Assessment of Value

MCINROY & WOOD FUNDS

as at 28th February 2025

Dated: 30 June 2025

Chairman's Statement

Dear investor

It is my pleasure to provide you with our assessment of value in relation to the McInroy & Wood Funds (the Funds) for the year ended 28 February 2025.

As Chairman of the Board of McInroy & Wood Portfolios Limited (the Firm) it is my responsibility to ensure that the Board of directors carries out a detailed assessment of the value that the Funds deliver.

We have provided a summary as to how we have carried out this assessment of value on page 4 and the format of the report has evolved since last year to make it more accessible and easier to read.

Over the past five years, the financial markets have been difficult. In particular, the Funds have faced challenges from the Covid pandemic, the war in Ukraine and high inflation and interest rates. This led to a more cautious approach. With lower inflation and interest rates, the outlook was beginning to improve, prompting a more optimistic yet diversified strategy which was well positioned to take advantage of emerging trends. At the time of writing this report, though, there has been further volatility in the markets as a result of the recent imposition of tariffs by the US. This has created further headwinds, on the one hand, but opportunities on the other. In common with our long established approach, we remain resolutely focused on the long term and are confident that when the market shifts back to valuing strong businesses our chosen companies will be rewarded.

It is at times like this in the investment cycle that being able to explain what we are doing and why we are doing it is so important. You should have received in your latest investors' statement a communication on our investment approach setting out why we believe that our approach to investing will endure.

We believe that we provide an excellent personal service to you through whichever channel you choose to invest with us. We consider this to be a key differentiator between our Firm and others. Indeed, it has been one of our core principles long before the FCA codified the Consumer Duty. In the last year alone, we have enhanced a number of our services including (at our own cost) the migration of transfer agency (or transaction processing) services to a new provider to ensure greater continuity and security of service.

We encourage you to read through the entire report's assessment that your Fund is managed in such a way that it is delivering value. This includes not only considering performance of the Fund relative to its stated objectives but also all of the other criteria that have been evaluated. If any comments are raised in relation to a particular Fund, it is useful to be aware of and to understand any actions the Board intends to take to remedy this.

We are always looking for more feedback on our service and on the content and approach taken to this assessment of value. If you have any comments we would be delighted to hear from you.

Yours sincerely

D J O Cruickshank
Chairman

Contents

Value assessment – criteria and summary

Criteria

This report is prepared for the investors in each of the McInroy & Wood Funds (the Funds) noted below.

The rules of the Financial Conduct Authority (FCA) require the Board of McInroy & Wood Portfolios Limited as the authorised fund manager (the Firm) to carry out a regular assessment of the performance and value delivered to its investors.

The FCA has set out seven criteria against which authorised fund managers should assess their funds:

1. Quality of service
2. Performance
3. Firm's costs
4. Economies of scale
5. Comparable market services
6. Comparable services
7. Class of units

Sources of information

The Chairman is responsible for ensuring that an assessment of value is carried out. Our role as the Board of the Firm (with independent challenge from the non-executives) is to provide as objective an assessment as possible and to determine whether each Fund delivers value for money.

In order to fulfil that, we have worked in consultation with the Firm's parent and investment manager (McInroy & Wood Limited or "MWL") and the Funds' advisers.

In carrying out our assessment, we have reviewed a comprehensive range of management information, including that prepared for the purposes of compliance with the Consumer Duty.

We also considered: last year's assessment of value and any recommended actions; feedback from investors on client satisfaction and the results of the 2024 investors survey; the extent to which the Funds have met their investment objectives; and the costs of the Funds

Approach

No single measure is definitive but together they enable us to form our assessment as to the value being delivered. The process is not carried out in isolation. In particular, we took into account: the target market of the Funds (ie the types of investors that the Funds are designed for); and the wider economic environment.

We recognise that investment is aimed at those investors with a medium to long term investment horizon, i.e. those with a minimum time horizon of three years but typically of five years or longer. Likewise, we recognise that investment in our more specialised funds (such as the Smaller Companies Fund and the Emerging Markets Fund) should be undertaken as part of a balanced/diversified portfolio.

Results at a glance

We have carried out our assessment of value against seven criteria, as required by the FCA. Taking these into account and the long-term objectives of the Funds, we have come to an overall assessment as to whether the Funds delivered value.

The result of this year’s assessment of value is summarised below.

Unit trust	Overall value	Quality of service	Performance	Firm’s costs	Economies of scale	Comparable market rates	Comparable services	Classes of units
Balanced Fund	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢
Income Fund	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢
Smaller Companies Fund	🟡	🟢	🟡	🟢	🟢	🟢	🟢	🟢
Emerging Markets Fund	🔴	🟢	🔴	🟡	🟢	🟢	🟢	🟢
HTT Fund	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢

Key:

🟢	Demonstrated value
🟡	Provided value with action taken and/or further monitoring
🔴	Did not provide value and action taken

Value assessment – findings

1. Quality of service

Ensuring that our investors receive an excellent quality of service is very important to us. In fact, we consider it to be one of our key differentiators.

In carrying out this assessment we have looked, for each Fund and unit class, at the quality of:

- client service
- investment process and support
- services provided by external third parties (including transfer agency, custody, depositary, Fund pricing and accounting and audit services)

We looked at a number of different metrics and sources of information ranging from investor feedback to our oversight of the investment manager's (MWL's) investment process, data received from, meetings with and due diligence on third party suppliers, reports from the Funds' depositary and any client complaints.

The Board actively reviews the service provided to investors on a quarterly basis.

Findings:

In this assessment we found that the Firm provides a high-quality, largely personalised service, maintaining transparency, and actively working to improve operations for the benefit of its investors.

- **Overall**: Investors have access to dedicated investment and administrative teams. Investor satisfaction is high, with 82% of respondents rating the service 8 or higher out of 10. There were minimal complaints, and errors in trades and unit deals were very low.
- **Administration**: The administrative teams are directly employed and (alongside the Funds' transfer agent) handle the vast majority of investor communication, ensuring a high level of service and consumer support and understanding. They manage investor queries, oversee third-party activities and ensure accurate documentation. Regular statements are sent twice a year, and the service includes accessibility for those who may be vulnerable. In the last year we have also enhanced our website, portal, telephone dealing service and card payment functionality.
- **Investor interaction**: Unusually for retail funds, all direct investors are able to speak to investment managers, which enhances consumer support and understanding of the Funds. Webinars and online services are available, allowing for multiple ways to understand and manage investments.
- **Investment services**: The Firm provides timely and accurate Fund pricing, distributions, and communications to support investors in pursuing their financial objectives.
- **Benefits of wider Group**: The Firm's services are further enhanced by its relationship with its parent company (MWL) which provides valuable insight into investor needs, ensuring high-quality service and attention to detail.
- **Investor interests first**: The Firm prioritises investors' best interests, offering cost-free improvements (such as the new accumulation unit classes which were added at the Firm's own expense). Fees are transparent. We also recover overseas withholding tax for investors without charging for the associated time and resources.
- **Fund provision**: The Firm develops and manages Funds and unit classes based on investor needs. Its focus is on maintaining high service levels for existing investors.

- **Investment process and support**: The Firm oversees MWL's investment process. In particular, it considers: the integrity of the investment process; the research process; and the size, resources and competencies of the investment team. The investment team is highly qualified and experienced, with the investment managers having an average of over 20 years in the industry.
- **Third-party services**: The Firm monitors third-party service providers to assure quality and to mitigate the risk of foreseeable harm to investors. While there were initial issues with migration of the transfer agency service, service levels remain stable and are continuously improving. The Firm also works with a trustee/depositary which provides an additional risk assessment.

Conclusion:

The quality of service provided by the Firm continues to be high and consistent with the needs and wants of investors in the target markets.

Actions proposed:

In line with last year's recommendation, MWL will continue to make further webinar presentations to investors and publish opinion pieces.
The Firm will continue to simplify its documentation and improve digital access.
The Firm will continue to carry out enhanced performance monitoring of the provider of transfer agency services to the Funds until the new processes are fully embedded.

2. Performance

We have reviewed performance against:

- the Funds' investment objectives; and
- the risks taken in order to achieve those objectives,

having regard to the target market of the Funds (i.e. the types of investors the Funds are designed for) – see Summary above.

Investment objectives

The investment objectives for each Fund aim to maximise the total return to investors by preserving and growing the real value of investors' capital and income.

Real value is defined as the value of capital and income after adjusting for the impact of inflation. The UK Retail Price Index (RPI) is the measure of inflation used by the Firm to assess all the Funds (other than the HTT Fund which instead uses the Eurozone Consumer Price Index).

Total return is defined as capital appreciation, if any, plus income received, and does not imply that a positive return will be consistently achieved over any particular time period.

In this assessment we have considered the net (of fees and all other costs) total return of each Fund in relation to its investment objectives.

Risk taken

The Funds' investment manager, MWL believes in long term active direct investment where its aim is to identify enduring investment themes and then to pick the companies best able to take advantage of these over the long term. It invests in individual companies directly (rather than indirectly through other funds), seeking out the very best opportunities globally and not slavishly following an index. MWP continues to support this approach.

MWL's investment approach aims to achieve for investors, the best total return consistent with limiting risk through asset diversification (holding a mix of equities, bonds, gold and cash) in the Balanced Fund, Income Fund and HTT Fund and security diversification across all Funds.

Where suitable, allocations to bonds, occasionally gold and cash also provide important protection against inflation and help to preserve a portfolio's capital value when market conditions are difficult.

In particular, MWL:

- believes that its efforts cannot simply be judged by a pure comparison with any benchmark without considering the risks it has been prepared to accept
- believes, in the context of a 3-5 year time horizon and a well diversified portfolio, that historically lower price volatility of a security will not necessarily mean that it is less likely to suffer a loss in the future. The risk of loss should only be related to the portfolio as a whole
- does not consider that any single asset, whether cash deposit, government security or any other in itself represents a risk-free investment in real terms (after taking inflation into account). It regards a carefully constructed portfolio consisting of a spread of assets and/or securities as being the only way to limit overall risk
- believes this requirement for diversification will always take priority in its investment strategy rather than the simple need to beat a specific benchmark.

Findings:

The Firm considered the net (of fees and all other costs) total return (capital appreciation/depreciation plus the reinvestment of any income received) of each Fund in relation to its investment objectives.

Given the recommended holding period of the Funds, the table below shows the total returns for 3, 5, 10 years and since inception.

Total return (net of all fees) to 28/02/25	**Balanced Fund %**	**Income Fund %**	**Smaller Companies Fund %**	**Emerging Markets Fund %**	**HTT Fund %**	**UK RPI %**	**Euro CPI %**
3 years	8%	13%	-4%	-9%	16%	23%	14%
5 years	32%	31%	19%	4%	33%	35%	22%
10 years	76%	58%	91%	26%	59%	54%	28%
Inception	1192%	688%	794%	173%	382%	-	-
Inflation since inception	230%	177%	129%	94%	57%	-	-
Year of inception	1990	1994	2003	2007	2003		

Source: McInroy & Wood & Bloomberg

MWP receives regular updates from the Funds' investment manager, MWL, regarding their performance. This includes quarterly reports from MWL's investment director to the MWP Board, where the investment director is subject to scrutiny and challenge by the MWP Board. Although, as discussed below, the past five years have been particularly challenging for the Funds, MWP maintains its support of MWL's investment approach. This approach is discussed in more detail below.

Throughout the Covid pandemic and following the outbreak of war in Ukraine MWL's investment strategy remained cautious. With the uncertainties arising from these events MWL prioritised capital protection.

Inflation has subsequently moderated and lower interest rates have provided a more favourable background for growth. As a result, MWL have become more optimistic while maintaining diversification across a variety of geographies and investment themes.

In common with its long-established approach, MWL's investment selection has focused on a broad range of businesses that are well positioned to take advantage of important trends such as ageing populations, electrification and the energy transition and artificial intelligence (AI). When investing in technology and AI MWL has emphasised companies providing essential goods and services across supply chains.

During the last five years however, most of the equity index market returns have been generated by a narrow band of large technology companies in the USA. This disproportionate focus of the indices on a limited number of stocks has meant many of MWL's preferred companies have not yet seen their profit growth reflected in their share prices.

At the time of writing this report there has been further volatility in the markets as a result of the recent imposition of tariffs by the US. This has created further headwinds, on the one hand, but opportunities on the other.

MWL's approach to investment has been tested in the past in similar environments as now (for instance in 1998 to 2000 and 2006 to 2009). Regardless of the attractive gains that have been possible from following market trends in recent years, MWL firmly believes its approach is still right for those seeking to preserve their portfolio against inflation over the long term and MWP continues to support this belief. We do not know exactly when investor attention will revert to fundamentals, including businesses' ability to grow profits, but when it does MWL is confident that the merits of the companies it has chosen to include in the Funds' portfolios will be recognised and rewarded.

Information on the performance of each Fund is set out in the Fund specific pages below.

We have sought clarification from MWL as to the steps it is taking (if any) to address the performance challenges. MWL has advised that it has:

- reviewed its strategy and investment processes
- made some adjustments to its processes, investment committee and stocks largely to provide for greater diversification
- notwithstanding those, intentionally made no fundamental changes to its strategy as it firmly believes in an active long term investment philosophy.

MWP will continue to monitor the Funds' performance and to oversee, and challenge where appropriate, MWL's approach.

Conclusion:

We concluded that one Fund (HTT) should be rated green for performance, three amber (Balanced, Income and Smaller Companies) and one red (Emerging Markets).

Of those five Funds:

- one (HTT) outperformed its objectives over a 3 year period (although alongside the HTT Fund, the Income Fund outperformed over the last 12 months) – four (Balanced, Income, Smaller Companies and Emerging Markets) did not;
- one (HTT) outperformed its objectives and two (Balanced and Income) were very close to meeting their objectives over a 5 year period – two (Smaller Companies and Emerging Markets) did not;
- four (Balanced, Income, Smaller Companies and HTT) outperformed over a 10 year period – one (Emerging Markets) did not; and
- all five outperformed since inception.

Action proposed:

We recognise that the investment objectives of the Funds are to maximise total return over the long term in real terms.

There are three matters requiring action:

- Whilst the Funds have grown over the longer term , with the exception of the HTT Fund they have not done so in the short to medium term (3 to 5 years). We are satisfied with the clarification from MWL as to the actions it has or is taking and we will continue to monitor investment performance closely.
- Having regard to the target market of the Funds, we are also considering whether the Funds' prospectus should be amended to clarify that the investments should be held for a minimum of 5 years (and not 3 as currently stated). This applies to all Funds. In relation to the Emerging Markets Fund, emerging markets can move in long cycles that are disconnected to inflation, but we recognise (like the Smaller Companies Fund) the longer term merits of holding these Funds as part of a diversified portfolio.

- HM Treasury's stated intention is to cease using RPI and move to CPI which it believes to be a more appropriate measure of inflation. After consideration of the merits of this, in line with the industry, we are considering whether CPI should be used as the performance comparator for all the Funds going forward (with the exception of the HTT Fund).

3. Firm's costs

We assessed the Firm's costs by analysing the individual elements that make up the Ongoing Charges Figure ("OCF") that investors pay to see if they were reasonable and appropriate for the services provided.

The OCF comprises the Firm's annual management fee and the external costs of the Fund (such as the costs for maintaining the unit register, administration fees, custodian and depositary fees, auditor, legal and other professional fees).

Findings:

Annual management charge

The main component of the OCF is the Annual Management Charge ("AMC") charged by the Firm.

We believe that the AMC should be sufficient to allow investment in the Firm so that it is well resourced, able to provide a high level of investment and customer service and to do so in a risk appropriate way.

We do not delegate our investment responsibilities to any third party (outside the McInroy & Wood Group), and we take responsibility for investing directly around the world. To do so requires an experienced and well-resourced team that can ultimately control the underlying investment exposures while keeping down the total cost of investment. Being able to attract and retain talent is critical to the ongoing provision of a personal service and the delivery of our direct active investment approach.

We do not set our fees based on the profitability of individual Funds (as this would not be appropriate for our integrated single team approach). Instead, we operate holistically and set an AMC that is simple and transparent and that reflects the long term nature of the investments and the relationships that we develop with our investors.

All investment managers and analysts are involved in the selection and monitoring of all securities across all of the Funds. As a result, we do not consider the investment team's cost per individual Fund.

In addition to providing reasonable remuneration to its employees, the Firm aims to align the long-term interests of its investors with its directors and other senior staff. These employees are encouraged to purchase shares in the McInroy & Wood Group. Share ownership ensures a longer-term perspective when contributing to the Firm's efforts where benefit is only gained from the Firm's collective success in looking after its investors. Many also invest their own money and those of their families in the Funds alongside investors.

Whilst the Firm, historically, has been successful in continuing to grow the value of assets managed through both organic growth and increased market value, along with many in the industry it is presently facing headwinds of: market volatility; poorer short to medium term performance; a reduction over the last year or two in funds under management; and an increase in costs. Costs have increased as a result of undertaking significant mandatory regulatory and legislative change projects and other internal projects to benefit investors. There have also been inflationary increases over the past year in staff salaries, audit and consultancy fees and other third-party costs (such as IT provision) which have put downward pressure on margins in the absence of further growth.

The group is committed to remaining a well-capitalised business which can provide security to investors during both good times and more difficult periods. It manages its affairs in a conservative manner and has consistently reinvested in the business over many years in order to provide the highest quality service to investors.

External costs

The other components of the OCF are the external operating costs of the Funds, which have generally fallen as a percentage of net assets in the past three years.

The Firm negotiates proactively on behalf of investors with auditors, trustees, depositaries etc. to ensure that they are receiving value for money within each Fund.

In the last year we moved to a new transfer agent (BNY). Whilst that will cause an increase in external costs we are satisfied that this will provide greater continuity and security of service. The costs of that move were fully borne by MWL.

Similarly, MWL absorbs all research costs including the substantial cost of buying in external research.

All charges payable from the property of the Funds are reviewed periodically against comparable market rates and have been found to be reasonable and competitive. The Firm will not hesitate to make further changes to the external parties who provide services to the Funds if value for money is not being provided. The costs of making such changes are not borne by the investor.

Others

As noted below there are also other costs such as dealing costs. The Funds benefit from being able to deal at institutional market rates. Neither the investment adviser (MWL) nor the Firm receives any income as a result of dealing activity.

Not all investors invest directly in the Funds. Some access the Funds via investment platforms. Some also receive financial advice recommending that the Funds are used in a portfolio often also held via a platform. These additional services are not costs incurred by the manager and it is each individual investor’s choice as to how they access the Funds. That said, any platform and advice costs are borne by the investor and increase the total cost of investment. (By way of illustration, platform costs for a simple portfolio of £100,000 might be between 0.125% and 0.45% p.a., while financial advice can vary widely but can typically cost 0.8% p.a on an ongoing basis.)

Conclusion:

We have concluded that the annual management charge is reasonable given the level of service provided.

We also acknowledge: the efforts made to keep the external costs of the Funds as low as possible; and recognise that the opportunities to pass economies of scale on to investors are limited in the present environment given the downward pressure on profit margins in the absence of further growth (see section 4).

In relation to those investors who invest indirectly through a platform, we are aware that they may incur additional costs in doing so and that they are unlikely to avail themselves of the more personalised service from which others may benefit. Whilst this is something that is outside our immediate control, as part of our assessment of value for those indirect investors it is an area that we have considered and will keep under review.

Action proposed:

In line with last year’s recommendation, the Firm will continue to: monitor closely all costs borne by investors and pursue opportunities to reduce these were possible; and keep under review the position of those investing indirectly through a platform.

4. Economies of scale

We have looked at three ways that investors could potentially benefit from economies of scale:

- at McInroy & Wood Group level
- through the external costs of the Funds
- through the AMC of the Funds

Findings:

At McInroy & Wood Group level
As part of the wider McInroy & Wood Group (the Group) the Funds are able to benefit from the ongoing relationships with our service providers. Where possible, cost savings have been negotiated with third parties on a group-wide basis to gain the maximum economies of scale. These savings are passed on to investors on a pro-rata basis.

This was seen, for example, in the recent move of transfer agency to BNY. There, we were able to negotiate lower fees as a result of the total amount of work provided by the Group to them.

External costs of the Funds
The Firm is responsible for five Funds.

The trustee and depositary, custody, transfer agency, fund pricing and accounting fees are negotiated collectively for all the Funds.

Tiered fees, reflecting economies of scale, have been agreed for each of those services.

AMC of the Funds
We charge a flat ad valorem AMC for each Fund (% of assets managed within each Fund), aligning the interests of investors and the Firm.

We do not set our fees based on the profitability of our individual Funds. Likewise, we do not calculate economies of scale at the level of each Fund. We prefer to work holistically and collegiately, in a way that is simple and transparent and that reflects the long term nature of the investments and the relationships that we develop with our investors.

Where it might be appropriate to pass on any economies of scale, we consider these although in recent years opportunities for savings as a result of economies of scale have been limited.

While profit margins increased between 2010 and 2017, they were relatively unchanged until 2021, subsequently falling over more recent years. Despite the Firm's prudent financial management, costs have been rising quickly and margins have come under pressure as a result of undertaking significant mandatory regulatory and legislative change projects and other internal projects to benefit investors. The costs of meeting additional regulation, inflationary increases and the recent increase in national insurance contributions have all added to the position.

Conclusion:

We believe that investors are currently benefitting from the economies of scale afforded to the Firm in relation to the Firm's size.

Those benefits remain strongest when the Firm uses its overall bargaining power which benefits all Funds, rather than trying to apply economies of scale per Fund.

While it is acknowledged that the Firm has experienced economies of scale when the value of assets it is managing have been growing faster than directly attributable costs, the Firm's margins have come under pressure in recent years.

The Firm is therefore not considering reducing fees at this point in time.

Action proposed:

In line with last year's recommendation, the Firm will continue to monitor all costs and the growth of the Funds on an ongoing basis and consider whether it is appropriate to pass any further economies of scale on to investors.

5. Comparable market rates

We examined how the charges of our Funds compared with our peers using data from various sources including Morningstar and the Investment Association.

For each Fund we looked at four categories of charges:

- the annual management charge of the Firm (AMC)
- the external costs of the Fund (such as costs for maintaining the unit register, administration fees, custodian and depositary fees, auditors, legal and other professional fees)
- the ongoing charges of the Fund (OCF)
- the total costs of investment of the Fund (TCI) which includes all trading costs (including local taxes such as stamp duty in the UK)

Findings:

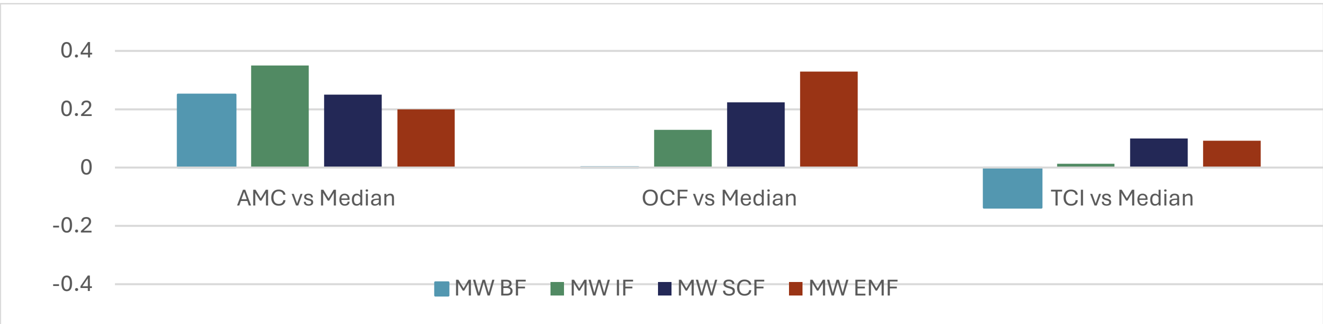
AMC: The Firm's AMC is higher than the median AMC of the Funds' peer groups but we consider this to be reflective of: the Firm's transparent single fee structure; its operating model; and the level of service provided. The Funds have never charged entry, exit or performance fees.

External costs: The external costs of the Funds are slightly lower than the median of the Funds' peers for all but one Fund (EMF). This is reflective of our focus on monitoring the value offered by the external service providers.

OCF: The overall costs of operating the Funds as measured by the OCF are higher than the median of their peer group in the case of three out of five Funds by between 0.13% and 0.33%. The Balanced Fund is equal to the median and the HTT Fund is lower. We consider the premium for the Income Fund and the Smaller Companies Fund to be reasonable given the high level of underlying service provided. In the case of the Emerging Companies Fund, we note that its OCF is higher as a result of both the high level of underlying service provided and the Fund's size (but as noted below its TCI is more in line with its peers). It should also be noted that some firms include their administration costs within the OCF, outside the AMC. In the interests of transparency the Firm does not do that.

TCI: When the total cost of investment is considered then the competitiveness of the Funds' costs becomes more apparent. There, one Fund (the Balanced Fund) is below the median of its peer group, one Fund (Income Fund) is equal to the median and two (the Smaller Companies and the Emerging Markets Fund) are slightly above.

This can be summarised below:



Conclusion:

Whilst the Funds' OCFs are typically higher than our peer group (although the OCF of the HTT Fund is slightly lower) we consider this premium to be reasonable given the level of service provided.

The TCI versus comparable Funds enables the competitiveness of the Funds to be more apparent.

Action proposed:

Recognising the premium in the OCF for the Emerging Markets Fund, the Firm will keep under review the size of that Fund to ensure that the costs contained within the OCF remain appropriate.

6. Comparable services

As part of this assessment of value we have looked at how the annual management charge (the AMC) of the Funds compares with the fees charged by MWL to its discretionary private clients.

Findings:

The standard investment management fee for private clients is 1% (plus VAT) which is typically the same as the annual management charge (the AMC) of the Funds. Whilst we do not provide services to large institutional clients (and so do not offer institutional fee rates) some clients benefit from a lower rate for investing at scale.

We acknowledge that the Funds do carry additional costs (included in the OCF) attributable to: their structure, daily pricing, accounting and registration services; more frequent portfolio balancing; and the additional oversight and costs associated with a regulated fund.

The Funds though are available to investors for whom a discretionary investment portfolio is not appropriate and are also able to invest directly in some investments that are not readily available to a discretionary investment portfolio, particularly in emerging markets.

The Firm's policy is that no investor can access the Funds more cheaply elsewhere (eg via a platform) than if they come directly to the Firm.

Where the Firm's Funds are utilised within a discretionary investment portfolio managed by MWL those clients pay a fee of 0.2% (plus VAT) in addition to the Fund charges for the additional services provided such as suitability assessments, quarterly reporting and a capital gains tax service.

Conclusion:

We are satisfied that the fees are reasonable and align with the fees offered to clients of MWL taking into account the differences in structure, costs and underlying services.

Action proposed:

None

7. Classes of units

We considered whether investors were subject to any unfairness or higher charges as a result of the class of units held.

Findings:

We offer a very simple fund range. Each Fund only has an income and (since May 2024) an accumulation share class.
Apart from the obvious difference in the distribution of income, there are no differences between those unit classes in fees or associated services.
All costs to the Fund are borne in direct proportion to the value of the two classes within each Fund.

Conclusion:

No investors are subject to any unfairness or higher charges as a result of the class of unit that they hold.

Action proposed:

None required.

8. Conclusion

8.1 We have carried out an assessment of value for each of the Funds against the seven criteria required by the FCA.

8.2 Taking these criteria into account we have come to an overall assessment as to whether the Funds deliver value. No single measure is definitive but together they enable us to form our assessment as to the value being delivered. This includes not only considering performance of the Fund relative to its stated objectives but also all of the other criteria that have been evaluated.

8.3 We have determined that:

- Three are rated green (Balanced, Income and HTT)
- One is rated amber (Smaller Companies)
- One is rated red (Emerging Markets)

8.4 We believe that we provide an excellent level of customer service to our investors through whichever channel they choose to invest with us. We consider this to be a key differentiator between our Firm and others.

8.5 We recognise the difficult economic environment over the last five years and the effect on the performance of the Funds. Investors would have received with their latest investor's statement a communication on our investment approach setting out why we believe that our approach to investing will endure.

8.6 Throughout this assessment of value, we have raised some comments where we considered that appropriate. If any comments are raised in relation to a particular Fund, we have set out the steps that we will take to address these.

8.7 In relation to the Emerging Markets Fund we note that, whilst investments in emerging markets can move in long term cycles that are disconnected to inflation, there are long term merits in holding that Fund (like the Smaller Companies Fund) as part of a diversified portfolio. Nevertheless, our duty is to assess the value that the Funds represent to all investors. As such, we are making an additional recommendation that the Firm should write to all of its investors in the Emerging Markets Fund reminding them of these factors. The Firm will also keep the performance, costs and size of that Fund, in particular, under review over the next 12 months.

Summary by Fund

1. Balanced Fund

Investment objective	Launch date:23 February 1990
The investment objective of the MW Balanced Fund is to maximise the total return to investors, by preserving and growing 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. The UK Retail Price Index (RPI) is the measure of inflation used by the Firm.	Size of Fund: £1,041m Designed for: The investment should be held for a minimum of 3 years Average holding period of direct investors in Fund: 10 years

Performance

Total annualised returns (%) to 28 Feb 2025	**1 year**	**3 years**	**5 years**	**10 years**	**Inception**
Balanced Fund	-0.70%	2.60%	5.70%	5.80%	7.60%
UK RPI Index (as at 28 Feb 2025)	*3.40%*	*7.20%*	*6.20%*	*4.40%*	*3.50%*

The Fund's investment manager, MWL, has provided the following commentary regarding performance.

The Fund has grown the combined real value of investors' capital and income by more than UK RPI over the longer term but it has not met its investment objective in the short to medium term (3 to 5 years).

The Fund's equities have been carefully selected, emphasising reasonably valued companies with good prospects of delivering sustainable growth across economic cycles.

Nevertheless, the past five years have been particularly challenging for the Fund. Throughout the Covid pandemic and following the outbreak of war in Ukraine, our investment strategy remained cautious. With the uncertainties arising from these events, we prioritised capital protection.

Subsequently, historically elevated levels of inflation in the UK, together with the enormously disruptive impact of the COVID-19 pandemic, presented a difficult background for the Fund to achieve its objective of preserving and growing the real value of investors' capital and income.

In addition, global markets were unprecedentedly narrow and focused on a handful of highly capitalised technology stocks. To keep pace, the Fund would have had to have taken concentrated positions in these companies in conflict with the moderate risk appetite of our investors. This disproportionate focus on a limited number of stocks not held in the Fund has meant many of the companies that are held in the Fund did not see their profit growth reflected in their share prices.

This particularly affected the Fund's Japanese investments, where the Fund holds several exporters that supply chemicals and materials used in the production of microchips. These companies have strong market positions, are growing quickly and are attractively priced relative to international competitors. Yet, they have not participated in the wider market rally in technology-related companies. At the same time, weaker oil and commodity prices impacted the value of some of the other holdings. The same stocks played a vital role in shielding the Funds in the face of sharply rising inflation in 2022, demonstrating the benefit of investing in companies across a range of industries and regions.

Recently, UK inflation has fallen, and there are promising signs that it is being brought under control. Additionally, investor sentiment appears to be broadening away from the large US technology stocks towards other sectors and geographies, including those preferred in our portfolios.

In the short term, the pace of economic growth may be affected by global trade tensions and possible disruption to supply chains. The immediate environment for equities may be difficult. Nevertheless, there are interesting themes in areas such as healthcare and electrification that offer attractive investment opportunities, and are a key element in the Fund's strategy to enable the value of the portfolio to grow faster than inflation over the long term. At the same time, the bond allocations are designed to provide some protection in testing economic conditions.

MWP appreciates the difficult environment that the Fund is operating in and its explanation for recent performance but considers it appropriate to assess the performance as amber in the light of the outcome against the fund's objective over the short to medium term. MWP will continue to monitor the situation closely.

2. Income Fund

Investment objective	Launch date: 24 March 1994
The investment objective of the MW Income Fund is to preserve and to grow the real value of investors' capital and income, with an emphasis on the generation of income. Real value is defined as the value of capital and income after adjusting for the impact of inflation. The UK Retail Price Index is the measure of inflation used by the Firm.	Size of Fund: £196m Designed for: The investment should be held for a minimum of 3 years Average holding period of direct investors in the Fund: 8 years

Performance

Total annualised returns (%) to 28 Feb 2025	1 year	3 years	5 years	10 years	Inception
Income Fund	4.90%	4.20%	5.60%	4.70%	6.90%
UK RPI Index (as at 28 Feb 2025)	*3.40%*	*7.20%*	*6.20%*	*4.40%*	*3.30%*

The Fund's investment manager, MWL, has provided the following commentary regarding performance.

The Fund has grown the combined real value of investors' capital and income by more than UK RPI over the longer term but it has not met its investment objective in the short to medium term (3 to 5 years).

The Fund's equities have been carefully selected, emphasising reasonably valued companies with good prospects of delivering sustainable growth across economic cycles.

Nevertheless, the past five years have been particularly challenging for the Fund. Throughout the Covid pandemic and following the outbreak of war in Ukraine, our investment strategy remained cautious. With the uncertainties arising from these events, we prioritised capital protection.

Subsequently, historically elevated levels of inflation in the UK, together with the enormously disruptive impact of the COVID-19 pandemic, presented a difficult background for the Fund to achieve its objective of preserving and growing the real value of investors' capital and income.

In addition, most of the equity market returns were generated by a narrow band of large technology companies in the USA. To keep pace, the Fund would have had to have taken very large, concentrated positions in these companies in conflict with the moderate risk appetite that is fundamental to its strategy. These companies are paying minimal dividends, if any, while they reinvest heavily in their AI infrastructure programmes, making material stakes all the more unattractive for income-seeking investors.

This disproportionate focus on a limited number of stocks not held in the Fund meant many of the companies that are held in the Fund did not see their profit growth reflected in their share prices.

Recently, UK inflation has fallen, and there are promising signs that it is being brought under control. Additionally, investor sentiment appears to be broadening away from the large US technology stocks towards other sectors and geographies, including those preferred in our portfolio.

In the short term, the pace of economic growth may be affected by global trade tensions and possible disruption to supply chains. The immediate environment for equities may be difficult. Nevertheless, there are interesting themes in areas such as electrification and the energy transition that offer attractive investment opportunities and are a key element in the Fund's strategy to enable the value of the portfolio to grow faster than inflation over the long term. At the same time, the bond allocations are designed to provide some protection in testing economic conditions.

MWP appreciates the difficult environment that the Fund is operating in and its explanation for recent performance but considers it appropriate to assess the performance as amber in the light of the outcome against the fund's objective over the medium term. MWP will continue to monitor the situation closely.

3. Smaller Companies Fund

Investment objective	Launch date: 26 March 2001
The investment objective of the MW Smaller Companies Fund is to grow the real value of investors' capital and income. Investments will 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 Price Index is the measure of inflation used by the Firm.	Size of Fund: £116m Designed for: The investment should be held for a minimum of 3 years Average holding period of direct investors in the Fund: 7 years

Performance

Total annualised returns (%) to 28 Feb 2025	1 year	3 years	5 years	10 years	Inception
Smaller Companies Fund	-0.50%	-1.30%	3.50%	6.70%	9.60%
UK RPI Index (as at 28 Feb 2025)	*3.40%*	*7.20%*	*6.20%*	*4.40%*	*3.50%*

The Fund's investment manager, MWL, has provided the following commentary regarding performance.

The Fund has grown the combined real value of investors' capital and income by more than UK RPI over the longer term but it has not met its investment objective in the short to medium term (3 to 5 years).

This is a specialist fund that offers investors the opportunity to gain diversified exposure to a portfolio of smaller companies that do not form part of the leading equity market indices.

The enormously disruptive impact of the COVID-19 pandemic, followed by the outbreak of war in Ukraine and unusually high levels of inflation in the UK presented a difficult economic background for the Fund to achieve its objectives over the past three and five years. In addition, global markets were unprecedentedly narrow, focusing on a handful of highly capitalised technology stocks, resulting in the US having a disproportionate influence over stock market returns.

While the Fund includes investments in businesses that are well positioned to take advantage of important trends such as AI, many of these companies did not see their profit growth reflected in higher share prices.

This particularly affected the Fund's Japanese investments, where the Fund holds several exporters that supply chemicals and materials used in the production of microchips. These companies have strong market positions, are growing quickly and are attractively priced relative to international competitors. Yet, they have not participated in the wider market rally in technology-related companies

For smaller companies, periods of greater than usual uncertainty often provide the foundations for strong investment returns. Smaller companies are generally more sensitive to deterioration in investor sentiment than their larger counterparts and yet typically enjoy far more exciting long-term growth prospects. Successful investment therefore requires a willingness to take a long-term view.

Recently, UK inflation has fallen, and there are promising signs that it is being brought under control. Additionally, investor sentiment appears to be broadening away from the large US technology stocks towards other sectors and geographies, including those preferred in our portfolio.

The Fund's portfolio of equities emphasises reasonably valued companies with good prospects of delivering sustainable growth across economic cycles. MWL believes that such stocks should come back into favour as investors become disenchanted with the limited growth potential of extremely highly valued and very large companies.

This focus is the key element in the Fund's strategy to enable the value of the portfolio to grow faster than inflation over the long term.

MWP appreciates the difficult environment that the Fund is operating in and its explanation for recent performance but considers it appropriate to assess the performance as amber in the light of the outcome against the fund's objective over the short to medium term. MWP will continue to monitor the situation closely.

4. Emerging Markets Fund

Investment objective	**Launch date: 1 March 2007**
The investment objective of the MW Emerging Markets Fund is to grow the real value of investors' capital and income. Investments will be in companies operating or incorporated in Emerging Markets. 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 Price Index is the measure of inflation used by the Firm.	Size of Fund: £48m Designed for: The investment should be held for a minimum of 3 years Average holding period of direct investors in the Fund: 7 years

Performance

Total annualised returns (%) to 28 Feb 2025	**1 year**	**3 years**	**5 years**	**10 years**	**Inception**
Emerging Markets Fund	-1.50%	-3.10%	0.70%	2.40%	5.70%
UK RPI Index (as at 28 Feb 2025)	*3.40%*	*7.20%*	*6.20%*	*4.40%*	*3.70%*

The Fund's investment manager, MWL, has provided the following commentary regarding performance.

The Fund has grown the combined real value of investors' capital and income by more than UK RPI since inception but it has not met its investment objective within the last 10 years. This is a specialist Fund that offers investors the opportunity to gain diversified exposure to companies operating or incorporated in fast-growing but often politically and economically volatile countries. While the sector can remain out of favour for extended periods, there have historically also been episodes of dramatic outperformance.

The enormously disruptive impact of the COVID-19 pandemic, and more recently, heightened geopolitical uncertainty have affected global developing economy equity returns over much of the last five years. At the same time, historically high levels of inflation in the UK made it difficult for the Fund to meet its objectives.

However, UK inflation has fallen dramatically over the past two years, and there are promising signs that it is being brought under control. Furthermore, investor sentiment appears to be broadening away from its narrow focus on a handful of large technology stocks towards other sectors and geographies, including emerging markets.

The Fund's portfolio of equities emphasises reasonably valued companies with good prospects of delivering sustainable growth across economic cycles. MWL believes that such stocks should come back into favour as investors become disenchanted with the limited growth potential from extremely highly valued and very large companies based in developed markets.

This focus is the key element in the Fund's strategy to enable the value of the portfolio to grow faster than inflation over the long term.

MWP appreciates the difficult environment that the Fund is operating in and its explanation for recent performance but considers it appropriate to assess the performance as red in the light of the outcome against the fund's objective over three, five and ten years. MWP will continue to monitor the situation closely. In addition, a recommendation is being made that we write to all investors in the fund (unless we know they are advised) to remind them of the factors which should be borne in mind when investing in this specialist fund.

5. HTT Fund

Investment objective	**Launch date: 1 September 2003**
The investment objective of the MW HTT Fund is to maximise the total return to investors, by preserving and growing 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. The Eurozone Consumer Price Index (CPI), (the Harmonised Index of Consumer Prices) is the measure of inflation used by the Firm.	Size of Fund: €149m This Fund is priced in Euros Designed for: The investment should be held for a minimum period of 3 years. Average holding period of investors in the Fund: 8 years

Performance

Total annualised returns (%) to 28 Feb 2025		1 year	3 years	5 years	10 years	inception
HTT Fund	Income	4.80%	5.00%	5.90%	4.70%	7.60%
Eur CPI Index (as at 28 Feb 2025)		*2.30%*	*4.40%*	*4.00%*	*2.60%*	2.10%

The Fund's investment manager, MWL, has provided the following commentary regarding performance.

The Fund has grown the combined real value of investors' capital and income by more than Eurozone CPI over 1, 3, 5 and 10 years and since inception.

Over the last five years, most of the equity market returns have been generated by a narrow band of large technology companies in the USA. This disproportionate focus on a limited number of stocks has meant some of the companies held in the Fund have not yet seen their profit growth reflected in their share prices.

However, investment selection has focused on a broad range of businesses that are well positioned to take advantage of important trends. The strength of the major currencies against the euro also boosted the values of overseas assets.

In the short term, the pace of economic growth may be affected by global trade tensions and possible disruption to supply chains. The immediate environment for equities may be difficult. Nevertheless, there are interesting themes in areas such as healthcare and electrification that offer attractive investment opportunities over longer-term horizons. At the same time, the bond allocations are designed to provide some protection in testing economic conditions.

MWP appreciates the difficult environment that the Fund is operating in but notes that the fund has outperformed its objective over all time periods and has therefore assessed the performance of this fund as green.

Directors of McInroy & Wood Portfolios Ltd

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Important information:

The value of an investment, and any income from it, may go down as well as up and you may get less than you originally invested. Past performance is not a guide to future performance. You should always seek appropriate advice from your financial adviser before committing Funds for investment. Further information is available in the Key Investor Information Document (KIID), the risk section of the Fund's prospectus and the Fund Fact sheet. Please read the KIID before making any investment decision.

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