McInroy & Wood

PERSONAL INVESTMENT MANAGERS

INCOME FUND

A pooled management service for private clients

ANNUAL REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28TH FEBRUARY 2021

SUMMARY

At 28th February 2021, total net assets of the fund amounted to £205,082,130 compared with £225,206,931 twelve months before. There were 620 unitholders, excluding ISAs, with an average holding worth £270,825.

The price of units in the fund at 28th February 2021 stood at £26.910, up 4% compared with the figure twelve months before. The increase in value is a reflection of gains from the equity investments held in the portfolio, although these shares recorded more modest advances than those of companies operating in the disruptive technology sectors which led markets. The portfolio has an emphasis on established businesses which are committed to using sustainable revenues and cash flows to support dividend payments, rather than companies at relatively early stages in their development which reinvest most of their earnings. The weakness of US dollar against sterling and relatively dull returns from bonds partly offset the positive returns from the equity allocation.

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 inflation, as measured by the UK Retail Price Index (RPI), over the same period. Over the three years to 28th February 2021 the total return for unitholders in the fund was 15%, compared to RPI of 7% over the same time frame. Over five years, the fund returned 28% against RPI of 14%. The fund has provided a total return to unitholders of 434% above RPI since its inception in March 1994.

A final dividend distribution of 18.921p per unit is now being paid. In conjunction with the three interim distributions of 12.500p, 13.000p and 15.000p, this brings the total distributions for the year to 59.421p per unit, 25% lower than those paid over the prior year. Interest rates were cut and bond yields fell during the period. Many companies saw revenues fall sharply and given the level of uncertainty, were anxious to retain cash rather than sustain payments to shareholders at previous levels.

Many companies have faced significant disruption and are likely to remain cautious until the economic recovery is well-founded. However, some firms are beginning to reinstate dividend payments to shareholders, particularly where businesses have fared better than expected during the pandemic. As a result, the distributions from the fund over the next six months are expected to be marginally higher than those paid over the comparable period in 2020, in line with a slight increase in dividends.

SUMMARY

The declines in equity markets in the spring of last year offered opportunities to buy stocks at more attractive valuations, even if the short-term outlook for earnings remained less clear at that stage. Consequently, the target equity allocation was increased by five percentage points to 65% in March 2020 with a corresponding reduction in the bond holdings.

Many investors appear to be confident that there will be a smooth and sustained return to normal. This leaves little room for manoeuvre if the momentum of vaccination programmes stalls and outbreaks of the disease spike again. Prospects for sustained equity market strength underpinned by monetary stimulus and government spending have to be balanced against the potential risks to a full economic revival, as well as the possibility of inflation. A pragmatic and relatively cautious investment approach is appropriate in the circumstances. Accordingly, the portfolio includes substantial allocations to short-dated and inflation-protected government bonds and gold. Alongside this, the broadly diversified selection of equities offers the prospect of sustained dividend growth as the business environment becomes more stable.

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AUTHORISED FUND MANAGER'S REPORT*

FINANCIAL STATEMENTS

**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 thes 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.

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.

At 28th February 2021, total net assets of the fund amounted to £205,082,130 compared with £225,206,931 twelve months before. There were 620 unitholders, excluding ISAs, with an average holding worth £270,825.

Markets

Many equity markets recorded notable gains over the year to 28th February 2021 despite the impact of Covid-19. At the beginning of the period, economic activity fell abruptly following the implementation of lockdown measures around the world, and there was also severe disruption to global supply chains. Share prices dropped sharply as a result. However, governments and central banks rapidly responded by loosening monetary policy and providing direct financial support to the worst affected businesses. Boosted by this, and the way in which commercial life swiftly adapted to the new environment, equity markets recovered strongly. Investor confidence grew with the emergence of a range of vaccines in the winter of 2020, notwithstanding the necessity of imposing further lockdowns in the northern hemisphere.

Measured by MSCI indices in local currencies, the US market (+32%) and emerging markets as a group (+33%) both made significant advances; the return from Europe (+10%) was also good, if more modest. By contrast, investors remained cautious about prospects for the UK (-3%) and the consequences of the country's departure from the European Union. Overall, the MSCI All Country World Index rose by 18%, expressed in sterling terms.

Movements in bond prices were much more subdued. Short- and medium-dated UK government bonds were largely unchanged. US dollar equivalents rose by up to 2% in US dollar terms.

The price of gold gained 9% in US dollar terms.

In foreign exchange markets, sterling weakened against the euro (-1%), but strengthened against the US dollar (+9%).

Inflation, as measured by the UK Retail Price Index (RPI), was 1% over the year to 28th February 2021.

Results

The price of units in the fund at 28th February 2021 stood at £26.910, up 4% compared with the figure twelve months before. The increase in value is a reflection of gains from the equity investments held in the portfolio. However, the weighting to UK equities, which had by far the weakest performance of developed markets, meant that the advance was more modest. The portfolio has an emphasis on established businesses which are committed to using sustainable revenues and cash flows to support dividend payments, rather than companies at relatively early stages in their development which reinvest most of their earnings. The weakness of US dollar against sterling and relatively dull returns from bonds partly offset the positive returns from the equity allocation.

Results continued
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 inflation, as measured by the RPI, over the same period. Over the three years to 28th February 2021 the total return for unitholders in the fund was 15%, compared to RPI of 7% over the same time frame. Over five years, the fund returned 28% against RPI of 14%. The fund has provided a total return to unitholders of 434% above RPI since its inception in March 1994.

Dividend Distribution
A final dividend distribution of 18.921p per unit is now being paid. In conjunction with the three interim distributions of 12.500p, 13.000p and 15.000p, this brings the total distributions for the year to 59.421p per unit, 25% lower than those paid over the prior year. Interest rates were cut and bond yields fell during the period. Many companies saw revenues fall sharply and given the level of uncertainty, were anxious to retain cash rather than sustain payments to shareholders at previous levels.

Many companies have faced significant disruption and are likely to remain cautious until the economic recovery is well-founded. However, some firms are beginning to reinstate dividend payments to shareholders, particularly where businesses have fared better than expected during the pandemic. As a result, the distributions from the fund over the next six months are expected to be marginally higher than those paid over the comparable period in 2020, in line with a slight increase in dividends.

Portfolio Strategy
The declines in equity markets in the spring of last year offered opportunities to buy stocks at more attractive valuations, even if the short-term outlook for earnings remained less clear at that stage. Consequently, the target equity allocation was increased by five percentage points to 65% in March 2020 with a corresponding reduction in the bond holdings.

At 28 February 2021, 63% of the portfolio was held to equities (58% at 29th February 2020), 29% to bonds (36%), 4% to gold (5%) and 4% to cash deposits (1%). The bond component consisted of 12% in UK gilts and 17% in US government issues. The cash balance was slightly higher than usual at the year end, as several share purchases were pending at that date.

Investments
A strategic decision was taken towards the end of the reporting year to add to the overseas element of the portfolio's equity allocation, in companies that offer better prospects of dividend growth. Some of the transactions were completed over the period end, but in total 15% of the portfolio was switched from the UK. As a result, holdings in several UK-listed stocks were reduced, while Barr (AG) was sold. New investments added to the portfolio were all international stocks, namely Air Liquide, Cisco Systems, Embotelladora Andina, Flowers Foods, HELLA, Schneider Electric, Segro, SGS, Thai Beverage and Watsco.

Specific company concerns resulted in the sale of Anta Sports Products, Close Brothers, CNOOC, MTN, Unibail-Rodamco-Westfield and Vodafone. A summary of all portfolio changes is shown on pages 14 to 16 of this report.

XP Power (+81%), Rio Tinto (+72%) and Kuehne + Nagel (+54%) all performed notably well. GlaxoSmithKline (-24%) and National Grid (-18%) both lost ground.

Within the allocation to sterling- and US dollar-denominated government bonds, four stocks matured or were sold during the period. Three new investments were made in similar issues.

The gold holdings were switched into a security with a lower administrative charge. Like the previous holdings, the new stock is also backed by physical gold.

Outlook
The outlook for financial markets has improved over recent months, as the rollout of a range of vaccines has raised the prospect of a return to normal life. In the meantime, central banks and governments around the world look set to maintain their support for still fragile economies. This should provide an encouraging background for investment, but the extent of equity market rises at the time of writing looked to have already discounted much of the improvement. In some sectors, stock valuations appear to incorporate very optimistic expectations for future profits, and seem to have become dislocated from any reasonable calculation of their worth. For example, Tesla is now worth the same as the next eight largest car manufacturers combined. In these circumstances, a cautious approach is warranted, accompanied by careful equity selection focused on businesses with sound balance sheets, secure competitive positions and reasonable valuations. Close attention is also paid to the ability and willingness of such companies to pay a growing stream of dividends to shareholders.

There are growing concerns that if present policies for economic reinvigoration are left unchecked, they may lead to a sharp pick up in inflation. A sudden spending splurge caused by a combination of government stimulus and pent-up consumer demand could put pressure on supply chains and lead to price rises.

Outlook continued

Bond markets are anticipating that central banks will be forced to raise interest rates sooner than they might wish. A significant increase in rates could undermine economic recovery at a time when levels of indebtedness are already stretched and major programs of public expenditure have been promised.

The US Federal Reserve is likely to be the first of the central banks to have to address this dilemma. The Biden administration is planning to deliver two massive stimulus packages that could total $4 trillion. The Federal Reserve has indicated that it would be willing to accommodate this by tolerating a degree of above-target inflation without raising interest rates, but there will be a limit to its flexibility. As things stand, the International Monetary Fund (IMF) is projecting that public sector expenditure could help to underpin economic growth of 5% in the US over this year.

The UK economy has been hit hard by a combination of uncertainty over Brexit and one of the worst Covid-19 mortality rates in the world. Nevertheless, the country has risen remarkably well to the immediate challenge of vaccinating its population as efficiently and quickly as possible. After a 10% decline in GDP in 2020, a 5% recovery is now anticipated this year with some acceleration in the second half, and more progress thereafter.

Forecasts for the eurozone have been clouded by an erratic start to the immunisation programme which may compel social restrictions to be extended beyond present expectations. This would disproportionately affect Mediterranean countries which are more dependent on travel and tourism, widening economic divergences across the block. However, although medical issues might delay progress, GDP growth is expected to rebound by nearly 4% this year after a 7% contraction in 2020. Here too, the EU has launched a major recovery fund to accelerate the revival.

The growing importance of environmental considerations in economic policy can be seen in the EU's requirement that member governments must spend over one third of their entitlement to this recovery fund on environmental related projects. President Biden's plans for the US also envisage a significant increase in new jobs in this area. There will inevitably be new investment opportunities flowing from such strategies. However, they need to be rigorously examined to confirm that they are indeed based on sustainable and profitable long-term businesses.

Outlook continued

Prospects elsewhere are coloured by the relative effectiveness of medical responses to the pandemic. Generally, Asian countries have been quickest to suppress the virus and are now recovering rapidly. Industrial output and exports have driven a strong upturn in China with growth of over 6% in the fourth quarter. The pace of economic expansion in Taiwan has been even faster. Meanwhile India has benefited from a trend to diversify some operations away from China, and the economy is forecast to rebound with 11% growth this year. By contrast, both medical and economic data suggest that recovery will be much slower in Latin America.

Many investors appear to be confident that there will be a smooth and sustained return to normal. This leaves little room for manoeuvre if the momentum of vaccination programmes stalls and outbreaks of the disease spike again. Prospects for sustained equity market strength underpinned by monetary stimulus and government spending have to be balanced against the potential risks to a full economic revival, as well as the possibility of inflation. A pragmatic and relatively cautious investment approach is appropriate in the circumstances. Accordingly, the portfolio includes substantial allocations to short-dated and inflation-protected government bonds and gold. Alongside this, the broadly diversified selection of equities offers the prospect of sustained dividend growth as the business environment becomes more stable.

20th April 2021

COMPARATIVE TABLE - PERSONAL CLASS

	28th February 2021 (pence per unit)	29th February 2020 (pence per unit)	28th February 2019 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	2,561.29	2,491.32	2,515.13
Return before operating charges*	180.82	179.66	85.89
Operating charges	(29.57)	(30.52)	(28.75)
Return after operating charges	151.25	149.14	57.14
Distributions	(59.42)	(79.17)	(80.95)
Closing net asset value per unit	2,653.12	2,561.29	2,491.32
*After direct transaction costs of	(2.19)	(0.68)	(1.23)
Performance**			
Return after charges	5.91%	5.99%	2.27%
Other information			
Closing net asset value (£'000)	205,082	225,207	242,701
Closing number of units	7,729,841	8,792,722	9,741,880
Operating charges	1.13%	1.14%	1.12%
Direct transaction costs	0.08%	0.03%	0.05%
Prices			
Highest unit price	£28.080	£27.702	£26.348
Lowest unit price	£23.150	£25.085	£24.746
Portfolio turnover			
Annualised	73%	10%	32%

** 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 28th February 2021

INVESTMENTS	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2021	29th Feb. 2020
Bonds				
UK				
UK Treasury 0.125% I-L 2028	£5,213,400	6,780	3.3	
UK Treasury 0.5% 2022	£1,516,000	1,524	0.7	
UK Treasury 4.25% 2032	£6,359,000	8,600	4.2	
UK Treasury 4.25% 2036	£4,873,000	6,958	3.4	
		23,862	11.6	14.3
USA				
US Treasury 0.125% I-L 2022	$7,662,000	6,033	3.0	
US Treasury 0.125% I-L 2024	$8,523,000	7,220	3.5	
US Treasury 1.875% 2022	$5,531,000	4,065	2.0	
US Treasury 2.75% 2023	$23,392,000	17,863	8.7	
		35,181	17.2	21.5
TOTAL BONDS		*59,043*	*28.8*	*35.8*
Equities				
UK				
Assura	8,603,460	6,401	3.1	
DS Smith	763,612	3,035	1.5	
GlaxoSmithKline	453,605	5,402	2.7	
Hill & Smith	370,544	4,713	2.3	
National Grid	731,039	5,895	2.9	
Rio Tinto	110,053	6,809	3.3	
Segro	294,810	2,682	1.3	
Spirax-Sarco Engineering	24,621	2,636	1.3	
Victrex	235,106	4,970	2.4	
XP Power	90,117	4,938	2.4	
		47,481	23.2	28.8
USA				
AbbVie	80,240	6,182	3.0	
Cisco Systems	140,500	4,508	2.2	
Flowers Foods	197,545	3,072	1.5	
National Retail Properties	120,280	3,768	1.8	
Paychex	80,600	5,247	2.6	
Watsco	22,697	3,947	1.9	
		26,724	13.0	7.3

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2021	29th Feb. 2020
Equities continued				
CANADA				
TELUS	495,835	7,144	3.5	3.3
FRANCE				
Air Liquide	22,800	2,468	1.2	
Schneider Electric	47,265	5,041	2.4	
Total	157,747	5,256	2.6	
		12,765	6.2	4.5
GERMANY				
Fielmann	66,860	3,793	1.8	
HELLA	126,242	5,346	2.6	
		9,139	4.4	1.4
NETHERLANDS				
Royal Dutch Shell 'B'	528,845	7,338	3.6	2.7
SWITZERLAND				
Kuehne + Nagel	30,560	5,201	2.6	
SGS	1,430	2,932	1.4	
		8,133	4.0	3.0
DEVELOPING MARKETS				
Chile Embotelladora Andina	284,261	551	0.2	
Embotelladora Andina-ADR	156,730	1,782	0.9	
Hong Kong Vitasoy International	834,000	2,630	1.3	
Mexico Wal-Mart de Mexico	1,510,440	3,077	1.5	
Singapore Thai Beverage	6,322,000	2,482	1.2	
		10,522	5.1	6.5
TOTAL EQUITIES		*129,246*	*63.0*	*57.5*

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2021	29th Feb. 2020
Commodities				
IRELAND				
iShares Physical Gold ETC	352,690	8,493	4.2	0.0
UK		–	0.0	5.4
TOTAL INVESTMENTS		196,782	96.0	98.7
Net other assets		8,300	4.0	1.3
TOTAL NET ASSETS		*205,082*	*100.0*	*100.0*

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 28th February 2021 are investment grade.

SUMMARY OF ALL PORTFOLIO CHANGES

for the year to 28th February 2021

Purchases		Cost £'000
12,890	AbbVie	844
22,800	Air Liquide	2,128
228,400	Barr	1,024
140,500	Cisco Systems	4,797
120,000	Close Brothers	1,502
173,566	DS Smith	531
284,261	Embotelladora Andina	521
64,870	Fielmann	3,451
197,545	Flowers Foods	3,133
184,100	HELLA	5,151
65,070	Hill & Smith	855
352,690	iShares Physical Gold ETC	10,237
172,000	MTN	534
27,250	Paychex	1,500
30,550	Rio Tinto	1,068
166,475	Royal Dutch Shell 'B'	2,797
47,265	Schneider Electric	4,066
383,380	Segro	3,402
1,430	SGS	2,972
266,300	TELUS *(Stock split)*	—
6,322,000	Thai Beverage	2,824
23,215	Total	639
5,586,000	UK Treasury 0.125% I-L 2028	7,302
2,273,000	UK Treasury 0.5% 2022	2,297
763,000	UK Treasury 4.25% 2036	1,189
1,856,000	US Treasury 0.125% I-L 2024	1,622
5,775,000	US Treasury 1.875% 2022	4,756
3,322,000	US Treasury 2.75% 2023	2,856
56,249	Victrex	1,195
42,782	Watsco	5,504
	TOTAL	80,697

SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals		Proceeds £'000
20,300	AbbVie	1,524
364,000	Anta Sports Products	2,370
541,540	Assura	400
228,400	Barr	1,117
590,050	Close Brothers	6,757
2,965,000	CNOOC	3,211
1,337,684	DS Smith	4,869
58,075	Fielmann	3,301
51,910	Gold Bullion Securities	7,063
57,858	HELLA	2,366
148,026	Hill & Smith	2,002
28,010	Kuehne + Nagel	4,015
689,200	MTN	2,418
193,870	National Grid	1,784
16,335	National Retail Properties	483
30,960	Paychex	1,940
88,387	Rio Tinto	4,271
88,570	Segro	848
35,205	Spirax-Sarco Engineering	3,673
36,765	TELUS	540
84,748	Total	2,766
372,600	UK Treasury 0.125% I-L 2028	499
757,000	UK Treasury 0.5% 2022	764
2,636,400	UK Treasury 2.5% I-L 2020	9,269
3,339,000	UK Treasury 4.25% 2032	4,850
1,782,000	UK Treasury 4.25% 2036	2,739
31,400	Unibail-Rodamco-Westfield	2,897
2,037,000	US Treasury 0.125% I-L 2024	1,707
5,406,000	US Treasury 1.125% 2021	4,239
5,275,000	US Treasury 1.5% 2020	4,216
5,360,000	US Treasury 1.75% 2023	4,282
244,000	US Treasury 1.875% 2022	199
5,977,000	US Treasury 2.75% 2023	5,219
44,143	Victrex	996
3,431,680	Vodafone	4,659
20,085	Watsco	3,537
51,170	WisdomTree Physical Gold	7,069
21,643	XP Power	1,108
	TOTAL	115,967

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). 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.

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

Lower risk — **Higher risk**
Typically lower rewards — Typically higher rewards

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

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

Value Assessment
The Manager produces a composite annual Assessment of Value for the funds managed by it. The document is published on McInroy & Wood's website by 30th June each year.

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

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

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

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

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

DIRECTORS' STATEMENT

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

T A U Wood
Director

J C McAulay
Director

Haddington, 20th April 2021

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

to the Unitholders of the McInroy & Wood Income Fund ("the Trust") for the year ended 28th February 2021

The Trustee in its capacity as Trustee of the McInroy & Wood Income Fund must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

The Trustee must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Trust and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Trust in accordance with the Regulations.

The Trustee must ensure that:

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

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

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

20th April 2021

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Trust as at 28th February 2021 and of the net revenue and the net capital gains on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law, the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 28th February 2021; the Statement of Total Return and the Statement of Change in Net Assets Attributable to Unitholders for the year then ended; the Distribution Tables; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

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

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the Manager for the financial statements
As explained more fully in the Statement of the Manager's Responsibilities set out on page 18, the Manager is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Manager is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. 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 2021

STATEMENT OF TOTAL RETURN

for the year ended 28th February 2021

	Notes	Year ended 28th Feb. 2021 £'000	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000	Year ended 29th Feb. 2020 £'000
Income					
Net capital gains	2		9,491		9,602
Revenue	3	5,686		8,277	
Expenses	4	(2,416)		(2,744)	
Net revenue before taxation		3,270		5,533	
Taxation	5	(287)		(343)	
Net revenue after taxation			2,983		5,190
Total return before distributions			12,474		14,792
Distributions	6		(4,941)		(7,297)
Change in net assets attributable to unitholders from investment activities			7,533		7,495

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 28th February 2021

	Year ended 28th Feb. 2021 £'000	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000	Year ended 29th Feb. 2020 £'000
Opening net assets attributable to unitholders		225,207		242,701
Amounts receivable on creation of units	5,394		5,046	
Amounts payable on cancellation of units	(33,052)		(30,035)	
		(27,658)		(24,989)
Change in net assets attributable to unitholders from investment activities		7,533		7,495
Closing net assets attributable to unitholders		205,082		225,207

BALANCE SHEET

as at 28th February 2021

	Notes	28th Feb. 2021 £'000	28th Feb. 2021 £'000	29th Feb. 2020 £'000	29th Feb. 2020 £'000
ASSETS:					
Fixed assets:					
Investments			196,782		222,224
Current assets					
Debtors	7	4,451		990	
Cash & bank balances		7,808		4,824	
Total other assets			12,259		5,814
Total assets			209,041		228,038
LIABILITIES:					
Creditors					
Distribution payable		(1,463)		(2,477)	
Other creditors	8	(2,496)		(354)	
Total liabilities			(3,959)		(2,831)
Net assets attributable to unitholders			205,082		225,207

for the year ended 28th February 2021

1. Accounting policies

(a) The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the IMA (now known as the Investment Association) in May 2014, updated in June 2017, (the "SORP").

(b) Dividends receivable from equity investments are recognised gross of withholding tax and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.

(c) Special dividends are treated as revenue or capital depending on the facts of each particular case.

(d) Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund.

(e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

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

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

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

continued

1. Accounting policies continued

(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.

2. Net capital gains

	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000
Non-derivative securities	9,879	9,678
Currency losses	(383)	(71)
Custodian transaction costs	(5)	(5)
Net capital gains*	9,491	9,602
**includes realised gains on investments sold*	15,920	11,990

3. Revenue

	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000
Bank interest	2	9
Interest on overseas debt securities	479	933
Interest on UK debt securities	567	955
Overseas dividends	2,604	2,976
Property income distributions on UK REITs	129	116
UK dividends	1,905	3,288
Total revenue	5,686	8,277

continued

4. Expenses

	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	2,157	2,464
– Transfer agency fee	118	150
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	42	47
– Safe custody fee	28	32
Other expenses:		
– Audit fee	15	9
– Fund accounting fee	40	40
– Interest payable and similar charges	1	–
– Sundry fees*	15	2
Total expenses	2,416	2,744

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

continued

5. Taxation

	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000
(a) Analysis of charge for the year		
Overseas tax	287	343
	287	343

(b) Factors affecting the tax charge for the year

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

	Year ended 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000
Net revenue before taxation	3,270	5,533
Corporation tax at 20%	654	1,107
Effects of:		
Indexation allowance	(10)	(46)
Movement in unrecognised tax losses	224	155
Overseas tax	287	343
Overseas tax expensed	(5)	(7)
Revenue not subject to tax	(863)	(1,209)
Current tax charge for the year	287	343

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £2,970,860 (2020 - £2,746,948) 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.

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 28th Feb. 2021 £'000	Year ended 29th Feb. 2020 £'000
Interim		3,351	4,668
Final		1,463	2,477
		4,814	7,145
Add:	Revenue deducted on cancellation of units	159	190
Deduct:	Revenue received on creation of units	(32)	(38)
Net distribution for the year		4,941	7,297
Net revenue after taxation		2,983	5,190
Expenses taken to capital		2,157	2,464
Tax attributable to capital		(199)	(357)
Net distribution for the year		4,941	7,297

Details of the distributions per unit are shown in the Distribution Tables on page 38.

continued

7. Debtors

	28th Feb. 2021 £'000	29th Feb. 2020 £'000
Amounts receivable for creation of units	50	41
Foreign currency contracts awaiting settlement	1,626	–
Overseas withholding tax recoverable	220	208
Prepaid expenses	2	2
Revenue receivable:		
Overseas bond interest	168	200
UK bond interest	162	301
UK equities	167	238
Sales awaiting settlement	2,056	–
	4,451	990

8. Other Creditors

	28th Feb. 2021 £'000	29th Feb. 2020 £'000
Accrued expenses:		
Audit fee	12	9
Custodial transaction fees	1	–
Fund accounting fee	4	4
Manager's periodic charge	163	193
Safe custody fees	–	5
Transfer agency fee	18	15
Trustee's fee	3	4
Other	5	2
Amounts payable for cancellation of units	676	122
Foreign currency contracts awaiting settlement	1,614	–
	2,496	354

9. Unit movement

For the year 1st March 2020 to 28th February 2021

Opening units	8,792,722
Units created	207,216
Units cancelled	(1,270,097)
Closing units	7,729,841

continued

10. Related Party Transactions

The Manager actively exercises control over the fund and is therefore a related party by virtue of its controlling influence.

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

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

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 1.5% (2020 - 1.3%).

11. Portfolio Risk Analysis

In pursuing its investment objectives, the fund's portfolio is invested in a variety of financial assets. These comprise securities and other investments. There are also cash balances, debtors and creditors that arise directly from its is 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 is exposed to credit risk through its investment in debt securities. In order to limit credit risk during the period, bonds held by the fund were backed by either the US or UK government and the gold ETC's, which are structured as debt securities, were backed by physical gold.

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 96% of the fund could be realised within 5 days, based upon normal trading activities and achieving 30% of the 30-day average traded volume.

continued

11. Portfolio Risk Analysis continued

Credit Quality

All debt securities in the portfolio at the balance sheet date are investment grade (2020 - same).

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 manager commonly invests part of the fund's portfolio in quoted debt instruments, generally bonds, issued by third parties. It also holds cash on deposit. Changes in interest rates may have an adverse effect on the future cash flows from such deposits and on the amount of income derived from them.

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

Foreign Currency Risk

The fund invests in overseas securities and the balance sheet can be significantly affected by movements in foreign exchange rates. The fund has not hedged the sterling value of investments that are priced in other currencies. Revenue received in other currencies is translated to sterling on or near the date of receipt. The fund does not hedge or otherwise seek to avoid currency movement risk on accrued revenue.

Dividend Risk

Part of the fund's portfolio is invested in equities, from which it receives dividend income. In light of the Covid-19 crisis, the ability of companies to continue to pay historic levels of dividends is uncertain. As a result, dividend payments, and therefore the income derived by the fund may be adversely affected.

The Manager seeks to mitigate such risk by maintaining a prudent diversification of investments.

continued

11. Portfolio Risk Analysis continued

Valuation of financial investments

The categorisation of financial investments in the tables below reflects the methodology used to measure their fair value.

	Assets £'000	Liabilities £'000
28th February 2021		
Level 1: Quoted prices	196,782	–
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
	196,782	**–**

	Assets £'000	Liabilities £'000
29th February 2020		
Level 1: Quoted prices	222,224	–
Level 2: Observable market data	–	–
Level 3: Unobservable data	–	–
	222,224	**–**

12. Risk Exposure

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

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

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

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

	Year ended 28th Feb. 2021 %	Year ended 29th Feb. 2020 %
Year end VaR	10.90	4.93
Minimum VaR	4.98	3.87
Maximum VaR	12.12	4.93
Average VaR	11.19	4.31

Leverage

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

continued

13. Portfolio Transaction Costs

For the year 1st March 2020 to 28th February 2021

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	50,326	28	0.06	85	0.17
Debt instruments	30,247	11	0.04	–	–
Total purchases	**80,573**	**39**		**85**	
Total purchases including transaction costs	**80,697**				

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	63,896	38	0.06	6	0.01
Debt instruments	52,129	14	0.03	–	-
Total sales	**116,025**	**52**		**6**	
Total sales net of transaction costs	**115,967**				
Total transaction costs		91		91	
Total transaction costs as a % of average net assets		0.04%		0.04%	

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

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	10,771	5	0.05	30	0.28
Debt instruments	6,116	2	0.03	–	–
Total purchases	**16,887**	**7**		**30**	
Total purchases including transaction costs	**16,924**				

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	29,160	17	0.06	5	0.02
Debt instruments	14,178	4	0.03	–	-
Total sales	**43,338**	**21**		**5**	
Total sales net of transaction costs	**43,312**				
Total transaction costs		28		35	
Total transaction costs as a % of average net assets		0.01%		0.02%	

13. Portfolio Transaction Costs continued

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

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 0.16% (2020 - 0.13%).

DISTRIBUTION TABLES

in pence per unit
for the year ended 28th February 2021

INTERIM DISTRIBUTION - JULY 2020

Group 1 - Units purchased prior to 1st March 2020
Group 2 - Units purchased 1st March 2020 to 31st May 2020

	Dividend income	Equalisation*	Amount paid 31.07.20
Group 1	12.500	–	12.500
Group 2	2.096	10.404	12.500

INTERIM DISTRIBUTION - OCTOBER 2020

Group 1 - Units purchased prior to 1st June 2020
Group 2 - Units purchased 1st June 2020 to 31st August 2020

	Dividend income	Equalisation*	Amount paid 31.10.20
Group 1	13.000	–	13.000
Group 2	0.000	13.000	13.000

INTERIM DISTRIBUTION - JANUARY 2021

Group 1 - Units purchased prior to 1st September 2020
Group 2 - Units purchased 1st September 2020 to 30th November 2020

	Dividend income	Equalisation*	Amount paid 31.01.21
Group 1	15.000	–	15.000
Group 2	0.000	15.000	15.000

FINAL DISTRIBUTION - APRIL 2021

Group 1 - Units purchased prior to 1st December 2020
Group 2 - Units purchased 1st December 2020 to 28th February 2021

	Dividend income	Equalisation*	Amount payable 30.04.21
Group 1	18.921	–	18.921
Group 2	6.489	12.432	18.921

*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 28th February 2021

	Year to 28th Feb. 2021	Year to 29th Feb. 2020
Interim paid - July	12.500	17.000
Interim paid - October	13.000	17.000
Interim paid - January	15.000	17.000
Final payable/paid	18.921	28.169
	59.421	79.169

DISTRIBUTION XD AND PAYMENT DATES

	XD Date	*Payment Date*
Final	28.02.21	30.04.21
Interim	31.05.21	31.07.21
Interim	31.08.21	31.10.21
Interim	30.11.21	31.01.22

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