The Barro II Trust

Annual Report

for the year ended 31 May 2024

Contents

The Barro II Trust

Report of the Manager

Evelyn Partners Fund Solutions Limited ('EPFL'), as Manager, presents herewith the Annual Report for The Barro II Trust for the year ended 31 May 2024.

The Barro II Trust ('the Trust' or 'the Fund') is an authorised unit trust scheme further to an authorisation order dated 14 September 2015 and is a non-UCITS retail scheme ('NURS') complying with the investment and borrowing powers rules in the Collective Investment Schemes sourcebook ('COLL') and the Investment Funds sourcebook ('FUND'), as published by the Financial Conduct Authority ('FCA'). As the Fund is a NURS, the Manager also acts as Alternative Investment Fund Manager ('AIFM') in order to comply with the Alternative Investment Fund Manager's Directive ('AIFMD').

The Manager is of the opinion that it is appropriate to continue to adopt the going concern basis in the preparation of the accounts as the assets of the Fund consist predominantly of securities which are readily realisable and, accordingly, the Fund has adequate financial resources to continue in operational existence for the foreseeable future. Further, appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the preparation of these accounts and applicable accounting standards have been followed.

The Financial Stability Board ('FSB') created the Task Force on Climate-related Financial Disclosures ('TCFD') to improve and increase reporting of climate-related financial information. EPFL have produced TCFD reports in compliance with the FCA's rules on climate-related financial disclosures. The TCFD Product report is designed to help you understand the impact the Trust has on the climate and equally how climate change could influence the performance of the Trust. The report will also give you the ability to compare a range of climate metrics with other funds. To understand the governance, strategy, and risk management that EPFL has in place to manage the risks and opportunities related to climate change, please refer to the TCFD Entity report. These reports are available on our website https://www.evelyn.com/services/fund-solutions/tcfd-reporting/.

The Trust Deed can be inspected at the offices of the Manager.

Copies of the Prospectus and Key Investor Information Document ('KIID') are available on request free of charge from the Manager.

Investment objective and policy

The Trust aims to achieve a positive return over the course of an investment cycle (7 years) and is targeting a long-term return of CPI (Consumer Prices Index) + 3%. There is no guarantee that a positive return will be achieved over that, or any, time period.

The Trust may utilise a range of asset classes in order to achieve its objective with no geographical restriction. These may include transferable securities, cash deposits, fixed income securities, warrants, money market instruments, collective investment schemes (regulated and unregulated), real estate investment trusts and gold.

It is the Manager's intention that derivatives and forward transactions will only be used for Efficient Portfolio Management. The Trust may use derivatives and forward transactions for investment purposes on the giving of 60 days' notice to unitholders. The use of derivatives for investment purposes may alter the risk profile of the Trust.

The investment policy of the Trust may mean that at times, where it is considered appropriate, the property of the Trust will not be fully invested and that prudent levels of liquidity will be maintained.

The Trust does not have any investment in any immovable property or tangible movable property.

Changes affecting the Fund in the year

There were no fundamental or significant changes to the Fund in the year.

Report of the Manager (continued)

Further information in relation to the Fund is illustrated on page 45.

In accordance with the requirements of the Financial Conduct Authority's Collective Investment Schemes sourcebook and the Investment Funds sourcebook, we hereby certify the Annual Report on behalf of the Manager, Evelyn Partners Fund Solutions Limited.

Neil Coxhead Brian McLean
Directors
Evelyn Partners Fund Solutions Limited
24 September 2024

Statement of the Manager's responsibilities

The Collective Investment Schemes sourcebook ('COLL') and the Investment Funds sourcebook ('FUND') published by the FCA, require the Manager to prepare financial statements for each annual accounting period which give a true and fair view of the financial position of the Trust and of the net revenue and net capital gains on the scheme property of the Trust for the year.

In preparing the financial statements the Manager is responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- following UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- complying with the disclosure requirements of the Statement of Recommended Practice for the Financial Statements of UK Authorised Funds ('the SORP') issued by The Investment Association in May 2014 and amended in June 2017;
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern;
- using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so;
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- taking reasonable steps for the prevention and detection of fraud and irregularities; and
- the maintenance and integrity of the Trust's information on the Manager's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

COLL also requires the Manager to carry out an Assessment of Value on the Trust and publish this assessment within the Annual Report.

The Manager is responsible for the management of the Trust in accordance with the Trust Deed, the Prospectus, COLL and FUND.

Assessment of Value - The Barro II Trust

In line with the provisions contained within COLL 6.6.20R, the Board of Evelyn Partners Fund Solutions Limited ('EPFL') as Authorised Fund Manager ('AFM'), has carried out an Assessment of Value for The Barro II Trust ('the Trust'). Furthermore, the rules require that EPFL publishes these assessments.

A high-level summary of the outcome of EPFL's rigorous review of the Trust, for the year ended, 31 May 2024 using the seven criteria set by the FCA is set out below:

1. Quality of Service	
2. Performance	
3. AFM Costs	
4. Economies of Scale	
5. Comparable Market Rates	
6. Comparable Services	
7. Classes of Units	
Overall Rating	

EPFL has adopted a traffic light system to show how it rated the Trust:

On balance, the Board believes the Trust has delivered value to unitholders, with no material issues noted.

On balance, the Board believes the Trust has delivered value to unitholders, but may require some action.

On balance, the Board believes the Trust has not delivered value to unitholders and significant remedial action is now planned by the Board.

How EPFL assessed each of the seven criteria and the rating arrived at are discussed in greater detail on the following pages.

EPFL has created an Assessment of Value Committee ('AVC'), for the review, challenge and approval of all funds' Assessments of Value. Ultimately the assessments will be subject to scrutiny by the Board (which includes independent directors) to ensure the outcomes of the assessments are clear and fair, before final sign-off by the chair of the Board prior to communicating to investors if the Trust has delivered value, and if not, where improvements need to be made.

In carrying out the assessment, the EPFL AVC has separately considered the following seven criteria stipulated by the FCA. The Committee may also have considered other issues where it was deemed appropriate.

EPFL believes the Assessment of Value can make it easier for investors to both evaluate whether the Trust is providing them with value for money and make more informed decisions when choosing investments.

The seven criteria are:

(1) Quality of service – the quality of every aspect of the service provided, including, for example, accounting, administration, customer services and communications;

(2) Performance – how the Trust performed, including whether it met targets and objectives, kept to relevant policy, followed relevant principles, kept to reasonable timescales;

(3) AFM costs – the fairness and value of the Trust's costs, including entry and exit fees, early redemption fees, administration charges;

(4) Economies of scale – how costs have been or can be reduced as a result of increased assets-under-management ('AUM'), and whether or not those savings have been passed on to investors;

(5) Comparable market rates – how the costs of the Trust compare with others in the marketplace;

(6) Comparable services – how the charges applied to the Trust compare with those of other funds administered by EPFL;

(7) Classes of units – the appropriateness of the classes of units in the Trust for investors.

Assessment of Value - The Barro II Trust (continued)

1. Quality of Service

What was assessed in this section?

Internal Factors

EPFL, as AFM, has overall responsibility for the Trust. The Board assessed, amongst other things: the day-to-day administration of the Trust; the maintenance of scheme documentation (such as prospectuses and key investor information documents ('KIIDs')); the pricing and valuation of units; the calculation of income and distribution payments; the maintenance of accounting and other records; the preparation of annual audited and half-yearly Report & Accounts; the review of tax provisions and submission of tax computations to HMRC; the dealing and settlement arrangements and the quality of marketing material sent to unitholders. EPFL delegates the Investment Management of the Trust to an Investment Management firm.

The Board reviewed information provided by EPFL's control functions on the adequacy of its internal services, including governance, operations and monitoring. Elements important to the investor experience such as the timely payment of settlement and distribution monies were also reviewed. Over the past year, EPFL has been audited by internal and external auditors, the Trustee and various EPFL delegated Investment Managers.

External Factors

The Board assessed the delegate's skills, processes and experience. Also considered were any results from service review meetings as well as the annual due diligence performed by EPFL on the delegated Investment Manager, Rothschild & Co Wealth Management UK Limited ('Rothschild') where consideration was given to, amongst other things, the delegate's controls around the Trust's liquidity management.

The Board also considered the nature, extent and quality of administrative and unitholder services performed under separate agreements covering trustee services, custody, as well as services provided with regard to both audit and legal functions.

What was the outcome of the assessment?

Internal Factors

The Board recognised that all distribution and settlement monies were paid in a timely manner and that there were no significant findings as a result of the various audits performed on EPFL during the year. In addition, EPFL has performed its own independent analysis, using automated systems, of the Trust's liquidity. The Board concluded that EPFL had carried out its duties diligently.

External Factors

The Board concluded that the nature, extent and quality of the services provided by the external parties have benefitted and should continue to benefit the Trust and its unitholders.

Were there any follow up actions?

There were no follow-up actions.

2. Performance

What was assessed in this section?

The Board reviewed the performance of the Trust, after the deduction of all payments out of the scheme property as set out in the Prospectus. Performance, against the benchmark, was considered over appropriate timescales having regard to the Trusts investment objective, policy and strategy. The Board also considered whether an appropriate level of market risk has been taken.

Investment Objective

The Trust aims to achieve a positive return over the course of an investment cycle (7 years) and is targeting a long-term return of CPI (Consumer Prices Index) + 3%. There is no guarantee that a positive return will be achieved over that, or any, time period.

Assessment of Value - The Barro II Trust (continued)

2. Performance (continued)

Benchmark

As AFM, EPFL is required to explain in a fund's scheme documentation why a benchmark is being used or alternatively explain how investors should assess performance of a fund in the absence of a benchmark.

The benchmark for the Trust is CPI (Consumer Prices Index) + 3%, which is a target. A 'target' benchmark is an index or similar factor that is part of a target a fund manager has set for a fund's performance to match or exceed, which includes anything used for performance fee calculation. Details of how the Trust had performed against its target benchmark over various timescales can be found below.

Cumulative Performance as at 30.04.2024 (%)

	Currency	1 Year	3 Year	5 Year	7 Year
The Barro II Trust - TR in GB	GBX	8.56	4.65	31.71	44.78
UK Consumer Price Index +3% p.a. TR in GB	GBP	4.81	31.67	42.93	58.59

Data provided by FE Fundinfo. Care has been taken to ensure that the information is correct but FE Fundinfo neither warrants, represents nor guarantees the contents of the information, nor does FE Fundinfo accept any responsibility for errors, inaccuracies, omissions or any inconsistencies herein.

Performance is calculated net of fees. Past performance is not a guide to future performance.

What was the outcome of the assessment?

The Board assessed the performance of the Trust over its minimum recommended holding period of seven years and observed that that it had underperformed its target benchmark, the UK CPI (Consumer Price Index) +3%, over that time period. Accordingly, this section attracted an Amber rating.

Consideration was given to the risk metrics associated with the Trust which focused on, amongst other things, volatility and risk adjusted returns where EPFL were comfortable that the outcomes were in line with Trust's performance.

The Board found that the Trust is investing in the asset classes permitted by the investment policy and that there have been no breaches of the policy in the last 12 months.

Were there any follow up actions?

EPFL will continue to monitor performance through its normal oversight process, at least bi-annually. It was noted by the board that the Trust had outperformed the benchmark in five out of the last seven calendar years, and that the performance of the Trust in 2022 was the main contributing factor to the amber rating.

3. AFM Costs

What was assessed in this section?

The Board reviewed each separate charge to ensure that they were reasonable and reflected the services provided. This included the annual management charge ('AMC'), Trustee/Custodian fees and audit fee. The AMC includes the Manager's periodic charge and the Investment Manager's fee.

The charges should be transparent and understandable to the investor, with no hidden costs.

What was the outcome of the assessment?

The Board received and considered information about each of the Trust's costs, and concluded that they were fair, reasonable and were provided on a competitive basis.

Were there any follow up actions?

There were no follow-up actions required.

4. Economies of Scale

What was assessed in this section?

The Board reviewed each separate fee structure and the AUM of the Trust to examine the effect on the Trust to potential and existing investors should it increase or decrease in value.

4. Economies of Scale (continued)

What was the outcome of the assessment?

The AFM fee is tiered and currently on the lowest tier with savings being passed onto the Trust.

The Investment Manager's fee is a fixed percentage charge meaning there are no opportunities for savings going forward should the Trust grow in size.

The ancillary charges[1] of the Trust represent 7 basis points[2]. Some of these costs are fixed and as the Trust grows in size, may result in a small reduction in the basis point cost of these services.

Were there any follow up actions?

There were no follow-up actions required.

5. Comparable Market Rates

What was assessed in this section?

The Board reviewed the ongoing charges figure ('OCF') of the Trust, and how those charges affect the returns of the Trust.

The OCF of the Trust was compared against the 'market rate' of similar external funds.

What was the outcome of the assessment?

The OCF of 1.38%[3] was more expensive than those of similar externally managed funds.

Note that there is no performance fee and EPFL has not charged an entry fee, exit fee or any other event-based fees on this Trust.

Were there any follow up actions?

There was no further action required as the Board were of the opinion that no element within the OCF gave any cause for concern, given the additional services provided by Rothschild to the investors.

6. Comparable Services

What was assessed in this section?

The Board compared the Investment Management fee with those of other funds administered by EPFL having regard to size, investment objectives and policies.

What was the outcome of the assessment?

The Investment Management fee was more expensive than other EPFL administered funds displaying similar characteristics.

Were there any follow up actions?

There was no further action required as the Board acknowledged that the Investment Management fee included additional services to the investors.

7. Classes of Units

What was assessed in this section?

The Board reviewed the Trust's set-up to ensure that where there are multiple unit classes, unitholders are in the correct unit class given the size of their holding.

What was the outcome of the assessment?

There is only one unit class in the Trust, therefore this part of the assessment does not apply.

Were there any follow up actions?

There were no follow-up actions required.

[1] Ancillary charge is any charge paid directly out of the Trust in addition to the AMC, e.g. Auditor, Custody or Trustee fees.

[2] One basis point is equal to 1/100th of 1% or 0.01%.

[3] At the interim reporting period 30 November 2023.

Overall Assessment of Value

Notwithstanding the matters referenced in Sections 2, 5 and 6, the Board concluded that The Barro II Trust had provided value to investors but merits further monitoring.

Dean Buckley
Chairman of the Board of Evelyn Partners Fund Solutions Limited
31 July 2024

On reviewing this Assessment of Value report, we would welcome invaluable feedback from investors via our short questionnaire which can be found online:
https://www.evelyn.com/services/fund-solutions/assessment-of-value/

Investors views are invaluable to the development and delivery of this report.

Should you be unable to access the questionnaire online please contact us directly on 0141 222 1151 and we will provide you with a paper copy of the questionnaire.

Report of the Trustee to the unitholders of The Barro II Trust

Trustee's responsibilities

The Trustee must ensure that the Fund is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes sourcebook, the Investment Funds sourcebook, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Fund's 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 Fund and its investors.

The Trustee is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Fund in accordance with the Regulations.

The Trustee must ensure that:

- the Fund's cash flows are properly monitored and that cash of the Fund is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the value of units of the Fund are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Fund's assets is remitted to the Fund within the usual time limits;
- the Fund's revenue is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ('AIFM') are carried out (unless they conflict with the Regulations).

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

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

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's revenue in accordance with the Regulations and the Scheme documents of the Fund; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Fund.

NatWest Trustee and Depositary Services Limited
24 September 2024

Independent Auditor's report to the unitholders of The Barro II Trust

Opinion

We have audited the financial statements of The Barro II Trust (the 'Trust') for the year ended 31 May 2024, which comprise the Statement of total return, Statement of change in net assets attributable to unitholders, Balance sheet, the related Notes to the financial statements, including significant accounting policies and the Distribution table. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the financial position of the Trust as at 31 May 2024 and of the net revenue and the net capital gains on the scheme property of the Trust for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the Investment Association Statement of Recommended Practice for Authorised Funds, the rules of the Collective Investment Schemes sourcebook (COLL Rules) of the Financial Conduct Authority and the Trust Deed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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

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 Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other Information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The Manager is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on Other Matters Prescribed by the COLL Rules

In our opinion, based on the work undertaken in the course of the audit:

- Proper accounting records for the Trust have been kept and the accounts are in agreement with those records;
- We have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit; and
- The information given in the Report of the Manager for the year is consistent with the financial statements.

Independent Auditor's report to the unitholders of The Barro II Trust (continued)

Responsibilities of the Manager

As explained more fully in the Statement of the Manager's responsibilities set out on page 4, the Manager is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to wind up the Trust or to cease operations, or has no realistic alternative but to do so.

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

We assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations by considering their experience, past performance and support available.

All engagement team members were briefed on relevant identified laws and regulations and potential fraud risks at the planning stage of the audit. Engagement team members were reminded to remain alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and the sector in which it operates, focusing on those provisions that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified include:

- UK Generally Accepted Accounting Practice including Financial Reporting Standard 102 and the IA Statement of Recommended Practice for Authorised Funds;
- The Financial Conduct Authority's COLL Rules;
- The Financial Conduct Authority's Investment Funds sourcebook; and
- The Trust's Prospectus.

We gained an understanding of how the Trust is complying with these laws and regulations by making enquiries of the Manager. We corroborated these enquiries through our review of submitted returns, external inspections, relevant correspondence with regulatory bodies and the Trust's breaches register.

We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur, by meeting with management to understand where it was considered there was susceptibility to fraud. This evaluation also considered how the Manager was remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how the Manager oversees the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk. We identified a heightened fraud risk in relation to:

- Management override of controls; and
- The completeness and classification of special dividends between revenue and capital.

Independent Auditor's report to the unitholders of The Barro II Trust (continued)

Auditor Responsibilities for the Audit of the Financial Statements (continued)

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, the following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing the level of and reasoning behind the Trust's procurement of legal and professional services;
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business, review of a pre sign-off Net Asset Valuation (NAV) statement for any unexpected activity and reviewing judgements made by the Manager in its calculation of accounting estimates for potential management bias;
- Using a third-party independent data source to assess the completeness of the special dividend population and determining whether special dividends recognised were revenue or capital in nature with reference to the underlying circumstances of the investee companies' dividend payments;
- Assessing the Trust's compliance with the key requirements of the Collective Investment Schemes Sourcebook, Investment Funds sourcebook and its Prospectus;
- Completion of appropriate checklists and use of our experience to assess the Trust's compliance with the IA Statement of Recommended Practice for Authorised Funds; and
- Agreement of the financial statement disclosures to supporting documentation.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that 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 intentional concealment, forgery, collusion, omission or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Use of Our Report

This report is made solely to the Trust's unitholders, as a body, in accordance with Rule 4.5.12 of the COLL Rules published by the Financial Conduct Authority under section 247 of the Financial Services and Markets Act 2000. Our audit work has been undertaken so that we might state to the Trust's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP
Chartered Accountants
Statutory Auditor
Bishop's Court
29 Albyn Place
Aberdeen AB10 1YL
24 September 2024

Accounting policies of The Barro II Trust

for the year ended 31 May 2024

a *Basis of accounting*

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments. They have been prepared in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102') and in accordance with the Statement of Recommended Practice for UK Authorised Funds ('the SORP') published by The Investment Association in May 2014 and amended in June 2017, and the requirements of the Collective Investment Schemes sourcebook ('COLL') and the Investment Funds sourcebook ('FUND').

The Manager has considered a detailed assessment of the Fund's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Fund continues to be open for trading and the Manager is satisfied the Fund has adequate financial resources to continue in operation for at least the next 12 months and accordingly it is appropriate to adopt the going concern basis in preparing the financial statements.

b *Valuation of investments*

The purchases and sales of investments are included up to close of business on the last business day of the accounting year.

Purchases and sales of investments are recognised when a legally binding and unconditional right to obtain, or an obligation to deliver an asset arises.

The quoted investments of the Fund have been valued at the global closing bid-market prices excluding any accrued interest in the case of debt securities ruling on the principal markets on which the stocks are quoted on the last business day of the accounting year.

Collective investment schemes are valued at the bid price for dual priced funds and at the single price for single priced funds and are valued at their most recent published price prior to the close of business valuation on 31 May 2024.

Structured products are valued at fair value and calculated by an independent source. Structured product holdings in the portfolio statement are valued using valuation models where the inputs are unobservable. The Manager engages a third party to provide valuations for these investments.

Derivatives are valued at the price which would be required to close out the contract at the balance sheet date.

Where an observable market price is unreliable or does not exist, investments are valued at the Manager's best estimate of the amount that would be received from an immediate transfer at arm's length. The Manager has appointed the fair value pricing committee to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset.

c *Foreign exchange*

The base currency of the Fund is UK sterling which is taken to be the Fund's functional currency.

All transactions in foreign currencies are converted into sterling at the rates of exchange ruling at the dates of such transactions. The resulting exchange differences are disclosed in note 2 of the Notes to the financial statements.

Any foreign currency assets and liabilities at the end of the accounting period are translated at the exchange rate prevailing at the balance sheet date.

d *Revenue*

Revenue is recognised in the Statement of total return on the following basis:

Dividends from quoted equity instruments and non equity shares are recognised as revenue, net of attributable tax credits on the date when the securities are quoted ex-dividend.

Overseas dividends are recognised as revenue gross of any withholding tax and the tax consequences are recognised within the tax expense.

d Revenue (continued)

Distributions from collective investment schemes are recognised as revenue on the date the securities are quoted ex-dividend. Equalisation on distributions from collective investment schemes is deducted from the cost of the investment and does not form part of the Fund's distribution.

Distributions from collective investment schemes which are re-invested on behalf of the Fund are recognised as revenue on the date the securities are quoted ex-dividend and form part of the Fund's distribution.

Excess reportable income from reporting offshore funds is recognised as revenue when the reported distribution rate is available and forms part of the Fund's distribution.

Compensation is treated as either revenue or capital in nature depending on the facts of each particular case.

Special dividends are treated as either revenue or a repayment of capital depending on the facts of each particular case.

Interest on bank deposits and short term deposits is recognised on an accruals basis.

Interest on debt securities is recognised on an accruals basis, taking into account the effective yield on the investment. Accrued interest purchased and sold on interest bearing securities is excluded from the capital cost of these securities and dealt with as part of the revenue of the Fund. The effective yield is a calculation that amortises any discount or premium on the purchase of an investment over its remaining life based on estimated cash flows. The amortised amounts form part of the distributable revenue and are calculated at each month end.

Ordinary stock dividends are recognised wholly as revenue on the basis of the market values of the shares on the date that they are quoted ex-dividend. Where an enhancement is offered the amount by which the market value of the shares on the date they are quoted ex-dividend exceeds the cash dividend is taken to capital. The ordinary element of scrip dividends is treated as revenue and forms part of the Fund's distributions.

e *Expenses*

All expenses, other than those relating to the purchase and sale of investments, are charged to revenue on an accrual basis.

Bank interest paid is charged to revenue.

f *Taxation*

Tax payable on profits is recognised as an expense in the period in which profits arise. The tax effects of tax losses available to carry forward are recognised as an asset when it is probable that future taxable profits will be available, against which these losses can be utilised.

UK corporation tax is provided as amounts to be paid/recovered using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at 31 May 2024 to pay more or less tax, at a future date, at rates expected to apply when they crystallise based on current rates and tax laws. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets and liabilities are not discounted.

Provision for deferred tax assets are only made to the extent the timing differences are expected to be of future benefit.

All foreign dividend revenue is recognised as a gross amount which includes any withholding tax deducted at source. Where foreign tax is withheld in excess of the applicable treaty rate a tax debtor is recognised to the extent that the overpayment is considered recoverable.

g *Efficient Portfolio Management*

Where appropriate, certain permitted instruments such as derivatives or forward currency contracts may be used for Efficient Portfolio Management purposes. Where such instruments are used to protect or enhance revenue, the revenue or expenses derived therefrom are included in the Statement of total return as revenue related items and form part of the distribution. Where such instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in the Statement of total return as capital related items.

h *Distribution policies*

i *Basis of distribution*

The distribution policy is to distribute all available revenue after deduction of expenses payable from revenue. Distributions attributable to income units are paid to unitholders.

ii *Unclaimed distributions*

Distributions to unitholders outstanding after 6 years are taken to the capital property of the Fund.

iii *Revenue*

All revenue is included in the final distribution with reference to policy d.

iv *Expenses*

Expenses incurred against the revenue of the Fund are included in the final distribution, subject to any expense which may be transferred to capital for the purpose of calculating the distribution, with reference to policy e.

v *Equalisation*

Group 2 units are units purchased on or after the previous XD date and before the current XD date. Equalisation applies only to group 2 units. Equalisation is the average amount of revenue included in the purchase price of 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 in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes. Equalisation per unit is disclosed in the Distribution table.

vi *Revenue deficit*

As expenses exceed the revenue of the Fund no distribution will be made and the revenue deficit will be met by the capital property of the Fund.

Investment Manager's report

Investment performance 1 June 2023 to 31 May 2024*

The Barro II Performance: 7.61% (Total return, gross distributions reinvested)

Consumer Price Index +3% performance: 5.9%

Investment activities**

June 2023

Global equities rebounded by 5.8% in June (USD), while global government bonds edged lower by 0.1% (USD, hedged). Stock market participation broadened, with all sectors in positive territory following a very lopsided May. Tentative signs of a cooling labour market in the US were evident with the unemployment rate increasing to 3.7% while initial jobless claims briefly rising to late-2021 levels. Whilst most regional equity markets were up over the month, the key outlier was China where the economic rebound slowed.

Headline inflation fell sharply to 4% year-on-year in the US with the US Federal Reserve ('Fed') deciding to leave interest rates unchanged to allow time for the effects of the previous hikes to feed through into the broader economy. This "pause" was accompanied by higher growth forecasts and continued disinflation, which all helped to buoy US equity markets. In Europe and the UK, where inflation has proved to be "stickier", Central Banks have been forced to remain more hawkish. The European Central Bank ('ECB') recently raised rates by a further 0.25%, whilst the Bank of England ('BoE') is largely expected to also hike given the recent rise in UK "core" inflation.

Over the month Putin's rule appeared to be challenged domestically. The Wagner Group – a Russian paramilitary organisation which had expressed discontent with its military leaders – marched towards Moscow, though the protest was short-lived. US-China tensions appeared to de-escalate after Antony Blinken, the US Secretary of State, unexpectedly held a meeting with Xi during his Beijing trip. Sunak and Biden signed the 'Atlantic Declaration' with a goal to increase UK-US trade and cooperation in critical minerals, defence and other areas.

At the beginning of June, we added to our trend following exposure, taking advantage of weaker performance earlier in the quarter. We added to the ACL Alternative Fund and the CFM IS Trends Equity Capped Fund Class IF. This reflected our confidence in the diversification benefit from trend followers, and our willingness to size up meaningful allocations to these managers accordingly. Around 80% of the allocation to trend followers is held by our external managers in unencumbered cash (managed carefully in cash management programmes involving treasury bills and term deposits), so there is still a benefit from today's high base rates with the revised allocations, despite the shift from internally managed cash to externally managed funds.

We initiated a new holding in the portfolio – Canadian Pacific Kansas City – prior to the end of the quarter. Canadian Pacific Kansas City is a North American freight railroad: the result of a recent, once in a generation, merger between Canadian Pacific and Kansas City Southern creating the only truly North American railroad running all the way from Canada to Mexico. North American railroads are deregulated regional monopolies or stable oligopolies inextricably linked to the economy. They face very low disruption risk and have strong pricing power. We have had a relationship with their senior management team for a long time and are considered best-in-class by most industry stakeholders, including competitors. We think the combination of a new single-line service and management's ability to execute should drive significant growth in comparison to the industry as a whole for many years. The purchase was funded by small reductions in both Moody's and S&P Global. As with the trim in Constellation Software, the sales were driven by portfolio construction considerations rather than any material changes to either forward return expectations or levels of conviction in the individual stocks.

July 2023

A wider cyclical rally pushed global equities to fresh year-to-date highs in July, up 3.7% (USD). US Gross Domestic Product ('GDP') grew by 0.6% in the second quarter (q/q), a stronger-than-expected reading with the US earnings season roughly in line with expectations at -7.3%. The euro area economy expanded 0.3% (q/q) whilst the monthly UK GDP data signalled a modest contraction in May. In China, the economy expanded by a weaker than expected 6.3% (y/y) in the second quarter. Retail sales growth decelerated, and property sector activity remained subdued. Headline inflation fell sharply in the US to 3% in June. In the UK, inflation remained uncomfortably high at 7.9%. Commodity prices moved higher in July, partly driven by the improved growth outlook with oil up 14.2% and copper 5.7%.

* Source: Bloomberg, 12pm mid-price.

** Source: Bloomberg.

Investment activities* (continued)

July 2023 (continued)

Over the month, major central banks approached the end of their tightening cycles with the Fed raising its target range by another 25 basis points ('bps') to 5.25-5.50%. Powell stated they would follow a 'data-dependent' approach going forward. The ECB raised its deposit rate by another 25bps, to 3.75%, with Lagarde stating they would keep an 'open mind' on future rate decisions.

In politics, Beijing urged local governments to provide more support to Internet firms, a tentative sign that regulatory scrutiny may finally be easing. The Bank of Japan ('BoJ') surprisingly adjusted its Yield Curve Control policy. The Spanish General Election ended in deadlock, after the right-wing political party failed to win a majority vote.

We purchased a new resettable Citigroup S&P 500 Index 5 July 2024 put warrant across our discretionary portfolios in July to increase portfolio protection in the event of an equity market drawdown. This has an exercise price (strike) of 3,800 points.

August 2023

August was a month of two halves, with global equities ultimately falling by 2.8% (USD). Economic activity remained resilient in the US but softened further in Europe. In fixed income, benchmark 10-year government bond yields briefly rose to fresh cyclical highs in the US and UK, before retracing most of their moves. Commodity prices were mixed in August: oil rose by 1.5%; copper and gold fell by 4.5% and 1.3%, respectively. Finally, European natural gas prices rose by 23%, amid potential industrial action in Australia.

In the US, headline inflation moved higher to 3.2% (y/y) with Powell emphasising the 'higher for longer' rhetoric at the annual Jackson Hole Summit. Inflation mostly continued to ease in the euro area at 5.3% compared to a rate of 6.8% in the UK. As expected, the BoE increased its base rate to 5.25%, with further hikes likely ahead. Despite the unemployment rate creeping higher in the UK, nominal pay growth has yet to peak.

US-China tensions continued to ease last month: the US Commerce Secretary was the latest high-profile official to visit Beijing. China's economic slowdown continued as the property 'crisis' deepened, with Country Garden – one of China's biggest property developers – flirting with default. Contagion fears ensued, as Zhongzhi Group – a major player in the shadow banking industry – also missed payments on some of its investment products. The headline inflation rate slipped into deflation in China in July at -0.3%. In Russia, the Wagner Group Leader, Yevgeny Prigozhin, died in a plane crash, though the Kremlin denied any involvement.

Within the portfolio, following the initial purchase of Canadian Pacific Kansas City in June we decided to increase our position in August. The rationale for the trade was driven by portfolio construction considerations, with a desire to increase our exposure to a more meaningful position size. We funded this by trimming Ninety One Funds Series III - Global Environment Fund with no change to our conviction in the position.

September 2023

Broad equity market weakness persisted over the month as global equities declined by 4.1% (USD terms) with only the energy sector in positive territory. Subsequently, the seven largest US 'technology' stocks again accounted for most of the S&P 500 Index's 13% year-to-date return.

The US economy retained its lead whilst inflation data were mixed. The headline rate in the US rose to 3.7% (y/y) amid the surge in oil prices. The Fed left its target range unchanged at 5.25 – 5.50% though the latest projections show one further rate hike this year along with a tighter policy stance through next year. Eurozone inflation slowed by more than anticipated over September with the ECB raising its deposit rate by 25bps to 4%. Both the BoE and the Swiss National Bank unexpectedly kept rates on hold at 5.25% and 1.75% respectively. In the UK whilst the economy contracted by 0.5% over the month, the UK's post-pandemic recovery was revised higher with the economy c.2% larger than previously estimated as of quarter 2 2023. In Japan, the BoJ kept its policy stance unaltered, maintaining its widened Yield Curve Control.

Following a last-minute deal, a US government shutdown was avoided but it only ensured funding until mid-November. Russia's invasion of Ukraine showed few signs of resolution, and the G20 joint declaration controversially avoided direct criticism of the aggressor. Real estate distress remained in focus in China – notably, Evergrande remains a recurring concern – but Beijing has been eager to signal support, this time by easing banks' reserve requirement ratios.

There were no material changes made to the portfolio over the month of September.

* Source: Bloomberg.

Investment activities* (continued)

October 2023

Global equities declined by 3% (USD) over the month as broad-based weakness continued to underscore the narrowly led market. The 'Magnificent Seven' now account for almost all of the global stock market's 7% year-to-date return. In fixed income, the US Treasury yield briefly rose above the 5% mark. The third quarter US earnings season has been better than expected, with a blended earnings growth rate of +2.7% (y/y) at the halfway mark. The US economy expanded at its strongest growth rate since late-2021, largely driven by a strong consumer, as the euro area GDP contracted by 0.1%. The US labour market also remained healthy with unemployment at 3.8% in September. China's economy grew by a stronger-than-anticipated 4.9% (y/y) in the third quarter, with both retail sales and industrial production beating expectations again in September.

Core inflation rates continued to decline across the US and Europe, moving to 4.2% in the Euro area and 6.1% in the UK. The ECB left its deposit rate unchanged at 4%, following 10 consecutive rate hikes, though Lagarde did not rule out further tightening. In Japan, core inflation cooled to 4.2%. The BoJ increased flexibility in its Yield Curve Control programme. It adopted a less restrictive tone on the previously strict 1% yield cap on 10-year Japanese Government Bonds, prompting the yen to come under renewed pressure. Headline inflation in China eased to 0% (y/y) in September, though this was mostly due to falling food prices. Ongoing property market distress prompted Beijing to offer more economic support by raising its 2023 fiscal deficit ratio.

In the political sphere, House Speaker Kevin McCarthy was ousted and after weeks of Republican gridlock, eventually replaced by Mike Johnson – a Trump ally. The Swiss People's Party solidified its position after receiving the most votes (c.28%) in the Swiss Federal Election.

There were no material changes made to the portfolio over the month of October.

November 2023

Global stocks recorded their strongest month in three years (+9.2% in USD) – nearly retracing the summer losses – in a broad-based rally that saw cyclical sectors outperform. Bond yields declined sharply, with the US 10-year note delivering the best monthly return in more than 10 years.

Inflation data were better than expected, with the core rate edging lower to 4% in the US and 3.6% in the euro area. Following Ofgem's energy price cap reduction, the UK headline inflation rate fell by more than two percentage points to 4.6% in October. The Fed left its target range unchanged at 5.25 – 5.50% - a second consecutive pause – but Powell was careful not to rule out further rate hikes. The BoE once again held its base rate at 5.25%. While the property sector remained a drag on output in China, Beijing was reportedly weighing a plan for banks to offer unsecured loans to developers for the first time. The headline inflation rate dipped into deflation territory again, echoing further food price declines.

In the geopolitical sphere, US-China tensions appeared to thaw: a resumption in high-level military communication was agreed at the Biden-Xi meeting. A government shutdown was temporarily averted in the US, with funding extended to at least mid-January, but Moody's put the US' top credit rating on 'negative' outlook. Elsewhere, the temporary ceasefire in the Middle East allowed for the exchange of hostages. The far-right PVV unexpectedly became the largest party in the Dutch election.

In November, we purchased a new resettable Citigroup S&P 500 Index 20 December 2024 put across our portfolios to increase protection in the event of an equity market drawdown. This has an exercise price (strike) of 4,000 points.

December 2023

Global stocks rose to fresh year-to-date highs (+4.8% in USD) as market participation broadened into year-end. The policy pivot narrative moved into focus over the month, with money markets discounting more aggressive rate cuts in 2024. The Fed left its target rate range at 5.25 – 5.50% for the third consecutive meeting, but Powell signalled the prospects of rate cuts next year. Lagarde and Bailey struck a hawkish tone at their respective meetings as the ECB and BoE left their policy rates unchanged. The core inflation rate in the US was unchanged at 4%, whilst the UK inflation fell by more than anticipated to 5.1%. Despite speculation that negative rates might end soon, the BoJ remained on hold.

The labour market remained tight in the US. The unemployment rate unexpectedly fell to 3.7% and initial jobless claims remained subdued. In China, Beijing announced that industrial policy would overtake boosting domestic demand as the top economic priority for next year.

* Source: Bloomberg.

Investment activities* (continued)

December 2023 (continued)

In the geopolitical sphere, a financial aid package for Ukraine was vetoed by Hungary at the EU summit while the conflict in the Middle East caused interruptions to maritime trade in the Red Sea. The COP 28 summit ended with an agreement to transition away from fossil fuels. The Colorado Supreme Court disqualified former President Trump from the state's primary ballots next year – as did Maine – and the House backed an impeachment inquiry into President Biden.

There were no material changes made to the portfolio over the month.

January 2024

Equities rose by 0.6% (USD) in January as the theme of US outperformance continued with the S&P 500 briefly rising to a record high. The 'Magnificent Seven' stocks continued to outperform along with growth (+2.1%). The US economy defied expectations in the final quarter of 2023, expanding by 3.3% (annualised), with consumption remaining firm. Meanwhile, the euro area narrowly avoided a technical recession. Labour market tightness persisted on both sides of the Atlantic: the US unemployment rate was unchanged at 3.7% while the eurozone rate remained at a record low in December.

Remarkably, the Fed's preferred inflation measure – the core PCE (Personal Consumption Expenditure Price Index) – returned to 2% in the fourth quarter on a quarterly annualised basis. In the eurozone, both headline and core inflation edged lower but the UK CPI data were disappointing in December, with core inflation still elevated at 5.1%. The major central banks – the Fed, ECB and BoE – all left their policy rates unchanged during their inaugural meetings of the year. The timing of rate cuts remained in focus, as Powell signalled a March rate cut was not the base scenario. Money markets pencilled in easing from the second quarter onwards.

Elsewhere, the BoJ left its policy rate unaltered, while the People's Bank of China cut the reserve requirement ratio for banks, amid persistent property sector problems. Beijing was also rumoured to be preparing a stock market package, following its ongoing weakness. China's economy expanded by 5.2% in 2023, beating the annual growth target. Headline inflation remained in modest deflation territory at year-end though this was mostly driven by falling food prices.

In the geopolitical sphere, conflict spread in the Middle East, after a US military base was attacked in Jordan. Red Sea disruptions also continued and caused global spot container rates to more than double in January (though they were roughly a third of their 2021 highs). In the Taiwan election, the incumbent DPP retained power with little reaction from China. In the US Republican primaries, Trump cemented his nomination after winning in Iowa and New Hampshire. UK Prime Minister Sunak announced a general election was likely in the second half of this year.

There were no material changes made to the portfolio over the month.

February 2024

Global equities surged by 4.3% in February (USD) as regional and sector returns broadened, though 'growth' stocks continued to lead the market higher. The performance of the 'magnificent seven' appeared fragmented: NVIDIA's 60% surge in 2024 contrasted starkly with Tesla, down a fifth. The US earnings season was better than anticipated with the fourth quarter earnings growth at 4%. In fixed income, 10-year government bond yields rose to year-to-date highs. Bitcoin surged close to record highs – surpassing $60,000.

Labour market tightness persisted in the US with the unemployment rate holding steady at 3.7%, but headline inflation continued to cool to 3.1% in January. Euro area core inflation declined in February to 3.1% whilst the UK was unchanged at 5.1% as data confirmed the UK entered a technical recession at the end of 2023. Another reduction in Ofgem's energy price cap from April pointed to ongoing disinflation ahead. Japan also entered a technical recession and China's headline inflation rate fell further into deflation territory. The mortgage-linked lending rate was cut by 25bps in Beijing to alleviate the ongoing property sector issues and further supportive stock market measures were introduced.

Several members of the Federal Open Market Committee ('FOMC') reiterated the 'higher for longer' rhetoric. Money markets moderated 2024 rate cut expectations, more than halving the number of cuts anticipated in some places since the start of the year. US regional banking stress briefly reemerged – and quickly dissipated – following an unexpectedly weak quarterly report from New York Community Bancorp. In fiscal policy, the EU agreed to a €50 billion package for Ukraine, but US support remained gridlocked in Congress. Meanwhile, a spending bill was belatedly agreed, temporarily averting a US government shutdown. Ahead of Super Tuesday, Trump continued to build on his significant lead over Haley in the Republican primaries.

* Source: Bloomberg.

Investment activities* (continued)

February 2024 (continued)

In February, we sold our position in Microsoft in full. When we purchased it in 2022, we had conviction in a small part of the business, the Cloud. As a result, we initiated a small position, though were conscious of the valuation – and since then, Microsoft was up 49%. Trading on a forward Price-to-Earnings ('P/E') of 35x, we think there are better forward return opportunities elsewhere in the portfolio.

We used a portion of these proceeds to top up our position in Pinnacle ICAV - Aikya Global Emerging Markets Fund, an Emerging Markets ('EM') fund, over two tranches. We have spent time with Aikya understanding their research process and we have appreciated their transparency with us. At our most recent meeting, the team were excited about the fund's forward returns which were currently in the high double digits, compared to 10% historically. Aside from some notable exceptions (such as India), EM stock indices have lagged their developed market peers in recent years, particularly the US market (MSCI EM has returned 15% over the last 5 years in GBP terms, while the S&P 500 and MSCI ACWI have returned 107% and 72%, respectively). Aikya have been reducing their exposure to India, as they mostly see bubble-like valuations, and are reallocating selectively to cheaper markets such as China, Brazil and South Africa. We have added to the position based on the attractive valuations in the portfolio and the outlook for returns.

March 2024

Stock market optimism prevailed in March as global equities continued their upswing, rising by 3.1% (USD) while government bonds were also up by 0.7% (USD). Global stocks recorded their longest positive monthly streak since 2021. There were broad-based returns across regions and sectors as Energy and Materials were the best performing amid higher commodity prices. Gold rose to a record high, exceeding the $2,200 threshold, as did bitcoin which briefly surpassed $70,000.

The US unemployment rate nudged higher, though it remained low by historical standards. First quarter US GDP estimates were tracking at an above-trend 3%. US core inflation continued to move lower to 3.8%. GDP expanded modestly in January in the UK whilst European inflation rates continued to move lower, despite ongoing labour market tightness. The Fed left its target rate range unchanged at 5.25% - 5.50% for the fifth consecutive meeting, while its updated interest rate projections reiterated three rate cuts in 2024. The ECB left the deposit rate at 4.00% as the BoE's base rate remained at 5.25%. Elsewhere, the BoJ ended eight years of negative interest rates amid growing evidence of solid wage growth. In the political sphere, with the US primaries largely concluded, a Biden-Trump rematch was confirmed for 5 November.

There were no material changes made to the portfolio over the month.

April 2024

Global equities declined by 3.3% over the month with stock markets' longest winning streak since 2021 coming to an end. After five consecutive positive months, sentiment reversed in April with broad-based weakness across most regions and sectors. Geopolitical threats – with the escalation of tensions between Iran and Israel – may have contributed to fragile sentiment, the revival in volatility suggested this was not a conventional 'risk off' move. The reappraisal of looming interest rate cuts was likely the biggest factor. Industrial metals had a strong month, surging by 13%.

Property market woes prevailed in China, though authorities reaffirmed support to tackle the crisis at the Politburo meeting. Whilst there was no Fed meeting in April, Powell and other FOMC members generally struck a more hawkish tone. The Fed chair suggested the resilient robust growth and stickier inflation data could delay the start of the easing cycle. Conversely, the ECB signalled that the first cut could occur in June, after leaving its main interest rates unchanged at the April meeting. The BoJ kept its policy rate unaltered, following the prior month's hike, though the yen subsequently weakened to its lowest level against the US dollar since 1990. The BoE's base rate remained unchanged at 5.25%.

In April, we purchased an exchange-traded commodity instrument (SparkChange Physical Carbon EUA ETC) which provides exposure to European Union emissions allowances which have fallen significantly this year.

May 2024

Stock markets rebounded strongly in May (+4.1%), retracing the prior month's losses and briefly rising to all-time highs. Stock market participation broadened slightly, though the US mega-cap names continued to lead the market higher. Government bonds initially rallied during the first half of May, though reversed some of those gains later in the month. Commodities moved higher, with the notable exception of Brent crude oil which fell by 7%.

* Source: Bloomberg.

Investment Manager's report (continued)

May 2024 (continued)

Encouragingly, US inflation met (rather than exceeded) expectations for the first time this year. The UK GDP data confirmed it exited its brief technical recession at the turn of the year. Headline inflation fell sharply to 2.3% following another drop in the Ofgem energy price cap, but services inflation and wage growth remained stubbornly high. In China, economic data were robust but property sector issues remained unresolved, despite further government support measures. The Fed left interest rates unaltered in May, with Powell signalling that easing was postponed – but not cancelled. The BoE struck a more balanced, albeit divided tone with money markets anchoring towards an autumn cut.

Meanwhile, the geopolitical landscape remained tense. Conflict in the Middle East showed few signs of resolve, Putin warned NATO on the use of their weapons provided to Ukraine, and China held military drills around Taiwan. Biden also announced further tariffs on China in critical areas, including semiconductors and electric vehicles. In the political sphere, Trump was found guilty on all counts in his 'hush money' trial, making him the first former president to be convicted. In the UK, Sunak unexpectedly announced a general election for July, despite the Conservative's weak local election results.

Over the month, we purchased a new resettable S&P 500 put warrant (J.P.Morgan S&P 500 Index 7 July 2025) across our discretionary portfolios to increase portfolio protection in the event of an equity market drawdown. This has an exercise price (strike) of 4,500 points.

Investment outlook

Middle East conflict and the US presidential election loom over the outlook for 2024. However, while these events might affect portfolios, the business cycle certainly will – and the jury is still out on whether the fight against inflation has been won without the need for a significant economic setback.

Rothschild & Co Wealth Management UK Limited
19 June 2024

* Source: Bloomberg.

Summary of portfolio changes
for the year ended 31 May 2024

The following represents the major purchases and sales in the year to reflect a clearer picture of the investment activities.

Purchases:	Cost £
Pentaris QIAIF - Rothschild & Co WM Sustainable Bond Fund	2,392,123
BlackRock ICS Sterling Government Liquidity Fund	1,462,839
Canadian Pacific Kansas City	1,194,526
UK Treasury Bill 0% 21/08/2023	996,025
US Treasury Inflation Indexed Bonds 0.125% 15/02/2052	926,677
US Treasury Inflation Indexed Bonds 1.75% 15/01/2034	865,563
UK Treasury Gilt 0.875% 31/07/2033	545,539
US Treasury Inflation Indexed Bonds 2.125% 15/04/2029	500,462
SparkChange Physical Carbon EUA ETC	487,072
US Treasury Inflation Indexed Bonds 1.25% 15/04/2028	482,329
United Kingdom Gilt 1.5% 31/07/1953	447,015
ACL Alternative Fund	420,512
UK Treasury Bill 0% 18/09/2023	398,404
UK Treasury Bill 0% 18/03/2024	389,111
UK Treasury Bill 0% 18/12/2023	295,911
CFM IS Trends Equity Capped Fund Class IF	276,000
Eurofins Scientific	247,461
Pinnacle ICAV - Aikya Global Emerging Markets Fund	246,382
Ninety One Funds Series III - Global Environment Fund	228,460
J.P.Morgan S&P 500 Index 7 July 2025	157,564

Sales:	Proceeds £
UK Treasury Bill 0% 24/07/2023	1,498,104
InRIS QIAIF - Phoenix Equity Fund Class F	1,242,727
Microsoft	1,202,688
European Investment Bank 0.875% 15/12/2023	1,130,876
UK Treasury Bill 0% 21/08/2023	999,389
UK Treasury Gilt 0.875% 31/07/2033	976,133
UK Treasury Gilt 1.5% 31/07/2053	714,774
InRIS QIAIF - Phoenix Equity Fund Class S	618,281
US Treasury Inflation Indexed Bonds 1.25% 15/04/2028	491,079
BlackRock ICS Sterling Government Liquidity Fund	481,007
US Treasury Inflation Indexed Bonds 0.125% 15/01/2032	465,882
US Treasury Inflation Indexed Bonds 1.625% 15/10/2027	464,009
US Treasury Inflation Indexed Bonds 0.75% 15/02/2045	463,175
UK Treasury Bill 0% 18/09/2023	400,000
UK Treasury Bill 0% 18/03/2024	395,320
Ninety One Funds Series III - Global Environment Fund	369,668
UK Treasury Bill 0% 18/12/2023	299,434
Pentaris QIAIF -Rothschild & Co WM Sustainable Bond Fund	241,582
Moody's	208,661
S&P Global	206,466

Portfolio statement
as at 31 May 2024

Investment	Nominal value or holding	Market value £	% of total net assets
Debt Securities* 7.26% (12.97%)			
Aaa to Aa2 7.26% (8.33%)			
European Investment Bank 6.2004% 08/09/2025**	£1,374,000	1,388,963	2.81
US Treasury Inflation Indexed Bonds 0.125% 15/02/2052**	$1,669,200	826,089	1.67
US Treasury Inflation Indexed Bonds 1.75% 15/01/2034**	$1,127,000	869,283	1.76
US Treasury Inflation Indexed Bonds 2.125% 15/04/2029**	$634,000	502,134	1.02
		3,586,469	7.26
Aa3 to A1 0.00% (4.64%)		-	-
Total debt securities		3,586,469	7.26
Equities 41.59% (38.60%)			
Equities - incorporated in the United Kingdom 5.97% (5.54%)			
Industrials 3.11% (2.89%)			
Ashtead Group	27,040	1,535,872	3.11
Financials 2.86% (2.65%)			
Admiral Group	52,155	1,415,487	2.86
Total equities - incorporated in the United Kingdom		2,951,359	5.97
Equities - Europe 6.82% (6.25%)			
Equities - Ireland 3.44% (3.08%)			
Linde	4,973	1,701,179	3.44
Equities - Luxembourg 2.25% (2.08%)			
Eurofins Scientific	23,560	1,112,109	2.25
Equities - Switzerland 1.13% (1.09%)			
Sika	2,354	559,090	1.13
Total equities - Europe		3,372,378	6.82
Equities - North America 28.80% (26.81%)			
Equities - Canada 4.97% (2.59%)			
Canadian Pacific Kansas City	19,327	1,205,129	2.44
Constellation Software	487	1,059,087	2.14
Lumine Group	2,292	50,527	0.10
Topicus.com	2,101	140,910	0.29
Total equities - Canada		2,455,653	4.97

* Grouped by credit rating - source: Interactive Data and Bloomberg.

** Variable interest security.

Portfolio statement (continued)
as at 31 May 2024

Investment	Nominal value or holding	Market value £	% of total net assets
Equities (continued)			
Equities - United States 23.83% (24.22%)			
American Express	11,055	2,083,970	4.22
Booking Holdings	465	1,379,204	2.79
Cable One	843	255,509	0.52
Charter Communications	1,568	353,798	0.72
Comcast	36,486	1,147,137	2.32
Deere	3,994	1,174,735	2.38
Liberty Broadband	2,432	103,339	0.21
Mastercard	4,701	1,649,965	3.34
Moody's	6,168	1,925,247	3.90
S&P Global	5,058	1,698,395	3.43
Total equities - United States		11,771,299	23.83
Total equities - North America		14,226,952	28.80
Total equities		20,550,689	41.59
Collective Investment Schemes 50.68% (46.21%)			
UK Authorised Collective Investment Schemes 4.57% (5.00%)			
Ninety One Funds Series III - Global Environment Fund	1,400,562	2,258,967	4.57
Total UK authorised collective investment schemes		2,258,967	4.57
Offshore Collective Investment Schemes 46.11% (41.21%)			
ACL Alternative Fund	14,485	2,072,876	4.20
Amundi US Tech 100 Equal Weight UCITS ETF	130,541	1,321,405	2.67
BlackRock ICS Sterling Government Liquidity Fund	1,462,839	1,462,839	2.96
CFM IS Trends Equity Capped Fund Class IF	323	437,910	0.89
CFM IS Trends Equity Capped Fund Class N	975	1,277,359	2.59
CFM IS Trends Fund	8,012	1,316,014	2.66
CG Portfolio Fund - Real Return Fund	42,908	3,884,905	7.86
Multirange SICAV - One River Dynamic Convexity	14,388	947,162	1.92
Pentaris QIAIF - Bares US Equity Fund	14,398	1,398,807	2.83
Pentaris QIAIF - Rothschild & Co WM Sustainable Bond Fund	45,999	4,643,589	9.40
Pinnacle ICAV - Aikya Global Emerging Markets Fund	183,887	1,917,191	3.88
WHEB Environmental Impact Fund	32,155	2,101,702	4.25
Total offshore collective investment schemes		22,781,759	46.11
Total collective investment schemes		25,040,726	50.68
Exchange Traded Commodities 1.07% (0.00%)			
SparkChange Physical Carbon EUA ETC	8,896	529,072	1.07
Total exchange traded commodities		529,072	1.07

Portfolio statement (continued)
as at 31 May 2024

Investment	Nominal value or holding	Market value £	% of total net assets
Structured Products^ 0.33% (0.21%)			
Citigroup S&P 500 Index 7 January 2025	1,041	23,908	0.05
Citigroup S&P 500 Index 5 July 2024	1,907	15	0.00
J.P.Morgan S&P 500 Index 7 July 2025	1,783	138,552	0.28
Total structured products		162,475	0.33
Warrants 0.00% (0.00%)			
Constellation Software Warrants 31/03/2040^^	575	-	-
Forward currency contracts 0.46% (-0.04%)			
Sell euro	(€3,671,000)	(3,148,979)	
Buy UK sterling	£3,166,676	3,166,676	
Expiry date 25 October 2024		17,697	0.04
Sell US dollar	($14,940,000)	(11,725,728)	
Buy UK sterling	£11,940,404	11,940,404	
Expiry date 18 October 2024		214,676	0.42
Total forward currency contracts		232,373	0.46
Portfolio of investments		50,101,804	101.39
Other net assets		(686,148)	(1.39)
Total net assets		49,415,656	100.00

All investments are listed on recognised stock exchanges and are approved securities or regulated collective investment schemes within the meaning of the FCA rules unless otherwise stated. Forward contracts and warrants are not listed on stock exchanges and are considered over-the-counter instruments.

The comparative figures in brackets are as at 31 May 2023.

United Kingdom equities are grouped in accordance with Global Industry Classification Standard ('GICS').

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^ Structured products are priced at fair value by an independent source.

^^ Constellation Software Warrants 31/03/2024 were priced by the fair value committee and were deemed of nil value due to the warrants having no prospects of becoming listed or exercisable.

Risk and reward profile*

The risk and reward indicator table demonstrates where the Fund ranks in terms of its potential risk and reward. The higher the rank the greater the potential reward but the greater the risk of losing money. It is based on past data, may change over time and may not be a reliable indication of the future risk profile of the Fund. The shaded area in the table below shows the Fund's ranking on the risk and reward indicator.

Typically lower rewards, lower risk						Typically higher rewards, higher risk
1	2	3	4	5	6	7

The Fund is in a medium category because the price of its investments have risen or fallen to some extent. The category shown is not guaranteed to remain unchanged and may shift over time. Even the lowest category does not mean a risk-free investment.

For full details on risk factors for the Fund, please refer to the Prospectus.

There have been no changes to the risk and reward indicator in the year.

* As per the KIID published on 25 March 2024.

Comparative table

The following disclosures give a unitholder an indication of the performance of a unit in the Fund. It also discloses the operating charges and direct transaction costs applied to each unit. Operating charges are those charges incurred in operating the Fund and direct transaction costs are costs incurred when purchasing or selling securities in the portfolio of investments.

	2024	2023	2022
Income	p	p	p
Change in net assets per unit			
Opening net asset value per unit	139.58	139.48	144.45
Return before operating charges	13.12	2.01	(2.94)
Operating charges	(1.96)	(1.84)	(2.03)
Return after operating charges *	11.16	0.17	(4.97)
Distributions^	(0.43)	(0.07)	-
Closing net asset value per unit	150.31	139.58	139.48
* after direct transaction costs of:	0.03	0.01	0.01
Performance			
Return after charges	8.00%	0.12%	(3.44%)
Other information			
Closing net asset value (£)	49,415,656	47,468,010	48,244,278
Closing number of units	32,875,677	34,008,299	34,588,652
Operating charges^^	1.35%	1.34%	1.38%
Direct transaction costs	0.02%	0.01%	0.01%
Published prices			
Highest offer unit price	161.9	150.8	160.7
Lowest bid unit price	135.1	129.8	136.2

Investments carry risk. Past performance is not a guide to future performance. Investors may not get back the amount invested.

^ Rounded to 2 decimal places.

^^ The operating charges are represented by the Ongoing Charges Figure ('OCF'). The OCF consists principally of the Manager's periodic charge and the Investment Manager's fee which are included in the annual management charge, but also includes the costs for other services paid. It is indicative of the charges which may occur in a year as it is calculated on historical data.

The OCF includes expenses incurred by underlying holdings of collective investment schemes in relation to the Fund (the synthetic 'OCF').

Financial statements - The Barro II Trust

Statement of total return
for the year ended 31 May 2024

	Notes	2024		2023	
		£	£	£	£
Income:					
Net capital gains	2		3,612,926		21,592
Revenue	3	676,429		538,913	
Expenses	4	(513,390)		(494,609)	
Net revenue before taxation		163,039		44,304	
Taxation	5	(24,801)		(20,554)	
Net revenue after taxation			138,238		23,750
Total return before distributions			3,751,164		45,342
Distributions	6		(145,675)		(23,497)
Change in net assets attributable to unitholders from investment activities			3,605,489		21,845

Statement of change in net assets attributable to unitholders
for the year ended 31 May 2024

	2024		2023	
	£	£	£	£
Opening net assets attributable to unitholders		47,468,010		48,244,278
Amounts receivable on issue of units	171,503		40,000	
Amounts payable on cancellation of units	(1,829,346)		(838,113)	
		(1,657,843)		(798,113)
Change in net assets attributable to unitholders from investment activities		3,605,489		21,845
Closing net assets attributable to unitholders		49,415,656		47,468,010

Balance sheet
as at 31 May 2024

	Notes	2024	2023
		£	£
Assets:			
Fixed assets:			
Investments		50,101,804	46,586,835
Current assets:			
Debtors	7	557,372	68,928
Cash and cash equivalents	8	298,527	938,499
Total assets		50,957,703	47,594,262
Liabilities:			
Investment liabilities		-	(93,155)
Creditors:			
Distribution payable		-	(23,466)
Other creditors	9	(1,542,047)	(9,631)
Total liabilities		(1,542,047)	(126,252)
Net assets attributable to unitholders		49,415,656	47,468,010

Notes to the financial statements
for the year ended 31 May 2024

1. Accounting policies

   The accounting policies are disclosed on pages 14 to 16.

2. Net capital gains	2024	2023
	£	£
Non-derivative securities - realised gains	1,234,599	2,386,038
Non-derivative securities - movement in unrealised gains / (losses)	2,525,008	(1,817,274)
Derivative contracts - realised losses	(170,243)	(51,907)
Derivative contracts - movement in unrealised losses	(209,049)	(20,773)
Currency losses	(20,591)	(55,919)
Forward currency contracts gains / (losses)	258,611	(436,993)
Capital special dividend	-	24,391
Compensation	-	123
Transaction charges	(5,409)	(6,094)
Total net capital gains	3,612,926	21,592

3. Revenue	2024	2023
	£	£
UK revenue	97,383	101,218
Overseas revenue	396,314	292,770
Interest on debt securities	173,854	136,176
Bank and deposit interest	8,807	8,749
Stock dividends	71	-
Total revenue	676,429	538,913

4. Expenses	2024	2023
	£	£
Payable to the Manager and associates		
Annual management charge*	507,744	490,016
Annual management charge rebate*	(24,386)	(23,501)
	483,358	466,515
Payable to the Trustee		
Trustee fees	16,092	15,511
Other expenses:		
Audit fee	8,700	7,560
Non-executive directors' fees	1,787	1,614
Safe custody fees	2,255	2,064
Bank interest	118	349
FCA fee	269	441
KIID production fee	459	500
Administration fee	352	55
	13,940	12,583
Total expenses	513,390	494,609

* The annual management charge is 1.04% and includes the Manager's periodic charge and the Investment Manager's fees. Where the Manager's periodic charge and the Investment Manager's fee are cumulatively lower than the annual management charge a rebate may occur. For the year ended 31 May 2024, the annual management charge after rebates is 0.99%.

5. Taxation

	2024	2023
	£	£
a. Analysis of the tax charge for the year		
Overseas tax withheld	24,801	20,554
Total taxation (note 5b)	24,801	20,554

b. Factors affecting the tax charge for the year

The tax assessed for the year is lower (2023: higher) than the standard rate of UK corporation tax for an authorised collective investment scheme of 20% (2023: 20%). The differences are explained below:

	2024	2023
	£	£
Net revenue before taxation	163,039	44,304
Corporation tax @ 20%	32,608	8,861
Effects of:		
UK revenue	(19,491)	(20,244)
Overseas revenue	(52,044)	(44,529)
Overseas tax withheld	24,801	20,554
Excess management expenses	38,927	55,912
Total taxation (note 5a)	24,801	20,554

c. Provision for deferred taxation

At the year end, a deferred tax asset has not been recognised in respect of timing differences relating to excess management expenses as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £623,399 (2023: £584,472).

6. Distributions

The distributions take account of revenue added on the issue of units and revenue deducted on the cancellation of units, and comprise:

	2024	2023
	£	£
Quarter 1 income distribution	11,486	-
Interim income distribution	133,566	-
Quarter 3 income distribution	-	-
Final income distribution	-	23,466
	145,052	23,466
Equalisation:		
Amounts deducted on cancellation of units	685	-
Amounts added on issue of units	(62)	31
Total net distributions	145,675	23,497

Reconciliation between net revenue and distributions:

	2024	2023
Net revenue after taxation per Statement of total return	138,238	23,750
Undistributed revenue brought forward	253	-
Revenue shortfall to be transferred from capital	7,184	-
Undistributed revenue carried forward	-	(253)
Distributions	145,675	23,497

Details of the distribution per unit are disclosed in the Distribution table.

7. Debtors

	2024	2023
	£	£
Sales awaiting settlement	492,205	-
Accrued revenue	62,714	66,780
Prepaid expenses	333	-
	555,252	66,780
Payable from the Manager and associates		
Annual management charge rebate	2,120	2,148
	2,120	2,148
Total debtors	557,372	68,928

8. Cash and cash equivalents

	2024	2023
	£	£
Total cash and cash equivalents	298,527	938,499

9. Other creditors

	2024	2023
	£	£
Amounts payable on cancellation of units	75,000	-
Purchases awaiting settlement	1,456,395	-
Accrued expenses:		
Safe custody fees	945	370
Audit fee	8,700	7,560
Non-executive directors' fees	730	1,366
FCA fee	50	78
KIID production fee	-	208
Transaction charges	227	49
Total accrued expenses	10,652	9,631
Total other creditors	1,542,047	9,631

10. Commitments and contingent liabilities

At the balance sheet date there are no commitments or contingent liabilities.

11. Unit classes

The following reflects the change in units in issue in the year:

	Income units
Opening units in issue	34,008,299
Total units issued in the year	118,558
Total units cancelled in the year	(1,251,180)
Closing units in issue	32,875,677

Further information in respect of the return per unit is disclosed in the Comparative table.

12. Related party transactions

Evelyn Partners Fund Solutions Limited, as Manager is a related party due to its ability to act in respect of the operations of the Fund.

The Manager acts as principal in respect of all transactions of units in the Fund. The aggregate monies received and paid through the creation and cancellation of units are disclosed in the Statement of change in net assets attributable to unitholders of the Fund.

Amounts payable to the Manager and its associates are disclosed in note 4. The amount due from the Manager and its associates at the balance sheet date is disclosed in note 7.

13. Events after the balance sheet date

Subsequent to the year end, the net asset value per income unit has increased from 150.3p to 155.0p as at 20 September 2024. This movement takes into account routine transactions but also reflects the market movements of recent months.

14. Transaction costs

a Direct transaction costs

Direct transaction costs include fees and commissions paid to agents, advisers, brokers and dealers; levies by regulatory agencies and security exchanges; and transfer taxes and duties.

Commission is a charge which is deducted from the proceeds of the sale of securities and added to the cost of the purchase of securities. This charge is a payment to agents, advisers, brokers and dealers in respect of their services in executing the trades.

Tax is payable on the purchase of securities in the United Kingdom. It may be the case that 'other taxes' will be charged on the purchase of securities in countries other than the United Kingdom.

The total purchases and sales and the related direct transaction costs incurred in these transactions are as follows:

	Purchases before transaction costs	Commission		Taxes		Purchases after transaction costs
2024	£	£	%	£	%	£
Equities	1,441,283	704	0.05%	-	-	1,441,987
Bonds*	5,847,036	-	-	-	-	5,847,036
Collective Investment Schemes	5,018,860	-	-	7,456	0.15%	5,026,316
Exchange Traded Commodities*	487,072	-	-	-	-	487,072
Structured Products	442,953	82	0.02%	-	-	443,035
Total	13,237,204	786	0.07%	7,456	0.15%	13,245,446

	Purchases before transaction costs	Commission		Taxes		Purchases after transaction costs
2023	£	£	%	£	%	£
Equities	2,698,533	3,015	0.11%	-	-	2,701,548
Bonds*	10,517,905	-	-	-	-	10,517,905
Collective Investment Schemes	2,884,490	178	0.01%	-	-	2,884,668
Structured Products*	170,243	-	-	-	-	170,243
Total	16,271,171	3,193	0.12%	-	-	16,274,364

Capital events amount of £70 (2023: £nil) is excluded from the total purchases as there were no direct transaction costs charged in these transactions.

* No direct transaction costs were incurred in these transactions.

14. Transaction costs (continued)

a Direct transaction costs (continued)

2024	Sales before transaction costs £	Commission £	Commission %	Taxes £	Taxes %	Sales after transaction costs £
Equities	2,091,951	(955)	0.05%	(15)	0.00%	2,090,981
Bonds*	8,298,174	-	-	-	-	8,298,174
Collective Investment Schemes	3,001,543	-	-	(97)	0.00%	3,001,446
Total	13,391,668	(955)	0.05%	(112)	0.00%	13,390,601

2023	Sales before transaction costs £	Commission £	Commission %	Taxes £	Taxes %	Sales after transaction costs £
Equities	4,455,986	(1,808)	0.04%	(62)	0.00%	4,454,116
Bonds*	8,243,448	-	-	-	-	8,243,448
Collective Investment Schemes*	5,308,627	-	-	-	-	5,308,627
Total	18,008,061	(1,808)	0.04%	(62)	0.00%	18,006,191

Capital events amount of £922 (2023: £1,063) is excluded from the total sales as there were no direct transaction costs charged in these transactions.

Summary of direct transaction costs

The following represents the total of each type of transaction cost, expressed as a percentage of the Fund's average net asset value in the year:

2024	£	% of average net asset value
Commission	1,741	0.00%
Taxes	7,568	0.02%

2023	£	% of average net asset value
Commission	5,001	0.01%
Financial transaction tax	62	0.00%

b Average portfolio dealing spread

The average portfolio dealing spread is calculated as the difference between the bid and offer value of the portfolio as a percentage of the offer value.

The average portfolio dealing spread of the investments at the balance sheet date was 0.29% (2023: 0.20%).

* No direct transaction costs were incurred in these transactions.

15. Risk management policies

In pursuing the Fund's investment objective, as set out in the Prospectus, the following are accepted by the Manager as being the main risks from the Fund's holding of financial instruments, either directly or indirectly through its underlying holdings. These are presented with the Manager's policy for managing these risks. To ensure these risks are consistently and effectively managed these are continually reviewed by the risk committee, a body appointed by the Manager, which sets the risk appetite and ensures continued compliance with the management of all known risks.

a Market risk

Market risk is the risk that the value of the Fund’s financial instruments will fluctuate as a result of changes in market prices and comprise three elements: other price risk, currency risk, and interest rate risk.

(i) Other price risk

The Fund's exposure to price risk comprises mainly of movements in the value of investment positions in the face of price movements.

The main elements of the portfolio of investments exposed to this risk are equities, collective investment schemes and exchange traded commodities.

This risk is generally regarded as consisting of two elements: stock specific risk and market risk. Through these two factors, the Fund is exposed to price fluctuations, which are monitored by the Manager in pursuance of the investment objective and policy.

Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective of the Fund, spreading exposure in the portfolio of investments both globally and across sectors or geography can mitigate market risk.

At 31 May 2024, if the price of the investments held by the Fund increased or decreased by 5%, with all other variables remaining constant, then the net assets attributable to unitholders of the Fund would increase or decrease by approximately £2,306,024 (2023: £2,013,264).

(ii) Currency risk

Currency risk is the risk that the value of investments or future cash flows will fluctuate as a result of exchange rate movements. Investment in overseas securities or holdings of foreign currency cash will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates against sterling. Investments in UK securities investing in overseas securities will give rise to indirect exposure to currency risk. These fluctuations can also affect the profitability of some UK companies, and thus their market prices, as sterling’s relative strength or weakness can affect export prospects, the value of overseas earnings in sterling terms, and the prices of imports sold in the UK.

The foreign currency risk profile of the Fund's financial instruments and cash holdings at the balance sheet date is as follows:

	Financial instruments and cash holdings	Net debtors and creditors	Total net foreign currency exposure
2024	£	£	£
Canadian dollar	1,250,524	-	1,250,524
Euro	1,641,181	-	1,641,181
Swiss franc	559,090	-	559,090
US dollar	23,932,378	(954,603)	22,977,775
Total foreign currency exposure	27,383,173	(954,603)	26,428,570

15. Risk management policies (continued)

a Market risk (continued)

(ii) Currency risk (continued)

2023	Financial instruments and cash holdings £	Net debtors and creditors £	Total net foreign currency exposure £
Canadian dollar	1,227,567	-	1,227,567
Euro	989,920	-	989,920
Swiss franc	515,885	-	515,885
US dollar	20,374,197	13,101	20,387,298
Total foreign currency exposure	23,107,569	13,101	23,120,670

At 31 May 2024, if the value of sterling increased or decreased by 5% against all other currencies, with all other variables remaining constant, then the net assets attributable to unitholders of the Fund would increase or decrease by approximately £577,693 (2023: £490,036). Forward currency contracts are used to manage the portfolio exposure to currency movements.

(iii) Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes.

During the year the Fund's direct exposure to interest rates consisted of cash and bank balances and interest bearing securities. The Fund also has indirect exposure to interest rate risk as it invests in bond funds. The amount of revenue receivable from floating rate securities and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. The value of interest bearing securities may be affected by changes in the interest rate environment, either globally or locally. In the event of a change in interest rates, there would be no material impact upon the net assets of the Fund.

The Fund would not in normal market conditions hold significant cash balances and would have limited borrowing capabilities as stipulated in the COLL rules.

Derivative contracts have been utilised in the period to hedge the exposure to interest rate risk.

The interest rate risk profile of financial assets and liabilities at the balance sheet date is as follows:

2024	Variable rate financial assets £	Fixed rate financial assets £	Non-interest bearing financial assets £	Non-interest bearing financial liabilities £	Total £
Canadian dollar	-	-	1,250,524	-	1,250,524
Euro	-	-	1,641,181	-	1,641,181
Swiss franc	-	-	559,090	-	559,090
UK sterling	1,687,490	-	21,385,248	(85,652)	22,987,086
US dollar	2,197,506	-	22,236,664	(1,456,395)	22,977,775
	3,884,996	-	47,072,707	(1,542,047)	49,415,656

15. Risk management policies (continued)
a Market risk (continued)
(iii) Interest rate risk (continued)

2023	Variable rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets	Non-interest bearing financial liabilities	Total
	£	£	£	£	£
Canadian dollar	-	-	1,227,567	-	1,227,567
Euro	-	-	989,920	-	989,920
Swiss franc	-	-	515,885	-	515,885
UK sterling	2,337,835	1,838,784	20,203,818	(33,097)	24,347,340
US dollar	1,425,984	-	19,054,469	(93,155)	20,387,298
	3,763,819	1,838,784	41,991,659	(126,252)	47,468,010

b Credit risk

This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. This includes counterparty risk and issuer risk.

The Trustee has appointed the custodian to provide custody services for the assets of the Fund. There is a counterparty risk that the custodian could cease to be in a position to provide custody services to the Fund. The Fund's investments (excluding cash) are ring fenced hence the risk is considered to be negligible.

In addition to the interest rate risk, bond investments are exposed to issuer risk which reflects the ability for the bond issuer to meet its obligations to pay interest and return the capital on the redemption date. Change in issuer risk will change the value of the investments and is dealt with further in note 15a. The debt securities held within the portfolio are investment grade bonds. These are made across a variety of industry sectors, and geographical markets, so as to avoid concentrations of credit risk. A breakdown is provided in the Portfolio statement. The credit quality of the debt securities is disclosed in the Portfolio statement.

The Fund holds cash and cash deposits with financial institutions which potentially exposes the Fund to counterparty risk. The credit rating of the financial institution is taken into account so as to minimise the risk to the Fund of default.

Holdings in collective investment schemes are subject to direct credit risk. The exposure to pooled investment vehicles is unrated.

c Liquidity risk

A significant risk is the cancellation of units which investors may wish to sell and that securities may have to be sold in order to fund such cancellations if insufficient cash is held at the bank to meet this obligation. If there were significant requests for the redemption of units at a time when a large proportion of the portfolio of investments were not easily tradable due to market volumes or market conditions, the ability to fund those redemptions would be impaired and it might be necessary to suspend dealings in units in the Fund.

Investments in smaller companies at times may prove illiquid, as by their nature they tend to have relatively modest traded share capital. Shifts in investor sentiment, or the announcement of new price sensitive information, can provoke significant movement in share prices, and make dealing in any quantity difficult.

The Fund may also invest in securities that are not listed or traded on any stock exchange. In such situations the Fund may not be able to immediately sell such securities.

To reduce liquidity risk the Manager will ensure, in line with the limits stipulated within the COLL rules, a substantial portion of the Fund's assets consist of readily realisable securities. This is monitored on a monthly basis and reported to the Risk Committee together with historical outflows of the Fund.

15. Risk management policies (continued)

c Liquidity risk (continued)

In addition liquidity is subject to stress testing on an annual basis to assess the ability of the Fund to meet large redemptions, while still being able to adhere to its objective guidelines and the FCA investment borrowing regulations.

All of the financial liabilities are payable on demand. In the case of forward foreign currency contracts these are payable in less than one year.

d Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the balance sheet, and their fair value.

To ensure this, the fair value pricing committee is a body appointed by the Manager to analyse, review and vote on price adjustments/maintenance where no current secondary market exists and/or where there are potential liquidity issues that would affect the disposal of an asset. In addition, the committee may also consider adjustments to the Fund's price should the constituent investments be exposed to closed markets during general market volatility or instability.

Basis of valuation	Investment assets 2024 £	Investment liabilities 2024 £
Quoted prices	26,671,548	-
Observable market data	23,267,781	-
Unobservable data*	162,475	-
	50,101,804	-

Basis of valuation	Investment assets 2023 £	Investment liabilities 2023 £
Quoted prices	26,647,020	-
Observable market data	19,841,083	(93,155)
Unobservable data*	98,732	-
	46,586,835	(93,155)

*Structured product holdings in the portfolio statement are valued using valuation models where the inputs are unobservable. The Manager engages a third party to provide valuations for these investments.

*The following security is valued in the 2024 portfolio of investments using a valuation technique:

Constellation Software Warrants 31/03/20240 were priced by the fair value committee and were deemed of nil value due to the warrants having no prospects of becoming listed or exercisable.

Unobservable data

Unobservable data has been used only where relevant observable market data is not available. Where there was no reputable price source for an investment, the Manager has assessed information available from internal and external sources in order to arrive at an estimated fair value. The fair value is established by using measures of value such as the price of recent transactions, earnings multiple and net assets. The Manager of the Fund also makes judgements and estimates based on their knowledge of recent investment performance, historical experience and other the assumptions used are under continuous review by the Manager with particular attention paid to the carrying value of the investments.

15. Risk management policies (continued)

e Assets subject to special arrangements arising from their illiquid nature

The following assets held in the portfolio of investments are subject to special arrangements arising from their illiquid nature:

	2024	2023
	% of the total net asset value	% of the total net asset value
Constellation Software Warrants 31/03/2040	0.00%	n/a
Total	0.00%	n/a

f Derivatives

The Fund may employ derivatives with the aim of reducing the Fund's risk profile, reducing costs or generating additional capital or revenue, in accordance with Efficient Portfolio Management.

The Manager monitors that any exposure is covered globally to ensure adequate cover is available to meet the Fund's total exposure, taking into account the value of the underlying investments, any reasonably foreseeable market movement, counterparty risk, and the time available to liquidate any positions.

In the year there was direct exposure to derivatives and derivatives embedded in structured products. On a daily basis, exposure is calculated in UK sterling using the commitment approach with netting applied where appropriate. The total global exposure figure is divided by the net asset value of the Fund to calculate the percentage global exposure. Global exposure is a risk mitigation technique that monitors the overall commitment to derivatives in the Fund at any given time and may not exceed 100% of the net asset value of the property of the Fund.

For certain derivative transactions cash margins may be required to be paid to the brokers with whom the trades were executed and settled. These balances are subject to daily reconciliations and are held by the broker in segregated cash accounts that are afforded client money protection.

In the year, the Fund held structured products with embedded derivatives. Exposure created by underlying derivatives is monitored by the Manager as well as the rating of the issuer of the structured product. A third party is used to verify the prices of the structured products.

Derivatives may be used for investment purposes and as a result could potentially impact upon the risk factors outlined above.

(i) Counterparties

Transactions in securities give rise to exposure to the risk that the counterparties may not be able to fulfil their responsibility by completing their side of the transaction. This risk is mitigated by the Fund using a range of brokers for security transactions, thereby diversifying the risk of exposure to any one broker. In addition the Fund will only transact with brokers who are subject to frequent reviews with whom transaction limits are set.

The Fund may transact in derivative contracts which potentially exposes the Fund to counterparty risk from the counterparty not settling their side of the contract. Transactions involving derivatives are entered into only with investment banks and brokers with appropriate and approved credit rating, which are regularly monitored. Forward currency transactions are only undertaken with the custodians appointed by the Trustee.

At the balance sheet date, there are no securities in the portfolio of investments subject to a repurchase agreement.

(ii) Leverage

The leverage is calculated as the exposure generated through the use of derivatives (calculated in accordance with the commitment approach) divided by the net asset value.

As at the balance sheet date, the leverage was 0.90%.

15. Risk management policies (continued)

f Derivatives (continued)

(iii) Global exposure

Global exposure is a measure designed to limit the leverage generated by a fund through the use of financial derivative instruments, including derivatives with embedded assets.

At the balance sheet date the global exposure is as follows:

	Gross exposure value £	% of the total net asset value
Investment		
Structured Products		
Citigroup S&P 500 Index 7 January 2025	140,020	0.28%
Citigroup S&P 500 Index 5 July 2024	145,451	0.30%
J.P.Morgan S&P 500 Index 7 July 2025	157,564	0.32%
Forward Currency Contracts		
Value of short position - euro	3,148,979	6.37%
Value of short position - US dollar	11,725,728	23.73%

There have been no collateral arrangements in the year.

Distribution table

for the year ended 31 May 2024

Quarter 1 distribution in pence per unit

Group 1 - Units purchased before 1 June 2023

Group 2 - Units purchased 1 June 2023 to 31 August 2023

	Net revenue	Equalisation	Total distribution 20 October 2023	Total distribution 20 October 2022
Income				
Group 1	0.034	-	0.034	-
Group 2	0.014	0.020	0.034	-

Interim distribution in pence per unit

Group 1 - Units purchased before 1 September 2023

Group 2 - Units purchased 1 September 2023 to 30 November 2023

	Net revenue	Equalisation	Total distribution 20 January 2024	Total distribution 20 January 2023
Income				
Group 1	0.398	-	0.398	-
Group 2	0.208	0.190	0.398	-

Quarter 3 distribution in pence per unit

Group 1 - Units purchased before 1 December 2023

Group 2 - Units purchased 1 December 2023 to 29 February 2024

	Net revenue	Equalisation	Total distribution 20 April 2024	Total distribution 20 April 2023
Income				
Group 1	-	-	-	-
Group 2	-	-	-	-

Final distribution in pence per unit

Group 1 - Units purchased before 1 March 2024

Group 2 - Units purchased 1 March 2024 to 31 May 2024

	Net revenue	Equalisation	Total distribution 20 July 2024	Total distribution 20 July 2023
Income				
Group 1	-	-	-	0.069
Group 2	-	-	-	0.069

Equalisation

Equalisation applies only to group 2 units. It is the average amount of revenue included in the purchase price of 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 in the hands of the unitholders but must be deducted from the cost of units for capital gains tax purposes.

Remuneration

Remuneration code disclosure

The remuneration committee is responsible for setting the remuneration policy for all partners, directors and employees within Evelyn Partners Group Limited ('the Group'), including individuals designated as Material Risk Takers (MRTs) under the Remuneration Code. The remuneration policy is designed to be compliant with the Code and provides a framework to attract, retain, motivate and reward partners, directors and employees. The overall policy is designed to promote the long-term success of the group and to support prudent risk management, with particular attention to conduct risk.

Remuneration committee

The remuneration committee report contained in the Group Report and Financial Statements for the year ended 31 December 2023 includes details on the remuneration policy. The remuneration committee comprises five non-executive directors[1] and is governed by formal terms of reference, which are reviewed and agreed by the board. The committee met eight times during 2023.

Remuneration policy

The main principles of the remuneration policy are:

- to align remuneration with the strategy and performance of the business;
- to ensure that remuneration is set at an appropriate and competitive level taking into account market rates and practices;
- to foster and support conduct and behaviours which are in line with our culture and values;
- to maintain a sound risk management framework;
- to ensure that the ratio between fixed and variable remuneration is appropriate and does not encourage excessive risk taking;
- to comply with all relevant regulatory requirements; and
- to align incentive plans with the business strategy and shareholder interests.

The policy is designed to reward partners, directors and employees for delivery of both financial and non-financial objectives which are set in line with company strategy. As part of a "balanced scorecard" approach to variable remuneration non-financial criteria including, but not limited to, compliance and risk issues, client management, supervision, leadership and teamwork are considered alongside financial performance.

Remuneration systems

The committee reviews all partners' and directors' fixed and variable remuneration. In addition, it approves hurdles and awards in respect of equity incentive plans, namely a Deferred Option Plan, Equity Matching Plan, Matching Share Plan, Executive Long Term Incentive Plan and an Investment Management Long Term Incentive Plan.

The remuneration of partners is made up of a fixed profit share, discretionary bonus profit share and non-discretionary bonus profit share. The remuneration of employees typically comprises of a salary with benefits including pension contribution, life assurance, permanent health insurance, private medical insurance, SAYE scheme and a discretionary bonus scheme. Partners, directors and associate directors are also eligible to participate, at the invitation of the committee, in the equity incentive plans described above.

When setting variable remuneration for the executive directors, the committee considers overall business profit for the group and divisions, achievement of both financial and non-financial objectives (including adherence to the principles of treating customers fairly, conduct risk, compliance and regulatory rules), personal performance and any other relevant policy of the board in respect of the year ended 31 December 2023. The committee agrees the individual allocation of variable remuneration and the proportion of that variable remuneration to be awarded as restricted shares.

[1] Please note that the data provided for the independent non-executive directors is as at 31 December 2023. The data provided is for independent non-executive directors only.

Remuneration (continued)

Aggregate quantitative information

The total amount of remuneration paid by Evelyn Partners Fund Solutions Limited ('EPFL') is nil as EPFL has no employees. However, a number of employees have remuneration costs recharged to EPFL and the annualised remuneration for these 72 employees is £3.51 million of which £3.23 million is fixed remuneration. This is based on the salary and benefits for those identified as working in EPFL as at 31 December 2023. Any variable remuneration is awarded for the year ended 31 December 2023. This information excludes any senior management or other Material Risk Takers (MRTs) whose remuneration information is detailed below.

Evelyn Partners Group Limited reviews its MRTs at least annually. These individuals are employed by and provide services to other companies in the Group. It is difficult to apportion remuneration for these individuals in respect of their duties to EPFL. For this reason, the aggregate total remuneration awarded for the year 31 December 2023 for senior management and other MRTs detailed below has not been apportioned.

Table to show the aggregate remuneration split by Senior Management and other MRTs for EPFL	For the period 1 January 2023 to 31 December 2023				
	Fixed	Variable Cash	Variable Equity	Total	No. MRTs
	£'000	£'000	£'000	£'000	
Senior Management	3,518	1,662	-	5,180	18
Other MRTs	919	848	-	1,767	5
Total	4,437	2,510	-	6,947	23

Investment Manager

The Manager delegates the management of the Fund's portfolio of assets to Rothschild & Co Wealth Management UK Limited and pays to the Investment Manager, out of the annual management charge, a monthly fee calculated on the total value of the portfolio of investments at the month end. The Investment Manager is compliant with the Capital Requirements Directive regarding remuneration and therefore their staff are covered by remuneration regulatory requirements.

Further information

Distributions and reporting dates

Where net revenue is available it will be distributed quarterly on 20 July (final), 20 October (quarter 1), 20 January (interim) and 20 April (quarter 3). In the event of a distribution, unitholders will receive a tax voucher.

XD dates:	1 June	final
	1 September	quarter 1
	1 December	interim
	1 March	quarter 3
Reporting dates:	31 May	annual
	30 November	interim

Buying and selling units

The property of the Fund is valued at 12pm every Friday, except in the week when the last business day of the month falls, when it is valued on the last business day of the month with the exception of any bank holiday in England and Wales or the last Business Day prior to those days annually, where the valuation may be carried out at a time agreed in advance between the Manager and the Trustee and the price of units are calculated as at that time. Unit dealing is on a forward basis i.e. investors can buy and sell units at the next valuation point following receipt of the order.

Prices of units and the estimated yield of the Fund are published on the following website: www.trustnet.com or may be obtained by calling 0141 222 1151.

Benchmark

Consumer Price Index +3% is the target set for the Trust's performance to match or exceed over the course of an investment cycle (7 years).

The Manager has selected this target benchmark as the Trust believes it best reflects the objective to see absolute returns above inflation over a long term investment cycle after costs.

Appointments

Manager and Registered office

Evelyn Partners Fund Solutions Limited
45 Gresham Street
London EC2V 7BG
Telephone: 0207 131 4000
Authorised and regulated by the Financial Conduct Authority

Administrator and Registrar

Evelyn Partners Fund Solutions Limited
177 Bothwell Street
Glasgow G2 7ER
Telephone: 0141 222 1151 (Registration)
0141 222 1150 (Dealing)
Authorised and regulated by the Financial Conduct Authority

Directors of the Manager

Andrew Baddeley
Brian McLean
Mayank Prakash
Neil Coxhead

Independent Non-Executive Directors of the Manager

Dean Buckley
Linda Robinson
Victoria Muir
Sally Macdonald

Non-Executive Directors of the Manager

Paul Wyse - resigned 11 July 2023
Guy Swarbreck - appointed 21 August 2023

Investment Manager

Rothschild & Co Wealth Management UK Limited
New Court
St Swithin's Lane
London EC4N 8AL
Authorised and regulated by the Financial Conduct Authority

Trustee

NatWest Trustee and Depositary Services Limited
House A, Floor 0
Gogarburn
175 Glasgow Road
Edinburgh EH12 1HQ
Authorised and regulated by the Financial Conduct Authority

Auditor

Johnston Carmichael LLP
Bishop's Court
29 Albyn Place
Aberdeen AB10 1YL