McInroy & Wood

PERSONAL INVESTMENT MANAGERS

SMALLER COMPANIES FUND

A pooled management service for private clients

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28TH FEBRUARY 2018

SUMMARY

The fund's financial year end has moved to 28th February (from 31st January), as previously notified to unitholders. Accordingly, the following report covers an extended period of thirteen months from 1st February 2017 to 28th February 2018.

The price of units in the fund at 28th February stood at £52.473, a rise of 17% from the level of the unit price at 31st January 2017. The general strength in equity markets over the thirteen months was amplified by superior returns from smaller companies.

A final dividend distribution of 36.851p per unit is now being paid. This brings total distributions for the extended reporting period of thirteen months to 56.851p. Payments for the twelve months to 31st January 2017 amounted to 62.719p. The Swiss tax authorities changed their rules on income received from investments in the country during the period. This one-off factor reduced distributable income by approximately 6p per unit.

After a sustained period of remarkably low volatility, equity markets have been much less settled since the end of January 2018. In part, this reflects heightened anxiety over the prospect of rising interest rates. Furthermore, market movements are likely to have been amplified by mechanistic transactions from passive funds. Highly valued stocks may prove more vulnerable in such circumstances.

Nevertheless, the history of the Smaller Companies Fund demonstrates the value of identifying able management teams and strong business models. Smaller companies are by no means immune to potential market weakness, but the sector continues to justify its place in a long-term investment portfolio.

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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 Smaller Companies 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 Smaller Companies Fund is to grow the real value of investors' capital and income. Investments will primarily be in global smaller companies, which do not form part of the leading market indices. An equal emphasis will be placed on the generation of income and on capital growth.

The fund may invest in any geographic areas and any economic sectors.

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.

The fund's financial year end has moved to 28th February (from 31st January), as previously notified to unitholders. Accordingly, the following report covers an extended period of thirteen months from 1st February 2017 to 28th February 2018.

At 28th February 2018, total net assets of the fund amounted to £106,494,195, compared with £80,148,819 at 31st January 2017. There was a net investment inflow into the fund over the thirteen months of over £11 million. At 28th February, there were 330 investors (excluding ISA holders), with an average holding worth £301,892.

Markets

Global equity markets gained ground over the thirteen months to 28th February 2018. Positive economic data from the US and much of the developing world provided a favourable background for investment. In the US, this was boosted by the confirmation of significant cuts in corporation tax. Although economic growth was notably strong in Europe as well, company profits there were held back to some extent by the strength of the euro, and the continuing uncertainty of the Brexit negotiations may also have had an impact. The latter would seem to have been the case in the UK, where economic growth has lagged that in other developed economies. Towards the end of the period, the prospect of rising interest rates appeared to shake confidence, resulting in general weakness in global markets. Smaller companies generally outperformed their larger counterparts.

Over the whole thirteen-month period, measured by MSCI indices in local currencies, the US rose by 19%, Japan and Australia both by 15% and Europe by 8%. It was a relatively disappointing period for the UK market which gained a little under 1%. Overall, the MSCI All Country World index rose by 9%, expressed in sterling terms, having given up over half of its underlying gains to adverse currency movements.

Results

The price of units in the fund at 28th February stood at £52.473, a rise of 17% from the level of the unit price at 31st January 2017. The general strength in equity markets over the thirteen months was amplified by superior returns from smaller companies.

Dividend Distribution

A final dividend distribution of 36.851p per unit is now being paid. This brings total distributions for the extended reporting period of thirteen months to 56.851p. Payments for the twelve months to 31st January 2017 amounted to 62.719p. The Swiss tax authorities changed their rules on income received from investments in the country during the period. This one-off factor reduced distributable income by approximately 6p per unit.

The distribution for the next six months is expected to be broadly similar to the interim payment made in September 2017.

Portfolio Strategy

The portfolio's allocation to US equities was reduced over the extended financial year due to concerns that many smaller company valuations there had become unsustainably high. There was a corresponding increase in the UK and Japan. At 28th February 2018, the UK equity allocation was 32% (28% at 31st January 2017), the USA 22% (28%), Europe 30% (29%), Japan 7% (3%) and Australia 6% (6%). Cash accounted for a further 3% (6%).

Investments

New positions were established in GB Group, a UK identity verification software company, AptarGroup, a US manufacturer of dispensing systems for consumer products and pharmaceuticals, Össur, an Icelandic designer and manufacturer of braces and prosthetics, and Nabtesco, a Japanese manufacturer with particular expertise in precision gears for robots.

Disposals included US companies Anixter International, Landauer and Owens & Minor, reflecting concerns about their growth prospects. Following a sharp rise in the price of Intermediate Capital over 2017 and changes to its business model, the holding was sold, along with that in Parkmead where there were increasing anxieties about management strategy. The latter was sold at a loss; the other trades realised profits.

Galenica, after listing its pharmacy network and distribution business as a separate company, changed its name to Vifor Pharma. This new entity has been retained in the portfolio and is focused on developing and selling drugs to treat iron deficiency and chronic kidney disease.

The share prices of Dr Hönle and Proto Labs more than doubled (+120% and +108% respectively) over the period and eleven stocks returned over 50%. Owens & Minor fell 41% before being sold and Medicrea (-43%) also disappointed.

Outlook

Global economic growth is maintaining its momentum, but there are signs that inflationary pressures are beginning to pick up. As a result, central banks are now tapering bond purchases and starting to unwind the stimulatory measures in place since the financial crisis a decade ago. Interest rates are being raised from record low levels, leaving financial markets exposed to the speed and timing of these changes. Nevertheless, this economic environment should still provide attractive opportunities for discerning investors.

Although the US economy is growing solidly, unemployment of 4.1% remains low and wage demands look set to increase. As a result, the Federal Reserve may raise interest rates faster than anticipated, particularly if the government deficit balloons after the recent tax cuts are implemented.

Outlook (continued)
Growth in the eurozone economy outpaced even that in the US last year, but the difficulty of finding any satisfactory outcome after Brexit looms over the European Union and the UK in particular. Considerable differences remain over transitional arrangements (if any), the Irish border, and the degree of ongoing economic and regulatory cooperation.

The resulting political uncertainty in the UK may prove to be a stepping stone towards a change of government. Any prospect of a left-wing Labour administration led by Jeremy Corbyn would certainly be unwelcome for financial markets. It is not inconceivable that capital controls may again be required to temper the movement of foreign exchange. In the meantime, the UK economy is now lagging behind its G7 peers.

The outlook for the Japanese economy is more encouraging. Though growth has slowed recently, Japan is now entering an eighth consecutive positive quarter, although there remains little sign of any significant pick-up in consumption, despite unemployment touching a 24 year low.

This overall backdrop should provide reasonable foundations for widespread growth continuing over coming months. However, the portfolio aims to focus on specific opportunities arising from long-term structural change, such as technological innovation or shifting demographic trends.

A particularly interesting theme is the increase in regulation in many industries. While such rules aim commendably to protect consumers against crime or malpractice, companies often struggle to deal with the scale and complexity of their practical implications.

One company exploiting this trend is GB Group, a UK-listed software company recently added to the portfolio. It specialises in identity data verification to reduce the risk of fraud and money laundering. Customers – McInroy & Wood among them – can use their software to verify the identity of clients and employees against a broad database of sources. The company claims to be able to verify the identity of over 60% of the world's population using publicly available data, such as age or address. Their products are used by organisations ranging from financial services to gaming to government.

Healthcare likewise faces a significant regulatory burden. Craneware, another UK-listed software company, sells its products to US hospitals to help them comply with rules surrounding patient experience, billing and pricing. Its technology improves efficiency and helps staff to cope with changes to healthcare laws and reimbursement procedures. Craneware's software helps hospitals reduce insurance fraud, recover payments efficiently and compare their progress with peers.

Outlook (continued)

Unsurprisingly, perhaps, GB Group and Craneware are among the most expensive stocks in the fund's portfolio, in already expensive equity markets. Both stocks are listed on the Alternative Investment Market (AIM) which offers investors some tax shelter in return for improving small UK companies' access to capital. Although the fund itself does not benefit from such relief, the tax benefits of investing in AIM have arguably inflated valuations and improved liquidity. If these advantages were removed by a government seeking to increase tax revenue, the share price of companies on the exchange could be damaged. This risk appears to be higher from a Labour government than from the current administration, but developments are being closely followed. In the meantime, the portfolio's AIM-listed investments are high quality companies with the potential for attractive future growth

After a sustained period of remarkably low volatility, equity markets have been much less settled since the end of January 2018. In part, this reflects heightened anxiety over the prospect of rising interest rates. Furthermore, market movements are likely to have been amplified by mechanistic transactions from passive funds. Highly valued stocks may prove more vulnerable in such circumstances.

Nevertheless, the history of the Smaller Companies Fund demonstrates the value of identifying able management teams and strong business models. Smaller companies are by no means immune to potential market weakness, but the sector continues to justify its place in a long-term investment portfolio.

18th April 2018

COMPARATIVE TABLE — PERSONAL CLASS

	13 months to 28th February 2018 (pence per unit)	Year to 31st January 2017 (pence per unit)	Year to 31st January 2016 (pence per unit)
Change in net assets per unit			
Opening net asset value per unit	4,400.16	3,546.70	3,442.51
Return before operating charges*	896.68	965.79	207.75
Operating charges	(62.83)	(49.61)	(44.40)
Return after operating charges	833.85	916.18	163.35
Distributions	(56.85)	(62.72)	(59.16)
Closing net asset value per unit	5,177.16	4,400.16	3,546.70
*After direct transaction costs of	(2.11)	(2.89)	(2.34)
Performance**			
Return after charges	18.95%	25.83%	4.75%
Other information			
Closing net asset value (£'000)	106,494	80,149	57,758
Closing number of units	2,057,000	1,821,500	1,628,498
Operating charges	1.19%	1.22%	1.23%
Direct transaction costs	0.04%	0.08%	0.06%
Prices			
Highest unit price	£53.900	£45.978	£38.174
Lowest unit price	£44.006	£33.456	£33.909
Portfolio turnover			
Annualised	9%	12%	11%

**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 accounts 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 noon, whereas the valuation of investments reported in financial statements are 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 2018

INVESTMENTS Equities	Holding or Nominal Value of positions at 28th Feb. 2018	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2018	Percentage of Value of total net assets 31st Jan. 2017
UK				
Abcam	223,770	2,837	2.7	
Advanced Medical Solutions	699,700	2,274	2.1	
Assura	3,600,100	2,070	1.9	
Barr (A.G.)	323,914	2,138	2.0	
Craneware	154,850	2,787	2.6	
GB Group	340,500	1,442	1.4	
Hill & Smith	139,395	1,694	1.6	
James Fisher & Sons	109,200	1,706	1.6	
Keller	109,681	992	0.9	
Mattioli Woods	180,075	1,324	1.2	
NCC	909,400	1,808	1.7	
Rotork	738,000	2,177	2.0	
Spectris	70,140	1,911	1.8	
Spirax-Sarco Engineering	45,785	2,612	2.5	
Treatt	676,769	2,741	2.6	
XP Power	90,750	2,822	2.7	
		33,335	31.3	28.2
USA				
Anika Therapeutics	62,975	2,378	2.2	
AptarGroup	32,930	2,137	2.0	
Dorman Products	36,300	1,818	1.7	
Energen	52,060	2,068	1.9	
Lindsay	24,190	1,551	1.5	
Proto Labs	46,600	3,686	3.5	
Sun Hydraulics	71,732	2,702	2.5	
Tractor Supply	44,760	2,109	2.0	
US Physical Therapy	49,020	2,759	2.6	
Watsco	22,135	2,657	2.5	
		23,865	22.4	28.0
FRANCE				
Boiron	29,288	1,771	1.7	
Medicrea International	163,665	471	0.4	
Rubis	58,874	3,064	2.9	
Somfy	27,405	2,161	2.0	
Teleperformance	25,910	2,681	2.5	
Virbac	10,520	1,140	1.1	
		11,288	10.6	12.9

continued

Equities continued	Holding or Nominal Value of positions at 28th Feb. 2018	Bid Market Value £'000	Percentage of Value of total net assets 28th Feb. 2018	31st Jan. 2017
GERMANY				
Dr Hoenle	59,062	3,419	3.2	
HELLA	49,380	2,435	2.3	
ISRA Vision	13,825	2,447	2.3	
Krones	22,150	2,182	2.0	
Pfeiffer Vacuum	7,176	930	0.9	
		11,413	10.7	6.9
ICELAND				
Össur	351,000	1,160	1.1	0.0
NETHERLANDS				
Boskalis Westminster	46,200	1,267	1.2	1.7
SWITZERLAND				
Belimo	930	2,968	2.8	
Sonova	20,860	2,377	2.2	
Vifor Pharma	16,240	1,661	1.6	
		7,006	6.6	7.4
AUSTRALIA				
ARB	202,200	2,271	2.2	
Bapcor	663,645	2,154	2.0	
Technology One	710,800	1,930	1.8	
		6,355	6.0	5.8
JAPAN				
Asahi Intecc	113,300	2,925	2.7	
Nabtesco	76,400	2,411	2.3	
Sysmex	35,500	2,149	2.0	
		7,485	7.0	2.6
TOTAL INVESTMENTS		103,174	96.9	93.5
Net other assets		3,320	3.1	6.5
TOTAL NET ASSETS		*106,494*	*100.0*	*100.0*

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

SUMMARY OF ALL PORTFOLIO CHANGES

for the period ended 28th February 2018

Purchases		Cost £'000
18,750	Abcam	185
194,000	Advanced Medical Solutions	390
32,930	AptarGroup	2,100
39,900	ARB	390
101,100	Asahi Intecc	1,532
725,700	Assura	463
244,145	Bapcor	789
47,500	Barr (A.G.)	298
4,350	Boiron	299
200	Boskalis Westminster *(stock dividend)*	—
12,490	Craneware	201
22,680	Energen	971
340,500	GB	1,302
25,230	HELLA	859
4,000	ISRA Vision	385
36,200	James Fisher & Sons	575
130,075	Mattioli Woods	1,017
76,400	Nabtesco	1,892
458,600	NCC	919
351,000	Össur	1,212
934,971	Parkmead	428
58,874	Rubis (*reverse stock split*)	—
27,405	Somfy (*reverse stock split*)	—
8,340	Sun Hydraulics	280
168,300	Technology One	508
11,700	Tractor Supply	465
70,769	Treatt	290
16,240	Vifor Pharma (*reverse stock split*)	—
21,500	XP Power	410
	TOTAL	18,160

SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals		Proceeds £'000
26,230	Anixter International	1,740
1,624	Galenica (*reverse stock split*)	—
182,064	Intermediate Capital	1,737
8,484	Keller	80
25,060	Landauer	1,245
17,435	Medicrea International	45
40,464	Owens & Minor	653
2,061,662	Parkmead	720
29,437	Rubis (*reverse stock split*)	—
5,481	Somfy (*reverse stock split*)	—
	TOTAL	6,220

GENERAL INFORMATION

Authorisation
The Smaller Companies 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 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.

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 Ltd ("MW"), the Investment Advisor. 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.

Changes in accounting and income allocation dates
The Manager has changed the fund's annual and interim accounting dates in order to consolidate the publication of annual and interim reports. The fund's income allocation dates have changed accordingly.

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 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
Director

J C McAulay
Director

Haddington, 18th April 2018

STATEMENT OF THE TRUSTEE'S RESPONSIBILITIES

The Trustee in its capacity as Trustee of McInroy & Wood Smaller Companies 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[1] and that cash of the Trust is booked in cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Trust within the usual time limits
- the Trust's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Fund Manager ("the AFM"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

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

[1]This requirement on the Trustee applied from 18th March 2016.

REPORT OF THE TRUSTEE

to the unit holders of McInroy & Wood Smaller Companies Fund for the period ended 28th February 2018

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

18th April 2018

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Trust as at 28th February 2018 and of the net revenue and the net capital gains of the scheme property of the Trust for the period 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 2018; the statement of total return and the statement of change in net assets attributable to unitholders for the period then ended; the distribution tables; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The 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 period for which the financial statements are prepared is consistent with the financial statements.

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Fund Manager for the financial statements

As explained more fully in the Statement of the Manager's Responsibilities set out on page 15, the Authorised Fund 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 Authorised Fund Manager is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Fund 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 Authorised Fund Manager either intends to wind up or terminate the Trust, or has no realistic alternative but to do so.

continued

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

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

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook
In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Edinburgh

18th April 2018

STATEMENT OF TOTAL RETURN

for the period ended 28th February 2018

	Notes	Period ended 28th Feb. 2018 £'000	Period ended 28th Feb. 2018 £'000	Year ended 31st Jan. 2017 £'000	Year ended 31st Jan. 2017 £'000
Income					
Net capital gains	2		16,157		15,528
Revenue	3	1,479		1,236	
Expenses	4	(1,224)		(860)	
Net revenue before taxation		255		376	
Taxation	5	(189)		(3)	
Net revenue after taxation			66		373
Total return before distributions			16,223		15,901
Distributions	6		(1,103)		(1,091)
Change in net assets attributable to unitholders from investment activities			15,120		14,810

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the period ended 28th February 2018

	Period ended 28th Feb. 2018 £'000	Period ended 28th Feb. 2018 £'000	Year ended 31st Jan. 2017 £'000	Year ended 31st Jan. 2017 £'000
Opening net assets attributable to unitholders		80,149		59,370
Amounts receivable on creation of units	13,430		7,905	
Amounts payable on cancellation of units	(2,205)		(1,936)	
		11,225		5,969
Change in net assets attributable to unitholders from investment activities		15,120		14,810
Closing net assets attributable to unitholders		106,494		80,149

BALANCE SHEET

as at 28th February 2018

	Notes	28th Feb. 2018 £'000	£'000	31st Jan. 2017 £'000	£'000
ASSETS:					
Investments			103,174		74,962
Current assets					
Debtors	7	309		1,422	
Cash & bank balances		3,881		5,453	
Total other assets			4,190		6,875
Total assets			107,364		81,837
LIABILITIES:					
Creditors					
Distribution payable		(758)		(778)	
Other creditors	8	(112)		(910)	
Total liabilities			(870)		(1,688)
Net assets attributable to unitholders			106,494		80,149

for the period ended 28th February 2018

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 (the "SORP").

(b) Dividends receivable from equity investments are recognised net of attributable tax credits 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. The annual management charge is initially charged to revenue but ultimately borne by 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.

(f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of April. An interim distribution based on available revenue is distributed on the last day of October. The ordinary element of scrip dividends is treated as revenue but does not form part of the distribution.

(g) All investments have been valued at their fair value, at close of business on the last business day of the period, which is generally the bid market value net of any accrued revenue.

(h) Foreign currency transactions are translated at the rates ruling on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at the exchange rates prevailing at the balance sheet date.

continued

2. Net capital gains on investments:

	Period ended 28th Feb. 2018 £'000	Year ended 31st Jan. 2017 £'000
Non-derivative securities	16,265	15,608
Currency losses	(96)	(66)
Custodial transaction fees	(12)	(14)
Net capital gains*	16,157	15,528
**includes realised gains on investments sold*	1,507	1,623

3. Revenue

Bank interest or Interest from UK bank deposits	3	—
Dividends on UK equities	521	445
Dividends on overseas equities	932	791
Property income distributions on UK REITs	18	—
Stock dividends	5	—
Total revenue	1,479	1,236

4. Expenses

Payable to the Manager, associates of the Manager and agents of either of them:		
- Manager's periodic charge	1,037	718
- Transfer agency fee	82	46
Payable to the Trustee, associates of the Trustee and agents of either of them:		
- Trustee's fee	28	21
- Safe custody fee	21	14
Other expenses:		
- Audit fee	8	11
- Fund accounting fee	39	35
- Sundry fees*	9	15
Total expenses	1,224	860

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

continued

5. Taxation

	Period ended 28th Feb. 2018 £'000	Year ended 31st Jan. 2017 £'000
(a) Analysis of tax charge		
French withholding tax recoverable	—	(66)
Overseas withholding tax	189	69
	189	3

(b) Factors affecting the tax charge for the period/year

The tax assessed for the period is higher (2017 - lower) than the standard rate of corporation tax in the UK for an authorised unit trust (20%). The differences are explained below:

	Period ended 28th Feb. 2018 £'000	Year ended 31st Jan. 2017 £'000
Net revenue before taxation	255	376
Corporation tax at 20%	51	75
Effects of:		
French withholding tax recoverable	—	(66)
Irrecoverable overseas withholding tax	189	69
Movement in excess management expenses	241	172
Revenue not subject to corporation tax	(292)	(247)
Current tax charge for the period/year	189	3

(c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £1,289,386 (2017 - £1,048,672) in respect of excess management expenses. 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 period or prior year.

6. Distributions

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

		Period ended 28th Feb. 2018 £'000	Year ended 31st Jan. 2017 £'000
Interim		395	347
Final		758	778
		1,153	1,125
Add:	Revenue deducted on cancellation of units	13	13
Deduct:	Revenue received on creation of units	(63)	(47)
Net distribution for the period/year		1,103	1,091
Net revenue after taxation		66	373
Expenses taken to capital		1,037	718
Net distribution for the period/year		1,103	1,091

Details of the distributions per unit are shown in the Distribution Tables on page 33.

7. Debtors

	28th Feb. 2018 £'000	31st Jan. 2017 £'000
Amounts receivable for creation of units	121	785
Foreign currency contracts awaiting settlement	—	407
Overseas withholding tax recoverable	124	221
Prepaid expenses	2	2
Tax recoverable on UK REITs	4	—
Revenue receivable:		
UK equities	33	7
Overseas equities	25	—
	309	1,422

continued

8. Creditors

	28th Feb. 2018 £'000	31st Jan. 2017 £'000
Accrued expenses:		
Audit fees	9	9
Fund accounting fee	5	3
Manager's periodic charge	81	69
Transfer agency fee	3	11
Trustee's fee	2	2
Custodial transaction fees	2	3
Safe custody fee	5	2
Other	4	4
Amounts payable for cancellation of units	1	—
Foreign currency contracts awaiting settlement	—	400
Purchase awaiting settlement	—	407
	112	910

9. Unit movement

For the period 1st February 2017 to 28th February 2018

Opening units	1,821,500
Units created	280,439
Units cancelled	(44,939)
Closing units	2,057,000

continued

10. Related Party Transactions

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

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

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

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 2.9% (2017 - 2.9%).

11. Portfolio Risk Analysis

In pursuing its investment objectives, the fund invests in a variety of financial assets. These comprise securities and other investments. There are also cash balances, debtors and creditors that arise directly from its operations, for example, in respect of sales and purchases awaiting settlement, amounts receivable for creations and debtors for accrued revenue.

Credit and Liquidity Risk

Credit risk is the risk that the counterparty in a financial transaction will fail to fulfil their obligation or commitment, and includes the risk that the issuer of a security will be unable to pay interest and principal in a timely manner.

The fund's assets comprise mainly readily realisable securities. There are no borrowings or unlisted securities of a material nature. The main potential liability of the fund is the redemption of any units that investors wish to sell. Assets of the fund may need to be sold if insufficient cash is available to finance such redemptions. The Manager has reviewed the portfolio's investments and considers them to be sufficiently liquid for these purposes.

continued

11. Portfolio Risk Analysis continued

Market Price Risk
Market price risk arises from the effect which falls in the price or value of the assets held could have on the property of the fund. The Manager seeks to mitigate such risk by maintaining a prudent diversification of its investments.

The Manager adheres to investment guidelines and to investment borrowing powers set out in the Trust Deed, Prospectus and in the rules of the Collective Investment Schemes sourcebook. This mitigates the risk of excessive exposure to any particular type of security or issuer. Further information on the investment portfolio is set out in the Manager's Investment Report and Portfolio Statement.

Interest Rate Risk
The fund holds cash on deposit. Changes in interest rates may have an adverse effect on 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 Investment Objective and Policy.

At 28th February 2018 and 31st January 2017, no interest bearing investments were held by the fund, hence no interest rate risk exposure table has been presented.

Foreign Currency Risk

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

11. Portfolio Risk Analysis continued

Currency profile

The currency profile of the fund's net assets at 28th February was:

	Monetary (Cash/Other assets) £'000	Non-monetary (Securities) £'000	Total £'000	Total %
28th February 2018				
UK Sterling	2,899	33,335	36,234	34.0
US Dollar	279	23,865	24,144	22.7
Euro	125	23,968	24,093	22.6
Swiss Franc	—	7,006	7,006	6.6
Australian Dollar	—	6,355	6,355	6.0
Japanese Yen	17	7,485	7,502	7.0
Danish Krone	—	1,160	1,160	1.1
Total	**3,320**	**103,174**	**106,494**	**100.0**
31st January 2017				
UK Sterling	2,889	22,575	25,464	31.8
US Dollar	2,077	22,449	24,526	30.6
Euro	121	17,219	17,340	21.6
Swiss Franc	100	5,975	6,075	7.6
Australian Dollar	—	4,657	4,657	5.8
Japanese Yen	—	2,087	2,087	2.6
Total	**5,187**	**74,962**	**80,149**	**100.0**

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 2018		
Quoted prices for identical instruments in active markets	103,174	—
	103,174	**—**
31st January 2017		
Quoted prices for identical instruments in active markets	74,962	—
	74,962	**—**

continued

11. Portfolio Risk Analysis continued

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 period/year.

	Period ended 28th Feb. 2018 %	Year ended 31st Jan. 2017 %
Period/year end VaR	6.28	5.77
Minimum VaR	5.51	5.31
Maximum VaR	6.32	6.73
Average VaR	5.23	6.17

12. Portfolio Transaction Costs

For the period 1st February 2017 to 28th February 2018

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	18,127	21	0.12	12	0.07
Total purchases	**18,127**	**21**		**12**	
Total purchases including transaction costs	**18,160**				

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	6,228	8	0.13	—	—
Total purchases	**6,228**	**8**		**—**	
Total sales net of transaction costs	**6,220**				

	Commissions	Taxes
Total transaction costs	29	12
Total transaction costs as a % of average net assets	0.03%	0.01%

12. Portfolio Transaction Costs continued

For the year 1st February 2016 to 31st January 2017

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	10,027	18	0.18	16	0.16
Total purchases	**10,027**	**18**		**16**	
Total purchases including transaction costs	**10,061**				

Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments (direct)	8,203	16	0.20	0	0.00
Total sales	**8,203**	**16**		**0**	
Total sales net of transaction costs	**8,187**				
Total transaction costs		34		16	
Total transaction costs as a % of average net assets		0.05%		0.02%	

The above analysis covers any direct transaction costs carried by the fund during the period. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instrument 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 0.44% (2017 - 0.36%).

13. Post Balance Sheet Events

There are no post balance sheet events that require disclosure or adjustments to the financial statements.

DISTRIBUTION TABLES

in pence per unit
for the period ended 28th February 2018

INTERIM DISTRIBUTION

Group 1 - Units purchased prior to 1st February 2017
Group 2 - Units purchased 1st February 2017 to 31st July 2017

	Dividend income	Equalisation*	Amount paid 30.09.17
Group 1	20.000	—	20.000
Group 2	4.004	15.996	20.000

FINAL DISTRIBUTION

Group 1 - Units purchased prior to 1st August 2017
Group 2 - Units purchased 1st August 2017 to 28th February 2018

	Dividend income	Equalisation*	Amount payable 30.04.18
Group 1	36.851	—	36.851
Group 2	5.393	31.458	36.851

*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 period ended 28th February 2018

	Period to 28th Feb. 2018	Year to 31st Jan. 2017
Interim paid	20.000	20.000
Final payable/paid	36.851	42.719
	56.851	62.719

DISTRIBUTION XD AND PAYMENT DATES

	XD Date	*Payment Date*
Final	28.02.18	30.04.18
Interim	31.08.18	31.10.18

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