McInroy & Wood

PERSONAL INVESTMENT MANAGERS

INCOME FUND

A pooled management service for private clients

INTERIM REPORT AND FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31ST AUGUST 2019

SUMMARY

At 31st August 2019, total net assets of the fund amounted to £246,764,220 compared with £242,700,991 six months before. There were 691 unitholders, excluding ISAs, with an average holding worth £290,717.

The price of units in the fund at 31st August 2019 stood at £27.313, representing a rise of 8% over the reporting period. The portfolio benefited from gains in equity and bond markets, together with the rise in the price of gold. It was further boosted by favourable currency movements.

The objective of the fund is to preserve and 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 Price Index, over the same period. Over the 3 years to 31st August 2019, the total return for unitholders in the fund was 11%, compared to inflation of 10%. The fund has provided a total return to unitholders of 423% above inflation since its inception in March 1994.

A second interim dividend distribution of 17.000p per unit is now being paid. This, in addition to the interim distribution paid at the end of July, brings the total distributions over the six-month period to 34.000p, the same as the equivalent payment last year.

Based on current forecasts the distribution for the full year is expected to be slightly lower than that paid in the previous year.

Some high dividend-paying stocks have been sold from the portfolio, reflecting concerns over their prospects. In the current environment, unearthing companies with similar dividend yields but more sustainable earnings has proved challenging. However, the value of overseas income has been enhanced by the weakness of sterling, and the fund has also received a one-off special dividend from Rio Tinto (worth 0.9 pence to unitholders). The latter partly offsets the loss of non-recurring special dividends worth 1.6 pence which were received in the prior year.

The portfolio only invests in assets listed on globally recognised stock exchanges and prime quality government bonds. This ensures that the value of underlying investments can be realised quickly, if necessary, under normal market conditions.

A focus on high-quality companies with soundly based business positions remains essential in present circumstances. A portfolio of such companies, buffered by a selection of shorter-dated bonds, and an allocation to gold, should continue to provide satisfactory returns in the medium term.

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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

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 might well be impracticable for them to assemble themselves.

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

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

The investment objective of the Income 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, Easter Alderston, Haddington, EH41 3SF. (Tel. +44(0)1620 825867) or through the website: www.mcinroy-wood.co.uk.

At 31st August 2019, total net assets of the fund amounted to £246,764,220 compared with £242,700,991 six months before. There were 691 unitholders, excluding ISAs, with an average holding worth £290,717.

Markets

Western equity markets rose over the six months to 31st August 2019. They were boosted by the expectation that interest rates would fall as central banks responded to subdued inflation and weaker global growth. Sentiment was also encouraged by the resumption of trade discussions between the US and Chinese governments. However, some of these gains were lost towards the end of the period as negotiations made little progress and President Trump announced an extension to US tariffs. Meanwhile, sterling suffered as Boris Johnson's uncompromising position on Brexit negotiations appeared to increase the likelihood of a no-deal outcome.

Measured by MSCI Indices in local currencies, the US (+5%) and European (+4%) markets both recorded strong gains. The UK (+1%) was more muted. By contrast, it was a challenging period for Emerging Markets as a group (-4%). Sterling weakness increased the value of overseas assets for UK-based portfolios, which was reflected in an 11% gain in the MSCI All Country World Index in sterling terms.

Bond prices also performed robustly over the period. The price of shorter-dated UK government issues rose by 1% to 2% while their US counterparts advanced by 3% to 5%. Longer- and medium-dated stocks in both currencies were even stronger with gains of over 10% in the case of the former.

The price of gold rose significantly (+16% in US dollar terms) as investors sought safety in real assets.

In the foreign exchange markets, sterling fell by 8% against the US dollar and 5% against the euro.

Inflation, as measured by the UK Retail Price Index, was 2.4% over the six-month period to 31st August 2019.

Results

The price of units in the fund at 31st August 2019 stood at £27.313, representing a rise of 8% over the reporting period. The portfolio benefited from the gains in equity and bond markets noted above, together with the rise in the price of gold. It was further boosted by favourable currency movements.

The objective of the fund is to preserve and 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 Price Index, over the same period. Over the 3 years to 31st August 2019, the total return for unitholders in the fund was 11%, compared to inflation of 10%. The fund has provided a total return to unitholders of 423% above inflation since its inception in March 1994.

Dividend Distribution

A second interim dividend distribution of 17.000p per unit is now being paid. This, in addition to the interim distribution paid at the end of July, brings the total distributions over the six-month period to 34.000p, the same as the equivalent payment last year.

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Portfolio Strategy

The portfolio is broadly diversified by both asset class and geography, reflecting a relatively cautious investment strategy. At 31st August 2019, 58% of the portfolio was allocated to equities (60% at 28th February 2019), 35% to bonds (33%), 5% to gold (5%) and 2% to cash deposits (2%). Over half of the portfolio is invested in overseas assets denominated in a range of currencies other than sterling.

The portfolio only invests in assets listed on globally recognised stock exchanges and prime quality government bonds. This ensures that the value of underlying investments can be realised quickly, if necessary, under normal market conditions.

Investments

Positions in Land Securities and Realty Income were sold at a profit during the period in order to reduce the portfolio's exposure to property (the latter had just expanded operations into the UK). Standard Life Aberdeen and Schlumberger were sold having shown little sign of recovery from prolonged periods of depressed trading (the former following a merger, the latter due to wider market conditions). The proceeds were used to increase existing holdings.

ANTA Sports Products (+41%) was by far the best performing stock in local currency terms, following strong demand for its branded products amongst Chinese consumers. Spirax-Sarco (+20%) and Assura (+20%) also made noteworthy advances. Embotelladora Andina (-17%), AbbVie (-17%) and Unibail-Rodamco-Westfield (-16%) all fell back.

In the bond allocation, a US treasury note matured during the period. The proceeds were reinvested in a similar issue that matures at the end of 2019. Otherwise, the average maturity of the bonds held in the portfolio is shortening naturally over time. It was 6 years at the period end having been 8.6 years at 31st August 2017. There is presently little reward for increasing the portfolio's exposure to longer-dated government stocks.

Investments continued
A summary of all portfolio changes can be found on pages 13 and 14 of this report.

The fund holds an exposure to the price of gold through two securities backed by physical bullion. The value of these investments rose strongly over the period, providing an important contribution to the performance of the portfolio. Again, currency movements increased these gains.

Outlook
Prospects for the world economy have deteriorated in recent months, compounded by persistent trade tensions. The International Monetary Fund has lowered its estimate for global growth to 3.2%, from 3.9% a year ago. The US Federal Reserve and several other central banks, notably the European Central Bank, have already cut interest rates as a result.

Many investors believe this indicates that US interest rates have peaked and will now be steadily lowered. Indeed, current US bond yields imply that US rates will be reduced by another 1% over the next twelve months. However, there are now negative interest rates in countries that account for almost a quarter of global output. In these circumstances, central banks are being forced to consider more unorthodox, and less predictable, stimulus measures. Any miscalculations here could have severe ramifications for financial markets, particularly if the widespread expectation of falling rates proves misplaced.

In the US, there are signs that the pace of growth is slackening. Trade concerns appear to have exacerbated this trend. Consumer sentiment is weakening, production output is falling, and companies are beginning to reduce investment. The ratings agency S&P Global believes there is a one-in-three chance of a US recession this year. Bond markets would seem to concur, as the US yield curve between longer- and shorter-dated bonds has inverted. Historically, this has been a reasonably reliable signal of a downturn. Any slowdown would pose a significant threat to President Trump's re-election campaign which will be pinned to the health of the US economy. Political pressure on the Federal Reserve to lower interest rates again is set to intensify, and government expenditure is likely to be increased.

On the trade front, negotiations between the US and China continue, but there has been little evidence of progress to date. Yet some form of temporary accommodation may be possible, even if there is a contradiction between the Chinese strategy of focusing on the long-term implications of any deal and shorter-term American responses driven by immediate political considerations. The US decision to delay some further tariffs on Chinese consumer goods until after the holiday shopping season exemplified the latter. Agriculture has emerged as a key battleground. US farmers, who represent a strong support base for President Trump, have

Outlook continued
experienced falling demand since China cut purchases of basic commodities last year and a strong dollar has added to their woes.

They would certainly welcome any respite to these pressures, and may help to push their government towards a compromise agreement, particularly in the event of a close-run election campaign next year.

The nature of the UK's eventual relationship with the EU remains unclear at the time of writing. Boris Johnson's efforts to force through a rapid departure from the trading bloc have met with some frustration and have engendered divisions in both Conservative and Labour parties. A general election looks imminent. For the moment, sterling has tended to rise in response to any setbacks for the new Prime Minister, presumably as they are interpreted as decreasing the likelihood of a no-deal outcome. In the present state of political confusion, however, any forecast should be treated with the greatest caution. This persistent uncertainty has impacted business sentiment, and the second quarter saw a 0.2% decline in GDP, the first for seven years. Companies have postponed investment and manufacturing activity is falling. Productivity growth is still disappointing. Some sectors have proved resilient as consumers enjoy record low unemployment, rising real incomes and cheap credit, but their ability to prop up the economy will be undermined in any general slowdown. In the short term, the sterling exchange rate can be regarded as a barometer for global confidence in the country.

The outlook for the eurozone has become increasingly gloomy. Estimates for GDP growth this year have fallen to a lacklustre 1%, but even this may prove to be optimistic. German exports have fallen, compounded by weakness in the automotive industry, and surveys of economic sentiment in the country have slumped to levels evident during the financial crisis a decade ago. The government's commitment to fiscal conservatism has stifled calls for large infrastructure projects to revitalise the economy. Across Europe trade between member states has fallen, contracting at its fastest rate for over six years in June. Meanwhile, the European Central Bank's scope for stimulatory responses is constrained as it has already passed 'issuer limits' on owning Dutch government bonds and is nearing caps on holdings of German and Finnish debt. It may resort to purchasing more corporate bonds or even equities, but it remains to be seen how effective these approaches would be.

Although the long-term prospects for emerging markets remain promising, the immediate outlook appears more difficult. The International Monetary Fund is forecasting 4% growth in developing regions this year, a rate last observed during the 2008 financial crisis. This partly reflects a general slowdown in mature economies which has impacted commodity prices. However, there are also structural trends evident, namely the reversal of globalisation of production in the face of western political hostility.

Outlook continued

These could have more lasting effects. Nevertheless, growth in China and India, even at reduced levels, still outstrips that achieved by western economies and some so-called 'frontier markets' are likely to grow even faster. Stock selection in developing markets emphasises family-controlled businesses with capacity to develop strategies over extended time horizons.

In addition to any central bank measures, government spending may be necessary to spur economic growth. For many governments, this will require further borrowing. Though inexpensive by historic standards, the proportionate level of government debt, at 80% of global GDP, has never been higher. It has almost doubled since 2007. Lenders are likely to demand more attractive returns to reflect this scale of leverage. Even the most reputable treasuries may find their credentials as sound borrowers tested. In such an environment, the costs of maintaining expansionary policies funded by growing budget deficits could prove very challenging.

Investors have traditionally fled to the safety of real assets when confidence in the outlook for investment recedes. Gold has historically been a store of value during these periods. Its role in the portfolio is threefold: to provide a measure of protection against sharp falls in equity markets; as an additional diversification; and, to insure against a collapse in global confidence (perhaps even in national currencies). Naturally the gold investments provide a source of ready funds should equity valuations become more attractive.

It is striking to note that many companies are increasingly preferring to spend surplus cash on share repurchases rather than on improving cash dividends. This trend is particularly evident among US companies. While some national tax regimes encourage such an approach, it also flatters certain key metrics which are measured on a 'per share' basis and which are often used in the calculation of management bonuses. By contrast, investors who seek dependable income require reliable dividend streams from their holdings. Dividends have traditionally signalled commitment; share buybacks tell investors very little. Proceeds from share repurchases cannot form part of the fund's distributions, so the portfolio includes very few companies which are adopting this strategy. Stock selection emphasises companies with clear dividend policies that prioritise stable and growing payments to shareholders.

A focus on high-quality companies with soundly based business positions remains essential in present circumstances. A portfolio of such companies, buffered by a selection of shorter-dated bonds, and an allocation to gold, should continue to provide satisfactory returns in the medium term.

18th October 2019

CAPITAL RECORD

Highest and lowest unit prices.

Accounting year (to 28th Feb.)	High	Low
2016	£27.221	£22.832
2018*	£27.235	£24.944
2019	£26.348	£24.746
2020**	£27.569	£25.085

**The fund's financial year-end moved to 28th February (from 31st December).*

***Up to 31st August 2019, for the year ending 28th February 2020.*

INCOME RECORD

Accounting year (to 28th Feb.)	Per unit (net)
2016	72.876p
2018	78.508p
2019	80.950p
2020 (interim only)	34.000p

NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
31.12.16	£299,888,447	£26.095	11,492,083
28.02.18	£277,515,720	£25.151	11,033,831
28.02.19	£242,700,991	£24.913	9,741,880
31.08.19	£246,764,220	£27.106	9,103,552

OPERATING CHARGES

Date	Annualised
31.12.16	1.125%
28.02.18	1.132%
28.02.19	1.125%
31.08.19	1.143%

PORTFOLIO TURNOVER

Date	Annualised
31.12.16	49%
28.02.18	16%
28.02.19	32%
31.08.19	16%

DISCRETE PERFORMANCE

Year to 31.08.19	Year to 31.08.18	Year to 31.08.17	Year to 31.08.16	Year to 31.08.15
6.6%	0.5%	4.0%	17.6%	0.1%

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

PORTFOLIO STATEMENT

as at 31st August 2019 (unaudited)

INVESTMENTS	Holding or Nominal Value of positions at 31st Aug. 2019	Bid Market Value £'000	Percentage of Value of total net assets 31st Aug. 2019	Percentage of Value of total net assets 28th Feb. 2019
Bonds				
UK				
UK Treasury 2.5% I-L 2020	£2,763,000	9,811	4.0	
UK Treasury 3.75% 2019	£1,957,000	1,957	0.8	
UK Treasury 4.25% 2032	£10,011,000	14,493	5.9	
UK Treasury 4.25% 2036	£5,892,000	9,047	3.7	
		35,308	14.4	14.1
USA				
US Treasury 0.125% 2022	$6,955,000	5,974	2.4	
US Treasury 0.125% I-L 2024	$8,020,000	7,158	2.9	
US Treasury 1.125% 2021	$4,330,000	3,527	1.4	
US Treasury 1.375% 2019	$3,213,000	2,633	1.1	
US Treasury 1.5% 2020	$4,205,000	3,443	1.4	
US Treasury 1.75% 2022	$4,300,000	3,562	1.4	
US Treasury 2.75% 2023	$28,478,000	24,646	10.0	
		50,943	20.6	18.6
TOTAL BONDS		*86,251*	*35.0*	*32.7*
Equities				
UK				
Assura	9,145,000	6,337	2.6	
Close Brothers	470,050	6,054	2.5	
DS Smith	1,569,223	5,324	2.2	
GlaxoSmithKline	453,605	7,764	3.1	
Hill & Smith	418,372	4,811	1.9	
National Grid	1,024,776	8,797	3.5	
Rio Tinto	167,890	6,967	2.8	
Spirax-Sarco Engineering	66,480	5,332	2.2	
Victrex	223,000	4,629	1.9	
Vodafone	3,431,680	5,327	2.2	
XP Power	111,760	2,571	1.0	
		63,913	25.9	27.1

continued

		Holding or Nominal Value of positions at 31st Aug. 2019	Bid Market Value £'000	Percentage of Value of total net assets 31st Aug. 2019	Percentage of Value of total net assets 28th Feb. 2019
Equities continued					
USA					
AbbVie		87,650	4,729	1.9	
National Retail Properties		136,615	6,295	2.6	
Paychex		84,310	5,655	2.3	
			16,679	6.8	8.7
Canada					
TELUS		266,300	7,923	3.2	2.5
FRANCE					
Total		219,280	8,979	3.6	
Unibail-Rodamco-Westfield		31,400	3,381	1.4	
			12,360	5.0	5.4
GERMANY					
Fielmann		60,065	3,511	1.4	1.4
NETHERLANDS					
Royal Dutch Shell 'B'		362,370	8,208	3.3	3.5
SWITZERLAND					
Kuehne + Nagel		58,570	6,999	2.8	2.2
DEVELOPING MARKETS					
Chile	Embotelladora Andina ADR	156,730	2,342	0.9	
China	Anta Sports Products	552,000	3,751	1.5	
	CNOOC	2,965,000	3,629	1.5	
Hong Kong	Vitasoy International	834,000	3,186	1.3	
India	Infosys ADR	406,600	3,830	1.6	
Mexico	Wal-Mart de Mexico	1,510,440	3,506	1.4	
South Africa	MTN	517,200	2,863	1.2	
			23,107	9.4	9.9
TOTAL EQUITIES			*142,700*	*57.8*	*60.7*

continued

	Holding or Nominal Value of positions at 31st Aug. 2019	Bid Market Value £'000	Percentage of Value of total net assets 31st Aug. 2019	Percentage of Value of total net assets 28th Feb. 2019
Commodities				
UK				
ETFS Physical Gold	51,170	6,121	2.5	
Gold Bullion Securities	51,910	6,115	2.4	
		12,236	4.9	5.1
TOTAL COMMODITIES		*12,236*	*4.9*	*5.1*
TOTAL INVESTMENTS		241,187	97.7	98.5
Net other assets		5,577	2.3	1.5
TOTAL NET ASSETS		*246,764*	*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 31st August 2019 are investment grade.

SUMMARY OF ALL PORTFOLIO CHANGES

for the six months ended 31st August 2019 (unaudited)

Purchases		Cost £'000
93,250	Close Brothers	1,216
69,772	Hill & Smith	806
4,675	Kuehne + Nagel	483
131,500	National Grid	1,098
72,800	National Retail Properties	3,056
45,000	TELUS	1,264
3,213,000	US Treasury 1.375% 2019	2,545
930,880	Vodafone	1,234
	TOTAL	11,702

SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals		Proceeds £'000
288,000	Anta Sports Products	1,478
15,580	ETFS Physical Gold	1,711
8,450	Fielmann	443
15,800	Gold Bullion Securities	1,710
73,400	Infosys ADR	598
470,902	Land Securities	4,389
19,415	National Retail Properties	799
30,570	Paychex	1,940
71,650	Realty Income	3,989
70,320	Schlumberger	2,211
39,020	Spirax-Sarco Engineering	3,493
701,156	Standard Life Aberdeen	1,659
3,190,000	UK Treasury 0.875% 2019	2,524
985,000	UK Treasury 3.75% 2019	992
422,000	Vitasoy International	1,737
222,000	Wal-Mart de Mexico	497
	TOTAL	30,170

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 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.

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

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

Remuneration Policy
McInroy & Wood Portfolios Limited ("MWP") delegates investment management of the fund to McInroy & Wood Limited ("MW"), the Investment Adviser. Directors and staff working on the fund are not remunerated by MWP, but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. The group remuneration policy is approved annually by the MW Board and is designed to ensure that the remuneration of directors and staff is consistent with and promotes sound and effective risk management. MW pays no variable remuneration to its directors. No other employees have authority to influence the risk profile of the funds. It is, therefore, not possible for variable remuneration incentives to encourage risktaking 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.

continued

A Word of Caution

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

Synthetic Risk and Reward Indicator (Volatility measure)

1	2	3	4	5	6	7

Lower risk — Typically lower rewards

Higher risk — Typically higher rewards

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

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

STATEMENT OF THE MANAGER'S RESPONSIBILITIES

The Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority ("the Rules") requires the Manager to prepare financial statements for each annual accounting period which give a true and fair view 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 IMA in May 2014.
- Follow generally accepted accounting principles and applicable accounting standards.
- Prepare the accounts on the basis that the fund will continue in operation unless it is inappropriate to do so.
- Keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

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

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

DIRECTORS' STATEMENT

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

T A U Wood	J C McAulay
Director	*Director*

Haddington, 18th October 2019

STATEMENT OF TOTAL RETURN

for the six months ended 31st August 2019 (unaudited)

	Notes	Six months ended 31st Aug.2019 £'000	£'000	Six months ended 31st Aug. 2018 £'000	£'000
Income					
Net capital gains			20,669		11,148
Revenue	2	4,890		5,715	
Expenses	3	(1,393)		(1,579)	
Net revenue before taxation		3,497		4,136	
Taxation	4	(250)		(161)	
Net revenue after taxation			3,247		3,975
Total return before distributions			23,916		15,123
Distributions			(3,213)		(3,714)
Change in net assets attributable to unitholders from investment activities			20,703		11,409

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six months ended 31st August 2019 (unaudited)

	Six months ended 31st Aug. 2019 £'000	£'000	Six months ended 31st Aug. 2018 £'000	£'000
Opening net assets attributable to unitholders		242,701		277,516
Amounts receivable on creation of units	2,908		4,753	
Amounts payable on cancellation of units	(19,548)		(21,266)	
		(16,640)		(16,513)
Change in net assets attributable to unitholders from investment activities		20,703		11,409
Closing net assets attributable to unitholders		246,764		272,412

The above statements show the comparative figures for the six months to 31st August 2018.

BALANCE SHEET

as at 31st August 2019 (unaudited)

	31st Aug. 2019		28th Feb. 2019	
	£'000	£'000	£'000	£'000
ASSETS:				
Investments		241,187		239,154
Current assets				
Debtors	1,424		1,444	
Cash & bank balances	6,310		5,702	
Total other assets		7,734		7,146
Total assets		248,921		246,300
LIABILITIES:				
Creditors				
Distribution payable	(1,548)		(2,918)	
Other creditors	(609)		(681)	
Total liabilities		(2,157)		(3,599)
Net assets attributable to unitholders		246,764		242,701

as at 31st August 2019 (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 31st Aug. 2019 £'000	Six months ended 31st Aug. 2018 £'000
Bank interest	13	3
Dividends on overseas equities	1,932	1,888
Dividends on UK equities	1,882	2,613
Interest on overseas interest bearing securities	497	472
Interest on UK interest bearing securities	513	608
Property income distributions on UK REITs	53	131
Total revenue	4,890	5,715

3. Expenses

	Six months ended 31st Aug. 2019 £'000	Six months ended 31st Aug. 2018 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	1,245	1,405
- Transfer agency fee	74	94
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	24	26
- Safe custody fee	20	22
Other expenses:		
- Audit fee	5	3
- Fund accounting fee	19	16
- Sundry fees*	6	13
Total expenses	1,393	1,579

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

continued

4. Taxation

	Six months ended 31st Aug. 2019 £'000	Six months ended 31st Aug. 2018 £'000
Analysis of tax charge		
Overseas tax	250	161
	250	161

5. Currency and interest rate profile

Currency	*31st Aug. 2019* %	*28th Feb. 2019* %
Euro	6.5	7.0
Canadian Dollar	3.2	2.5
Hong Kong Dollar	4.3	4.8
Mexican Peso	1.4	1.4
South African Rand	1.2	1.0
Swiss Franc	2.9	2.1
UK Sterling	45.5	46.0
US Dollar	35.0	35.2
Total	100.0	100.0

Fixed rate interest

	Weighted average rates		Weighted average maturity	
	31st Aug. 2019	28th Feb. 2019	31st Aug. 2019	28th Feb. 2019
UK Sterling	2.97%	2.99%	10 years	10 years
US Dollar	1.67%	1.70%	3 years	4 years

DISTRIBUTION TABLES

in pence per unit
for the six months ended 31st August 2019 (unaudited)

INTERIM DISTRIBUTION-JULY

Group 1 – Units purchased prior to 1st March 2019
Group 2 – Units purchased 1st March 2019 to 31st May 2019

	Dividend income	Equalisation*	Amount payable 31.07.19
Group 1	17.000	—	17.000
Group 2	2.447	14.553	17.000

INTERIM DISTRIBUTION-OCTOBER

Group 1 – Units purchased prior to 1st June 2019
Group 2 – Units purchased 1st June 2019 to 31st August 2019

	Dividend income	Equalisation*	Amount payable 31.10.19
Group 1	17.000	—	17.000
Group 2	—	17.000	17.000

*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 31st August 2019 (unaudited)

	Six months to 31st Aug. 2019	Year to 28th Feb. 2019
Interim paid – July	17.000	17.000
Interim paid – October	17.000	17.000
Interim paid – January	—	17.000
Final payable/paid	—	29.950
	34.000	80.950

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