



# McInroy & Wood

PERSONAL INVESTMENT MANAGERS

## SMALLER COMPANIES FUND

*A pooled management service for private clients*

ANNUAL REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28<sup>TH</sup> FEBRUARY 2022

## SUMMARY

At 28<sup>th</sup> February 2022, total net assets of the fund amounted to £156,354,822 compared with £156,531,764 twelve months before. There were 460 investors (ISA accounts are not included in this figure), each with an average holding worth £299,682.

The price of units in the fund at 28<sup>th</sup> February 2022 stood at £65.977, down 5% compared with the figure twelve months before as the fund gave back some of its strong advances over recent years. Since its inception, it has emphasised smaller companies with attractive long-term growth prospects and enduring competitive advantages. The sell-off in markets in the latter part of the period hit high-growth companies with lofty valuations particularly hard, and smaller companies also fell out of favour, as investors sought refuge in larger companies in less expensive sectors such as energy and finance.

The objective of the fund is to grow the real value of investors' capital and income, placing an equal emphasis on the generation of income and on capital growth. 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 (RPI), over the same period. Over the 3 years to 28<sup>th</sup> February 2022 the total return for unitholders in the fund was 30%, compared to RPI of 12% on the above basis over the same period. Over 5 years, the fund returned 54% against RPI of 20%. The fund has provided a total return to unitholders of 747% above RPI since its inception in March 2001.

A final dividend distribution of 53.961 pence per unit is now being paid. This brings the overall distribution for the year to 73.961 pence per unit, 21% higher than that paid over the previous year. The increase reflects a broad recovery in the level of company dividends over the past twelve months.

The Russian invasion of Ukraine has created a humanitarian crisis and greatly alarmed markets. At the time of writing, it is still unclear how Ukraine's predicament will be resolved. Investors are very concerned about the impact of rapidly increasing costs on economic activity. Western countries have coordinated a widespread boycott of trade with Russia as part of a punitive sanctions regime. This has, however, resulted in a sharp spike in global energy prices and shortages of other raw materials such as precious metals and potentially soft commodities. Although the portfolio has no direct exposure to Russian stocks, many sectors will clearly be affected by the disruption to the entire world economy.

## **SUMMARY**

Although it has been disappointing for the fund to give up some of its progress over the past year, the opportunities for long-term growth in smaller companies remains compelling, if anything even more so following the recent weakness in share prices. Investment policy remains focused on well-financed, high-quality businesses with attractive long-term growth prospects, in the firmly held belief that these companies will offer much the best prospect of satisfactory returns to unitholders in the long run.

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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 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 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 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. Real value is defined as the value of capital and income after adjusting for the impact of inflation. The UK Retail Prices Index is the measure of inflation used by the Manager. The investment should be held for a minimum period of 3 years. Investors should be aware that their capital is at risk.

The fund may invest in any geographical area and any economic sector. The Smaller Companies Fund invests at least 50 per cent in shares of smaller companies, quoted on the world's stock markets, which are considered to have above-average long-term growth prospects. Smaller, in this context, means companies which, normally, are likely to fall outside those comprising any narrowly constituted local market index of large companies. But there may also be some investments in companies included in such indices. Other appropriate investments may also be held such as cash or cash equivalents. It is not intended that the Smaller Companies Fund will have an interest in any immovable property or tangible movable property.

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 28<sup>th</sup> February 2022, total net assets of the fund amounted to £156,354,822 compared with £156,531,764 twelve months before. There were 460 investors (ISA accounts are not included in this figure), each with an average holding worth £299,682.

### Markets

Global equity markets as a whole rose over the year ending 28<sup>th</sup> February 2022, even if it proved a more difficult period for many smaller companies. The emergence of new coronavirus variants had little effect on confidence as it proved to be relatively mild, while low interest rates and robust consumer demand buoyed western markets for much of the period. However, share prices lost some of their previous gains in early 2022, as it became clear that inflation had become more persistent than previously expected and significant rises in interest rates were likely to be required. This weakness was exacerbated at the very end of the period by reaction to Russia's invasion of Ukraine.

Measured by MSCI indices in local currencies, the UK market rose by 17% over the year, while the US and Europe were up 13% and 11%, respectively. Japan (+1%) produced more modest returns. In sterling terms, the MSCI All Country World Index rose by 10%.

In foreign exchange markets, sterling strengthened by 4% against both the euro and the yen, but fell back 4% against the US dollar.

Inflation, as measured by the UK Retail Prices Index, was 7.8% over the 12-months to 28<sup>th</sup> February 2022.

### Results

The price of units in the fund at 28<sup>th</sup> February 2022 stood at £65.977, down 5% compared with the figure twelve months before as the fund gave back some of its strong advances over recent years. Since its inception, it has emphasised smaller companies with attractive long-term growth prospects and enduring competitive advantages. The sell-off in markets in the latter part of the period hit high-growth companies with lofty valuations particularly hard, and smaller companies also fell out of favour, as investors sought refuge in larger companies in less expensive sectors such as energy and finance.

The objective of the fund is to grow the real value of investors' capital and income, placing an equal emphasis on the generation of income and on capital growth. 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 (RPI), over the same period. Over the 3 years to 28<sup>th</sup> February 2022 the total return for unitholders in the fund was 30%, compared to RPI of 12% on the above basis over the same period. Over 5 years, the fund returned 54% against RPI of 20%. The fund has provided a total return to unitholders of 747% above RPI since its inception in March 2001.

## MANAGER'S INVESTMENT REPORT

### Dividend Distribution

A final dividend distribution of 53.961 pence per unit is now being paid. This brings the overall distribution for the year to 73.961 pence per unit, 21% higher than that paid over the previous year. The increase reflects a broad recovery in the level of company dividends over the past twelve months.

The crisis in Ukraine has resulted in some uncertainty over prospects for corporate profitability, but based on current forecasts the fund's total dividend distribution for the coming year is expected to remain at a broadly similar level.

### Portfolio Strategy

There was no significant change to investment strategy over the period. At 28<sup>th</sup> February 2022, the UK equity allocation was 32% (36% at 28<sup>th</sup> February 2021), Europe 29% (26%), USA 22% (23%), Australia 9% (9%) and Japan 5% (5%). Cash accounted for a further 3% (1%).

### Investments

New positions were bought in HMS Networks (Sweden), a leader in industrial automation, Porvair (UK), a manufacturer of specialist filters, and SimCorp (Denmark), a supplier of software solutions for the investment management industry. The investments in Anika Therapeutics, NCC Group and Vifor Pharma were sold, as was the holding in Hella following the acquisition of the company by Faurecia.

The best performing stocks in the portfolio were Sonova (+53%), Belimo (+47%) and Basler (+35%). James Fisher & Sons (-66%), Proto Labs (-61%) and Dr Hoenle (-36%) lost ground.

### Outlook

The Russian invasion of Ukraine has created a humanitarian crisis and greatly alarmed markets. At the time of writing, it is still unclear how Ukraine's predicament will be resolved. Investors are very concerned about the impact of rapidly increasing costs on economic activity. Western countries have coordinated a widespread boycott of trade with Russia as part of a punitive sanctions regime. This has, however, resulted in a sharp spike in global energy prices and shortages of other raw materials such as precious metals and potentially soft commodities. Although the portfolio has no direct exposure to Russian stocks, many sectors will clearly be affected by the disruption to the entire world economy.

With growth forecasts now looking much less assured, central banks are facing hard choices between raising interest rates in response to rising inflation or maintaining looser policies to support economic momentum. Markets are vulnerable to the speed and timing of any rises in rates. Meanwhile, at a corporate level, margins will be squeezed by higher raw material, financing, and labour costs unless these can be passed through to customers. In this environment, pricing power is critical for companies.

## MANAGER'S INVESTMENT REPORT

### **Outlook continued**

Porvair, a new addition to the portfolio, is reasonably well insulated from rising cost pressures. The company supplies high-performance filters that are designed to protect complex manufacturing and research processes. Once the filters have been embedded in client systems, they are difficult to displace, particularly as they tend to be critical components in meeting industry standards that are relied upon elsewhere in supply chains. They incorporate relatively little metal in their production, with the bulk of cost represented by labour. For Porvair's customers, reliable performance is far more important than price as the filters represent relatively low-value but critical items. As a result, the company enjoys steady revenue streams from most of its products, and is able to implement price increases with relatively little resistance.

Gorman Rupp, a US-based manufacturer of water pumps, has also faced little challenge from its customers in raising prices by an average of 9% over the past year. The company's management team have indicated that they would not always expect this to be the case, but it nevertheless illustrates the importance of its products for customers. This pricing power has allowed wages to be lifted in line with inflation. Indeed the company expects to benefit from an expansion in profit margins as output from its existing manufacturing facilities picks up.

Of course, even for the best businesses, customers will not accept indefinite rises in prices. If high inflation becomes endemic, even the strongest companies will struggle to protect themselves from higher costs. Porvair, Gorman Rupp, and others in the portfolio are very well positioned, but there are nevertheless signs that, even for them, the immediate outlook for profits is becoming more testing.

Although it has been disappointing for the fund to give up some of its progress over the past year, the opportunities for long-term growth in smaller companies remains compelling, if anything even more so following the recent weakness in share prices. Investment policy remains focused on well-financed, high-quality businesses with attractive long-term growth prospects, in the firmly held belief that these companies will offer much the best prospect of satisfactory returns to unitholders in the long run.

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

## COMPARATIVE TABLE - PERSONAL CLASS

	28 <sup>th</sup> February 2022 (pence per unit)	28 <sup>th</sup> February 2021 (pence per unit)	29 <sup>th</sup> February 2020 (pence per unit)
<b>Change in net assets per unit</b>			
Opening net asset value per unit	6,880.02	5,405.68	5,201.92
Return before operating charges*	(140.77)	1,604.61	346.10
Operating charges	(84.04)	(69.28)	(65.30)
Return after operating charges	(224.81)	1,535.33	280.80
Distributions	(73.96)	(60.99)	(77.04)
<b>Closing net asset value per unit</b>			
	6,581.25	6,880.02	5,405.68
*After direct transaction costs of	(2.75)	(1.99)	(2.81)
<b>Performance**</b>			
Return after charges	(3.27)%	28.40%	5.40%
<b>Other information</b>			
Closing net asset value (£'000)	156,355	156,532	139,415
Closing number of units	2,375,761	2,275,163	2,579,053
Operating charges	1.12%	1.14%	1.14%
Direct transaction costs	0.03%	0.03%	0.05%
<b>Prices</b>			
Highest unit price	£81.386	£73.514	£60.974
Lowest unit price	£63.948	£45.488	£51.446
<b>Portfolio turnover</b>			
Annualised	16%	11%	16%

\*\* Performance is capital gains (or losses) plus income earned.

Please note that the capital return element, reflected in the performance figure noted above is based on the movement in the net asset value per the published financial statements and includes the impact of post year end accounting adjustments. It may therefore vary from the unit price movement noted in the Manager's Report. The unit price is struck at the daily valuation point at 12 noon, whereas the valuation of investments reported in the financial statements is struck at the close of business on the last business day of the period (See note 1(g)), creating a timing difference.

## PORTFOLIO STATEMENT

as at 28<sup>th</sup> February 2022

INVESTMENTS	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			28 <sup>th</sup> Feb. 2022	28 <sup>th</sup> Feb. 2021
<i>Equities</i>				
<b>UK</b>				
Abcam	279,810	3,467	2.2	
Advanced Medical Solutions	1,212,270	3,497	2.3	
Assura	5,378,355	3,321	2.1	
Barr	732,749	3,774	2.4	
Craneware	231,040	4,020	2.6	
GB	533,980	3,020	1.9	
Hill & Smith	276,570	3,894	2.5	
James Fisher & Sons	400,963	1,592	1.0	
Porvair	346,678	2,246	1.4	
Rotork	1,001,800	3,090	2.0	
Spectris	122,175	3,428	2.2	
Spirax-Sarco Engineering	35,687	4,263	2.7	
Treatt	408,571	4,004	2.6	
Victrex	157,435	3,062	2.0	
XP Power	85,690	3,715	2.4	
		<u>50,393</u>	<u>32.3</u>	<u>35.6</u>
<b>USA</b>				
AptarGroup	45,400	4,124	2.6	
Energy Recovery	361,713	5,122	3.3	
Gorman-Rupp	159,560	4,431	2.8	
Helios Technologies	72,104	4,209	2.7	
Omnicell	46,410	4,471	2.9	
Proto Labs	46,711	1,954	1.2	
US Physical Therapy	68,200	4,674	3.0	
Watsco	23,589	4,799	3.1	
		<u>33,784</u>	<u>21.6</u>	<u>23.1</u>
<b>DENMARK</b>				
Össur	729,100	2,995	1.9	
SimCorp	45,794	3,080	2.0	
		<u>6,075</u>	<u>3.9</u>	<u>2.4</u>
<b>FRANCE</b>				
Robertet	3,844	2,687	1.7	
Rubis	146,009	3,415	2.2	
SOITEC	24,723	3,049	2.0	
Somfy	34,523	4,601	2.9	
Teleperformance	16,982	4,717	3.0	
		<u>18,469</u>	<u>11.8</u>	<u>9.8</u>

## PORTFOLIO STATEMENT

continued

	Holding or Nominal Value	Bid Market Value £'000	Percentage of Value of total net assets	
			28 <sup>th</sup> Feb. 2022	28 <sup>th</sup> Feb. 2021
<i>Equities continued</i>				
<b>GERMANY</b>				
Basler	47,083	4,509	2.9	
Dr Hoenle	105,142	2,513	1.6	
		<u>7,022</u>	<u>4.5</u>	<u>8.0</u>
<b>SWEDEN</b>				
HMS Networks	104,633	3,317	2.1	0.0
<b>SWITZERLAND</b>				
Belimo	12,280	4,868	3.1	
Sonova	17,530	5,082	3.3	
		<u>9,950</u>	<u>6.4</u>	<u>5.5</u>
<b>AUSTRALIA</b>				
ARB	197,719	4,434	2.9	
Bapcor	960,100	3,339	2.1	
Technology One	712,791	3,801	2.4	
Xero	52,073	2,640	1.7	
		<u>14,214</u>	<u>9.1</u>	<u>8.7</u>
<b>JAPAN</b>				
Asahi Intecc	274,600	4,362	2.8	
Nabtesco	188,800	3,855	2.4	
		<u>8,217</u>	<u>5.2</u>	<u>4.8</u>
TOTAL INVESTMENTS		151,441	96.9	97.9
Net other assets		<u>4,914</u>	<u>3.1</u>	<u>2.1</u>
<b>TOTAL NET ASSETS</b>		<u><u>156,355</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.*

**SUMMARY OF ALL  
PORTFOLIO CHANGES**

**for the year to 28<sup>th</sup> February 2022**

Purchases		Cost £'000
22,390	Abcam	302
121,500	Asahi Intecc	2,144
930,775	Assura	711
155,749	Barr	799
57,170	Craneware	1,091
20,346	Dr Hoenle	851
45,325	GB	298
20,840	Gorman-Rupp	524
104,633	HMS Networks	3,375
96,310	James Fisher & Sons	925
41,800	Nabtesco	915
346,678	Porvair	2,300
20,096	Proto Labs	1,628
1,642	Robertet	1,370
49,605	Rubis	1,440
45,794	SimCorp	3,859
12,388	SOITEC	1,765
103,400	Technology One	544
27,370	Treatt	307
19,500	US Physical Therapy	1,300
14,370	Victrex	299
	<b>TOTAL</b>	<b>26,747</b>

## SUMMARY OF ALL PORTFOLIO CHANGES

continued

Disposals		Proceeds £'000
94,330	Anika Therapeutics	2,877
26,179	Basler	2,580
49,765	Energy Recovery	637
38,860	Helios Technologies	2,710
99,140	HELLA	4,959
1,541,600	NCC	3,719
7,245	Omnicell	949
3,468	Sonova	874
178,203	Treant	1,869
16,870	Vifor Pharma	1,673
	<b>TOTAL</b>	<u><u>22,847</u></u>

## **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 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 Smaller Companies 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 produces a composite annual Assessment of Value for the funds managed by it. The document is published on McInroy & Wood’s website by 30<sup>th</sup> June each year.

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

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

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

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

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

## **DIRECTORS' STATEMENT**

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

T A U Wood  
*Director*

J C McAulay  
*Director*

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

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

### **to the Unitholders of the McInroy & Wood Smaller Companies Fund ("the Trust") for the year ended 28<sup>th</sup> February 2022**

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

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

continued

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

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

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Trust's units and the application of the Trust's income in accordance with the Regulations and the Scheme documents of the Trust; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Trust in accordance with the Regulations and the Scheme documents of the Trust.

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

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

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD SMALLER COMPANIES FUND

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of McInroy & Wood Smaller Companies Fund (the "Fund"):

- give a true and fair view of the financial position of the Fund as at 28<sup>th</sup> February 2022 and of the net expense and the net capital losses on its scheme property for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Trust Deed.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 28<sup>th</sup> February 2022; the Statement of Total Return and the Statement of Change in Net Assets Attributable to Unitholders for the year then ended; the Distribution Tables; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

### Basis for opinion

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

### *Independence*

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

### Conclusions relating to going concern

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

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

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD SMALLER COMPANIES FUND

continued

## **Conclusions relating to going concern continued**

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

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

## **Reporting on other information**

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

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

Based on our work undertaken in the course of the audit, the Collective Investment Schemes sourcebook requires us also to report certain opinions as described below.

### *Authorised Fund Manager's Report*

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

## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the Authorised Fund Manager for the financial statements*

As explained more fully in the Statement of the Manager's Responsibilities, 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

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD SMALLER COMPANIES FUND

continued

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 Fund'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 Fund, or has no realistic alternative but to do so.

## *Auditors' responsibilities for the audit of the financial statements*

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

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

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

- Discussions with the Authorised Fund Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Fund Manager's board of directors;

# INDEPENDENT AUDITORS' REPORT TO THE UNITHOLDERS OF MCINROY & WOOD SMALLER COMPANIES FUND

continued

- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

**INDEPENDENT AUDITORS' REPORT TO THE  
UNITHOLDERS OF MCINROY & WOOD  
SMALLER COMPANIES FUND**

continued

**Collective Investment Schemes sourcebook exception  
reporting continued**

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP  
Chartered Accountants  
and Statutory Auditors  
Edinburgh

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

## STATEMENT OF TOTAL RETURN

for the year ended 28<sup>th</sup> February 2022

	Notes	Year ended 28 <sup>th</sup> Feb. 2022		Year ended 28 <sup>th</sup> Feb. 2021	
		£'000	£'000	£'000	£'000
Income					
Net capital (losses)/gains	2		(5,624)		37,032
Revenue	3	2,061		1,801	
Expenses	4	<u>(1,963)</u>		<u>(1,673)</u>	
Net revenue before taxation		98		128	
Taxation	5	<u>(126)</u>		<u>(106)</u>	
Net (expense)/revenue after taxation			<u>(28)</u>		<u>22</u>
Total return before distributions			(5,652)		37,054
Distributions	6		<u>(1,733)</u>		<u>(1,487)</u>
Change in net assets attributable to unitholders from investment activities			<u>(7,385)</u>		<u>35,567</u>

## STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

for the year ended 28<sup>th</sup> February 2022

	Year ended 28 <sup>th</sup> Feb. 2022		Year ended 28 <sup>th</sup> Feb. 2021	
	£'000	£'000	£'000	£'000
Opening net assets attributable to unitholders		156,532		139,415
Amounts receivable on creation of units	14,475		8,936	
Amounts payable on cancellation of units	<u>(7,267)</u>		<u>(27,386)</u>	
		7,208		(18,450)
Change in net assets attributable to unitholders from investment activities		<u>(7,385)</u>		<u>35,567</u>
Closing net assets attributable to unitholders		<u>156,355</u>		<u>156,532</u>

## BALANCE SHEET

as at 28<sup>th</sup> February 2022

	Notes	28 <sup>th</sup> Feb. 2022		28 <sup>th</sup> Feb. 2021	
		£'000	£'000	£'000	£'000
<b>ASSETS:</b>					
Fixed assets:					
Investments			151,441		153,175
Current assets					
Debtors	7	331		2,118	
Cash & bank balances		<u>6,040</u>		<u>2,459</u>	
Total other assets			<u>6,371</u>		<u>4,577</u>
Total assets			<u>157,812</u>		<u>157,752</u>
<b>LIABILITIES:</b>					
Creditors					
Distribution payable		(1,282)		(1,024)	
Other creditors	8	<u>(175)</u>		<u>(196)</u>	
Total liabilities			<u>(1,457)</u>		<u>(1,220)</u>
Net assets attributable to unitholders			<u>156,355</u>		<u>156,532</u>

# NOTES TO THE FINANCIAL STATEMENTS

for the year ended 28<sup>th</sup> February 2022

## 1. Accounting policies

- (a) The financial statements have been prepared on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice 'Financial Statements of UK Authorised Funds' issued by the IMA (now known as the Investment Association) in May 2014, updated in June 2017, (the "SORP").
- (b) Dividends receivable from equity investments are recognised gross of withholding tax and are credited to revenue when they are first quoted ex dividend. Interest receivable from debt securities is accounted for on an effective yield basis. All other income is recognised on an accruals basis.
- (c) Special dividends are treated as revenue or capital depending on the facts of each particular case.
- (d) Expenses of the fund are charged against revenue except for costs associated with the purchase and sale of investments which are allocated to the capital of the fund.
- (e) Corporation tax is provided for on the revenue liable to corporation tax less deductible expenses.

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

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

- (f) The revenue available for distribution is the total revenue earned by the fund, less deductible expenses and taxation charged to revenue. This revenue is distributed annually on the last business day of April. An interim distribution based on available revenue is distributed on the last day of October. The ordinary element of stock dividends is treated as revenue and forms part of the distribution. The annual management charge is initially charged to revenue but ultimately borne by the capital of the fund.
- (g) All investments have been valued at their fair value, at close of business on the last business day of the period, which is generally the bid market value net of any accrued revenue.
- (h) Foreign currency transactions are translated at the rates ruling on the date of the transaction. Assets and liabilities valued in foreign currencies have been translated into sterling at exchange rates prevailing at the balance sheet date.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 2. Net capital (losses)/gains

	Year ended 28 <sup>th</sup> Feb. 2022	Year ended 28 <sup>th</sup> Feb. 2021
	£'000	£'000
Non-derivative securities	(5,578)	37,218
Currency losses	(42)	(182)
Custodian transaction costs	(4)	(4)
Net capital (losses)/gains*	<u>(5,624)</u>	<u>37,032</u>
<i>*includes realised gains on investments sold</i>	<u>9,674</u>	<u>20,777</u>

### 3. Revenue

	Year ended 28 <sup>th</sup> Feb. 2022	Year ended 28 <sup>th</sup> Feb. 2021
	£'000	£'000
Bank interest	10	1
Overseas dividends	1,304	1,178
Property income distributions on UK REITs	71	63
Stock dividends	–	24
UK dividends	<u>676</u>	<u>535</u>
Total revenue	<u>2,061</u>	<u>1,801</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 4. Expenses

	Year ended 28 <sup>th</sup> Feb. 2022 £'000	Year ended 28 <sup>th</sup> Feb. 2021 £'000
Payable to the Manager, associates of the Manager and agents of either of them:		
– Manager's periodic charge	1,761	1,465
– Transfer agency fee	72	82
Payable to the Trustee, associates of the Trustee and agents of either of them:		
– Trustee's fee	37	33
– Safe custody fee	29	26
Other expenses:		
– Audit fee	13	15
– Fund accounting fee	39	38
– Professional services fees*	3	6
– Sundry fees**	9	8
Total expenses	<u>1,963</u>	<u>1,673</u>

\*Includes non-audit service fees of £3,478 payable to the fund's auditors, PricewaterhouseCoopers LLP (2021: £6,180).

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 5. Taxation

	Year ended 28 <sup>th</sup> Feb. 2022 £'000	Year ended 28 <sup>th</sup> Feb. 2021 £'000
<b>(a) Analysis of tax charge for the year</b>		
Overseas tax	<u>126</u>	<u>106</u>
	<u>126</u>	<u>106</u>

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2021 - higher) than the standard rate of corporation tax in the UK for an authorised unit trust (20% (2021 - 20%)). The differences are explained below:

	Year ended 28 <sup>th</sup> Feb. 2022 £'000	Year ended 28 <sup>th</sup> Feb. 2021 £'000
Net revenue before taxation	<u>98</u>	<u>128</u>
Corporation tax at 20%	20	26
<i>Effects of:</i>		
Movement in unrecognised tax losses	376	322
Overseas tax	126	106
Revenue not subject to tax	<u>(396)</u>	<u>(348)</u>
Current tax charge for the year	<u>126</u>	<u>106</u>

### (c) Deferred tax

At the balance sheet date, there is a potential deferred tax asset of £2,561,286 (2021 - £2,184,823) in respect of unrecognised tax losses. The fund may not generate sufficient taxable profits in the future to utilise this amount and therefore no deferred tax asset has been recognised in the current or prior year.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 6. Distributions

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

	Year ended 28 <sup>th</sup> Feb. 2022 £'000	Year ended 28 <sup>th</sup> Feb. 2021 £'000
Interim	470	387
Final	<u>1,282</u>	<u>1,024</u>
	<u>1,752</u>	<u>1,411</u>
Add: Revenue deducted on cancellation of units	28	105
Deduct: Revenue received on creation of units	<u>(47)</u>	<u>(29)</u>
Net distribution for the year	<u>1,733</u>	<u>1,487</u>
Net (expense)/revenue after taxation	(28)	22
Expenses taken to capital	<u>1,761</u>	<u>1,465</u>
Net distribution for the year	<u>1,733</u>	<u>1,487</u>

*Details of the distributions per unit are shown in the Distribution Tables on page 36.*

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 7. Debtors

	28 <sup>th</sup> Feb. 2022	28 <sup>th</sup> Feb. 2021
	£'000	£'000
Amounts receivable for creation of units	115	1,562
Foreign currency contracts awaiting settlement	–	28
Overseas withholding tax recoverable	86	126
Prepaid expenses	–	2
Revenue receivable:		
Overseas equities	107	91
UK equities	23	47
Sales awaiting settlement	–	262
	<u>331</u>	<u>2,118</u>

### 8. Other Creditors

	28 <sup>th</sup> Feb. 2022	28 <sup>th</sup> Feb. 2021
	£'000	£'000
Accrued expenses:		
Audit fee	12	12
Custodial transaction fees	–	1
Fund accounting fee	4	4
Manager's periodic charge	124	124
Safe custody fees	5	–
Transfer agency fee	22	21
Trustee's fee	3	3
Other	5	3
Foreign currency contracts awaiting settlement	–	28
	<u>175</u>	<u>196</u>

### 9. Unit movement

For the year 1<sup>st</sup> March 2021 to 28<sup>th</sup> February 2022

Opening units	2,275,163
Units created	196,469
Units cancelled	<u>(95,871)</u>
Closing units	<u>2,375,761</u>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 10. Related Party Transactions

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

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

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

Units held or managed by the Manager or associates of the Manager as a percentage of the fund's value at the balance sheet date were 3.7% (2021 - 3.8%).

### 11. Portfolio Risk Analysis

In pursuing its investment objectives, the fund's portfolio is invested in a variety of financial assets. These comprise securities and other investments. There are also cash balances, debtors and creditors that arise directly from its 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.

It is estimated that 78% of the fund could be realised within 5 days, based upon normal trading activities and achieving 30% of the 30-day average traded volume.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 11. Portfolio Risk Analysis continued

#### Market Price Risk continued

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 deposits. Changes in interest rates may have an adverse effect on the future cash flows from such deposits and on the amount of income derived from them.

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

At 28<sup>th</sup> February 2022 and 28<sup>th</sup> February 2021, 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.

#### 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
<b>28<sup>th</sup> February 2022</b>		
Level 1: Quoted prices	151,441	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	<b>151,441</b>	<b>—</b>
	Assets £'000	Liabilities £'000
<b>28<sup>th</sup> February 2021</b>		
Level 1: Quoted prices	153,175	—
Level 2: Observable market data	—	—
Level 3: Unobservable data	—	—
	<b>153,175</b>	<b>—</b>

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 12. Risk Exposure

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

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

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

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

	Year ended 28 <sup>th</sup> Feb. 2022	Year ended 28 <sup>th</sup> Feb. 2021
	%	%
Year end VaR	7.16	14.46
Minimum VaR	5.65	8.16
Maximum VaR	14.46	14.86
Average VaR	7.30	14.25

### Leverage

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### 13. Portfolio Transaction Costs

For the year 1<sup>st</sup> March 2021 to 28<sup>th</sup> February 2022

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	26,692	15	0.06	40	0.15
<b>Total purchases</b>	<b>26,692</b>	<b>15</b>		<b>40</b>	
<b>Total purchases including transaction costs</b>	<b>26,747</b>				
Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	22,856	9	0.04	-	-
<b>Total sales</b>	<b>22,856</b>	<b>9</b>		<b>-</b>	
<b>Total sales net of transaction costs</b>	<b>22,847</b>				
Total transaction costs		24		40	
Total transaction costs as a % of average net assets		0.01%		0.02%	

For the year 1<sup>st</sup> March 2020 to 28<sup>th</sup> February 2021

Purchases	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	15,997	10	0.06	18	0.11
<b>Total purchases</b>	<b>15,997</b>	<b>10</b>		<b>18</b>	
<b>Total purchases including transaction costs</b>	<b>16,025</b>				
Sales	Value £'000	Commissions £'000	%	Taxes £'000	%
Equity instruments	37,131	20	0.05	-	-
<b>Total sales</b>	<b>37,131</b>	<b>20</b>		<b>-</b>	
<b>Total sales net of transaction costs</b>	<b>37,111</b>				
Total transaction costs		30		18	
Total transaction costs as a % of average net assets		0.02%		0.01%	

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

## NOTES TO THE FINANCIAL STATEMENTS

continued

### **13. Portfolio Transaction Costs continued**

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 0.40% (2021 - 0.39%).

## DISTRIBUTION TABLES

**in pence per unit  
for the year ended 28<sup>th</sup> February 2022**

### INTERIM DISTRIBUTION

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> August 2021

	Dividend income	Equalisation*	Amount paid
Group 1	20.000	–	20.000
Group 2	5.477	14.523	20.000

### FINAL DISTRIBUTION

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

Group 2 - Units purchased 1<sup>st</sup> September 2021 to 28<sup>th</sup> February  
2022

	Dividend income	Equalisation*	Amount payable
Group 1	53.961	–	53.961
Group 2	14.782	39.179	53.961

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

### DISTRIBUTION SUMMARY

**in pence per unit  
for the year ended 28<sup>th</sup> February 2022**

	Year to 28 <sup>th</sup> Feb. 2022	Year to 28 <sup>th</sup> Feb. 2021
Interim paid	20.000	16.000
Final payable/paid	53.961	44.991
	<u>73.961</u>	<u>60.991</u>

### DISTRIBUTION XD AND PAYMENT DATES

	<i>XD Date</i>	<i>Payment Date</i>
Final	28.02.22	30.04.22
Interim	31.08.22	31.10.22

*Manager*

McInroy & Wood Portfolios Limited  
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www.mcinroy-wood.co.uk

*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  
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EH41 3SF

*Trustee*

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*Independent Auditors*

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

McInroy & Wood Portfolios Limited is a subsidiary of  
McInroy & Wood Limited  
MWSCF0222