jain Irrigation Systems	151
263,300 Jollibee Foods	819
5,005,500 Kalbe Farma	399
282 LG Household & Healthcare	248
10,145 Localiza Rent A Car (<i>Stock Dividend</i>)	—
125,900 Mahindra & Mahindra	865
585,000 Manila Water	209
149,100 Marico	551
102,400 Migros Ticaret	220
171,900 MTN	787
145,500 MTR	647
4,800 Nestlé India	641
922,000 Thai Beverage	403
66,250 Titan	884
1,064,000 TravelSky Technology	1,933
76,400 Trip.com ADS	2,185
8,646,200 Ultrajaya Milk Industry	752
103,800 Vietnam Dairy Products	401
58,000 Vitasoy International	157

SUMMARY OF ALL PORTFOLIO CHANGES

continued

	Cost £'000
Purchases	
643,469 Vivo Energy	775
73,950 Wal-Mart de Mexico	152
115,400 WEG	432
4,700,000 Wilcon Depot	1,299
	<hr/>
TOTAL	20,959
	<hr/> <hr/>

	Proceeds £'000
Disposals	
134,000 Anta Sports Products	903
441,450 Britannia Industries 8% 2022	5
124,030 Embotelladora Andina - ADR	—
56,500 Fomento Economico Mexicano	420
227,820 Infosys - ADR	2,057
2,812,040 Jain Irrigation Systems	355
213,600 Localiza Rent A Car	1,758
5,085,000 Manila Water	736
112,500 Natura	1,189
210,000 Television Broadcasts	269
182,000 Wal-Mart de Mexico	420
304,000 WEG	1,613
	<hr/>
TOTAL	9,725
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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 UK capital gains tax on realised capital gains. Overseas capital gains tax is accounted for on an accruals basis.

Applications

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

Costs of Investment Research

McInroy & Wood Limited, the Investment Adviser to the 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 our homepage on our website (www.mcinroy-wood.co.uk). Please read our Privacy Policy, as it sets out your rights with respect to any personal information we collect from or about you, and explains in more detail how we use that information to administer your investment.

Remuneration Policy

McInroy & Wood Portfolios Limited (“MWP”) delegates investment management of the fund to McInroy & Wood Limited (“MW”), the Investment Adviser. Directors and staff working on the fund are not remunerated by MWP, but they are subject to the remuneration requirements of the UCITS Remuneration Code. The group remuneration policy is approved annually by the MW Board and is designed to ensure that the remuneration of directors and staff is consistent with and promotes sound and effective risk management. MW pays no variable remuneration to its directors. No other employees have authority to influence the risk profile of the funds. It is, therefore, not possible for variable remuneration incentives to encourage risk taking which is inconsistent with the risk profile of the funds managed. MWP's compliance with its duty to act in the best interests of the funds it manages is therefore not subject to any conflict of interest.

GENERAL INFORMATION

continued

A Word of Caution

You should remember that the price of units and the income from them may go down as well as up. Gains are not necessarily achieved in the short term. Exchange rate fluctuations may also cause the value of an investment to rise and fall. Investment in emerging markets can be subject to risk not normally associated with developed markets.

Synthetic Risk and Reward Indicator (Volatility measure)

1	2	3	4	5	6	7
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Lower risk

Typically lower rewards

Higher risk

Typically higher rewards

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

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

Value Assessment

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

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

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

- Select suitable accounting policies and then apply them consistently.
- Comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the IMA in May 2014, updated in June 2017.
- Follow generally accepted accounting principles and applicable accounting standards.
- Prepare the accounts on the basis that the fund will continue as a going concern unless it is inappropriate to do so.
- Keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

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

DIRECTORS' STATEMENT

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

T A U Wood
Director

J C McAulay
Director

Haddington, 20th April 2020

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

to the Unitholders of the McInroy & Wood Emerging Markets Fund (“the Trust”) for the year ended 29th February 2020

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

The Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents of the Trust in relation to the investment and borrowing powers applicable to the Trust.

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

continued

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

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

20th April 2020

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

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 29 February 2020; the statement of total return and the statement of change in net assets attributable to unitholders for the year then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

continued

Conclusions relating to going concern continued

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

Reporting on other information

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

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

Authorised Fund Manager's Report

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

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 16, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

continued

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

20th April 2020

STATEMENT OF TOTAL RETURN

for the year ended 29th February 2020

	Notes	Year ended 29 th Feb. 2020		Year ended 28 th Feb. 2019	
		£'000	£'000	£'000	£'000
Income					
Net capital losses	2		(1,416)		(1,525)
Revenue	3	1,813		1,493	
Expenses	4	<u>(1,020)</u>		<u>(865)</u>	
Net revenue before taxation		793		628	
Taxation	5	<u>(199)</u>		<u>(128)</u>	
Net revenue after taxation			<u>594</u>		<u>500</u>
Total return before distributions			(822)		(1,025)
Distributions	6		<u>(1,438)</u>		<u>(1,164)</u>
Change in net assets attributable to unitholders from investment activities			<u>(2,260)</u>		<u>(2,189)</u>

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 29th February 2020

	Year ended 29 th Feb. 2020		Year ended 28 th Feb. 2019	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		68,971		66,108
Amounts receivable on creation of units	14,882		7,844	
Amounts payable on cancellation of units	<u>(3,354)</u>		<u>(2,792)</u>	
		11,528		5,052
Change in net assets attributable to unitholders from investment activities		<u>(2,260)</u>		<u>(2,189)</u>
Closing net assets attributable to unitholders		<u>78,239</u>		<u>68,971</u>

BALANCE SHEET

as at 29th February 2020

	Notes	29 th Feb. 2020		28 th Feb. 2019	
		£'000	£'000	£'000	£'000
ASSETS:					
Investments			77,067		66,940
Current assets					
Debtors	7	106		799	
Cash & bank balances		<u>2,181</u>		<u>2,796</u>	
Total other assets			<u>2,287</u>		<u>3,595</u>
Total assets			<u>79,354</u>		<u>70,535</u>
LIABILITIES:					
Creditors					
Distribution payable		(979)		(752)	
Other creditors	8	<u>(136)</u>		<u>(812)</u>	
Total liabilities			<u>(1,115)</u>		<u>(1,564)</u>
Net assets attributable to unitholders			<u>78,239</u>		<u>68,971</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 29th February 2020

1. Accounting policies

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

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

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

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of April. An interim distribution based on available revenue is distributed on the last day of October. The ordinary element of stock dividends is treated as revenue and forms part of the distribution. 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 losses

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Non-derivative securities	(1,197)	(1,395)
Currency losses	(203)	(123)
Custodial transaction fees	(16)	(7)
Net capital losses*	<u>(1,416)</u>	<u>(1,525)</u>
<i>*includes realised gains on investments sold</i>	<u>969</u>	<u>2,709</u>

3. Revenue

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Bank interest	6	—
UK dividends	60	48
Overseas dividends	1,657	1,445
Stock dividends	90	—
Total revenue	<u>1,813</u>	<u>1,493</u>

4. Expenses

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	821	664
- Transfer agency fee	54	46
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	23	21
- Safe custody fee	63	72
Other expenses:		
- Audit fee	9	10
- Fund accounting fee	37	36
- Sundry fees*	13	16
Total expenses	<u>1,020</u>	<u>865</u>

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

NOTES TO THE FINANCIAL STATEMENTS

continued

5. Taxation

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
(a) Analysis of tax charge		
Indian capital gains tax	23	—
Overseas tax	176	128
	<u>199</u>	<u>128</u>

(b) Factors affecting the tax charge for the year

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

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Net revenue before taxation	<u>793</u>	<u>628</u>
Corporation tax at 20%	159	126
<i>Effects of:</i>		
Indian capital gains tax	23	—
Movement in unrecognised tax losses	184	168
Overseas tax	176	128
Overseas tax expensed	(3)	(1)
Prior year adjustment to tax losses	—	(1)
Revenue not subject to tax	<u>(340)</u>	<u>(292)</u>
Current tax charge for the year	<u>199</u>	<u>128</u>

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £1,349,777 (2019 - £1,165,705) in respect of unrecognised tax losses. The fund may not generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the current or prior year.

NOTES TO THE FINANCIAL STATEMENTS

continued

6. Distributions

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

	Year ended 29 th Feb. 2020 £'000	Year ended 28 th Feb. 2019 £'000
Interim	512	451
Final	979	752
	<u>1,491</u>	<u>1,203</u>
Add: Revenue deducted on cancellation of units	23	20
Deduct: Revenue received on creation of units	(76)	(59)
	<u>1,438</u>	<u>1,164</u>
Net revenue after taxation	594	500
Expenses taken to capital	821	664
Indian capital gains tax	23	—
	<u>1,438</u>	<u>1,164</u>

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

NOTES TO THE FINANCIAL STATEMENTS

continued

7. Debtors

	29 th Feb. 2020 £'000	28 th Feb. 2019 £'000
Amounts receivable for creation of units	8	60
Foreign currency contracts awaiting settlement	—	319
Overseas withholding tax recoverable	21	42
Prepaid expenses	2	2
Revenue receivable:		
Overseas equities	75	56
Sales awaiting settlement	—	320
	<u>106</u>	<u>799</u>

8. Other Creditors

	29 th Feb. 2020 £'000	28 th Feb. 2019 £'000
Accrued expenses:		
Audit fee	9	9
Custodial transaction fees	2	1
Fund accounting fee	4	5
Manager's periodic charge	67	54
Safe custody fee	9	12
Transfer agency fee	9	5
Trustee's fee	2	2
Other	6	7
Amounts payable for cancellation of units	3	64
Foreign currency contracts awaiting settlement	—	320
Indian capital gains tax	25	—
Purchases awaiting settlement	—	333
	<u>136</u>	<u>812</u>

9. Unit movement

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

Opening units	3,292,179
Units created	674,856
Units cancelled	<u>(150,654)</u>
Closing units	<u>3,816,381</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 their controlling influence.

Amounts paid during the year or due to the Manager at the balance sheet date are disclosed under Expenses and Creditors in the Notes to the Financial Statements.

The Manager acts as principal on all transactions of units in the fund. The aggregate monies received through the creation and cancellation of units are disclosed in the Statement of Change in Net Assets Attributable to Unitholders and Distributions in the Notes to the Financial Statements. Amounts due to or from the Manager in respect of unit transactions at the balance sheet date are disclosed under Debtors and Creditors in the Notes to the Financial Statements.

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 2.4% (2019 - 2.7%).

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.

It is estimated that 91% of the fund could be realised within 5 days, based upon normal trading activity and achieving 30% of the 30-day average traded volume.

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 29th February 2020 and 28th February 2019, 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.

Operational Risk - Brexit

Having conducted an internal risk assessment, we deem the operational risk to the fund of reaching the end of the post-Brexit transitional period with the EU without a trade deal as low.

Dividend Risk

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

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
29th February 2020		
Level 1: Quoted prices	77,067	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	77,067	—
28th February 2019		
Level 1: Quoted prices	66,940	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	66,940	—

Risk Exposure

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

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

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

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

	Year ended 29 th Feb. 2020	Year ended 28 th Feb. 2019
	%	%
Year end VaR	8.36	7.57
Minimum VaR	6.62	5.90
Maximum VaR	8.49	7.89
Average VaR	7.64	6.81

Leverage

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

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs

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

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	20,907	31	0.15	21	0.10
Total purchases	20,907	31		21	

Total purchases including transaction costs

20,959

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	9,738	11	0.11	7	0.07
Debt instruments (direct)	5	—		—	
Total sales	9,743	11		7	

Total sales net of transaction costs

9,725

Total transaction costs 42 28

Total transaction costs as a % of average net assets 0.05% 0.04%

For the year 1st March 2018 to 28th February 2019

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	11,410	15	0.13	15	0.13
Total purchases	11,410	15		15	

Total purchases including transaction costs

11,440

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	7,412	7	0.09	9	0.12
Total sales	7,412	7		9	

Total sales net of transaction costs

7,396

Total transaction costs 22 24

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

NOTES TO THE FINANCIAL STATEMENTS

continued

12. Portfolio Transaction Costs continued

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

Separately identifiable direct transaction costs (commissions & taxes etc) are attributable to the fund's purchase and sale of 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 0.36% (2019 - 0.53%).

13. Post Balance Sheet Events

Subsequent to the year end, the net asset value per unit (Personal class) has decreased from £20.675 to £18.511 as at 17th April 2020. This primarily reflects movements in financial markets resulting from the global Coronavirus pandemic.

DISTRIBUTION TABLES

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

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st March 2019

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

	Dividend income	Equalisation*	Amount paid 31.10.19
Group 1	14.000	—	14.000
Group 2	7.137	6.863	14.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st September 2019

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

	Dividend income	Equalisation*	Amount payable 30.04.20
Group 1	25.662	—	25.662
Group 2	5.514	20.148	25.662

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

DISTRIBUTION SUMMARY

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

	Year to 29 th Feb. 2020	Year to 28 th Feb. 2019
Interim paid	14.000	14.000
Final payable/paid	25.662	22.851
	<u>39.662</u>	<u>36.851</u>

DISTRIBUTION XD AND PAYMENT DATES

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

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