



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## INCOME FUND

*A pooled management service for private clients*

INTERIM REPORT  
AND FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31<sup>ST</sup> AUGUST 2022

## SUMMARY

At 31<sup>st</sup> August 2022, total net assets of the fund amounted to £203,010,042 compared with £204,111,925 six months before. There were 576 unitholders, excluding ISAs, with an average holding worth £282,193.

The price of units in the fund rose by 2% over the period to finish at £29.229 on 31<sup>st</sup> August 2022. In light of concern over the UK's economic prospects, the weighting of overseas investments, particularly its equities, has been increased in recent years. The fund benefitted from allocations to US dollar-denominated investments, which comprised almost half of the portfolio over the period. The currency's strength against sterling in many cases more than offset any underlying price weakness in individual stocks.

The objective of the fund is to preserve and to grow the real value of investors' capital and income, with an emphasis on the generation of income. Real value is defined as the value of capital and income after adjusting for the impact of inflation, as measured by the UK Retail Prices Index, over the same period. Over the 3 years to 31<sup>st</sup> August 2022, the total return for unitholders in the fund was 15%, compared to inflation of 18% on the above basis over the same period. Over 5 years, the fund returned 24% against inflation of 26%. The fund has provided a total return to unitholders of 479% above inflation since its inception in March 1994. Although the marked rise in UK inflation over the past year has adversely affected the fund's ability to meet its objective and may continue to do so in the short term, the fund has successfully grown the real value of investors' capital and income over the long term.

An interim dividend distribution of 14.000p per unit is now being paid to unitholders, in line with the equivalent payment last year. This payment brings the total distribution to unitholders so far this year to 28.000p per unit. Based on current forecasts, the total distribution for the year to 28<sup>th</sup> February 2023 is forecast to be higher than that paid in the prior year. This increase primarily reflects the foreign currency effects noted above, which have boosted the sterling income expected to be earned from the fund's US dollar-denominated assets.

## SUMMARY

Global growth is slowing, and there is a heightened risk of recession across several major economies. Damage caused to supply chains by the pandemic and the manifold consequences of the conflict in Ukraine has resulted in a surge in inflation, leading to concerns over living standards as pay rises fail to keep pace. Almost universally, central banks have responded by raising interest rates. Yet, the precise amount of tightening required to bring inflation lower without triggering recession is difficult to ascertain. Indeed, recent political interventions have introduced yet another variable for central banks to contemplate, adding to the likelihood of miscalculation. At the same time, there is a clear possibility that the rising cost of living and higher interest rates will trigger a slump in demand.

A broadly diversified portfolio with defensive allocations to bonds and gold remains essential in present circumstances. However, in the longer term, holdings in soundly financed companies with genuine pricing power still continue to provide the best protection against inflation. As market conditions improve, the portfolio is well-positioned to take advantage of such investment possibilities.

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

## INTRODUCTION

The McInroy & Wood Income Fund (the fund) is an authorised unit trust for investors who wish to have their assets personally managed by McInroy & Wood Limited (MW) and for whom a discretionary managed portfolio may not be appropriate. Investors will gain access, through the fund, to a portfolio which it might well be impracticable for them to assemble themselves.

The fund has been established with the aim of providing investors with professional investment management at an economic cost.

Through the fund, investors who have similar objectives are able to pool their resources in order to secure the benefits of scale.

The investment objective of the fund is to preserve and to grow the real value of investors' capital and income, with an emphasis on the generation of income. The fund may invest in any geographical areas and any economic sectors. Real value is defined as the value of capital and income after adjusting for the impact of inflation. The UK Retail Prices Index is the measure of inflation used by the Manager. The investment should be held for a minimum period of 3 years. Investors should be aware that their capital is at risk.

The fund may invest in any geographical area and any economic sector. The Income Fund invests at least 50% in a combination of shares of companies quoted on the world's stockmarkets, fixed income and debt securities (investment and sub-investment grade). Other appropriate investments, such as cash or cash equivalents may also be held, particularly to preserve capital in the event of volatile market conditions. It is not intended that the Income Fund will have an interest in any immovable property or tangible movable property.

The Manager has power to invest more than 35% in value of the scheme property of the fund in government and other public securities. This power is restricted to bonds or other securities issued by the governments of the United Kingdom or the United States of America.

Further information and application forms may be obtained from McInroy & Wood Portfolios Limited ("MWP"), Easter Alderston, Haddington, EH41 3SF (Tel. +44(0)1620 825867) or through the website: [www.mcinroy-wood.co.uk](http://www.mcinroy-wood.co.uk).

## MANAGER'S INVESTMENT REPORT

At 31<sup>st</sup> August 2022, total net assets of the fund amounted to £203,010,042 compared with £204,111,925 six months before. There were 576 unitholders, excluding ISAs, with an average holding worth £282,193.

### Markets

The six months to 31<sup>st</sup> August were characterised by general weakness across most global equity markets, offset by the strength of the US dollar. Rising inflation and the conflict in Ukraine triggered a sharp deterioration in sentiment, with expensive high-growth companies and smaller businesses falling out of favour. Concerns focused on the response from central banks and the magnitude and frequency of interest rate increases necessary to lower inflation. Aside from its position as a safe haven during periods of uncertainty, the US dollar's strength against sterling (+13%) owes much to the rapid rise in rates made by the Federal Reserve over the period.

These themes were evident in the weak performance of the US (-10%) and European (-8%) markets over the period, measured by MSCI indices in local currency. Emerging Markets were hit even harder, falling by 15%. By contrast, Japan (+4%) and the UK (flat) held up well. The performance of the former is attributable to lower inflation than elsewhere in the developed world, and the UK market benefited from its relatively high proportion of defensive and commodity-linked stocks. Currency movements were responsible for the 2% rise in the MSCI All Country World Index in sterling terms.

Conventional government bond prices generally fell back due to their relative unattractiveness in times of higher inflation. UK short and medium-dated issues lost between 3% and 8%, their US equivalents between 2% and 7%. The performance of inflation protected issues is closely linked to inflation expectations. Having spiked last spring, expectations of US inflation moderated over the period whereas UK expectations continued to rise. As a result, short-dated US index-linked bonds lost ground (-2%), while the prices of UK index-linked bonds of a similar maturity rose by 3%.

In other movements on foreign exchange markets, sterling lost a little ground against the euro (-3%) and rose against the Japanese yen (+5%).

The price of gold fell by 11%, as rising yields encouraged a switch into bonds.

As measured by the UK Retail Price Index, inflation was 8% over the six-month period.

## MANAGER'S INVESTMENT REPORT

### Results

The price of units in the fund rose by 2% over the period to finish at £29.229 on 31<sup>st</sup> August 2022. In light of concern over the UK's economic prospects, the weighting of overseas investments, particularly its equities, has been increased in recent years. The fund benefitted from allocations to US dollar-denominated investments, which comprised almost half of the portfolio over the period. The currency's strength against sterling in many cases more than offset any underlying price weakness in individual stocks.

The objective of the fund is to preserve and to grow the real value of investors' capital and income, with an emphasis on the generation of income. Real value is defined as the value of capital and income after adjusting for the impact of inflation, as measured by the UK Retail Prices Index, over the same period. Over the 3 years to 31<sup>st</sup> August 2022, the total return for unitholders in the fund was 15%, compared to inflation of 18% on the above basis over the same period. Over 5 years, the fund returned 24% against inflation of 26%. The fund has provided a total return to unitholders of 479% above inflation since its inception in March 1994. Although the marked rise in UK inflation over the past year has adversely affected the fund's ability to meet its objective and may continue to do so in the short term, the fund has successfully grown the real value of investors' capital and income over the long term.

### Dividend Distribution

An interim dividend distribution of 14.000p per unit is now being paid to unitholders, in line with the equivalent payment last year. This payment brings the total distribution to unitholders so far this year to 28.000p per unit. Based on current forecasts, the total distribution for the year to 28<sup>th</sup> February 2023 is forecast to be higher than that paid in the prior year. This increase primarily reflects the foreign currency effects noted above, which have boosted the sterling income expected to be earned from the fund's US dollar-denominated assets.

### Portfolio Strategy

The portfolio holds a diversified selection of global equities, emphasising highly cash generative dividend paying companies, that is counterbalanced by allocations to conventional and inflation-protected government bonds and gold. In June, the weighting in conventional government bonds was increased by 10% at the expense of equities, particularly in emerging markets and the UK. This policy change reflected concern over the outlook for equity markets, given the rising possibility of an economic slowdown caused by elevated inflation.

At 31<sup>st</sup> August, 55% of the portfolio was allocated to equities (64% at 28<sup>th</sup> February 2022), 35% to government bonds (29%), 5% to gold (5%) and 2% to cash deposits (2%). The weighted average maturity of the bond portfolio at the end of the period was 3.7 years, slightly lower than the comparable figure six months before (4.6 years).

## MANAGER'S INVESTMENT REPORT

### Investments

As part of the strategic reduction in the allocation to equities noted above, DS Smith (UK), Fielmann (Germany), GlaxoSmithKline (UK), Thai Beverage (Thailand), and Victrex (UK) were all sold in full. Separately, new positions were established in Lloyds Banking Group, a UK high street bank that should benefit from rising interest rates, and SSE (UK), a leading energy group with a focus on regulated electricity networks and renewable energy.

In local currencies, Novo Nordisk (+16%), Shell (+16%) and TotalEnergies (+11%) made advances despite broader market weakness. By contrast, XP Power (-55%), Segro (-28%) and Hill & Smith (-26%) fell back.

Two US treasuries (maturing in 2024 and 2027) were added to the portfolio when increasing the bond allocation. Separately, a UK Gilt and a US inflation protected bond were redeemed. The proceeds were used to add to existing positions..

### Outlook

Global growth is slowing, and there is a heightened risk of recession across several major economies. Damage caused to supply chains by the pandemic and the manifold consequences of the conflict in Ukraine has resulted in a surge in inflation, leading to concerns over living standards as pay rises fail to keep pace. Almost universally, central banks have responded by raising interest rates. Yet, the precise amount of tightening required to bring inflation lower without triggering recession is difficult to ascertain. Indeed, recent political interventions have introduced yet another variable for central banks to contemplate, adding to the likelihood of miscalculation. At the same time, there is a clear possibility that the rising cost of living and higher interest rates will trigger a slump in demand. Given these circumstances, the portfolio is cautiously positioned with investments in a broad range of global equities and additional diversification provided by significant allocations to government bonds and gold.

There are already ominous signs that economic growth is slowing in many countries. Savings and borrowing can no longer cover soaring fuel prices and sharply rising food costs, and industrial action is spreading to compensate for the erosion of earnings. Although unemployment remains very low, the US economy entered a technical recession this summer, following two consecutive quarters of negative growth. Robust labour readings may allow the Federal Reserve to take a more aggressive approach to tackling inflation, and another rate hike is widely expected this autumn.



## MANAGER'S INVESTMENT REPORT

### Outlook continued

Meanwhile in the UK, a surprise budget added to uncertainty over the country's economic outlook. The new government announced tax cuts aimed at improving growth without explaining how its policies would be funded. Observers assumed this would result in higher borrowing, possibly to unsustainable levels, and they were also concerned lower taxation would add to inflationary pressures when the cost of living is already high and rising. Confidence collapsed in the days following the announcement; sterling weakened, and government bonds sold off. The Bank of England staged a remarkable intervention in debt markets to restore stability, particularly in parts of the pension market. Fiscal and monetary policies in the UK were contradicting each other. As a consequence, both the Chancellor of the Exchequer and, ultimately, the Prime Minister tendered their resignations. It is difficult to ascertain what the implications of new leadership could be for fiscal policy, and the upheaval may yet result in an early general election. However, irrespective of political events, the Bank of England appears set to increase interest rates as it seeks to temper rising inflation, which may hit businesses and make government borrowing more expensive. It seems unlikely the country will avoid a stagflationary combination of high inflation and economic contraction this winter.

The situation in Europe is also testing due to the region's dependence on Russian gas. Energy prices in Germany have risen dramatically over the past twelve months, at one point pushing inflation to levels last seen after the Second World War. Unsurprisingly, retail sales have fallen, and business confidence has slumped. With the country facing the prospect of an energy crisis over the winter, the Bundestag has already requested that municipalities ration fuel to build up reserves before temperatures drop. It is worth noting that current EU law prioritises energy supply to individuals over businesses, and the country's industrial output looks set to fall back sharply as a result. Germany's travails do not bode well for the rest of the euro area, which is optimistically forecast to grow by only 1% next year.

Japan has battled deflation for three decades, but here too there is evidence of rising prices, albeit at a much slower pace than in the west. Inflation rose to 2.4% over the year to June, marking a tenth consecutive month of increases. Retailers are set to implement a synchronised hike in the prices of a wide range of daily staple goods in the largest uplift for over 30 years. Nevertheless the Bank of Japan believes inflationary pressure will prove transitory and has renewed its commitment to maintaining low interest rates to stimulate economic growth. Unlike elsewhere, higher prices have historically seldom translated into higher wages in Japan, so periods of inflation have tended to subside into economic slowdowns as consumer spending falls back.

## MANAGER'S INVESTMENT REPORT

### **Outlook continued**

Meanwhile, China's persistence with a zero-covid policy continues to hamper global supply chains and threaten the country's economy. Indeed, it reported virtually no growth in the second quarter, in turn impacting prospects for emerging market economies at a time when the US dollar has strengthened appreciably. The latter tends to inflate debt burdens and discourage foreign investment. Many emerging market economies lack the resources of their developed counterparts and would be particularly hard-struck by a global recession.

As a result of these factors, many companies may face a trying combination of uncertain demand and rising costs that does not auger well for their ability to increase dividend payments in the short term. Even amongst companies that are well sheltered from the affects of inflation, those in extractive industries, for example, the prospect of dividend growth in excess of such elevated levels of inflation seems unlikely. Some compensation is offered by increasing income returns from government bonds (yield). Bond yields move inversely to prices, and have risen in line with interest rates. Nevertheless, any growth in income generated by the portfolio is unlikely to keep pace with the sharp rise in living costs expected over the coming year.

Although the immediate environment for investment looks difficult, there are several long-term themes that appear very promising. The global transition to renewable energy sources will see a dramatic increase in demand for specialist commodities, including rare earth metals. It will require significant international investment in infrastructure and new technologies. There will also be steadily increasing demand for more environmentally friendly products and efficient machinery.

A broadly diversified portfolio with defensive allocations to bonds and gold remains essential in present circumstances. However, in the longer term, holdings in soundly financed companies with genuine pricing power still continue to provide the best protection against inflation. As market conditions improve, the portfolio is well-positioned to take advantage of such investment possibilities.

*21<sup>st</sup> October 2022*

## CAPITAL RECORD

Highest and lowest unit prices.

Accounting year

(to 28 <sup>th</sup> Feb.)	High	Low
2020*	£27.702	£25.085
2021	£28.080	£23.150
2022	£29.899	£26.674
2023**	£29.830	£27.889

\*Up to 29<sup>th</sup> February 2020.

\*\*Up to 31<sup>st</sup> August 2022, for the year ending 28<sup>th</sup> February 2023.

## INCOME RECORD

Accounting year

(to 28 <sup>th</sup> Feb.)	Per unit (net)
2020*	79.169p
2021	59.421p
2022	67.846p
2023 (interim only)	28.000p

\*Up to 29<sup>th</sup> February 2020.

## NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
29.02.20	£225,206,931	£25.613	8,792,722
28.02.21	£205,082,130	£26.531	7,729,841
28.02.22	£204,111,925	£28.401	7,186,819
31.08.22	£203,010,042	£28.977	7,005,862

## OPERATING CHARGES

Date	Annualised
29.02.20	1.140%
28.02.21	1.130%
28.02.22	1.130%
31.08.22	1.120%

## PORTFOLIO TURNOVER

Date	Annualised
29.02.20	10%
28.02.21	73%
28.02.22	16%
31.08.22	58%

*Portfolio turnover increased as a result of a change in target asset allocations, as well as the ongoing management of the holdings during a period of significant market movements.*

## DISCRETE PERFORMANCE

Year to	Year to	Year to	Year to	Year to
31.08.22	31.08.21	31.08.20	31.08.19	31.08.18
2.0%	15.7%	-2.3%	6.6%	0.5%

*Mid to mid, income reinvested. Source: McInroy & Wood.*

## PORTFOLIO STATEMENT

as at 31<sup>st</sup> August 2022 (unaudited)

INVESTMENTS	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Aug. 2022	28 <sup>th</sup> Feb. 2022
<i>Bonds</i>				
<b>UK</b>				
UK Treasury 0.125% I-L 2028	£5,213,400	7,066	3.5	
UK Treasury 4.25% 2032	£6,359,000	7,135	3.5	
UK Treasury 4.25% 2036	£4,873,000	5,474	2.7	
		<u>19,675</u>	<u>9.7</u>	<u>11.5</u>
<b>USA</b>				
US Treasury 0.125% 2024	\$12,795,000	10,500	5.2	
US Treasury 0.125% I-L 2024	\$7,307,100	7,719	3.8	
US Treasury 0.125% 2027	\$6,375,000	5,608	2.8	
US Treasury 0.375% 2024	\$10,987,000	8,912	4.4	
US Treasury 1.875% 2022	\$5,531,000	4,752	2.3	
US Treasury 2.75% 2023	\$23,392,000	19,924	9.8	
		<u>57,415</u>	<u>28.3</u>	<u>17.6</u>
<b>TOTAL BONDS</b>		<u><u>77,090</u></u>	<u><u>38.0</u></u>	<u><u>29.1</u></u>
<i>Equities</i>				
<b>UK</b>				
Assura	5,888,125	3,836	1.9	
Hill & Smith	244,394	2,547	1.3	
Lloyds Banking	8,573,610	3,762	1.9	
National Grid	565,697	6,096	3.0	
Rio Tinto	72,243	3,447	1.7	
Segro	255,815	2,412	1.2	
Shell	189,675	4,342	2.1	
Spirax-Sarco Engineering	23,276	2,452	1.2	
SSE	216,905	3,582	1.8	
XP Power	56,671	1,106	0.5	
		<u>33,582</u>	<u>16.6</u>	<u>20.3</u>
<b>USA</b>				
AbbVie	34,804	4,021	2.0	
Cisco Systems	127,270	4,888	2.4	
Flowers Foods	197,645	4,639	2.3	
National Retail Properties	120,280	4,640	2.3	
Paychex	36,330	3,850	1.9	
Watsco	17,954	4,195	2.0	
		<u>26,233</u>	<u>12.9</u>	<u>14.1</u>

## PORTFOLIO STATEMENT

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Aug. 2022	28 <sup>th</sup> Feb. 2022
<i>Equities continued</i>				
<b>CANADA</b>				
TELUS	258,995	5,024	2.4	3.3
<b>DENMARK</b>				
Novo Nordisk	44,467	4,082	2.0	1.5
<b>FRANCE</b>				
Air Liquide	41,558	4,496	2.2	
Schneider Electric	41,035	4,211	2.1	
TotalEnergies	136,810	5,993	3.0	
		14,700	7.3	7.2
<b>GERMANY</b>				
		—	0.0	1.3
<b>SWITZERLAND</b>				
Kuehne + Nagel	14,581	2,901	1.4	
SGS	2,565	4,865	2.4	
		7,766	3.8	4.6
<b>AUSTRALIA</b>				
Sonic Healthcare	210,210	4,209	2.1	2.0
<b>JAPAN</b>				
Nabtesco	131,200	2,696	1.3	
Nissan Chemical Industries	74,600	3,261	1.6	
		5,957	2.9	2.6
<b>DEVELOPING MARKETS</b>				
<i>Chile</i>	Embotelladora Andina	284,261	502	0.2
	Embotelladora Andina ADR	156,730	1,588	0.8
<i>Hong Kong</i>	Vitasoy International	1,292,000	1,734	0.9
<i>Mexico</i>	Wal-Mart de Mexico	716,140	2,020	1.0
<i>Vietnam</i>	Vietnam Dairy Products	980,000	2,712	1.3
		8,556	4.2	6.6
<b>TOTAL EQUITIES</b>		<b>110,109</b>	<b>54.2</b>	<b>63.5</b>

## PORTFOLIO STATEMENT

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 31 <sup>st</sup> Aug. 2022	28 <sup>th</sup> Feb. 2022
<i>Exchange Traded Commodities (ETC) - Physically Backed</i>				
<b>IRELAND</b>				
iShares Physical Gold ETC	383,945	<u>11,062</u>	<u>5.5</u>	<u>5.2</u>
TOTAL INVESTMENTS		198,261	97.7	97.8
Net other assets		<u>4,749</u>	<u>2.3</u>	<u>2.2</u>
<b>TOTAL NET ASSETS</b>		<u><u>203,010</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

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

*All debt securities in the portfolio at 31<sup>st</sup> August 2022 are investment grade.*

## SUMMARY OF ALL PORTFOLIO CHANGES

for the six months ended 31<sup>st</sup> August 2022 (unaudited)

Purchases		Cost £'000
9,155	Fielmann	402
14,670	Flowers Foods	301
1,985	Kuehne + Nagel	403
8,573,610	Lloyds Banking	4,030
24,100	Nabtesco	427
4,692	Novo Nordisk	414
216,905	SSE	3,799
12,795,000	US Treasury 0.125% 2024	9,807
6,375,000	US Treasury 0.125% 2027	5,245
10,987,000	US Treasury 0.375% 2024	8,454
	TOTAL	<u>33,282</u>

## SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals	Proceeds £'000	
29,983	AbbVie	3,538
763,612	DS Smith	2,345
67,460	Fielmann	2,880
252,960	GlaxoSmithKline	4,275
69,100	Hill & Smith	1,043
6,730	Kuehne + Nagel	1,379
51,852	National Grid	634
20,870	Paychex	2,192
28,700	Rio Tinto	1,708
104,100	TELUS	2,101
7,992,000	Thai Beverage	3,100
1,516,000	UK Treasury 0.5% 2022	1,516
7,662,000	US Treasury 0.125% I-L 2022	6,774
679,900	US Treasury 0.125% I-L 2024	699
92,906	Victrex	1,652
794,300	Wal-Mart de Mexico	2,212
	TOTAL	38,048



## **GENERAL INFORMATION**

### **Authorisation**

The Income Fund is an authorised unit trust scheme within the meaning of the Financial Services and Markets Act 2000 and is categorised as a UK UCITS scheme under the rules contained in the Collective Investment Schemes Sourcebook made by the Financial Conduct Authority.

McInroy & Wood Limited and its subsidiary, McInroy & Wood Portfolios Limited, are authorised and regulated by the Financial Conduct Authority.

### **Capital Gains Tax**

Authorised unit trusts are exempt from UK capital gains tax on realised capital gains. Overseas capital gains tax is accounted for on an accruals basis.

### **Applications**

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

### **Costs of Investment Research**

McInroy & Wood Limited, the Investment Adviser to the Income Fund, pays for all research costs relating to the management of the investments within the fund from its own resources. No additional charges are placed upon the fund relating to the provision of investment research.

### **Using your Personal Information**

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

## GENERAL INFORMATION

continued

### Remuneration Policy

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

### A Word of Caution

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

### Synthetic Risk and Reward Indicator (Volatility measure)

1	2	3	4	5	6	7
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#### Lower risk

Typically lower rewards

#### Higher risk

Typically higher rewards

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

This indicator is prescribed by EU reporting guidelines as adopted by the Financial Conduct Authority 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 conducted an assessment of value for the fund. The assessment of value report is published annually by 30<sup>th</sup> June and is available to investors in a composite report for all the McInroy & Wood funds on our website.

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

The Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority (“the Rules”) requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice (including FRS 102), of the financial position of the fund and of its net revenue and the net capital gains on the property of the fund for the 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 Investment Management Association in May 2014, updated in June 2017;
- follow generally accepted accounting principles and applicable accounting standards;
- prepare the accounts on the basis that the fund will continue as a going concern unless it is inappropriate to do so; and
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

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

## **DIRECTORS' STATEMENT**

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

T A U Wood  
*Director*

J C McAulay  
*Director*

*Haddington, 21<sup>st</sup> October 2022*

## STATEMENT OF TOTAL RETURN

for the six months ended 31<sup>st</sup> August 2022 (unaudited)

	Notes	Six months ended 31 <sup>st</sup> Aug. 2022		Six months ended 31 <sup>st</sup> Aug. 2021	
		£'000	£'000	£'000	£'000
Income					
Net capital gains			3,757		19,935
Revenue	2	3,830		3,512	
Expenses	3	<u>(1,158)</u>		<u>(1,180)</u>	
Net revenue before taxation		2,672		2,332	
Taxation	4	<u>(311)</u>		<u>(276)</u>	
Net revenue after taxation			<u>2,361</u>		<u>2,056</u>
Total return before distributions			6,118		21,991
Distributions			<u>(2,016)</u>		<u>(2,130)</u>
Change in net assets attributable to unitholders from investment activities			<u>4,102</u>		<u>19,861</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six months ended 31<sup>st</sup> August 2022 (unaudited)

	Six months ended 31 <sup>st</sup> Aug. 2022		Six months ended 31 <sup>st</sup> Aug. 2021	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		204,112		205,082
Amounts receivable on creation of units		2,985		2,946
Amounts payable on cancellation of units		<u>(8,189)</u>		<u>(12,547)</u>
		(5,204)		(9,601)
Change in net assets attributable to unitholders from investment activities		<u>4,102</u>		<u>19,861</u>
Closing net assets attributable to unitholders		<u>203,010</u>		<u>215,342</u>

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

## BALANCE SHEET

as at 31<sup>st</sup> August 2022 (unaudited)

	31 <sup>st</sup> Aug. 2022		28 <sup>th</sup> Feb. 2022	
	£'000	£'000	£'000	£'000
<b>ASSETS:</b>				
Fixed assets:				
Investments		198,261		199,628
Current assets				
Debtors	2,298		520	
Cash & bank balances	<u>5,478</u>		<u>6,147</u>	
Total other assets		<u>7,776</u>		<u>6,667</u>
Total assets		<u>206,037</u>		<u>206,295</u>
<b>LIABILITIES:</b>				
Creditors				
Distribution payable	(981)		(1,858)	
Other creditors	<u>(2,046)</u>		<u>(325)</u>	
Total liabilities		<u>(3,027)</u>		<u>(2,183)</u>
Net assets attributable to unitholders		<u>203,010</u>		<u>204,112</u>

# NOTES TO THE FINANCIAL STATEMENTS

as at 31<sup>st</sup> August 2022 (unaudited)

## 1. Accounting policies

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

## 2. Revenue

	Six months ended 31 <sup>st</sup> Aug. 2022 £'000	Six months ended 31 <sup>st</sup> Aug. 2021 £'000
Bank interest	5	–
Interest on overseas debt securities	326	205
Interest on UK debt securities	337	276
Overseas dividends	1,878	1,654
Property income distributions on UK REITs	153	106
UK dividends	<u>1,131</u>	<u>1,271</u>
Total revenue	<u><u>3,830</u></u>	<u><u>3,512</u></u>

## 3. Expenses

	Six months ended 31 <sup>st</sup> Aug. 2022 £'000	Six months ended 31 <sup>st</sup> Aug. 2021 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	1,042	1,061
– Transfer agency fee	45	41
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	21	21
– Safe custody fee	21	20
Other expenses:		
– Audit fee	1	7
– Fund accounting fee	21	21
– Interest payable and similar charges	–	1
– Professional services fees*	2	2
– Sundry fees**	<u>5</u>	<u>6</u>
Total expenses	<u><u>1,158</u></u>	<u><u>1,180</u></u>

\*Includes non-audit service fees of £1,724 payable to the fund's auditors, PricewaterhouseCoopers LLP (2021: £2,295).

\*\*Includes FT listing fees, financial statement printing and postage and other fees.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Taxation

	Six months ended 31 <sup>st</sup> Aug. 2022 £'000	Six months ended 31 <sup>st</sup> Aug. 2021 £'000
<b>Analysis of tax charge</b>		
Overseas tax	<u>311</u>	<u>276</u>
	<u>311</u>	<u>276</u>

## DISTRIBUTION TABLES

**in pence per unit  
for the six months ended 31<sup>st</sup> August 2022 (unaudited)**

### INTERIM DISTRIBUTION - JULY 2022

Group 1 - Units purchased prior to 1<sup>st</sup> March 2022

Group 2 - Units purchased 1<sup>st</sup> March 2022 to 31<sup>st</sup> May 2022

	Dividend income	Equalisation*	Amount paid 31.07.22
Group 1	14.000	—	14.000
Group 2	0.000	14.000	14.000

### INTERIM DISTRIBUTION - OCTOBER 2022

Group 1 - Units purchased prior to 1<sup>st</sup> June 2022

Group 2 - Units purchased 1<sup>st</sup> June 2022 to 31<sup>st</sup> August 2022

	Dividend income	Equalisation*	Amount payable 31.10.22
Group 1	14.000	—	14.000
Group 2	0.000	14.000	14.000

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

## DISTRIBUTION SUMMARY

**in pence per unit  
for the six months ended 31<sup>st</sup> August 2022 (unaudited)**

	Six months to 31 <sup>st</sup> Aug. 2022	Year to 28 <sup>th</sup> Feb. 2022
Interim paid - July	14.000	14.000
Interim payable/paid - October	14.000	14.000
Interim paid - January	—	14.000
Final paid	—	25.846
	<u>28.000</u>	<u>67.846</u>





*Manager*

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D J O Cruickshank  
W A Ferguson  
J R Jesty  
J E Marshall  
J C McAulay  
T A U Wood  
J A Young

*Secretary*

J C McAulay

*Investment Adviser*

McInroy & Wood Limited  
Easter Alderston  
Haddington  
EH41 3SF

*Trustee*

The Bank of New York Mellon (International) Limited  
160 Queen Victoria Street  
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*Registrar*

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*Independent Auditors*

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Chartered Accountants  
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**AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY**

McInroy & Wood Portfolios Limited is a subsidiary of  
McInroy & Wood Limited  
MWIF0822