



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## INCOME FUND

*A pooled management service for private clients*

INTERIM REPORT  
AND FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 31<sup>ST</sup> AUGUST 2021

## SUMMARY

At 31<sup>st</sup> August 2021, total net assets of the fund amounted to £215,342,295 compared with £205,082,130 six months before. There were 604 unitholders, excluding ISAs, with an average holding worth £287,730.

The price of units in the fund at 31<sup>st</sup> August 2021 stood at £29.350, representing a gain of 9% over the reporting period. This reflected attractive returns from the fund's global equity allocation, which had little exposure to Chinese technology companies, and more than compensated for dull returns from conventional government bonds. The fund also benefitted from appreciation in the price of inflation-protected government bonds and gold, which moved upward on the expectation of higher inflation.

The fund's objective 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 Prices Index, over the same period. Over the 3 years to 31<sup>st</sup> August 2021, the total return for unitholders in the fund was 21%, compared to inflation of 8% on the above basis over the same period. Over 5 years, the fund returned 26% against inflation of 16%. The fund has provided a total return to unitholders of 493% above inflation since its inception in March 1994.

A second interim dividend distribution of 14.000p per unit is now being paid to unitholders. This, in addition to the interim distribution paid at the end of July, brings the total distributions over the six-month period to 28.000p, which is 2.500p (10%) higher than the equivalent payment last year.

Based on current forecasts, the total distribution for the full year is estimated to be higher than in 2020. This primarily reflects the recovery in business activity across developed markets that has allowed companies to reinstate, and in some cases, increase their dividend payments.

A strategic decision was taken towards the end of the previous reporting year to add to the overseas element of the portfolio's equity allocation, focusing on companies that offer better prospects of dividend growth. Some of the related transactions took place in this period.

The global economy has now rebounded from the worst effects of the pandemic. Consumer demand has surged in many countries, and while sales have risen robustly, companies are now finding it difficult to insulate profit margins from rising costs. Moreover, any sustained pick-up in inflation may force central banks to tighten monetary policy, exposing financial markets to the impact of the speed and timing of any changes.

## SUMMARY

The fund has sought companies that marry encouraging growth prospects and sustainable competitive advantages with a longstanding commitment to steadily increasing dividend payments, borne out in a strong track record. These companies are relatively well-positioned to protect their profits. Meanwhile, if interest rates were to rise, the contribution made by government bonds to the income earned by the fund may also improve.

Nevertheless, recent gains in markets have left many equity valuations appearing stretched with little scope to accommodate any negative surprises from monetary tightening or supply chain disruptions. The portfolio remains broadly diversified with a wide range of holdings in global equities balanced by allocations to government bonds, which include exposure to inflation-protected issues, and gold.

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

## INTRODUCTION

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

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

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

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

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

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

## MANAGER'S INVESTMENT REPORT

At 31<sup>st</sup> August 2021, total net assets of the fund amounted to £215,342,295 compared with £205,082,130 six months before. There were 604 unitholders, excluding ISAs, with an average holding worth £287,730.

### Markets

Equity markets were generally strong over the six months to 31<sup>st</sup> August 2021, although share prices in China fell. Developed market equities rose appreciably as economic activity continued to recover following a general easing of restrictions. Western authorities launched remarkably successful vaccination drives, providing confidence that social distancing could be relaxed and support measures removed. Meanwhile, emerging market investors appeared unperturbed by fresh outbreaks of the disease, taking comfort in rising commodity prices and recovering global demand. In stark contrast, the Chinese market fell sharply after the introduction of much tighter regulation over private enterprises, targeting large high-profile technology firms in particular.

Measured by MSCI indices in local currencies, the US (+18%), Europe (+17%) and the UK (+10%) all recorded substantial gains; Japan rose by a more modest 5%. The 19% fall in China weighed heavily on the Emerging Markets Index (-2%), which otherwise would have finished the period up 10%. Overall, the MSCI All Country World Index finished the period up 14% in sterling terms.

There was little movement in short-dated conventional bond prices, but short-dated inflation-protected issues gained 4% in the US and 3% in the UK, respectively. The price of gold ended the period up 5%.

In foreign exchange markets, sterling strengthened against the euro (+1%) and the Japanese yen (+2%) but weakened against the dollar (-1%).

As measured by the UK Retail Price Index, inflation was 3.7% over the six months to 31<sup>st</sup> August 2021.

### Results

The price of units in the fund at 31<sup>st</sup> August 2021 stood at £29.350, representing a gain of 9% over the reporting period. This reflected attractive returns from the fund's global equity allocation, which had little exposure to Chinese technology companies, and more than compensated for dull returns from conventional government bonds. The fund also benefitted from appreciation in the price of inflation-protected government bonds and gold, which moved upward on the expectation of higher inflation.

## MANAGER'S INVESTMENT REPORT

### Results continued

The fund's objective 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 Prices Index, over the same period. Over the 3 years to 31<sup>st</sup> August 2021, the total return for unitholders in the fund was 21%, compared to inflation of 8% on the above basis over the same period. Over 5 years, the fund returned 26% against inflation of 16%. The fund has provided a total return to unitholders of 493% above inflation since its inception in March 1994.

### Dividend Distribution

A second interim dividend distribution of 14.000p per unit is now being paid to unitholders. This, in addition to the interim distribution paid at the end of July, brings the total distributions over the six-month period to 28.000p, which is 2.500p (10%) higher than the equivalent payment last year. Based on current forecasts, the total distribution for the full year is estimated to be higher than in 2020. This primarily reflects the recovery in business activity across developed markets that has allowed companies to reinstate, and in some cases, increase their dividend payments.

### Portfolio Strategy

The portfolio holds a diversified selection of global equities, counterbalanced by positions in conventional and inflation-protected government bonds, and gold. At 31<sup>st</sup> August, 66% of the portfolio was allocated to equities (63% at 28<sup>th</sup> February 2021), 28% to bonds (29%), 4% to gold (4%), and 2% to cash deposits (4%).

A strategic decision was taken towards the end of the previous reporting year to add to the overseas element of the portfolio's equity allocation, focusing on companies that offer better prospects of dividend growth. Some of the related transactions took place in this period.

### Investments

New holdings were established in Novo Nordisk, a Danish pharmaceutical company specialising in insulin for the treatment of diabetes; Sonic Healthcare, a global leader in the provision of medical diagnostics; and Vietnam Dairy Products, a dominant supplier of dairy products in Vietnam and neighbouring countries. Two Japanese stocks were also added to the fund: Nissan Chemical, a speciality chemical manufacturer, and Nabtesco, a leading manufacturer of precision reduction gears for robots and transportation equipment.

Kuehne + Nagel (+55%), Spirax Sarco (+50%) and Hill & Smith (+46%) performed best over the year. It was a more challenging period for Vitasoy (-41%) and Vietnam Dairy Products (-17%).

## MANAGER'S INVESTMENT REPORT

### Outlook

The global economy has now rebounded from the worst effects of the pandemic. IMF forecasts indicate that worldwide output will grow by 6% this year and nearly 5% in 2022. Consumer demand has surged in many countries, and while sales have risen robustly, companies are now finding it difficult to insulate profit margins from rising costs. Moreover, any sustained pick-up in inflation may force central banks to tighten monetary policy, exposing financial markets to the impact of the speed and timing of any changes. In this environment, sensible diversification is required, based on a wide range of global equities and an allocation to government bonds.

The USA has seen the strongest economic recovery among developed nations over the past year, and output has already reached pre-pandemic levels. GDP is forecast to expand by 7% this year and by almost 5% over 2022. Policymakers in Washington and the Federal Reserve hope that massive stimulus programmes will increase the economy's capacity and better equip the country to compete internationally. However, inflation fears and political infighting may hamper President Biden's agenda, particularly as he seeks to pass a \$3.5 trillion budget plan and a \$1 trillion infrastructure package in tandem.

Concerns over growing inflationary pressure are well-founded. The price of shipping goods from China to North America has increased tenfold since the pandemic began, principally due to bottlenecks at major ports. The prices of energy and computer chips have also soared dramatically. The IMF and Federal Reserve believe these pressures are a temporary consequence of pent-up demand, supply chain interruptions and economic reopening. But more sustained inflation, for example, if it were to take root meaningfully in wages, may require a sharp policy change to regain control. Any such shift might prove to be very testing for sentiment in financial markets, where stretched valuations assume that interest rates will remain anchored over the longer term.

Inflation expectations for the eurozone are lower than elsewhere, yet pockets of pricing pressure are emerging across the bloc. Germany's Consumer Price Index rose by more than 3% over the year to July, its highest level in over a decade, buoyed by rebounding export demand. Economic growth across the trading bloc outstripped both the US and China in the quarter to June, and forecasts for the remainder of the year are similarly encouraging. Business confidence has improved following the lifting of local restrictions in the spring and the implementation of the EU's recovery plan.

## MANAGER'S INVESTMENT REPORT

### Outlook continued

The immediate outlook for the UK is also more optimistic. Of all advanced economies, the country suffered one of the most significant dips in output during the pandemic. But the IMF has upgraded its growth forecast to 7% for 2021 and expects GDP to reach pre-virus levels next year. With over 80% of the adult population fully vaccinated, attention has now turned to the country's stretched fiscal position. Recent government announcements will see tax as a share of GDP rising to a 70-year peak by the end of the current parliament. Looking beyond the near future, the resulting increase in social security and corporation tax payments will add to pressure on corporate profit margins.

GDP forecasts and business sentiment have also improved in Japan. Tight restrictions during the Tokyo Olympics brought the number of Covid-19 cases under control, while the country's vaccination programme was ramped up to inoculate 1% of the population daily. Export demand has recovered strongly, and the recently appointed prime minister is expected to instigate a major increase in public expenditure.

Much of Asia and the developing world are also experiencing high rates of infection. Most alarming, however, is the rising death toll in countries with much lower vaccination rates. At the time of writing, India, the second-largest economy in emerging markets, has immunised only 15% of its population, and Vietnam just 7%. While developing countries typically have a younger demographic who are better able to recover from infections, the slow pace of inoculation has broader implications. Not only could containment measures hamper global trade, but delays may allow new variants of the disease to spread, increasing the risk of renewed contagion worldwide.

China, too, has suffered fresh outbreaks of the disease. The country reported disappointing growth figures for July that were also affected by widespread flooding. But there is a growing sense of more profound change in the economy; industrial demand that had initially fuelled the country's recovery is now fading, and caution is mounting among consumers. The ruling party has introduced anti-capitalist measures as they seek to redistribute wealth and reassert control. This intervention has done little to assuage rising geopolitical tensions with America, particularly as some prominent Chinese companies are also listed on US stock exchanges. Nevertheless, the IMF expects the country's output to grow by 8% this year and 6% in 2022.

## MANAGER'S INVESTMENT REPORT

### **Outlook continued**

Investing for income in the current environment remains challenging. We have now lived through more than a decade of quantitative easing (the process by which central banks have purchased vast quantities of government debt). This has suppressed interest rates while helping to inflate company valuations. As a result, income returns from both bonds and equities have diminished quite considerably. For example, before the financial crisis, the British government paid investors over two per cent per annum (after inflation) to borrow money over ten years. By contrast, now the bondholders have to pay around two per cent (after inflation). At the same time, it has also become much harder to identify companies offering attractive dividend returns as share prices rise.

Meanwhile, rising prices, costlier borrowings, and higher taxes are now looking increasingly likely to hit company profits and the level of dividend payments. The fund seeks to allay these threats by selecting companies that marry encouraging growth prospects and sustainable competitive advantages with longstanding track records of steadily increasing dividends. Investors should also at least receive some compensation for the negative impact of rising interest rates in the form of increased income from the bonds in the portfolio.

While there is much to encourage investors in the present state of the global economy, recent gains in markets have left many equity valuations appearing stretched with little scope to accommodate any negative surprises from monetary tightening or supply chain disruptions. The portfolio remains broadly diversified with a wide range of holdings in global equities balanced by allocations to government bonds, which include exposure to inflation-protected issues, and gold.

*19<sup>th</sup> October 2021*

## CAPITAL RECORD

Highest and lowest unit prices.

Accounting year

(to 28 <sup>th</sup> Feb.)	High	Low
2019	£26.348	£24.746
2020*	£27.702	£25.085
2021	£28.080	£23.150
2022**	£29.350	£26.674

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

\*\*Up to 31<sup>st</sup> August 2021, for the year ending 28<sup>th</sup> February 2022.

## INCOME RECORD

Accounting year

(to 28 <sup>th</sup> Feb.)	Per unit (net)
2019	80.950p
2020*	79.169p
2021	59.421p
2022 (interim only)	28.000p

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

## NET ASSET VALUES

Date	Net asset value of fund	Net asset value per unit	Number of units
28.02.19	£242,700,991	£24.913	9,741,880
29.02.20	£225,206,931	£25.613	8,792,722
28.02.21	£205,082,130	£26.531	7,729,841
31.08.21	£215,342,295	£29.163	7,384,130

## OPERATING CHARGES

Date	Annualised
28.02.19	1.125%
29.02.20	1.136%
28.02.21	1.130%
31.08.21	1.121%

## PORTFOLIO TURNOVER

Date	Annualised
28.02.19	32%
29.02.20	10%
28.02.21	73%
31.08.21	32%

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

## DISCRETE PERFORMANCE

| Year to  |
|----------|----------|----------|----------|----------|
| 31.08.21 | 31.08.20 | 31.08.19 | 31.08.18 | 31.08.17 |
| 15.7%    | -2.3%    | 6.6%     | 0.5%     | 4.0%     |

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

## PORTFOLIO STATEMENT

as at 31<sup>st</sup> August 2021 (unaudited)

INVESTMENTS	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Aug. 2021	28 <sup>th</sup> Feb. 2021
<i>Bonds</i>				
<b>UK</b>				
UK Treasury 0.125% I-L 2028	£5,213,400	7,098	3.3	
UK Treasury 0.5% 2022	£1,516,000	1,521	0.7	
UK Treasury 4.25% 2032	£6,359,000	8,669	4.0	
UK Treasury 4.25% 2036	£4,873,000	7,091	3.3	
		<u>24,379</u>	<u>11.3</u>	<u>11.6</u>
<b>USA</b>				
US Treasury 0.125% I-L 2022	\$7,662,000	6,323	3.0	
US Treasury 0.125% I-L 2024	\$8,523,000	7,597	3.5	
US Treasury 1.875% 2022	\$5,531,000	4,096	1.9	
US Treasury 2.75% 2023	\$23,392,000	17,929	8.3	
		<u>35,945</u>	<u>16.7</u>	<u>17.2</u>
<b>TOTAL BONDS</b>		<u><b>60,324</b></u>	<u><b>28.0</b></u>	<u><b>28.8</b></u>
<i>Equities</i>				
<b>UK</b>				
Assura	5,888,125	4,646	2.2	
DS Smith	763,612	3,378	1.6	
GlaxoSmithKline	252,960	3,698	1.7	
Hill & Smith	358,239	6,634	3.1	
National Grid	617,549	5,813	2.7	
Rio Tinto	100,943	5,433	2.5	
Segro	255,815	3,285	1.5	
Spirax-Sarco Engineering	23,276	3,750	1.7	
Victrex	92,906	2,460	1.1	
XP Power	56,671	3,128	1.5	
		<u>42,225</u>	<u>19.6</u>	<u>23.2</u>
<b>USA</b>				
AbbVie	71,667	6,288	2.9	
Cisco Systems	127,270	5,458	2.6	
Flowers Foods	197,545	3,463	1.6	
National Retail Properties	120,280	4,160	1.9	
Paychex	69,600	5,789	2.7	
Watsco	18,834	3,810	1.8	
		<u>28,968</u>	<u>13.5</u>	<u>13.0</u>

## PORTFOLIO STATEMENT

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			31 <sup>st</sup> Aug. 2021	28 <sup>th</sup> Feb. 2021
<i>Equities continued</i>				
<b>CANADA</b>				
TELUS	387,465	6,470	3.0	3.5
<b>DENMARK</b>				
Novo Nordisk	39,775	2,887	1.3	0.0
<b>FRANCE</b>				
Air Liquide	37,780	4,918	2.3	
Schneider Electric	47,265	6,133	2.9	
Total	136,810	4,382	2.0	
		15,433	7.2	6.2
<b>GERMANY</b>				
Fielmann	66,860	3,733	1.8	
HELLA	67,707	3,514	1.6	
		7,247	3.4	4.4
<b>NETHERLANDS</b>				
Royal Dutch Shell 'B'	189,675	2,714	1.2	3.6
<b>SWITZERLAND</b>				
Kuehne + Nagel International	20,849	5,542	2.6	
SGS	2,565	5,855	2.7	
		11,397	5.3	4.0
<b>AUSTRALIA</b>				
Sonic Healthcare	232,340	5,355	2.5	0.0
<b>JAPAN</b>				
Nabtesco	92,300	2,659	1.3	
Nissan Chemical Industries	74,600	3,039	1.4	
		5,698	2.7	0.0

## PORTFOLIO STATEMENT

continued

		Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
				31 <sup>st</sup> Aug. 2021	28 <sup>th</sup> Feb. 2021
<i>Equities continued</i>					
<b>DEVELOPING MARKETS</b>					
<b>Chile</b>	Embotelladora Andina	284,261	487	0.2	
	Embotelladora Andina ADR	156,730	1,574	0.7	
<b>Hong Kong</b>	Vitasoy International	1,292,000	2,420	1.1	
<b>Mexico</b>	Wal-Mart de Mexico	1,510,440	3,903	1.8	
<b>Singapore</b>	Thai Beverage	7,992,000	2,936	1.4	
<b>Vietnam</b>	Vietnam Dairy Products	980,000	2,729	1.3	
			<u>14,049</u>	<u>6.5</u>	<u>5.1</u>
<b>TOTAL EQUITIES</b>			<u><u>142,443</u></u>	<u><u>66.2</u></u>	<u><u>63.0</u></u>
<i>Commodities</i>					
<b>IRELAND</b>					
	iShares Physical Gold ETC	352,690	9,043	4.2	4.2
<b>TOTAL INVESTMENTS</b>			<u>211,810</u>	<u>98.4</u>	<u>96.0</u>
Net other assets			<u>3,532</u>	<u>1.6</u>	<u>4.0</u>
<b>TOTAL NET ASSETS</b>			<u><u>215,342</u></u>	<u><u>100.0</u></u>	<u><u>100.0</u></u>

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

*All debt securities in the portfolio at 31<sup>st</sup> August 2021 are investment grade.*

## SUMMARY OF ALL PORTFOLIO CHANGES

for the six months ended 31<sup>st</sup> August 2021 (unaudited)

Purchases		Cost £'000
18,525	Air Liquide	2,192
92,300	Nabtesco	3,157
74,600	Nissan Chemical	3,012
39,775	Novo Nordisk	2,009
1,135	SGS	2,381
232,340	Sonic Healthcare	4,161
1,670,000	Thai Beverage	662
980,000	Vietnam Dairy Products	2,990
458,000	Vitasoy International	1,321
	TOTAL	<u>21,885</u>

## SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals	Proceeds £'000	
8,573	AbbVie	713
3,545	Air Liquide	455
2,715,335	Assura	1,938
13,230	Cisco Systems	500
200,645	GlaxoSmithKline	2,592
58,535	HELLA	2,591
12,305	Hill & Smith	200
9,711	Kuehne + Nagel International	2,103
113,490	National Grid	941
11,000	Paychex	800
9,110	Rio Tinto	506
339,170	Royal Dutch Shell 'B'	4,916
38,995	Segro	499
1,345	Spirax-Sarco Engineering	201
108,370	TELUS	1,651
20,937	TotalEnergies	728
142,200	Victrex	2,967
3,863	Watsco	816
35,822	XP Power	1,721
	<b>TOTAL</b>	<u><u>26,838</u></u>

## **GENERAL INFORMATION**

### **Authorisation**

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

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

### **Capital Gains Tax**

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

### **Applications**

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

### **Costs of Investment Research**

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

### **Using your Personal Information**

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

## GENERAL INFORMATION

continued

### Remuneration Policy

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

### A Word of Caution

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

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

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

Typically lower rewards

#### Higher risk

Typically higher rewards

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

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

### Value Assessment

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

## STATEMENT OF THE MANAGER'S RESPONSIBILITIES

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

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

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

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

## DIRECTORS' STATEMENT

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



T A U Wood  
Director



J C McAulay  
Director

Haddington, 19<sup>th</sup> October 2021

## STATEMENT OF TOTAL RETURN

for the six months ended 31<sup>st</sup> August 2021 (unaudited)

	Notes	Six months ended 31 <sup>st</sup> Aug. 2021		Six months ended 31 <sup>st</sup> Aug. 2020	
		£'000	£'000	£'000	£'000
Income					
Net capital gains			19,935		546
Revenue	2	3,512		3,159	
Expenses	3	<u>(1,180)</u>		<u>(1,233)</u>	
Net revenue before taxation		2,332		1,926	
Taxation	4	<u>(276)</u>		<u>(80)</u>	
Net revenue after taxation			<u>2,056</u>		<u>1,846</u>
Total return before distributions			21,991		2,392
Distributions			<u>(2,130)</u>		<u>(2,205)</u>
Change in net assets attributable to unitholders from investment activities			<u>19,861</u>		<u>187</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the six months ended 31<sup>st</sup> August 2021 (unaudited)

	Six months ended 31 <sup>st</sup> Aug. 2021		Six months ended 31 <sup>st</sup> Aug. 2020	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		205,082		225,207
Amounts receivable on creation of units	2,946		3,037	
Amounts payable on cancellation of units	<u>(12,547)</u>		<u>(17,048)</u>	
		(9,601)		(14,011)
Change in net assets attributable to unitholders from investment activities		<u>19,861</u>		<u>187</u>
Closing net assets attributable to unitholders		<u>215,342</u>		<u>211,383</u>

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

## BALANCE SHEET

as at 31<sup>st</sup> August 2021 (unaudited)

	31 <sup>st</sup> Aug. 2021		28 <sup>th</sup> Feb. 2021	
	£'000	£'000	£'000	£'000
<b>ASSETS:</b>				
Fixed assets:				
Investments		211,810		196,782
Current assets				
Debtors	1,348		4,451	
Cash & bank balances	<u>3,747</u>		<u>7,808</u>	
Total other assets		<u>5,095</u>		<u>12,259</u>
Total assets		<u>216,905</u>		<u>209,041</u>
<b>LIABILITIES:</b>				
Creditors				
Distribution payable	(1,034)		(1,463)	
Other creditors	<u>(529)</u>		<u>(2,496)</u>	
Total liabilities		<u>(1,563)</u>		<u>(3,959)</u>
Net assets attributable to unitholders		<u>215,342</u>		<u>205,082</u>

# NOTES TO THE FINANCIAL STATEMENTS

as at 31<sup>st</sup> August 2021 (unaudited)

## 1. Accounting policies

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

## 2. Revenue

	Six months ended 31 <sup>st</sup> Aug. 2021 £'000	Six months ended 31 <sup>st</sup> Aug. 2020 £'000
Bank interest	–	2
Interest on overseas debt securities	205	263
Interest on UK debt securities	276	341
Overseas dividends	1,654	1,285
Property income distributions on UK REITs	106	64
UK dividends	<u>1,271</u>	<u>1,204</u>
Total revenue	<u><u>3,512</u></u>	<u><u>3,159</u></u>

## 3. Expenses

	Six months ended 31 <sup>st</sup> Aug. 2021 £'000	Six months ended 31 <sup>st</sup> Aug. 2020 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	1,061	1,097
– Transfer agency fee	41	64
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	21	22
– Safe custody fee	20	13
Other expenses:		
– Audit fee	7	9
– Fund accounting fee	21	18
– Interest payable and similar charges	1	–
– Sundry fees*	<u>8</u>	<u>10</u>
Total expenses	<u><u>1,180</u></u>	<u><u>1,233</u></u>

\*Includes FT listing fees, financial statement printing and postage, tax computation fees for £1,695 performed by the fund's auditors, PricewaterhouseCoopers LLP (2020: £4,342), and other fees.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Taxation

	Six months ended 31 <sup>st</sup> Aug. 2021 £'000	Six months ended 31 <sup>st</sup> Aug. 2020 £'000
<b>Analysis of tax charge</b>		
Overseas tax	<u>276</u>	<u>80</u>
	<u>276</u>	<u>80</u>

## DISTRIBUTION TABLES

**in pence per unit**

**for the six months ended 31<sup>st</sup> August 2021 (unaudited)**

### INTERIM DISTRIBUTION - JULY 2021

Group 1 - Units purchased prior to 1<sup>st</sup> March 2021

Group 2 - Units purchased 1<sup>st</sup> March 2021 to 31<sup>st</sup> May 2021

	Dividend income	Equalisation*	Amount paid 31.07.21
Group 1	14.000	—	14.000
Group 2	0.257	13.743	14.000

### INTERIM DISTRIBUTION - OCTOBER 2021

Group 1 - Units purchased prior to 1<sup>st</sup> June 2021

Group 2 - Units purchased 1<sup>st</sup> June 2021 to 31<sup>st</sup> August 2021

	Dividend income	Equalisation*	Amount payable 31.10.21
Group 1	14.000	—	14.000
Group 2	0.000	14.000	14.000

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

## DISTRIBUTION SUMMARY

**in pence per unit**

**for the six months ended 31<sup>st</sup> August 2021 (unaudited)**

	Six months to 31 <sup>st</sup> Aug. 2021	Year to 28 <sup>th</sup> Feb. 2021
Interim paid - July	14.000	12.500
Interim payable/paid - October	14.000	13.000
Interim paid - January	—	15.000
Final paid	—	18.921
	<u>28.000</u>	<u>59.421</u>



*Manager*

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*Directors*

T A U Wood  
W A Ferguson  
S J Fraser<sup>1</sup>  
J R Jesty  
J E Marshall  
J C McAulay  
D H Shaw Stewart<sup>2</sup>  
J A Young

<sup>1</sup>Deceased 9/8/2021, <sup>2</sup>Retired 24/6/2021

*Secretary*

J C McAulay

*Investment Adviser*

McInroy & Wood Limited  
Easter Alderston  
Haddington  
EH41 3SF

*Trustee*

The Bank of New York Mellon (International) Limited  
One Canada Square  
London  
E14 5AL

*Registrar*

McInroy & Wood Portfolios Limited  
Investor Administration  
64 St James's Street  
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NG1 6FJ

*Independent Auditors*

PricewaterhouseCoopers LLP  
Chartered Accountants  
Level 4  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

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

McInroy & Wood Portfolios Limited is a subsidiary of  
McInroy & Wood Limited  
MWIF0821