



McInroy & Wood
PERSONAL INVESTMENT MANAGERS

Form ADV Part 2A Firm Brochure

As of 30th September 2021

This brochure provides information about the qualifications and business practices of McInroy & Wood Limited. If you have any questions about the contents of this brochure, please contact us at +44 (0) 1620 825867 or by sending an email to enquiry@mcinroy-wood.co.uk.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about McInroy & Wood Limited is available on the SEC's website at www.adviserinfo.sec.gov.

McInroy & Wood Limited is registered with the SEC as an investment adviser. Registration does not imply a certain level of skill or training.

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Item 4 – Advisory business

A. The firm

McInroy & Wood Limited (MWL or the firm) is an independent investment manager providing discretionary management to, primarily, private clients with an emphasis on personal service. The firm is owned by employees, with a controlling interest held by the founding family. This ownership structure provides institutional stability and ensures a consistency of personnel, approach and culture. Broad employee ownership also encourages a collegiate and collaborative approach to managing and administering client portfolios. MWL believes that its ownership structure, culture and strategy provide a very stable framework that allows it to service and develop client relationships over the long-term. Clients can be confident that responsibility for management of their investments is assumed by the firm, without over-reliance on any one individual, and that there is clear alignment of interests in achieving their desired objectives.

MWL has relied on its reputation and referrals from satisfied clients and professionals for growth over the 35 years since its foundation in 1986. The firm is committed to continuing with this sustainable organic growth approach. As of 30th September 2021, total assets under management amounted to US\$2.915 billion. McInroy & Wood Portfolios Ltd (MWP) is a wholly owned subsidiary of MWL and was originally established to provide 4 pooled funds (MWP funds) to MWL's discretionary clients. MWL is the Investment Advisor to the MWP funds.

All client portfolios are managed with sustainable and responsible objectives over realistic time horizons. MWL's approach combines active asset allocation and stock selection with the aim of preserving and growing clients' capital and income in real terms over time.

MWL is headquartered in Haddington, Scotland, United Kingdom, with offices in London and Harrogate, England, United Kingdom.

B. Advisory services

MWL provides a discretionary investment management service for, primarily, private clients and charities. This includes taking responsibility for the management of a client's investments, as well as taking care of all administrative matters, including oversight of custody.

MWL's discretionary management service is provided through one of two parallel formats: either on a segregated basis via a portfolio of individual securities; or on a "pooled" basis via a holding in one or more of the MWP funds. Where the MWP funds are used, the client benefits from the same investment approach and thinking that is applied to the management of segregated portfolios.

The firm does not:

- provide advice in respect of financial planning including, for example, pensions and insurance; or
- manage assets on a non-discretionary basis.

C. Tailoring services to client needs

For most portfolios, preservation of the real value of clients' capital and its purchasing power over time is a common primary objective. For such portfolios, the aim is to achieve the best total return consistent with the avoidance of undue risk, balancing clients' capital and income requirements. The approach to managing portfolios is always guided by a sound strategic framework agreed at the outset with the client depending on their needs and attitude to risk. It seeks to ensure that objectives are realistic, particularly the time horizon over which they can be achieved. For these clients MWL constructs portfolios based on an asset allocation model which typically, but not necessarily, includes an allocation to equities, bonds, gold and cash. For clients with a higher risk appetite, portfolios may be constructed which are fully invested in equities, or with a reduced allocation to bonds and gold.

See Item 8 below for a detailed explanation of MWL's investment approach.

D. **Wrap fee programs:** MWL does not participate in any Wrap fee programs.

E. **Assets under management:** As of 30th September 2021, MWL had a total of US\$2.915 billion of assets under management.

Item 5 – Fees & compensation

A. Fees for asset management

The management fees outlined in the below table are the only income the firm receives. These are calculated on an ad valorem basis as a percentage of the portfolio's value. The firm does not levy any other costs such as transaction, front-end, exit, or performance fees.

	Segregated format % pa	Pooled format % pa
Discretionary management fee	1.00	0.20
Fee charged within pooled funds		1.00
VAT (where applicable)	0.20	0.04
Total (inc applicable VAT)	1.20	1.24

For portfolios in excess of £2 million (equivalent to US\$2.7 million at 30/9/21), a concessionary rate is applied.

B. Billing

The discretionary management fee shown above is levied quarterly in arrears, based on the aggregate value of the client's portfolio at the quarter end. It is deducted from the client's portfolio. Fund management fees in respect of MWP funds are accrued daily, charged monthly and deducted from the fund's capital.

C. Other fees & expenses

1. Other fees charged by MWL: MWL's fees are inclusive, and cover all administration, compliance and bank charges. MWL does not charge any other fees.
2. Custody: Where MWL arranges custody on behalf of the client, MWL's fee includes the custody costs. Where the client appoints its own custodian, the custodian charges the client direct.
3. Brokerage and other costs: Brokers charge commission on transactions. Brokers' commission charges are passed on to clients at cost without any additions. MWL receives no income from dealing on behalf of clients. On average, portfolio turnover is c.20% per annum, at an average commission rate of 0.05%, resulting in a cost of c. 0.01% per annum.

Item 6 – Performance based fees & side-by-side management: MWL does not apply any performance-based fees.

Item 7 – Types of clients: MWL's clients predominantly include individuals, families, trusts and charities. Although MWL does not generally manage money on behalf of institutions, it is able to do so.

Item 8 – Methods of analysis, investment strategy and risk of loss

A. Methods of analysis and investment strategies

Setting investment policy and determining asset allocations are the responsibility of the firm's Investment Committee which meets formally on a quarterly basis. All members of the Investment Team are members of this Committee. Similarly, all members of the Investment Team are involved in stock selection, research and monitoring. This collegiate approach is central to MWL's investment philosophy and indeed the firm's approach to all aspects of the service it provides to clients. Clients benefit from the firm's consistent approach to management of their portfolios rather than being exposed to the decisions of individuals.

The firm's approach to investment policy is objective and professional. As a matter of principle, MWL does not manage client portfolios to a specific index benchmark. While happy for portfolio performance to be compared to any appropriate index, MWL does not let adherence to indices drive asset allocation and investment selection. Investment policy is based on an independent assessment of macro-economic risks and outlook rather than simply the constituents of a specific index.

For the majority of portfolios, preservation of the real value of clients' capital and its purchasing power over time is a common primary objective. For such portfolios, the aim is to achieve the best total return consistent with the avoidance of undue risk, balancing clients' capital and income requirements. This approach to managing portfolios is always guided by a sound strategic framework agreed at the outset with the client and seeks to ensure that objectives are realistic, particularly the time horizon over which they can be achieved. Clients are aware that investing in securities involves risk of loss. MWL discusses the ability to absorb loss and attitude to risk with clients when agreeing their investment objectives. In contrast to many managers, MWL invests directly in bonds and equities and does not invest in third-party funds. This allows MWL to control each investment it makes and ensures it remains accountable for its investment decisions. Direct investment enables control of portfolio allocations and stock selection and in turn precise alignment with investment objectives and any relevant restrictions. Direct investment avoids the duplication of management fees that occurs where third-party funds are held.

MWL invests directly in quality companies across developed and emerging markets with a long-term investment horizon. This direct investment approach enables MWL to structure and manage client portfolios precisely within relevant tax parameters and restrictions such as those relating to Environmental, Social and Governance (ESG) factors. As a long-term direct investor, MWL is very familiar with the businesses in which it invests. MWL has always avoided investments in companies active in certain sectors such as tobacco, arms, adult entertainment and gambling.

All client portfolios are managed with a long-term horizon. The firm seeks to identify quality companies which can be held for the long-term. Sustainable and transparent earnings growth, strong and established business models, sound balance sheets, and a growing stream of dividends are all attributes of companies in which MWL seeks to invest. Experience suggests that better investment results can be obtained via a long-term investment approach with a focus on quality rather than slavishly following current market trends in pursuit of short-term speculative gains, with their associated risks. Long-term investment results in lower portfolio turnover and thus reduced transaction costs.

MWL adopts a straightforward approach to managing overall portfolio risk, which it feels is best achieved via carefully constructed and diversified portfolios consisting of a spread of assets (for balanced portfolios) and/or exposure to a range of economies, currencies and individual securities. Where they are held in mixed-asset portfolios, the firm spreads bond investments across a range of instruments and maturities, albeit the maturity profile will also depend upon the firm's prevailing macroeconomic views. As the purpose of the allocation to bonds in such portfolios is to provide stable income and an element of capital protection, MWL only invests in the most liquid and highest credit quality sovereign issues.

B. Material risks of significant strategies and methods of analysis

All stocks held in client portfolios are selected from a Preferred Stock list. This is reviewed regularly, with the status and performance of every stock considered at formal, monthly Investment Team meetings.

MWL relies on third-party research as a valuable source of quantitative financial data on individual stocks, industries and geographies. However, it undertakes its own analysis on portfolio companies. MWL meets the cost of any third-party research it uses from its own resources.

In addition to using its own internal knowledge, the Investment Team draws on a global network of brokers, industry and other contacts to generate new investment ideas. These ideas are fully researched by members of the Investment Team, discussions are held with management of the company, and a written investment proposal is prepared for review. Once added to the Preferred List, stocks are added to relevant client portfolios and MWP funds.

Where concerns or issues are identified with Preferred List stocks, these are researched further by a member of the Investment Team. If a decision is made to remove a stock from the Preferred List, the stock is sold systematically across all client portfolios and MWP funds, subject to liquidity constraints and, when relevant, tax considerations.

C. Risks of particular types of securities recommended

MWL's investment philosophy is directed primarily at preserving the real value of clients' capital. Accordingly, risk is considered as the diminution in value or permanent loss of that capital.

In the context of a three to five-year investment horizon and the objective of preserving the real value of capital, no asset type is considered to be risk-free in real terms, or always to carry lower or higher risk than any others. Because of this, the firm regards a carefully constructed portfolio consisting of a spread of assets as being the only way to limit overall risk. The firm does not normally invest more than 2-3% at cost in any one equity and, where held in balanced portfolios, spreads client bond investments across a range of high-quality instruments and maturities.

Item 9 – Disciplinary information

Currently there are no disciplinary, legal or regulatory proceedings or investigations with either clients or supervisory authorities ongoing or outstanding.

On 15 November 2011, the Financial Services Authority (now the Financial Conduct Authority (FCA)) imposed a financial penalty of £15,050 (\$20,320) on MWL for breaching Principle 10 (Clients' Assets) of the FCA's Principles for Businesses and associated FCA Rules set out in the Client Assets sourcebook (the CASS Rules) between 31 May 2006 and 17 August 2010. MWL failed to comply with the requirement to provide appropriate notification and obtain acknowledgement of the trust status over money deposited with one of its banks in respect of 22 offshore client money accounts, with the consequence that client money was not adequately protected in accordance with the CASS Rules in the event of MWL's insolvency. However, all client money was held in individually named accounts and there was no risk of corporate monies being commingled with client money.

Item 10 – Other financial industry activities and affiliations

A. Registration as a broker dealer

Neither MWL nor any of its senior management is registered as a broker-dealer or registered representative of a broker-dealer in the United States or elsewhere, nor does any of such persons have an application pending for such registration.

B. Futures & commodities registration

Neither MWL nor any of its management persons is registered or has applied to be resisted as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of any of those entities.

C. Arrangements with related persons

As mentioned under Item 4A above, MWP manages 4 pooled vehicles into which MWL's clients are invested, MWP has delegated the investment management of these funds to MWL. To manage any potential conflicts of interest MWL has a Fair Allocation Policy that ensures that all stocks purchased on behalf of clients, irrespective of size, are allocated fairly and that no client receives preferential treatment.

D. Recommendation of investment advisers: MWL does not recommend or select other investment advisers for clients.

Item 11 – Code of Ethics, participation or interest in client transactions & personal trading

A. Code of Ethics

MWL has a fiduciary duty to all clients to identify and manage actual or potential conflicts. It maintains and operates effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest adversely affecting the interests of its clients, in accordance with its Conflicts of Interest Governance Framework. This framework refers to several policies, including the Code of Ethics, that address different types of conflicts. The Code of Ethics outlines the controls in place to manage conflicts arising from:

- personal account dealing
- the receipt and giving of gifts and entertainment
- other directorships and external interests.

The firm fosters an ethical culture and strives to consciously avoid situations where it benefits by being disloyal to others. MWL strives to minimise conflicts of interests arising by aligning its interests with those of its clients. All staff must take responsibility to not knowingly create a conflict of interest. Third party administrators also fall within the scope of this framework, although the firm does not take responsibility for conflicts that may result from their actions or inactions.

A copy of the Code of Ethics is available on request.

B. Conflicts in holdings of securities

MWL does not, as principal, buy securities from or sell securities to clients. Employees may hold external directorships, advisory board memberships, trusteeships or other such oversight roles for public or private companies or charities. To manage this conflict, all staff must obtain the consent of MWL's Chief Executive prior to engaging in any additional occupation and notify Risk & Compliance department of any additional occupation. All Directors are required to disclose any other directorships held within the last five years.

C. Conflicts in investments in securities

Employees may undertake personal dealing and may deal in securities or funds that they manage as part of their portfolio management duties. To manage this conflict, all staff must comply with the Code of Ethics. Among other things, all employees must:

- on joining the firm, disclose any holdings of listed securities (investment staff must also disclose holdings in MWP funds)
- obtain pre-approval for transactions and submit a copy of the contract note to the Human Resources team
- annually attest that they have adhered to the Code of Ethics and that their personal holdings are up to date.

Item 12 – Brokerage practices

A. Recommending broker-dealers

1. Selection of Brokers: Broker selection for trading is determined entirely by the requirement to achieve the best possible result for our clients. When choosing brokers, MWL reviews their Terms and Conditions and Order Execution Policy to ensure that they have the best execution arrangements in place to enable it to comply with this Policy. MWL also checks that the broker will treat it as a ‘professional’ client. As such they have a duty to take all reasonable steps to obtain best execution for MWL, taking into account all relevant factors including, for example, price, costs (implicit and explicit), size and speed. The relative importance of each of these factors will vary depending upon certain criteria, such as the type of financial instrument being traded and the characteristics of the execution venues to which that instrument can be directed.
2. Research: Following the introduction of the MiFID II regulations in January 2018, MWL is prohibited from using dealing commission to pay for third party research or other products or services. MWL receives an execution only service from all brokers and meets the cost of any third-party research it uses from its own resources.
3. Brokerage for Client Referrals: In selecting a broker-dealer for client transactions, MWL does not take into consideration any client referrals from that broker-dealer to MWL or its related persons.
4. Directed Brokerage: Clients do not have the ability to direct that transactions be done through a specific broker-dealer designated by the client.

B. Aggregation and allocation of orders

1. Aggregating orders: MWL makes investment decisions for clients on a discretionary basis, taking account of various factors including investment objectives, investment restrictions, tax restrictions, current holdings, target holdings and availability of cash for investment. Transactions in individual stocks are typically made for all clients with similar mandates at the same time. This aggregation of individual transactions may operate to the advantage or disadvantage of the clients involved in the order. A stock may be bought or sold for only one client or in different amounts at different times for multiple clients. Furthermore, a stock may be bought for one client when another is selling.
2. Allocation of Trades: The allocation of executed trades is designed to ensure fair treatment. When orders are completed in full, trades are allocated to participating clients without delay. When orders are only partially complete at the close of a trading day, the portion of the order which has been executed is pro-rated among participating clients. Most trades are either completed in full or pro-rated. However, a small number of partially completed orders are not pro-rated because there is a significant reason not to do so. A significant reason may include where a small volume of the stock is traded during the day such that the costs of settlement outweigh the benefit if the trade is allocated to all clients.

Any allocations not made on a pro-rata basis are monitored by the Risk & Compliance department.

Item 13 – Review of accounts

A. Frequency of review

Client portfolios are reviewed on a quarterly basis and changes, if necessary, are made in accordance with the investment mandate. On an annual basis, in discussion with the client, the investment manager reviews the suitability of the portfolio (Annual Suitability Review).

B. Factors triggering a review

If through the Annual Suitability Review changes in the client’s circumstances, requirements, or objectives are identified which may require adjustments to the portfolio, these would be implemented immediately.

Where restrictions apply e.g. in respect of a specific company or sector, or there are tax constraints which limit the ability to realise gains, any proposed changes are reviewed on a transaction-by-transaction basis and the client is consulted if applicable.

A change in MWL's investment policy, requiring a change in asset allocations, may also prompt portfolio reviews. This may coincide with quarterly reviews or take place outside the normal review cycle.

C. Reporting to clients

Clients receive a valuation report quarterly. This includes market commentary covering the relevant quarter; a portfolio summary outlining asset, geographic and currency allocations; details of all portfolio holdings, including a look-through to the MWP funds if held; cash statements; and performance analysis relative to any agreed benchmark.

Valuations can be accessed at any time by clients and their advisers on-line via a client portal on the firm's website. Ad hoc valuations and other bespoke reports can be provided on reasonable request.

Item 14 – Client referrals and other compensation

MWL does not pay third parties any fees or other form of compensation for referring clients to MWL irrespective of whether they are a client or not. Where other advisors, such as accountants and lawyers, are providing services to a client, fees for such services are the responsibility of the client.

Item 15 – Custody

MWL does not hold client assets or money. In most cases, with appropriate authority from its clients, MWL arranges (as agent) for Pershing Securities Limited and/or Pershing (Channel Islands) Ltd, Jersey to act as custodian depending on whether the client wants a UK onshore or offshore portfolio. MWL has been introducing and arranging custody with Pershing since January 2016. All Pershing custody costs are included in MWL's discretionary management fee.

Where clients already have a custodian, MWL works with their custodian to ensure the same high level of service is provided across all clients.

Item 16 – Investment discretion

MWL has discretion in the selection of investments and management of client portfolios under the terms of the Discretionary Management Agreement (DMA) with each client. MWL may accept restrictions which are set out in the DMA and reviewed annually as part of the Annual Suitability Review described under Item 13 above.

Item 17 – Voting client securities

Careful stewardship is integral to the ethical code which governs MWL's dealings with clients and investee companies. MWL has a Stewardship Engagement Policy that sets out its approach to stewardship when engaging with investee companies. The Policy is published on the firm's website.

MWL, as discretionary manager, is entitled, at its discretion to exercise its voting and other rights and privileges attaching to the investments held in client portfolios. MWL aims to vote in a manner that it believes is aligned with the protection and creation of shareholder value, which may not always support the Board of investee companies. In some cases, clients will express their wishes in terms of how MWL might vote on their behalf but acknowledge that this may not always be possible.

The shareholdings managed on behalf of clients are usually de minimis in terms of a company's overall share capital. All votes are reviewed on a case-by-case basis. MWL endeavours to vote on areas ultimately benefitting its clients, such as the remuneration of Directors.

Item 18 – Financial information

- A. Financial statements:** MWL does not require, solicit or accept payment of any fees in advance.
- B. Financial condition:** MWL is not aware of any financial condition that would be likely to impair its ability to meet its contractual commitments to clients.
- C. Bankruptcy:** MWL has never been the subject of a bankruptcy petition.