

# FINAL REPORT

For the Year Ended 31st January 2021



**NFU Mutual**  
INSURANCE | PENSIONS | INVESTMENTS

# Annual Report 31st January 2021

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\*These collectively comprise the Authorised Corporate Director's (ACD) Report.

# Company Information

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<b>Company</b>	The NFU Mutual Portfolio Funds OEIC An investment company with variable capital.
<b>Head Office</b>	Tiddington Road, Stratford upon Avon, Warwickshire, CV37 7BJ Tel: 01789 204211
<b>Directors Board of Directors of the ACD</b>	The Authorised Corporate Director ('ACD') is N.F.U. Mutual Unit Managers Limited Chairman J. Bailie Directors P. A. Glover N. Bryan C. Judd J Priestley D. Roper (resigned 05/01/21) A. Fairfield (appointed 05/01/21)  Authorised and regulated by the Financial Conduct Authority.
<b>Administrator and Registrar</b>	The Bank of New York Mellon (International) Limited One Canada Square London E14 5AL Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
<b>Depositary</b>	The Bank of New York Mellon (International) Limited One Canada Square London E14 5AL Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
<b>Independent Auditors</b>	Deloitte LLP Statutory Auditor 110 Queen Street Glasgow G1 3BX

The Company is structured as an umbrella company, in that the scheme property of the Company is currently divided among all sub-funds, each with different investment objectives. New sub-funds ("Funds") may be established from time to time by the ACD with the approval of the Financial Conduct Authority ("FCA") and the Depositary. All the Funds are classified as The NFU Mutual Portfolio Funds OEIC Funds under the FCA's Collective Investment Schemes sourcebook ("COLL"). The NFU Mutual Portfolio Funds OEIC is covered by the investment rules in chapter 5 of COLL and is a UCITS Scheme within the meaning of the FCA sourcebook.

Each Fund has a specific portfolio to which that Fund's assets and liabilities are attributable. The Funds are segregated portfolios of assets and, accordingly, the assets of a Fund belong exclusively to that Fund and shall not be used or made available to discharge (directly or indirectly) the liabilities of, or claims against, any other person or body, including the Company and any other Fund and shall not be available for any such purpose. The individual shareholders are not liable for any debts of the Funds that they have invested in.

The accounting year covered in these financial statements is from 1st February 2020 to 31st January 2021.

As at 31st January 2021, none of the Funds held shares of any other Funds of the Company.

The Securities Financing Transactions Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) is required on all report & accounts published after 13th January 2017. During the year to 31st January 2020 and at the balance sheet date, The NFU Mutual Portfolio Funds OEIC did not engage in SFTs.

The Prospectus was last updated and issued on 1 October 2020. The financial statements reflect the latest investment objective and policy in the revised Prospectus.

# Company Information

## continued

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### **Remuneration Policy**

Reward at NFU Mutual is a combination of base pay, variable pay and a market competitive benefits package. Reward supports our values and business culture by balancing the need to recognise and reward high performance with the requirements to support our collegial culture.

NFU Mutual has a comprehensive process for identifying staff who are Material Risk Takers (MRTs) under the UCITS V regulations. Qualitative and quantitative criteria are used to identify roles on an on-going basis, and the list of identified staff is approved by the NFU Mutual Remuneration Committee at its meetings. Once identified, employees receive a letter informing them of the role status and the implications of it. All NFU Mutual variable pay plans are based on financial and non-financial performance measures. Individual criteria of acceptable performance and adherence to risk appetite are also applied.

Eight senior managers fall within the UCITS scheme during the financial year 2020. Total remuneration attributable to the NFU Mutual Portfolio Funds OEIC is £31,728 split between fixed, £22,720 and variable, £9,008.

Further information on the NFU Mutual Remuneration Policy is available on the Group's external website and in the Group's annual report and accounts.

# The NFU Mutual Portfolio Funds OEIC

## Value for Money Assessment

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In accordance with regulatory requirements set out by the Financial Conduct Authority (“FCA”), a Value for Money assessment has been carried out for the NFU Mutual Portfolio Funds OEIC. Based on this assessment the Board Directors of N.F.U. Mutual Unit Managers Limited (“MUMCO”) are satisfied that all of the sub-funds within the NFU Mutual Portfolio Funds OEIC offer good value for money to investors.

In 2020 MUMCO Board have ensured that investors continue to receive value for money:

- Service levels have been maintained in spite of the unprecedented challenges presented by COVID-19
- We have successfully introduced & embedded a number of investor focussed regulatory changes into the way we operate.
- We have continued to improve our processes & devote more resource to Environmental, Social & Governance (ESG) investment matters. This includes appointing a dedicated resource to manage these issues across the NFU Mutual Investment Function.
- We have transitioned the International equity components of each fund to a new investment strategy. Whilst this change has led to a small increase in each fund’s ongoing charge figure (OCF) we believe this will improve investor outcomes in future and are comfortable that this increase in OCF represents value for money.

We believe that it is important that we continue to invest in & develop our ESG capabilities and plan to do so over the next 12 months. We also plan to share our approach to ESG by publishing a document for investors detailing our approach

### Assessment

An annual assessment is required to demonstrate whether and how value is being delivered for investors in each sub-fund and to take corrective action if necessary. This assessment has been made against a list of prescribed elements by the FCA:

1. **Quality of service** - The range and quality of services provided to investors.
2. **Performance** - The performance of each sub-fund over an appropriate timescale having regard to the sub-fund’s investment objectives, policy and strategy
3. **Costs** - The costs involved in running the scheme and each sub-fund.
4. **Economies of scale** - Whether cost savings are achievable from economies of scale and if so whether these are passed on to investors.
5. **Comparable market rates** - Consideration of the market rate for any comparable service provided
6. **Comparable services** - How charges compare for comparable services provided to different groups of investors.
7. **Classes of units** - Consideration of how different charges in different share classes relate to differences in underlying costs.

Criteria	Assessment
1. Quality of Service	<p>MUMCO Board believe that investors are offered a good quality service both through the outsource provider Bank of New York Mellon (“BNYM”) and directly by MUMCO.</p> <p>This is evidenced by:</p> <ul style="list-style-type: none"> <li>• BNYM consistently meeting their Service Level Agreements.</li> <li>• Low error rates e.g. on unit pricing.</li> <li>• Low volumes of investor complaints.</li> <li>• All statutory documents produced and made available in line with the regulations.</li> <li>• Where undertaken, no material issues raised in reviews and audits relating to the quality of service provided by BNYM or MUMCO.</li> <li>• Service levels have been maintained in spite of the unprecedented challenges presented by COVID-19.</li> </ul> <p>We have taken the following actions to further improve value for investors:</p> <ul style="list-style-type: none"> <li>• We have successfully introduced &amp; embedded a number of investor focussed regulatory changes into the way we operate.</li> <li>• We have continued to improve our processes &amp; devote more resource to Environmental, Social &amp; Governance (ESG) matters. This includes appointing a dedicated resource to manage these issues across the NFU Mutual Investment Function.</li> </ul>

# The NFU Mutual Portfolio Funds OEIC

## Value for Money Assessment

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Criteria	Assessment
2. Performance	<p>We have developed a structured approach to analysing fund performance constructing a set of performance criteria and measuring each fund against these criteria, and from this assigning a Red, Amber or Green (RAG) status to each fund.</p> <p>The criteria are:</p> <ul style="list-style-type: none"> <li>• Achievement of the fund objective.</li> <li>• Performance against peers.</li> </ul> <p>Each criteria contributes an equal proportion to the overall score and where a measure is either not applicable or not available this measure is not used and the other weightings are adjusted accordingly.</p> <p>This analysis led to a GREEN rating for all funds.</p> <p>Whilst overall performance of the funds has been satisfactory, recent performance of the international equities component of each fund has been disappointing. In 2020 we transitioned the international equity component of each fund to a new investment strategy which we believe will lead to improved customer outcomes in future.</p>
3. Costs 4. Economies of scale	<p>MUMCO's costs are either charged directly to MUMCO where the costs relate solely to MUMCO activities or where MUMCO shares the resources of the wider NFU Mutual group costs are allocated using agreed processes.</p> <p>In 2020 the Group carried out a review of the allocation of the NFU Mutual group costs to MUMCO and MUMCO Board reviewed this to ensure that it fairly represented MUMCO's use of shared group resources.</p> <p>MUMCO has made modest profits in recent years. Profitability has been reduced by significant investment in the development of the business. This investment has been designed to improve the quality of the service MUMCO offers.</p> <p>Going forward we are looking to grow funds under management which should, over time, improve profitability due to economies of scale. These will be considered in future value for money assessments.</p>
5. Comparable market rate	<p>MUMCO Board has compared the ongoing charges figure of the sub-funds with those charged by other managers who run similar funds.</p> <p>The ongoing charge includes both the annual charge made by MUMCO and other charges made directly to the fund to cover other costs.</p> <p>We believe our charges are competitive for all of our funds.</p>
6. Comparable services 7. Classes of unit	<p>These considerations are not relevant to MUMCO as it only offers shares to retail investors and only offers one class of share in each sub-fund to these retail investors which means all retail investors in that sub-fund are charged the same rate.</p>

# The Authorised Corporate Director's Report

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The Authorised Corporate Director presents its report and the financial statements of the Company for the year ended 31st January 2021.

## **Incorporation**

The NFU Mutual Portfolio Funds OEIC (the "Company") is registered in England and Wales as an Open Ended Investment Company with variable capital under regulation 12 (Authorisation) of the OEIC regulations under registration number IC000745. The Company is authorised by the Financial Conduct Authority as an umbrella company with three constituent parts (Funds), the NFU Mutual Mixed Portfolio Max 100% Shares Fund, the NFU Mutual Mixed Portfolio 40-85% Shares Fund and the NFU Mutual Mixed Portfolio 20-60% Shares Fund all with a date of authorisation of 22 May 2009.

## **Principal Activities**

The Company's principal activity is to carry out business as an Open Ended Investment Company.

The Funds are operated separately and the assets of each Fund are managed in accordance with the investment objective and policy applicable to that Fund.

At present Class C Shares are available for all sub-funds and Class I Shares are available for the NFU Mutual Mixed Portfolio 20-60% Shares Fund. In addition, the ACD may at its discretion at a future date create different Classes of Share, which may be distinguished by their criteria for subscription and fee structure.

Class C Shares are only available to the following:

- the NFU Mutual group company that operates the NFU Mutual Select Investments Limited service from time to time (or its nominee where the nominee will invest on your behalf); or
- any other firm that complies with the following criteria (or its nominee where the nominee will invest on your behalf):  
(a) it is authorised by the FCA or an equivalent overseas regulator to provide custody and dealing services or fund link arrangements to retail investors, (b) it holds the relevant Class C Shares for such a purpose, and (c) it has a written platform, distribution, fund link or similar agreement in place with the ACD.

## **Results**

The results for each Fund are set out in detail in the relevant section of this report.



On behalf of the ACD

J. PRIESTLEY

19 March 2021



On behalf of the ACD

P.A. GLOVER

# Statement of Authorised Corporate Director's (ACD) Responsibilities in relation to the Financial Statements of the Company

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The FCA's Collective Investment Schemes sourcebook ("COLL") requires the ACD to prepare financial statements for each accounting period in accordance with United Kingdom Generally Accepted Accounting Practice which give a true and fair view of the financial position of the Company and of its net revenue and expenses and the net gains or losses on the property of the Company for the period. In preparing the financial statements the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- comply with the disclosure requirements of the Statement of Recommended Practice relating to Authorised Funds issued by the Investment Management Association\* in May 2014 and updated in June 2017;
- comply with the Prospectus, generally accepted accounting principles and applicable accounting standards subject to any material departures which are required to be disclosed and explained in the financial statements;
- keep proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future.

The financial statements should comply with the disclosure requirements of COLL and the Prospectus and any relevant provisions of the Company's Instrument of Incorporation.

The ACD is responsible for keeping proper books of accounts which disclose, with reasonable accuracy at any time, the financial position of the Company in accordance with the Instrument of Incorporation, the Open Ended Investment Companies Regulations 2001 (SI 2001/1228), COLL and the Prospectus. The ACD is responsible for taking all reasonable steps for the prevention and detection of fraud and any other irregularities.

\*Changed to The Investment Association on 5th January 2015.



# The NFU Mutual Portfolio Funds OEIC

## Investment Manager's Review

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### Investment Manager's Review as at 31st January 2021

#### Market Review

After a positive start to the year for asset markets, 2020 saw a dramatic change when the deadly spread of COVID-19 outside of China led to economic lockdowns and a significant global recession. Initially equity markets saw falls of around 30% alongside declines in corporate bond and commercial property values, with only government bonds and cash proving resilient. However, despite continued waves of the virus and further containment measures throughout the year, equities and corporate bonds recovered strongly due to optimism over an eventual recovery aided by vaccines, and exceptional levels of fiscal and monetary policy support being provided by governments and central banks around the world. The announcement of effective vaccines in November proved especially helpful to equities and the final quarter also benefited from well-received US election results and the last-minute avoidance of a 'no deal' Brexit.

Having ebbed and flowed to varying degrees around the world during 2020, towards the end of the year there was another resurgence in COVID-19 cases in many countries, including the economic heavyweights of the US and Europe. Governments were forced to implement new lockdown measures to control the spread of the virus and the strong economic recovery from the depths of the initial lockdown period lost momentum. The tighter restrictions primarily impact the service sector and will delay the global recovery, but manufacturing and trade data has proved more resilient than in the initial lockdowns.

Some parts of the world have been more successful at controlling the virus, such as China where infections have remained low and their economy has seen a significant return towards normality. With sustained economic reopening without triggering a new wave of the virus proving to be a challenge for many countries, the key escape route has become successful vaccines. The announcements of effective vaccines from Pfizer, Moderna and AstraZeneca/Oxford and the beginning of their rollout also gave a significant shot in the arm to investor confidence.

The final quarter of 2020 also saw significant political events, with well-received developments in both the US elections and Brexit negotiations. Whilst Donald Trump had delivered some market friendly policies such as tax cuts and deregulation, investors welcomed the prospects for a less confrontational presidency under Joe Biden and increased government spending. Although it was widely expected that a last-minute Brexit compromise would be reached, the risks of a damaging no-deal had hung over UK markets in recent years and there was relief when this was avoided. The deal itself was still a relatively hard Brexit with a lack of progress on some important areas such as financial services, but it still enabled sterling to recover over the final quarter and for UK equities to regain some of their lost ground.

Government and central bank fiscal and monetary policy measures have provided crucial support to economies and markets until conditions normalise, with further measures announced throughout the year. These included a new US pandemic relief plan, progress on the European Union's recovery fund and seven-year budget and further asset purchase plans from the major central banks.

The first ten months of 2020 had seen a strong difference in performance between equities that were perceived COVID-19 winners such as technology related companies and those that had been hard hit by the virus such as banks, energy and travel & leisure companies. The November vaccine announcements led to a significant momentum change and reversal in market leadership, with the previous laggards rallying strongly and reducing but by no means eliminating the 2020 performance gap.

Alongside the improved sentiment from progress on the Brexit deal, this trend was beneficial for the UK equity market which has few technology companies but a larger than average exposure to the more value and cyclical sectors. A strong finish to the year reduced losses for the FTSE All-Share Index over the 12 months to the end of January to 7.5%, with small and medium sized companies outperforming the larger company FTSE 100 Index.

Despite the significant impact of the pandemic on global economies and companies, a third consecutive quarterly gain in the fourth quarter of 2020 meant that international equities achieved an excellent return over the period of 13.8% for UK investors, even after a -2.4% impact from the recovery in sterling. Most countries saw positive returns over the 12 months, with the large technology heavy US market seeing gains of over 14%. Boosted by strength in China, the best gains over the period were from emerging markets with a return of almost 20%.

# The NFU Mutual Portfolio Funds OEIC

## Investment Manager's Review

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### Investment Manager's Review as at 31st January 2021

#### Market Review (continued)

Central bank bond buying and indications that interest rates would remain very low for the next few years kept bond yields extremely low through to the end of 2020, despite the potential negatives of heavy bond issuance and hopes for a vaccine inspired economic recovery. January did see an uptick in yields, which reduced the return from UK gilts over the 12 month period to 2.8%, whilst the improved risk backdrop supported credit markets and corporate bonds recovered from their initial COVID-19 losses to see a return of 4.0% for the period.

With the Bank of England having cut the UK interest rate to a record low of just 0.1%, returns from cash deposits remain exceptionally low and well below the level of inflation.

#### Market Outlook

An extraordinary year saw markets get off to a strong start before being significantly hit by an unexpected global pandemic followed by a remarkable rally from the March lows fuelled by massive monetary and fiscal stimulus and vaccine hopes. It may seem that with many global markets now at or near all-time highs they have become detached from the real economy, but it is important to remember that financial markets are forward looking and an end to the pandemic should trigger a multi-year economic recovery.

Providing there are no significant unanticipated shifts in the virus, the vaccine rollout proves effective and central banks and governments continue to provide significant support until conditions normalise, then markets are likely to continue to look through any further negative news on virus cases and economic lockdowns and focus on the expected recovery.

Short-term economic forecasts have been reduced in many countries as tighter lockdowns have been implemented, but the unleashing of pent-up demand from consumers and businesses as economies reopen once the virus is under control should see a period of sustained above trend growth. Hopefully virus containment measures will be successful and this would help sentiment, but realistically it looks like the vaccine will be the key catalyst in much of Europe and North America to enable reopening and by mid-year we should have seen significant progress on that front.

Monetary policy has been a key policy tool in recent years, but the newly utilised combination of both monetary and fiscal policy working together has been a powerful support for markets. Many countries have seen significant increases in their debt positions following the extensive support packages that they have provided, but it is widely expected that this support will continue until the economic recovery is embedded and high debt levels will be tolerated for the foreseeable future. This abundance of liquidity has seen interest rates and bond yields in many countries move down to around 0%.

Political developments have also been supportive, with both the US and Europe set to deliver increased fiscal spending. In the US, the election of Joe Biden and a Democrat controlled Congress should see significant further spending to support the economy, boost infrastructure and develop the green agenda. Europe also has ambitious plans to use its substantial recovery fund, which is seen as an important sign of European unity and a commitment to more aggressive policy measures.

Whilst the Brexit deal is still viewed by many as negative for the UK economy and significant elements such as financial services remain to be agreed, the removal of the 'no-deal' risk has lifted some of the investor gloom that has hung over the UK market since the 2016 referendum. Sterling was seen as especially vulnerable to a bad outcome but has seen some strength in recent weeks especially against the weakening US dollar.

Brexit has certainly been one factor behind the UK equity market being out of favour with global investors in recent years, but it has also suffered from a worse than average impact from COVID-19 and a sector mix that was poorly placed for recent trends that had favoured areas such as technology. This has left the UK market on a historically large valuation discount to global equities and with an economic recovery in sight the change of market leadership towards more value and cyclical companies should favour the UK market. The UK is also seeing the earliest vaccine rollout of the major nations and there are growing signs of an uptick in merger and acquisition activity as buyers recognise the relative valuation attractions of the UK.

# The NFU Mutual Portfolio Funds OEIC

## Investment Manager's Review

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### Investment Manager's Review as at 31st January 2021

#### Market Outlook (continued)

Many companies, especially in areas more impacted by lockdown measures, saw lower profits and reduced dividend payouts in 2020, but overall declines were better than initially feared and forecasts for 2021 and 2022 are for a significant recovery as conditions normalise. With such strong financial support from authorities we have not seen the usual impacts from a normal deep recession and companies and consumers look well placed to increase their spending when conditions allow, as we have already seen in the likes of China.

With interest rates and government bond yields close to 0%, equities offer significantly higher levels of income and these low discount rates also support higher equity valuations. This has been especially true of higher growth largely technology related companies in recent years, but with an economic recovery set to lead to profit growth in other more cyclical or 'value' sectors of the market the recent market rally has broadened out and this has the potential to continue.

In a normal recovery from an economic downturn it would usually be expected that there would be an increase in inflation, interest rates and bond yields and as well as being a challenge to fixed income investors that could also remove the liquidity support for equities and impact their valuations. Some uptick in short-term inflation is likely but there are mixed opinions as to whether we will see a sustained increase. The heavy levels of government debt issuance could also put some pressure on bond markets, but central banks have committed to continue their substantial asset purchases to help keep the cost of debt low for the foreseeable future to support the recovery. Whilst this should help keep short-term interest rates and bond yields low, yields on longer-term bonds may begin to rise and in aggregate the return prospects for government bonds continue to look poor.

With prospects for an economic recovery, fixed income investors have migrated towards higher risk bonds which offer superior income such as investment grade and high yield corporate bonds and emerging market debt. The yield spread on these bonds over and above equivalent gilt yields have narrowed significantly from the elevated levels seen last year but are still seen as offering the best risk-adjusted return potential within fixed income assets.

There is some debate within the Bank of England as to whether UK interest rates should be cut to 0% or even move negative, but the outlook for interest rates is that they will stay very low over the next few years, so for savers the returns on cash deposits will continue to struggle to match the levels of inflation being seen.

In conclusion, whilst investors will still focus on the path of the virus and the extent of lockdown requirements, markets will look through these short-term difficulties if central banks and governments continue to provide extensive policy support and the vaccine rollout looks set to enable a return towards normality later this year. With many equities now at above average valuations there is little room for disappointment, but the economic environment should be supportive and their relative growth and income attractions compare favourably to extremely low interest rates and bond yields. Government bonds have again proved their worth as safe-haven investments in difficult times, but the lack of yield now limits their attractions and corporate bonds are preferred within fixed income. Equities continue to see periods of heightened volatility, but they remain our preferred asset class and investors with suitable risk appetites should retain confidence in their longer-term attractions as part of appropriately balanced portfolios.

**Paul Glover**  
Chief Investment Manager  
March 2021

# The NFU Mutual Portfolio Funds OEIC

## Collective Notes Applicable to the Company and all Sub-funds

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### Collective Notes Applicable to the Company and all Sub-funds as at 31st January 2021

#### 1. Accounting policies

##### (a) Basis of accounting

The financial statements of the Company comprise the financial statements of each of the sub-funds and have been prepared under the historical cost convention, as modified by the revaluation of investments and on a going concern basis in accordance with FRS 102 and the Statement of Recommended Practice (SORP) for Authorised Funds issued by The Investment Management Association, now the Investment Association, ('the IMA SORP 2014'), updated in June 2017.

##### (b) Recognition of revenue

Revenue from distribution and accumulation units or shares in Collective Investment Schemes is recognised on ex-dividend day. All other revenue, including interest income from bank balances, is recognised on an accruals basis.

Equalisation on distributions received from underlying investments is treated as capital property of the individual Funds and deducted from the bookcost of investments.

##### (c) Treatment of expenses

All expenses are charged against revenue on an accruals basis, except for costs associated with the purchase and sale of investments which are charged to capital.

##### (d) Basis of valuation of investments

All investments are valued at their fair value as at close of business on 29th January 2021, being the last working day of the accounting year. The fair value for non-derivative investment in collective investment schemes is the single price, excluding any accrued interest.

##### (e) Taxation

Provision is made for taxation at current rates on the excess of investment taxable revenue over allowable expenses.

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

##### (f) Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not substantially all, risks and rewards of ownership, has transferred control of the asset to another party. Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### 2. Distribution policies

The policy is to distribute all available revenue, after deduction of those expenses which are chargeable in calculating the distribution. In order to conduct a controlled dividend flow, interim distributions will be at the ACD's discretion, up to a maximum of the distributable revenue for the interim periods. All remaining revenue is distributed in accordance with COLL.

Distributions which have remained unclaimed by Shareholders for over six years are credited to the capital property of the sub-fund.

# The NFU Mutual Portfolio Funds OEIC

## Collective Notes Applicable to the Company and all Sub-funds

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### Collective Notes Applicable to the Company and all Sub-funds (continued)

#### 3. Risk in relation to financial instruments

Each sub-fund's investment objective and policy is stated on pages 14, 30 and 46 respectively. In pursuing its objective each sub-fund holds financial instruments which expose the sub-funds to various types of risk. The main risks and the ACD's policy for managing these risks, which were applied consistently throughout the current and preceding year, are set out below.

##### **Credit and liquidity risk**

Credit risk is the risk of suffering loss due to another party not meeting its financial obligations. The primary sources of this risk to the sub-funds are the potential for debt instrument counterparties to fail to meet their redemption commitments and for trade counterparties to fail to meet their transaction commitments. This risk is managed by appraising the credit profile of financial instruments and trade counterparties. There is no direct exposure as the sub-funds do not hold any direct debt instruments.

Liquidity risk relates to the capacity to meet liabilities. The primary source of this risk to the sub-funds is the liability to Shareholders for any cancellation of shares. This risk is minimised by holding cash, readily realisable securities and via access to overdraft facilities. Given that the sub-funds invest in other Collective Investment Schemes, there is no significant liquidity risk in respect of the financial investments held by the entities.

##### **Market risk**

Market risk arises mainly from uncertainty about future prices. The primary source of this risk to the sub-funds is the potential movement in the value of financial instruments held as a result of price fluctuations. The ACD adheres to the investment guidelines and borrowing powers established in the Instrument of Incorporation, Prospectus and COLL governing the operation of Open Ended Investment Companies. In this way, the ACD monitors and controls the exposure to risk from any type of security, sector or issuer.

The sub-funds may also use derivative instruments to mitigate risk and reduce costs. These instruments are not utilised for speculative purposes. Derivative instruments were not utilised during the current or preceding year. Given that the sub-funds invest in other Collective Investment Schemes, there is a market risk in respect of the financial investments held by the entities.

##### **Interest rate risk**

Interest rate risk is the risk of movements in the value of financial instruments as a result of fluctuations in interest rates. Cash is deposited, overdraft facilities utilised and Money Market Deposits held, on normal commercial terms and earn or bear interest based on SONIA (Sterling Overnight Index Average) or its overseas equivalent. Given that the sub-funds invest in other Collective Investment Schemes, there is interest rate risk in respect of the financial instruments held by these entities. This risk is managed by the policies shown within market risk.

##### **Derivative risk**

Derivative risk arises from uncertainty about future market movements. This risk is managed by the policies shown within Market risk. Given that the sub-funds invest in other Collective Investment Schemes there is derivative risk in respect of the financial instruments held by these entities.

At the balance sheet date, no derivatives were held in any of the sub-funds (31st January 2020: Nil).

##### **Fair values**

The fair value of a financial instrument is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. There is no significant difference between the carrying value of the financial assets and liabilities, as shown in the financial statements, and their fair value.

# The NFU Mutual Portfolio Funds OEIC

## Collective Notes Applicable to the Company and all Sub-funds

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#### 4. Shareholder funds

The Company currently has two share classes for the Mixed Portfolio 20-60% Shares Fund: Class C (Income Shares) and Class I (Income Shares). The Company currently has one share class for the Mixed Portfolio 100% Shares Fund and Mixed Portfolio 40-85% Shares Fund: Class C (Income Shares).

Class C Shares were launched on 3rd December 2012, Class I Shares were launched on 1st June 2009.

The annual management charges applicable to each Class of Shares are as follows:

Class C Shares: 0.75% per annum

Class I Shares: 0% per annum

The net assets attributable to each share class, the net assets value per share and the number of shares in issue of each share class are shown in the comparative tables of each sub-fund. These can be found on:

Mixed Portfolio 100% Shares Fund – page 17.

Mixed Portfolio 40-85% Shares Fund – page 33.

Mixed Portfolio 20-60% Shares Fund – pages 49 to 50.

#### 5. Sensitivity Analysis

As the sub-funds invest in other Collective Investment Schemes there is no sensitivity analysis disclosed (31 January 2020; same).

Please refer to Note 12 in the Notes to the Financial Statements for each of the sub-funds for more details on the market and interest rate risk. As at the Balance Sheet date, the sub-funds do not gear or hedge investments and are fully invested.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## A Sub-fund of The NFU Mutual Portfolio Funds OEIC

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### Investment Objective and Policy

The investment objective of the Mixed Portfolio Max 100% Shares Fund is to provide high long term (5 years+) capital growth (net of fees).

The Mixed Portfolio Max 100% Shares Fund will invest up to 100% of the Fund's assets into equity related investments. The fund manager will usually invest in excess of 60% of the Fund's assets in funds managed by N.F.U. Mutual Unit Managers Limited and third-party funds with compatible or similar objectives. Through investment in these funds, the Fund will gain exposure to UK and international equities typically with 40%-60% in UK companies, 40%-50% in international equities and the remainder in fixed income stocks, cash and money market instruments. The Fund can invest indirectly in property through investment in collective investment schemes which invest in property related securities (including those managed by the Manager) and REITs. The high equity content is intended to achieve a balance between risk and reward. The fund manager has the ability to invest directly in equities and fixed income stocks. The expectation is, however, that the Fund will gain the predominant part of its exposure indirectly through funds.

The Fund may use financial derivatives but only for hedging or efficient portfolio management purposes.

Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. This Fund is classified in the Investment Association Flexible Investment sector (the benchmark). This benchmark has been chosen as the most appropriate comparator given the Fund's equity content.

The Fund is suitable for investors who are willing to accept significant capital risk for the potential of good long term (5 years+) growth. Investors in the Fund must be able to accept the risk that the value of the investments can fall as well as rise.

### Investment Manager's Review

#### Market Review

The Market Review can be found on page 8.

#### Portfolio Review

Asset Split	31st January 2021	31st January 2020
North America Equity Core Fund	17.6%	—
UK Equity Income Fund	14.8%	14.8%
UK Growth Fund	13.5%	12.6%
Global Alpha Fund	12.4%	—
Global Regional Core Fund	9.4%	—
UK Equity Core Fund	9.0%	11.2%
UK Smaller Companies Fund	7.3%	7.7%
Global Strategic Fund	4.9%	—
Cash equivalents and other net assets	4.9%	8.4%
Developed Europe Equity Core Fund	3.3%	—
UK Property Shares Fund	1.2%	1.5%
Corporate Bond Fund	0.7%	0.9%
Gilt & Corporate Bond Fund	0.6%	0.8%
UK Government Bond Fund	0.4%	0.5%
Global Growth Fund	—	18.8%
Global Emerging Markets Fund	—	17.3%
International Equity ETF's	—	5.5%

During the 12 months to the 31st January 2021, the portfolio continued to make a number of changes to the funds it invests in but has maintained its positive long-term view and exposure to global equity markets. Throughout the year the Fund has added selectively to equity positions during periods of market falls. Initially this favoured international equities but as the year progressed and the UK underperformed, focus shifted to domestic stocks. As a result, cash levels within the Fund have fallen noticeably. Fixed interest exposure has fallen to between 1% and 2%.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

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### Portfolio Review (continued)

Throughout the period, the Fund changed its way of sourcing international equity exposure, with the Global Growth and Global Emerging Markets funds and international ETF's replaced by a mixture of internally managed North America and Developed Europe Core funds alongside 3 externally managed funds of segregated mandates, based on a platform operated by Mercer.

The 12 month period was remarkable for society globally and this was reflected in the path of international stock markets. The year was defined by the spread of coronavirus across the world as hopes that it could be contained within China failed to materialise. As the scale of the pandemic became apparent, stock markets fell precipitously. Uncertainty was extremely high and it was clear that the travel bans and lockdown measures required to reduce viral transmissions would have huge economic consequence. Recognising this, decisive action from monetary and fiscal policy makers followed and was effective in preventing a more severe recession from occurring. It also boosted investor sentiment, turning markets higher from their lows in the first quarter and they then rallied with many making new all-time highs.

For UK equities it was also a tale of two halves. In the first half the market experienced the largest fall since the Financial Crisis. Swift and concerted action from global governments and central banks injected some calm into investors and prices began to gently recover in early summer. This recovery began to stall in late summer as headlines became dominated by stuttering Brexit negotiations, an alarmingly resurgent COVID-19 and the accompanying restrictions reintroduced. However, these immediate issues were abated by the announcement from Pfizer in November of a highly efficacious vaccine. UK equity markets surged on this news and have largely held those gains as investors plot a clear path to normalcy and business as usual for companies. The vaccine rally was led by those companies that have been most negatively affected by the global pandemic and subsequent collapse. The travel and leisure industry in particular rebounded sharply as investors utilised the vaccine news to deem the large dent in earnings as transitory and this led to good quality names in the sector returning to pre-March 2020 levels. Unlike international markets, UK equities still saw losses over the 12 month period and this restrained Fund returns.

For fixed interest, the strong returns seen in the first six months of the period made way for falls in the UK government bond market in the second half. The additional yield on corporate bonds compared to equivalent gilts (the credit spread) continued to decrease from the very high levels reached in March. The main driving factors for bond yields during the third quarter were the economic implications of the ongoing pandemic, the upcoming US election, US fiscal stimulus, and Brexit negotiations. The fourth quarter saw a resurgence of virus concerns, with a soaring infection rate. Paradoxically, equity markets performed well and lower credit spreads helped corporate bond performance, looking through these near-term concerns and instead focusing on the positive vaccine news, very supportive monetary and fiscal policy and Joe Biden's US election victory. UK government bonds remained supported by incredibly easy monetary policy. Post-Brexit trade deal negotiations between the EU and UK went down to the wire, with a deal eventually being agreed just before the year-end deadline.

Over the period, the class C shares return after charges was -0.6%. This can be compared to the Flexible Investment Sector average return of 7.1%.

### Market Outlook

The Market Outlook can be found on page 9.

Past performance is not a guide to future performance.

The value of investments and income from them may go down as well as up and you may not get back the amount invested.

Exchange rates may cause the value of any overseas investments or the income from them to rise and fall.



# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

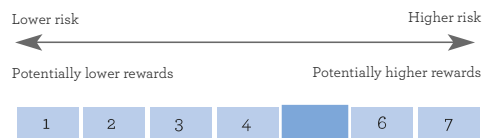
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**Launch date**  
1 June 2009

**Accounting dates**  
31 July (Interim)  
31 January (Final)

**Distribution dates**  
30 September (Interim)  
31 March (Final)

### Synthetic Risk and Reward Indicator (SRRI)



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund.
  - The risk and reward category shown is not guaranteed to remain unchanged and may shift over time.
  - The lowest category does not mean 'risk free'.
  - This indicator is not a measure of the risk that you may lose the amount you have invested.
  - The Fund is in this category because the prices of UK and non-UK shares have moved up and down frequently and significantly in the past.
- The indicator does not adequately capture the following relevant material risks:**
- Foreign Exchange - fluctuations in currency value may alter the value of the Fund's investments.
  - Emerging Markets - investments in emerging markets tend to be more volatile.
  - Credit - the issuers of debt securities may default on capital or income payments.
  - Collective Investment Schemes - investment in other funds may mean additional costs could be incurred by the Fund.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Comparative Tables

Year ending: Class C Shares	31/01/21 (pence per share)	31/01/20 (pence per share)	31/01/19 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	145.19	135.67	144.32
Return before operating charges	0.32	14.02	(4.67)
Operating charges	(1.21)	(1.26)	(1.24)
Return after operating charges	(0.89)	12.76	(5.91)
Distributions	(1.36)	(3.24)	(2.74)
<b>Closing net asset value per share</b>	<b>142.94</b>	<b>145.19</b>	<b>135.67</b>
After direct transaction costs of	—	—	—
<b>Performance</b>			
Return after charges	(0.61)%	9.41%	(4.10)%
<b>Other information</b>			
Closing net asset value (£'000)	90,188	71,771	61,097
Closing number of shares	63,094,999	49,433,947	45,031,683
Operating charges	0.91%	0.88%	0.89%
Direct transaction costs	—	—	—
<b>Prices*</b>			
Highest share price	149.88	153.22	147.69
Lowest share price	106.07	136.06	128.58

\*The lowest share price for the year ended 31 January 2020 as stated above is higher than the net asset value per share price as at 31 January 2019. The closing net asset value per share quoted above has been calculated using the portfolio valuation and with related accounting adjustments at close of business on the last day of the accounting period. These related accounting adjustments include the adjustment of the portfolio valuation from mid to bid and the exclusion of revenue incurred by the Fund for the period ending 31 January 2019.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Portfolio Statement as at 31st January 2021

Holding/ Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>Collective Investment Schemes - 95.11% (91.59%)</b>		
12,128	NFU Mutual Corporate Bond Fund <sup>†</sup>	646	0.72
49,277	NFU Mutual Developed Europe Equity Core Fund <sup>†</sup>	3,024	3.35
16,450	NFU Mutual Gilt & Corporate Bond Fund <sup>†</sup>	544	0.60
87,298	NFU Mutual Global Alpha Fund <sup>†</sup>	11,149	12.36
75,637	NFU Mutual Global Regional Core Fund <sup>†</sup>	8,458	9.38
38,582	NFU Mutual Global Strategic Fund <sup>†</sup>	4,431	4.91
264,849	NFU Mutual North America Equity Core Fund <sup>†</sup>	15,885	17.62
199,714	NFU Mutual UK Equity Core Fund <sup>†</sup>	8,092	8.97
353,091	NFU Mutual UK Equity Income Fund <sup>†</sup>	13,362	14.82
6,093	NFU Mutual UK Government Bond Fund <sup>†</sup>	336	0.37
298,054	NFU Mutual UK Growth Fund <sup>†</sup>	12,146	13.47
21,914	NFU Mutual UK Property Shares Fund <sup>†</sup>	1,073	1.19
132,516	NFU Mutual UK Smaller Companies Fund <sup>†</sup>	6,631	7.35
		85,777	95.11
	<b>Cash Equivalents - 2.69% (3.39%)</b>		
97,814	NFU Mutual Cash Plus Fund <sup>†</sup>	2,430	2.69
	<b>Portfolio</b>	<b>88,207</b>	<b>97.80</b>
	<b>Net other assets</b>	<b>1,981</b>	<b>2.20</b>
	<b>Net assets</b>	<b>90,188</b>	<b>100.00</b>

<sup>†</sup>These are unlisted securities and are related parties of the Fund.

The percentages in brackets show the equivalent comparatives as at 31st January 2020.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Statement of Total Return for the year ended 31st January 2021

	Notes	£'000	31/01/21 £'000	£'000	31/01/20 £'000
<b>Income</b>					
Net capital gains	2		539		4,353
Revenue	3	1,407		2,060	
Expenses	4	(604)		(537)	
Interest payable and similar charges	6	—		—	
Net revenue before taxation for the year		803		1,523	
Taxation	5	(6)		—	
Net revenue after taxation for the year			797		1,523
Total return before distributions			1,336		5,876
Distributions	7		(797)		(1,523)
Change in net assets attributable to Shareholders from investment activities			539		4,353

### Statement of Change in Net Assets attributable to Shareholders for the year ended 31st January 2021

	£'000	31/01/21 £'000	£'000	31/01/20 £'000
<b>Opening net assets attributable to Shareholders</b>		71,771		61,097
Amounts received on creation of shares	20,018		9,636	
Amounts paid on cancellation of shares	(2,140)		(3,315)	
		17,878		6,321
Change in net assets attributable to Shareholders from investment activities		539		4,353
<b>Closing net assets attributable to Shareholders</b>		90,188		71,771

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Balance Sheet as at 31st January 2021

	Notes	31/01/21 £'000	31/01/20 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		85,777	65,740
Current assets			
Debtors	8	855	885
Cash and bank balances	9	1,721	5,074
Cash equivalents	9	<u>2,430</u>	<u>2,431</u>
Total assets		<u>90,783</u>	<u>74,130</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	10	(535)	(707)
Other creditors	10	<u>(60)</u>	<u>(1,652)</u>
Total liabilities		<u>(595)</u>	<u>(2,359)</u>
<b>Net assets attributable to Shareholders</b>		<u>90,188</u>	<u>71,771</u>

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Notes to the Financial Statements for the year ended 31st January 2021

#### 1. Accounting policies

The accounting policies for the Fund are the same as those disclosed in the Collective Notes Applicable to the Company and all Sub-funds on page 11.

#### 2. Net capital gains

	31/01/21 £'000	31/01/20 £'000
Net capital gains during the year comprise:		
Non-derivative securities	543	4,355
Custodian transaction fees	(4)	(2)
<b>Net capital gains</b>	<u>539</u>	<u>4,353</u>

#### 3. Revenue

	31/01/21 £'000	31/01/20 £'000
Bank interest	1	1
Non-taxable dividend distributions	1,315	1,953
Taxable interest distributions	91	106
<b>Total revenue</b>	<u>1,407</u>	<u>2,060</u>

#### 4. Expenses

	31/01/21 £'000	31/01/20 £'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	<u>570</u>	<u>505</u>
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	24	22
Safe custody fees	10	10
	<u>34</u>	<u>32</u>
<b>Total expenses</b>	<u>604</u>	<u>537</u>

The Audit fee excluding VAT of £8,360 (£7,526 as at 31 January 2020) and registration fees will be borne by the ACD.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Notes to the Financial Statements (continued)

5. Taxation	31/01/21 £'000	31/01/20 £'000
<b>(a) Analysis of taxation charge in the year</b>		
Irrecoverable UK Income tax	6	—
<b>Total taxation</b>	<u>6</u>	<u>—</u>

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

The total tax charge excludes capital gains and losses for the reason that Open-Ended Investment Companies are not subject to Corporation tax on these items. Total tax differs from taxation assessed on net revenue before taxation as follows:

	31/01/21 £'000	31/01/20 £'000
Net revenue before taxation	<u>803</u>	<u>1,523</u>
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2020: 20%)	161	305
<b>Effects of:</b>		
Movement in unrecognised tax losses	102	86
Revenue not subject to taxation	(263)	(391)
Irrecoverable UK Income tax	<u>6</u>	<u>—</u>
<b>Total taxation</b>	<u>6</u>	<u>—</u>

At the year-end there is a potential deferred tax asset of £765,000 (31 January 2020: £663,000) due to tax losses of £3,830,000 (31 January 2020: £3,317,000). It is unlikely the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (31 January 2020: same).

6. Interest payable and similar charges	31/01/21 £'000	31/01/20 £'000
Interest	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

<b>7. Distributions</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Interim dividend distribution	294	843
Final dividend distribution	535	707
	<u>829</u>	<u>1,550</u>
Add: Revenue deducted on cancellation of shares	3	9
Less: Revenue received on creation of shares	(35)	(36)
<b>Distributions for the year</b>	<u>797</u>	<u>1,523</u>
<b>8. Debtors</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Accrued revenue	381	653
Amounts receivable for creation of shares	462	222
Recoverable income tax	12	10
	<u>855</u>	<u>885</u>
<b>9. Cash at bank and cash equivalents</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash at bank</b>		
Cash and bank balances	1,721	5,074
<b>Cash equivalents</b>		
Money Market Deposits	2,430	2,431
<b>Total cash at bank and cash equivalents</b>	<u>4,151</u>	<u>7,505</u>



# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Notes to the Financial Statements (continued)

10. Creditors	31/01/21 £'000	31/01/20 £'000
<b>a) Distribution payable</b>		
Distribution payable	535	707
<b>b) Other creditors</b>		
Accrued expenses	60	53
Amounts payable for cancellation of shares	—	99
Purchases awaiting settlement	—	1,500
	<u>60</u>	<u>1,652</u>

### 11. Contingent liabilities and outstanding commitments

There are no contingent liabilities or outstanding commitments at the balance sheet date (31 January 2020: Nil).

### 12. Risk in relation to financial instruments

The main risks and the ACD's policy for managing these risks, are stated in note 3 in the Collective Notes applicable to the Company and all sub-funds on page 12.

#### Market price risk

If market prices had increased/decreased by 10% as at the balance sheet date the net asset value of the Fund would have increased/decreased by £8,578,000 (31 January 2020: £6,574,000).

#### Foreign currency risk

At the balance sheet date the Fund's only exposure to currencies other than Sterling is through its investments in underlying Collective Investment Schemes.

#### Interest rate risk

The Fund's only interest bearing financial instruments are its bank balances, money market instruments and overdraft facilities as disclosed in note 9 and Collective Investment Schemes paying interest distributions. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earns or bears interest based on SONIA or its overseas equivalent. The underlying Collective Investment Schemes which invest in fixed interest securities also have interest rate risk exposure. Due to the immaterial proportion of interest bearing assets held within the portfolio, no sensitivity analysis has been performed.

The underlying Collective Investment Scheme investments are exposed to foreign currency and interest rate risk. There is no significant direct foreign currency or interest rate risk exposure to this Fund therefore no further numerical analysis is required.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

#### 12. Risk in relation to financial instruments (continued)

##### Fair Value Hierarchy

An analysis of the portfolio (excluding cash equivalents) in accordance with the fair value hierarchy is shown below:

	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>
<b>31/01/21</b>		
Level 1	—	—
Level 2	85,777	—
Level 3	—	—
	<hr/>	<hr/>
	85,777	—
	<hr/>	<hr/>
<b>31/01/20</b>		
Level 1	3,960	—
Level 2	61,780	—
Level 3	—	—
	<hr/>	<hr/>
	65,740	—
	<hr/>	<hr/>

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

#### 13. Portfolio transaction costs

For the year 1 February 2020 to 31 January 2021:

	Value £'000	Commissions £'000	%	Taxes £'000	%
<b>Purchases</b>					
Collective investment schemes	48,412	—	—	—	—
<b>Total</b>	48,412	—		—	
<b>Total purchases including commissions and taxes</b>	48,412				
<b>Sales</b>	£'000	£'000	%	£'000	%
Collective investment schemes	28,865	—	—	—	—
<b>Total</b>	28,865	—		—	
<b>Total sales net of commissions and taxes</b>	28,865				
Commissions as % of average net asset value	—				
Taxes as % of average net asset value	—				

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

### Notes to the Financial Statements (continued)

#### 13. Portfolio transaction costs (continued)

For the year 1 February 2019 to 31 January 2020:

	Value £'000	Commissions £'000	%	Taxes £'000	%
<b>Purchases</b>					
Collective investment schemes	4,495	—	—	—	—
<b>Total</b>	4,495	—		—	
<b>Total purchases including commissions and taxes</b>	4,495				
<b>Sales</b>	£'000	£'000	%	£'000	%
Collective investment schemes	510	—	—	—	—
<b>Total</b>	510	—		—	
<b>Total sales net of commissions and taxes</b>	510				
Commissions as % of average net asset value	—				
Taxes as % of average net asset value	—				

The above analysis covers any direct transaction costs suffered by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

All direct transaction costs have already been suffered by the underlying funds and therefore the Fund will not be passed these costs.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. Additionally there are indirect transaction costs suffered in those underlying Funds, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread was 0.00% (31 January 2020: 0.01%).

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

#### 14. Share movement

For the year 1 February 2020 to 31 January 2021:

	<b>Class C shares</b>
Opening shares	49,433,947
Shares creation	15,299,367
Shares cancellation	(1,638,315)
<b>Closing shares</b>	<b>63,094,999</b>

#### 15. Related party

Details of total purchases made into NFU Mutual Funds are shown in the Portfolio Statement on page 18. Details of shares issued by the ACD are shown in the Statement of Change in Net Assets attributable to Shareholders, with the amounts due from and to ACD at the balance sheet date shown in notes 8 and 10. Management fees £56,000 (£47,000 as at 31 January 2020.).

#### 16. Post balance sheet events

During the period from the date of the balance sheet to the date that the annual report was approved, COVID-19 has continued to cause extensive disruptions to businesses and economic activities globally. The ACD continues to monitor the situation, the effect on the valuation of the underlying investments and the impact on the net asset values of the sub-funds and to date investment markets have been relatively stable.

In the opinion of the ACD, no other matters or events have occurred subsequent to the balance sheet date which could materially affect the annual report and related disclosures apart from those disclosed above.

# NFU Mutual Mixed Portfolio Max 100% Shares Fund

## continued

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### Distribution Tables for the year ended 31st January 2021

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

#### Interim dividend distribution in pence per share

##### Class C Shares

	Gross Revenue	Equalisation	Distribution paid on 30/09/20	Distribution paid on 30/09/19
Group 1	0.5077	0.0000	0.5077	1.8093
Group 2	0.3911	0.1166	0.5077	1.8093

#### Final dividend distribution in pence per share

##### Class C Shares

	Gross Revenue	Equalisation	Distribution payable on 31/03/21	Distribution paid on 31/03/20
Group 1	0.8473	0.0000	0.8473	1.4293
Group 2	0.4045	0.4428	0.8473	1.4293

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## A Sub-fund of The NFU Mutual Portfolio Funds OEIC

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### Investment Objective and Policy

The investment objective of the Mixed Portfolio 40-85% Shares Fund is to produce long term (5 years+) capital growth with some income (net of fees).

The Mixed Portfolio 40-85% Shares Fund will invest between 40-85% of the Fund's assets in equity related investments. The fund manager will usually invest in excess of 60% of the Fund's assets in funds managed by N.F.U. Mutual Unit Managers Limited and third-party funds with compatible or similar objectives. Through investment in these funds, the Fund will gain exposure to UK and international equities with approximately 25% in fixed income stocks (UK and International), and cash. The Fund will typically maintain 40%-50% of its exposure to UK companies and 25%-35% in International companies with the balance in fixed income stocks and cash. The Fund can invest indirectly in property through investment in collective investment schemes which invest in property related securities (including those managed by the Manager) and REITs. The fund manager has the ability to invest directly in equities, fixed income stocks and cash. The expectation is, however, that the Fund will gain the predominant part of its exposure indirectly through funds.

Foreign currency exposure, through non-GBP (sterling) investments, may be hedged back into GBP at the discretion of the fund manager.

The Fund may use financial derivatives but only for hedging or efficient portfolio management purposes.

Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. This Fund is classified in the Investment Association Mixed Investment 40-85% shares sector (the benchmark). This Benchmark has been chosen as the most appropriate comparator for the Fund.

The Fund is suitable for investors who are willing to accept the prospect of a higher degree of capital risk than the Mixed Portfolio 20-60% Shares Fund for the potential of higher long term (5 years+) growth. Investors in the Fund must be able to accept the risk that the value of the investments can fall as well as rise.

### Investment Manager's Review

#### Market Review

The Market Review can be found on page 8.

#### Portfolio Review

Asset Split	31st January 2021	31st January 2020
North America Equity Core Fund	14.9%	—
UK Equity Income Fund	13.7%	14.2%
UK Growth Fund	12.9%	14.6%
Gilt & Corporate Bond Fund	10.4%	13.7%
Global Alpha Fund	9.9%	—
Cash equivalents and other net assets	9.1%	9.9%
UK Equity Core Fund	7.9%	9.4%
Global Regional Core Fund	7.4%	—
UK Smaller Companies Fund	4.3%	4.2%
Global Strategic Fund	3.8%	—
Developed Europe Equity Core Fund	2.6%	—
Corporate Bond Fund	1.6%	1.9%
UK Government Bond Fund	0.8%	0.9%
UK Property Shares Fund	0.7%	1.0%
Global Growth Fund	—	17.9%
Global Emerging Markets Fund	—	10.4%
iShares MSCI Europe (Ex UK) UCITS ETF	—	1.9%

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

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### Portfolio Review (continued)

During the 12 months to the 31st January 2021, the 40-85% Shares portfolio continued to make a number of changes to the funds it invests in but has maintained its positive long-term view and exposure to global equity markets. Throughout the year the fund has added selectively to equity positions during periods of market falls. Initially this favoured international equities but as the year progressed and the UK underperformed, focus shifted to domestic stocks. As a result, cash levels within the fund have dropped whilst fixed interest exposure has fallen to between 12 and 13%.

Throughout the period, the Fund changed its way of sourcing international equity exposure, with the Global Growth and Global Emerging Markets funds and international ETF's replaced by a mixture of internally managed North America and Developed Europe Core funds alongside 3 externally managed funds of segregated mandates, based on a platform operated by Mercer.

The 12 month period was remarkable for society globally and this was reflected in the path of international stock markets. The year was defined by the spread of coronavirus across the world as hopes that it could be contained within China failed to materialise. As the scale of the pandemic became apparent, stock markets fell precipitously. Uncertainty was extremely high and it was clear that the travel bans and lockdown measures required to reduce viral transmissions would have huge economic consequence. Recognising this, decisive action from monetary and fiscal policy makers followed and was effective in preventing a more severe recession from occurring. It also boosted investor sentiment, turning markets higher from their lows in the first quarter and they then rallied with many making new all-time highs.

For UK equities it was also a tale of two halves. In the first half the market experienced the largest fall since the Financial Crisis. Swift and concerted action from global governments and central banks injected some calm into investors and prices began to gently recover in early summer. This recovery began to stall in late summer as headlines became dominated by stuttering Brexit negotiations, an alarmingly resurgent COVID-19 and the accompanying restrictions reintroduced. However, these immediate issues were abated by the announcement from Pfizer in November of a highly efficacious vaccine. UK equity markets surged on this news and have largely held those gains as investors plot a clear path to normalcy and business as usual for companies. The vaccine rally was led by those companies that have been most negatively affected by the global pandemic and subsequent collapse. The travel and leisure industry in particular rebounded sharply as investors utilised the vaccine news to deem the large dent in earnings as transitory and this led to good quality names in the sector returning to pre-March 2020 levels. Unlike international markets, UK equities still saw losses over the 12 month period and this restrained fund returns.

For fixed interest, the strong returns seen in the first six months of the period made way for falls in the UK government bond market in the second half. The additional yield on corporate bonds compared to equivalent gilts (the credit spread) continued to decrease from the very high levels they had reached in March. The main driving factors for bond yields during the third quarter were the economic implications of the ongoing pandemic, the upcoming US election, US fiscal stimulus, and Brexit negotiations. The fourth quarter saw a resurgence of virus concerns, with a soaring infection rate. Paradoxically, equity markets performed well and lower credit spreads helped corporate bond performance, looking through these near-term concerns and instead focusing on the positive vaccine news, very supportive monetary and fiscal policy and Joe Biden's US election victory. UK government bonds remained supported by incredibly easy monetary policy. Post-Brexit trade deal negotiations between the EU and UK went down to the wire, with a deal eventually being agreed just before the year-end deadline.

Over the period, the class C shares return after charges was -1.3%. This can be compared to the Mixed Investment 40-85% Shares sector average return of 5.4%

### Market Outlook

The Market Outlook can be found on page 9.

Past performance is not a guide to future performance.

The value of investments and income from them may go down as well as up and you may not get back the amount invested.

Exchange rates may cause the value of any overseas investments or the income from them to rise and fall.



# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

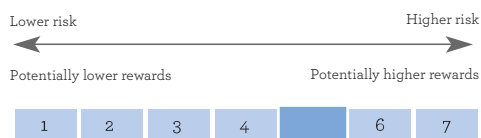
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**Launch date**  
1 June 2009

**Accounting dates**  
31 July (Interim)  
31 January (Final)

**Distribution dates**  
30 September (Interim)  
31 March (Final)

### Synthetic Risk and Reward Indicator (SRRI)



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund.
- The risk and reward category shown is not guaranteed to remain unchanged and may shift over time.
- The lowest category does not mean 'risk free'.
- This indicator is not a measure of the risk that you may lose the amount you have invested.
- The Fund is in this category because the other funds it invests in can invest in shares and bonds. The prices of shares have moved up and down frequently and significantly in the past. Bond prices have moved up and down moderately in the past.
- The Fund was previously rated risk category 4.

**The indicator does not adequately capture the following relevant material risks:**

- Foreign Exchange - fluctuations in currency value may alter the value of the Fund's investments.
- Emerging Markets - investments in emerging markets tend to be more volatile.
- Credit - the issuers of debt securities may default on capital or income payments.
- Collective Investment Schemes - investment in other funds may mean additional costs could be incurred by the Fund.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Comparative Tables

Year ending: Class C Shares	31/01/21 (pence per share)	31/01/20 (pence per share)	31/01/19 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	138.40	129.76	136.29
Return before operating charges	(0.69)	12.83	(2.73)
Operating charges	(1.15)	(1.16)	(1.15)
Return after operating charges	(1.84)	11.67	(3.88)
Distributions	(1.49)	(3.03)	(2.65)
<b>Closing net asset value per share</b>	<b>135.07</b>	<b>138.40</b>	<b>129.76</b>
After direct transaction costs of	—	—	—
<b>Performance</b>			
Return after charges	(1.33%)	8.99%	(2.85%)
<b>Other information</b>			
Closing net asset value (£'000)	406,760	336,778	291,663
Closing number of shares	301,156,275	243,336,604	224,770,564
Operating charges	0.90%	0.85%	0.86%
Direct transaction costs	—	—	—
<b>Prices*</b>			
Highest share price	141.72	144.66	139.72
Lowest share price	105.49	130.16	124.15

\*The lowest share price for the year ended 31 January 2020 as stated above is higher than the net asset value per share price as at 31 January 2019. The closing net asset value per share quoted above has been calculated using the portfolio valuation and with related accounting adjustments at close of business on the last day of the accounting period. These related accounting adjustments include the adjustment of the portfolio valuation from mid to bid and the exclusion of revenue incurred by the Fund for the period ending 31 January 2019.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Portfolio Statement as at 31st January 2021

Holding/ Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>Collective Investment Schemes - 90.93% (90.13%)</b>		
120,161	NFU Mutual Corporate Bond Fund <sup>†</sup>	6,395	1.57
172,073	NFU Mutual Developed Europe Equity Core Fund <sup>†</sup>	10,561	2.60
1,281,132	NFU Mutual Gilt & Corporate Bond Fund <sup>†</sup>	42,336	10.41
316,529	NFU Mutual Global Alpha Fund <sup>†</sup>	40,424	9.94
268,747	NFU Mutual Global Regional Core Fund <sup>†</sup>	30,054	7.39
136,340	NFU Mutual Global Strategic Fund <sup>†</sup>	15,659	3.85
1,008,173	NFU Mutual North America Equity Core Fund <sup>†</sup>	60,468	14.87
798,040	NFU Mutual UK Equity Core Fund <sup>†</sup>	32,336	7.95
1,475,937	NFU Mutual UK Equity Income Fund <sup>†</sup>	55,852	13.73
56,955	NFU Mutual UK Government Bond Fund <sup>†</sup>	3,144	0.77
1,285,045	NFU Mutual UK Growth Fund <sup>†</sup>	52,365	12.87
58,000	NFU Mutual UK Property Shares Fund <sup>†</sup>	2,841	0.70
348,388	NFU Mutual UK Smaller Companies Fund <sup>†</sup>	17,432	4.28
		369,867	90.93
	<b>Cash Equivalents - 3.92% (4.74%)</b>		
642,374	NFU Mutual Cash Plus Fund <sup>†</sup>	15,958	3.92
	<b>Portfolio</b>	<b>385,825</b>	<b>94.85</b>
	<b>Net other assets</b>	<b>20,935</b>	<b>5.15</b>
	<b>Net assets</b>	<b>406,760</b>	<b>100.00</b>

<sup>†</sup>These are unlisted securities and are related parties of the Fund.

The percentages in brackets show the equivalent comparatives as at 31st January 2020.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Statement of Total Return for the year ended 31st January 2021

	Notes	£'000	31/01/21 £'000	£'000	31/01/20 £'000
<b>Income</b>					
Net capital (losses)/gains	2		(2,646)		19,614
Revenue	3	6,933		9,515	
Expenses	4	(2,744)		(2,489)	
Interest payable and similar charges	6	—		—	
Net revenue before taxation for the year		4,189		7,026	
Taxation	5	(16)		—	
Net revenue after taxation for the year			4,173		7,026
Total return before distributions			1,527		26,640
Distributions	7		(4,173)		(7,026)
Change in net assets attributable to Shareholders from investment activities			(2,646)		19,614

### Statement of Change in Net Assets attributable to Shareholders for the year ended 31st January 2021

	£'000	31/01/21 £'000	£'000	31/01/20 £'000
Opening net assets attributable to Shareholders		336,778		291,663
Amounts received on creation of shares	78,601		35,720	
Amounts paid on cancellation of shares	(5,973)		(10,219)	
		72,628		25,501
Change in net assets attributable to Shareholders from investment activities		(2,646)		19,614
Closing net assets attributable to Shareholders		406,760		336,778

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Balance Sheet

as at 31st January 2021

	Notes	31/01/21 £'000	31/01/20 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		369,867	303,541
Current assets			
Debtors	8	3,513	4,435
Cash and bank balances	9	20,205	23,150
Cash equivalents	9	<u>15,958</u>	<u>15,968</u>
Total assets		<u>409,543</u>	<u>347,094</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	10	(2,517)	(3,281)
Other creditors	10	<u>(266)</u>	<u>(7,035)</u>
Total liabilities		<u>(2,783)</u>	<u>(10,316)</u>
<b>Net assets attributable to Shareholders</b>		<u>406,760</u>	<u>336,778</u>

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Notes to the Financial Statements for the year ended 31st January 2021

#### 1. Accounting policies

The accounting policies for the Fund are the same as those disclosed in the Collective Notes Applicable to the Company and all Sub-funds on page 11.

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

	31/01/21	31/01/20
	£'000	£'000
Net capital (losses)/gains during the year comprise:		
Non-derivative securities	(2,642)	19,617
Currency losses	—	(1)
Custodian transaction fees	(4)	(2)
<b>Net capital (losses)/gains</b>	<b>(2,646)</b>	<b>19,614</b>

#### 3. Revenue

	31/01/21	31/01/20
	£'000	£'000
Bank interest	5	5
Non-taxable dividend distributions	5,447	7,889
Taxable interest distributions	1,481	1,621
<b>Total revenue</b>	<b>6,933</b>	<b>9,515</b>

#### 4. Expenses

	31/01/21	31/01/20
	£'000	£'000
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	2,624	2,374
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	75	68
Safe custody fees	45	47
	120	115
<b>Total expenses</b>	<b>2,744</b>	<b>2,489</b>

The Audit fee excluding VAT of £8,360 (£7,526 as at 31 January 2020) and registration fees will be borne by the ACD.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Notes to the Financial Statements (continued)

5. Taxation	31/01/21 £'000	31/01/20 £'000
<b>(a) Analysis of taxation charge in the year</b>		
Irrecoverable UK income tax	16	—
<b>Total taxation</b>	<u>16</u>	<u>—</u>

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

The total tax charge excludes capital gains and losses for the reason that Open-Ended Investment Companies are not subject to Corporation tax on these items. Total tax differs from taxation assessed on net revenue before taxation as follows:

	31/01/21 £'000	31/01/20 £'000
Net revenue before taxation	<u>4,189</u>	<u>7,026</u>
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2020: 20%)	838	1,405
<b>Effects of:</b>		
Movement in unrecognised tax losses	251	173
Revenue not subject to taxation	(1,089)	(1,578)
Irrecoverable UK income tax	<u>16</u>	<u>—</u>
<b>Total taxation</b>	<u>16</u>	<u>—</u>

At the year-end there is a potential deferred tax asset of £1,625,000 (31 January 2020: £1,374,000) due to tax losses of £8,125,000 (31 January 2020: £6,867,000). It is considered unlikely that the Fund will generate sufficient taxable profits in the future to utilise these amounts and therefore no deferred tax asset has been recognised (31 January 2020: same).

6. Interest payable and similar charges	31/01/21 £'000	31/01/20 £'000
Interest	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

<b>7. Distributions</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Interim dividend distribution	1,814	3,872
Final dividend distribution	<u>2,517</u>	<u>3,281</u>
	4,331	7,153
Add: Revenue deducted on cancellation of shares	14	24
Less: Revenue received on creation of shares	<u>(172)</u>	<u>(151)</u>
<b>Distributions for the year</b>	<b><u>4,173</u></b>	<b><u>7,026</u></b>
<b>8. Debtors</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Accrued revenue	1,848	2,987
Amounts receivable for creation of shares	1,632	1,421
Recoverable income tax	<u>33</u>	<u>27</u>
	<u>3,513</u>	<u>4,435</u>
<b>9. Cash at bank and cash equivalents</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash at bank</b>		
Cash and bank balances	<u>20,205</u>	<u>23,150</u>
<b>Cash equivalents</b>		
Money Market Deposits	<u>15,958</u>	<u>15,968</u>
<b>Total cash at bank and cash equivalents</b>	<b><u>36,163</u></b>	<b><u>39,118</u></b>



# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Notes to the Financial Statements (continued)

10. Creditors	31/01/21 £'000	31/01/20 £'000
<b>a) Distribution payable</b>		
Distribution payable	<u>2,517</u>	<u>3,281</u>
<b>b) Other creditors</b>		
Accrued expenses	266	235
Purchases awaiting settlement	<u>—</u>	<u>6,800</u>
	<u>266</u>	<u>7,035</u>

### 11. Contingent liabilities and outstanding commitments

There are no contingent liabilities or outstanding commitments at the balance sheet date (31 January 2020: Nil).

### 12. Risk in relation to financial instruments

The main risks and the ACD's policy for managing these risks, are stated in note 3 in the Collective Notes applicable to the Company and all sub-funds on page 12.

#### Market price risk

If market prices had increased/decreased by 10% as at the balance sheet date the net asset value of the Fund would have increased/decreased by £36,987,000 (31 January 2020: £30,354,000).

#### Foreign currency risk

At the balance sheet date the Fund's only exposure to currencies other than Sterling is through its investments in underlying Collective Investment Schemes.

#### Interest rate risk

The Fund's only interest bearing financial instruments are its bank balances, money market instruments and overdraft facilities as disclosed in note 9 and Collective Investment Schemes paying interest distributions. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earns or bears interest based on SONIA or its overseas equivalent. The underlying Collective Investment Schemes which invest in fixed interest securities also have interest rate risk exposure. Due to the immaterial proportion of interest bearing assets held within the portfolio, no sensitivity analysis has been performed.

The underlying Collective Investment Scheme investments are exposed to foreign currency and interest rate risk. There is no significant direct foreign currency or interest rate risk exposure to this Fund therefore no further numerical analysis is required.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Notes to the Financial Statements (continued)

#### 12. Risk in relation to financial instruments (continued)

##### Fair Value Hierarchy

An analysis of the portfolio (excluding cash equivalents) in accordance with the fair value hierarchy is shown below:

	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>
<b>31/01/21</b>		
Level 1	—	—
Level 2	369,867	—
Level 3	—	—
	<u>369,867</u>	<u>—</u>
<b>31/01/20</b>		
Level 1	6,501	—
Level 2	297,040	—
Level 3	—	—
	<u>303,541</u>	<u>—</u>

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

#### 13. Portfolio transaction costs

For the year 1 February 2020 to 31 January 2021:

<b>Purchases</b>	<b>Value £'000</b>	<b>Commissions £'000</b>	<b>%</b>	<b>Taxes £'000</b>	<b>%</b>
Collective investment schemes	171,995	—	—	—	—
<b>Total</b>	<b>171,995</b>	<b>—</b>		<b>—</b>	
<b>Total purchases including commissions and taxes</b>	<b>171,995</b>				
<b>Sales</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Collective investment schemes	102,875	—	—	—	—
<b>Total</b>	<b>102,875</b>	<b>—</b>		<b>—</b>	
<b>Total sales net of commissions and taxes</b>	<b>102,875</b>				
Commissions as % of average net asset value	—				
Taxes as % of average net asset value	—				

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

### Notes to the Financial Statements (continued)

#### 13. Portfolio transaction costs (continued)

For the year 1 February 2019 to 31 January 2020:

	Value	Commissions		Taxes	
Purchases	£'000	£'000	%	£'000	%
Collective investment schemes	16,200	—	—	—	—
<b>Total</b>	<b>16,200</b>	<b>—</b>		<b>—</b>	
<b>Total purchases including commissions and taxes</b>	<b>16,200</b>				
Sales	£'000	£'000	%	£'000	%
Collective investment schemes	4,500	—	—	—	—
<b>Total</b>	<b>4,500</b>	<b>—</b>		<b>—</b>	
<b>Total sales net of commissions and taxes</b>	<b>4,500</b>				
Commissions as % of average net asset value	—				
Taxes as % of average net asset value	—				

The above analysis covers any direct transaction costs suffered by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

All direct transaction costs have already been suffered by the underlying funds and therefore the Fund will not be passed these costs.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. Additionally there are indirect transaction costs suffered in those underlying Funds, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread was 0.00% (31 January 2020: 0.00%).

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

#### 14. Share movement

For the year 1 February 2020 to 31 January 2021:

	<b>Class C shares</b>
Opening shares	243,336,604
Shares creation	62,586,735
Shares cancellation	<u>(4,767,064)</u>
Closing shares	<u>301,156,275</u>

#### 15. Related party

Details of total purchases made into NFU Mutual Funds are shown in the Portfolio Statement on page 34. Details of shares issued by the ACD are shown in the Statement of Change in Net Assets attributable to Shareholders, with the amounts due from and to ACD at the balance sheet date shown in notes 8 and 10. Management fees paid to the ACD are shown in note 4. The balance outstanding at the year end in respect of management fees was £254,000 (£218,000 as at 31 January 2020).

#### 16. Post balance sheet events

During the period from the date of the balance sheet to the date that the annual report was approved, COVID-19 has continued to cause extensive disruptions to businesses and economic activities globally. The ACD continues to monitor the situation, the effect on the valuation of the underlying investments and the impact on the net asset values of the sub-funds and to date investment markets have been relatively stable.

In the opinion of the ACD, no other matters or events have occurred subsequent to the balance sheet date which could materially affect the annual report and related disclosures apart from those disclosed above.

# NFU Mutual Mixed Portfolio 40-85% Shares Fund

## continued

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### Distribution Tables for the year ended 31st January 2021

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

#### Interim dividend distribution in pence per share

##### Class C Shares

	Gross Revenue	Equalisation	Distribution paid on 30/09/20	Distribution paid on 30/09/19
Group 1	0.6541	—	0.6541	1.6790
Group 2	0.4771	0.1770	0.6541	1.6790

#### Final dividend distribution in pence per share

##### Class C Shares

	Gross Revenue	Equalisation	Distribution payable on 31/03/21	Distribution paid on 31/03/20
Group 1	0.8356	—	0.8356	1.3483
Group 2	0.4198	0.4158	0.8356	1.3483

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## A Sub-fund of The NFU Mutual Portfolio Funds OEIC

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### Investment Objective and Policy

The investment objective of the Mixed Portfolio 20-60% Shares Fund is to generate long term (5 years+) capital growth and income (net of fees).

The Mixed Portfolio 20-60% Shares Fund will invest between 20-60% of the Fund's assets in equity related investments. The fund manager will usually invest in excess of 60% of the Fund's assets in funds managed by N.F.U. Mutual Unit Managers Limited and third-party funds with compatible or similar objectives. Through investment in these funds, the Fund will gain exposure to a mixture of UK and international equities, fixed income stocks and cash. The Fund will typically maintain 25%-35% exposure to UK companies and a similar proportion in UK fixed income stocks (minimum of 30%) with the balance in international equities and cash. The Fund can invest indirectly in property through investment in collective investment schemes which invest in property related securities (including those managed by the Manager) and REITs. The fund manager also has the ability to invest directly in equities, fixed income stocks and cash. The expectation is, however, that the Fund will gain the predominant part of its exposure indirectly through funds.

Foreign currency exposure, through non-GBP (sterling) investments, may be hedged back into GBP at the discretion of the fund manager.

The Fund may use financial derivatives but only for hedging or efficient portfolio management purposes.

Many funds sold in the UK are grouped into sectors by the Investment Association (the trade body that represents UK investment managers), to help investors to compare funds with broadly similar characteristics. This Fund is classified in the Investment Association Mixed Investment 20-60% shares sector (the benchmark). This benchmark has been chosen as the most appropriate comparator for the Fund, given the investment objective and policy.

The Fund is suitable for investors who are willing to accept some capital risk for the potential of long term (5 years+) capital growth and some income. Investors in the Fund must be able to accept the risk that the value of the investments can fall as well as rise.

### Investment Manager's Review

#### Market Review

The Market Review can be found on page 8.

#### Portfolio Review

Asset Split	31st January 2021	31st January 2020
Gilt & Corporate Bond Fund	14.7%	14.2%
North America Equity Core Fund	12.0%	—
UK Equity Income Fund	11.9%	14.8%
Cash equivalents and net other assets	11.3%	15.2%
Corporate Bond Fund	10.8%	11.6%
UK Growth Fund	8.5%	9.2%
Global Alpha Fund	6.9%	—
Global Regional Core Fund	6.2%	—
UK Government Bond Fund	5.2%	4.9%
UK Equity Core Fund	5.0%	5.7%
Global Strategic Fund	2.9%	—
UK Smaller Companies Fund	2.1%	2.2%
Developed Europe Equity Core Fund	1.8%	—
UK Property Shares Fund	0.7%	1.0%
Global Growth Fund	—	16.0%
Global Emerging Markets Fund	—	5.2%

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

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### Portfolio Review (continued)

During the 12 months to the 31st January 2021, the 20-60% Shares portfolio continued to make a number of changes to the funds it invests in but has maintained its positive long-term view and exposure to global equity markets. Throughout the year the fund has added selectively to equity positions during periods of market falls. Initially this favoured international equities but as the year progressed and the UK underperformed, focus shifted to domestic stocks. As a result, cash levels within the Fund have dropped markedly. Fixed interest exposure has remained stable towards the minimum weighting of 30% with the Fund taking the opportunity to invest cashflows on positive news headlines. In addition, the Fund has lowered its weighting in corporate bonds in favour of government debt.

Throughout the period, the Fund changed its way of sourcing international equity exposure, with the Global Growth and Global Emerging Markets funds and international ETF's replaced by a mixture of internally managed North America and Developed Europe Core funds alongside 3 externally managed funds of segregated mandates, based on a platform operated by Mercer.

The 12 month period was remarkable for society globally and this was reflected in the path of international stock markets. The year was defined by the spread of coronavirus across the world as hopes that it could be contained within China failed to materialise. As the scale of the pandemic became apparent, stock markets fell precipitously. Uncertainty was extremely high and it was clear that the travel bans and lockdown measures required to reduce viral transmissions would have huge economic consequence. Recognising this, decisive action from monetary and fiscal policy makers followed and was effective in preventing a more severe recession from occurring. It also boosted investor sentiment, turning markets higher from their lows in the first quarter and they then rallied with many making new all-time highs.

For UK equities it was also a tale of two halves. In the first half the market experienced the largest fall since the Financial Crisis. Swift and concerted action from global governments and central banks injected some calm into investors and prices began to gently recover in early summer. This recovery began to stall in late summer as headlines became dominated by stuttering Brexit negotiations, an alarmingly resurgent COVID-19 and the accompanying restrictions reintroduced. However, these immediate issues were abated by the announcement from Pfizer in November of a highly efficacious vaccine. UK equity markets surged on this news and have largely held those gains as investors plot a clear path to normalcy and business as usual for companies. The vaccine rally was led by those companies that have been most negatively affected by the global pandemic and subsequent collapse. The travel and leisure industry in particular rebounded sharply as investors utilised the vaccine news to deem the large dent in earnings as transitory and this led to good quality names in the sector returning to pre-March 2020 levels. Unlike international markets, UK equities still saw losses over the 12 month period and this restrained fund returns.

For fixed interest, the strong returns seen in the first six months of the period made way for falls in the UK government bond market in the second half. The additional yield on corporate bonds compared to equivalent gilts (the credit spread) continued to decrease from the very high levels they had reached in March. The main driving factors for bond yields during the third quarter were the economic implications of the ongoing pandemic, the upcoming US election, US fiscal stimulus, and Brexit negotiations. The fourth quarter saw a resurgence of virus concerns, with a soaring infection rate. Paradoxically, equity markets performed well and lower credit spreads helped corporate bond performance, looking through these near-term concerns and instead focusing on the positive vaccine news, very supportive monetary and fiscal policy and Joe Biden's US election victory. UK government bonds remained supported by incredibly easy monetary policy. Post-Brexit trade deal negotiations between the EU and UK went down to the wire, with a deal eventually being agreed just before the year-end deadline.

Over the period, the class C shares return after charges was 0.0%. This can be compared to the Mixed Investment 20-60% Shares sector average return of 3.1%.

### Market Outlook

The Market Outlook can be found on page 9.

Past performance is not a guide to future performance.

The value of investments and income from them may go down as well as up and you may not get back the amount invested.

Exchange rates may cause the value of any overseas investments or the income from them to rise and fall.



# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

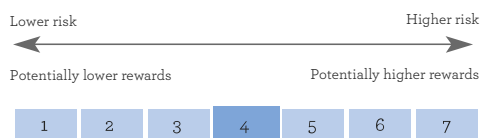
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**Launch date**  
1 June 2009

**Accounting dates**  
31 July (Interim)  
31 January (Final)

**Distribution dates**  
30 September (Interim)  
31 March (Final)

### Synthetic Risk and Reward Indicator (SRRI)



- This indicator is based on historical data and may not be a reliable indication of the future risk profile of the Fund.
  - The risk and reward category shown is not guaranteed to remain unchanged and may shift over time.
  - The lowest category does not mean 'risk free'.
  - This indicator is not a measure of the risk that you may lose the amount you have invested.
  - The Fund is in this category because the other funds it invests in can invest in shares and bonds. The prices of shares have moved up and down frequently and significantly in the past. Bond prices have moved up and down moderately in the past.
- The indicator does not adequately capture the following relevant material risks:**
- Credit - the issuers of debt securities may default on capital or income payments.
  - Emerging Markets - investments in emerging markets tend to be more volatile.
  - Foreign Exchange - fluctuations in currency value may alter the value of the Fund's investments.
  - Collective Investment Schemes - investment in other funds may mean additional costs could be incurred by the Fund.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Comparative Tables

Year ending: Class C Shares	31/01/21 (pence per share)	31/01/20 (pence per share)	31/01/19 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	131.28	124.16	128.50
Return before operating charges	1.07	10.61	(1.15)
Operating charges	(1.08)	(1.08)	(1.06)
Return after operating charges	(0.01)	9.53	(2.21)
Distributions	(1.47)	(2.41)	(2.13)
<b>Closing net asset value per share</b>	<b>129.80</b>	<b>131.28</b>	<b>124.16</b>
After direct transaction costs of	—	—	—
<b>Performance</b>			
Return after charges	(0.01%)	7.68%	(1.72%)
<b>Other information</b>			
Closing net asset value (£'000)	260,614	215,614	187,516
Closing number of shares	200,786,399	164,235,579	151,025,650
Operating charges	0.88%	0.83%	0.84%
Direct transaction costs	—	—	—
<b>Prices*</b>			
Highest share price	134.23	135.60	130.93
Lowest share price	106.74	124.40	120.06

\*The lowest share price for the year ended 31 January 2020 as stated above is higher than the net asset value per share price as at 31 January 2019. The closing net asset value per share quoted above has been calculated using the portfolio valuation and with related accounting adjustments at close of business on the last day of the accounting period. These related accounting adjustments include the adjustment of the portfolio valuation from mid to bid and the exclusion of revenue incurred by the Fund for the period ending 31 January 2019.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Comparative Tables (continued)

Year ending: Class I Shares	31/01/21 (pence per share)	31/01/20 (pence per share)	31/01/19 (pence per share)
<b>Change in net assets per share</b>			
Opening net asset value per share	168.86	159.68	165.25
Return before operating charges	1.16	13.41	(1.70)
Operating charges	(0.21)	(0.13)	(0.15)
Return after operating charges	0.95	13.28	(1.85)
Distributions	(2.84)	(4.10)	(3.72)
<b>Closing net asset value per share</b>	<b>166.97</b>	<b>168.86</b>	<b>159.68</b>
After direct transaction costs of	—	—	—
<b>Performance</b>			
Return after charges	0.56%	8.32%	(1.12%)
<b>Other information</b>			
Closing net asset value (£'000)	273,139	270,315	230,727
Closing number of shares	163,581,853	160,080,292	144,491,233
Operating charges	0.13%	0.08%	0.09%
Direct transaction costs	—	—	—
<b>Prices*</b>			
Highest share price	173.12	174.89	168.75
Lowest share price	137.44	159.99	154.78

\*The lowest share price for the year ended 31 January 2020 as stated above is higher than the net asset value per share price as at 31 January 2019. The closing net asset value per share quoted above has been calculated using the portfolio valuation and with related accounting adjustments at close of business on the last day of the accounting period. These related accounting adjustments include the adjustment of the portfolio valuation from mid to bid and the exclusion of revenue incurred by the Fund for the period ending 31 January 2019.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Portfolio Statement as at 31st January 2021

Holding/ Nominal Value	Investment	Market Value £'000	% of Net Assets
	<b>Collective Investment Schemes - 88.65% (84.78%)</b>		
1,084,490	NFU Mutual Corporate Bond Fund <sup>†</sup>	57,719	10.81
157,344	NFU Mutual Developed Europe Equity Core Fund <sup>†</sup>	9,657	1.81
2,367,192	NFU Mutual Gilt & Corporate Bond Fund <sup>†</sup>	78,226	14.66
290,132	NFU Mutual Global Alpha Fund <sup>†</sup>	37,053	6.94
293,737	NFU Mutual Global Regional Core Fund <sup>†</sup>	32,849	6.16
134,040	NFU Mutual Global Strategic Fund <sup>†</sup>	15,394	2.89
1,066,330	NFU Mutual North American Equity Core Fund <sup>†</sup>	63,956	11.98
654,733	NFU Mutual UK Equity Core Fund <sup>†</sup>	26,529	4.97
1,674,323	NFU Mutual UK Equity Income Fund <sup>†</sup>	63,360	11.87
504,907	NFU Mutual UK Government Bond Fund <sup>†</sup>	27,868	5.22
1,108,049	NFU Mutual UK Growth Fund <sup>†</sup>	45,152	8.46
82,000	NFU Mutual UK Property Shares Fund <sup>†</sup>	4,016	0.75
227,291	NFU Mutual UK Smaller Companies Fund <sup>†</sup>	11,373	2.13
		473,152	88.65
	<b>Cash Equivalents - 7.45% (8.19%)</b>		
1,601,385	NFU Mutual Cash Plus Fund <sup>†</sup>	39,783	7.45
		512,935	96.10
	<b>Portfolio of investments</b>		
	<b>Net other assets</b>	20,818	3.90
	<b>Net assets</b>	533,753	100.00

<sup>†</sup>These are unlisted securities and are related parties of the Fund.

The percentages in brackets show the equivalent comparatives as at 31st January 2020.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Statement of Total Return for the year ended 31st January 2021

	Notes	£'000	31/01/21 £'000	£'000	31/01/20 £'000
<b>Income</b>					
Net capital (losses)/gains	2		(2,651)		24,626
Revenue	3	9,621		12,068	
Expenses	4	(1,876)		(1,655)	
Interest payable and similar charges	6	—		—	
Net revenue before taxation for the year		7,745		10,413	
Taxation	5	(357)		(397)	
Net revenue after taxation for the year			7,388		10,016
Total return before distributions			4,737		34,642
Distributions	7		(7,388)		(10,016)
Change in net assets attributable to Shareholders from investment activities			(2,651)		24,626

### Statement of Change in Net Assets attributable to Shareholders for the year ended 31st January 2021

	£'000	31/01/21 £'000	£'000	31/01/20 £'000
<b>Opening net assets attributable to Shareholders</b>		485,929		418,243
Amounts received on creation of shares	58,620		51,867	
Amounts paid on cancellation of shares	(8,145)		(8,807)	
		50,475		43,060
Change in net assets attributable to Shareholders from investment activities		(2,651)		24,626
<b>Closing net assets attributable to Shareholders</b>		533,753		485,929

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Balance Sheet as at 31st January 2021

	Notes	31/01/21 £'000	31/01/20 £'000
<b>ASSETS</b>			
Fixed assets			
Investments		473,152	411,974
Current assets			
Debtors	8	3,219	5,206
Cash and bank balances	9	22,091	43,889
Cash equivalents	9	<u>39,783</u>	<u>39,807</u>
Total assets		<u>538,245</u>	<u>500,876</u>
<b>LIABILITIES</b>			
Creditors			
Distribution payable	10	(4,131)	(4,963)
Other creditors	10	<u>(361)</u>	<u>(9,984)</u>
Total liabilities		<u>(4,492)</u>	<u>(14,947)</u>
<b>Net assets attributable to Shareholders</b>		<u>533,753</u>	<u>485,929</u>

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Notes to the Financial Statements for the year ended 31st January 2021

#### 1. Accounting policies

The accounting policies for the Fund are the same as those disclosed in the Collective Notes Applicable to the Company and all Sub-funds on page 11.

<b>2. Net capital (losses)/gains</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Net capital (losses)/gains during the year comprise:		
Non-derivative securities	(2,647)	24,628
Custodian transaction fees	(4)	(2)
<b>Net capital (losses)/gains</b>	<b>(2,651)</b>	<b>24,626</b>
<b>3. Revenue</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest	9	13
Non-taxable dividend distributions	5,960	8,361
Taxable interest distributions	3,652	3,694
<b>Total revenue</b>	<b>9,621</b>	<b>12,068</b>
<b>4. Expenses</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Payable to the ACD, associates of the ACD and agents of either of them:</b>		
ACD's periodic charge	1,713	1,499
<b>Payable to the Depositary, associates of the Depositary and agents of either of them:</b>		
Depositary's fee	100	92
Safe custody fees	63	64
	163	156
<b>Total expenses</b>	<b>1,876</b>	<b>1,655</b>

The Audit fee excluding VAT of £8,360 (£7,526 as at 31 January 2020) and registration fees will be borne by the ACD.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Notes to the Financial Statements (continued)

<b>5. Taxation</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>(a) Analysis of taxation charge in the year</b>		
Corporation tax	357	411
Corporation tax - Prior year adjustment	—	(14)
<b>Total taxation</b>	<u>357</u>	<u>397</u>
<b>(b) Factors affecting taxation charge for the year</b>		
The total tax charge excludes capital gains and losses for the reason that Open-Ended Investment Companies are not subject to Corporation tax on these items. Total tax differs from taxation assessed on net revenue before taxation as follows:		
	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Net revenue before taxation	<u>7,745</u>	<u>10,413</u>
Net revenue before taxation at the applicable rate of corporation tax in the UK of 20% (2020: 20%)	1,549	2,083
<b>Effects of:</b>		
Prior year adjustment	—	(14)
Revenue not subject to taxation	<u>(1,192)</u>	<u>(1,672)</u>
<b>Total taxation</b>	<u>357</u>	<u>397</u>
<b>6. Interest payable and similar charges</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Interest	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>



# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

<b>7. Distributions</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Interim dividend distribution	3,344	5,233
Final dividend distribution	4,131	4,963
	<hr/>	<hr/>
	7,475	10,196
Add: Revenue deducted on cancellation of shares	23	27
Less: Revenue received on creation of shares	(110)	(207)
	<hr/>	<hr/>
<b>Distributions for the year</b>	<b>7,388</b>	<b>10,016</b>
	<hr/>	<hr/>
<b>8. Debtors</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
Accrued revenue	2,511	3,753
Amounts receivable for creation of shares	708	1,453
	<hr/>	<hr/>
	3,219	5,206
	<hr/>	<hr/>
<b>9. Cash at bank and cash equivalents</b>	<b>31/01/21</b>	<b>31/01/20</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash at bank</b>		
Cash and bank balances	22,091	43,889
	<hr/>	<hr/>
<b>Cash equivalents</b>		
Money Market Deposits	39,783	39,807
	<hr/>	<hr/>
<b>Total cash at bank and cash equivalents</b>	<b>61,874</b>	<b>83,696</b>
	<hr/>	<hr/>

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Notes to the Financial Statements (continued)

10. Creditors	31/01/21 £'000	31/01/20 £'000
<b>a) Distribution payable</b>		
Distribution payable	4,131	4,963
<b>b) Other creditors</b>		
Accrued expenses	177	159
Amounts payable for cancellation of shares	—	15
Corporation tax	184	210
Purchases awaiting settlement	—	9,600
	361	9,984

### 11. Contingent liabilities and outstanding commitments

There are no contingent liabilities or outstanding commitments at the balance sheet date (31 January 2020: Nil).

### 12. Risk in relation to financial instruments

The main risks and the ACD's policy for managing these risks, are stated in note 3 in the Collective Notes applicable to the Company and all sub-funds on page 12.

#### Market price risk

If market prices had increased/decreased by 10% as at the balance sheet date the net asset value of the Fund would have increased/decreased by £47,315,000 (31 January 2020: £41,197,000).

#### Foreign currency risk

At the balance sheet date the Fund's only exposure to currencies other than Sterling is through its investments in underlying Collective Investment Schemes.

#### Interest rate risk

The Fund's only interest bearing financial instruments are its bank balances, money market instruments and overdraft facilities as disclosed in note 9 and Collective Investment Schemes paying interest distributions. Cash is deposited, and overdraft facilities utilised, on normal commercial terms and earns or bears interest based on SONIA or its overseas equivalent. The underlying Collective Investment Schemes which invest in fixed interest securities also have interest rate risk exposure. Due to the immaterial proportion of interest bearing assets held within the portfolio, no sensitivity analysis has been performed.

The underlying Collective Investment Scheme investments are exposed to foreign currency and interest rate risk. There is no significant direct foreign currency or interest rate risk exposure to this Fund therefore no further numerical analysis is required.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Notes to the Financial Statements (continued)

#### 12. Risk in relation to financial instruments (continued)

##### Fair Value Hierarchy

An analysis of the portfolio (excluding cash equivalents) in accordance with the fair value hierarchy is shown below:

	<b>Assets</b>	<b>Liabilities</b>
	<b>£'000</b>	<b>£'000</b>
<b>31/01/21</b>		
Level 1	—	—
Level 2	473,152	—
Level 3	—	—
	<hr/>	<hr/>
	473,152	—
	<hr/>	<hr/>
<b>31/01/20</b>		
Level 1	—	—
Level 2	411,974	—
Level 3	—	—
	<hr/>	<hr/>
	411,974	—
	<hr/>	<hr/>

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

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### Notes to the Financial Statements (continued)

#### 13. Portfolio transaction costs

For the year 1 February 2020 to 31 January 2021:

	Value £'000	Commissions £'000	%	Taxes £'000	%
<b>Purchases</b>					
Collective investment schemes	174,144	—	—	—	—
<b>Total</b>	174,144	—		—	
<b>Total purchases including commissions and taxes</b>	174,144				
<b>Sales</b>	£'000	£'000	%	£'000	%
Collective investment schemes	110,151	—	—	—	—
<b>Total</b>	110,151	—		—	
<b>Total sales net of commissions and taxes</b>	110,151				
Commissions as % of average net asset value	—				
Taxes as % of average net asset value	—				

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

### Notes to the Financial Statements (continued)

#### 13. Portfolio transaction costs (continued)

For the year 1 February 2019 to 31 January 2020:

	Value	Commissions		Taxes	
Purchases	£'000	£'000	%	£'000	%
Collective investment schemes	29,730	—	—	—	—
<b>Total</b>	<b>29,730</b>	<b>—</b>		<b>—</b>	
<b>Total purchases including commissions and taxes</b>	<b>29,730</b>				
Sales	£'000	£'000	%	£'000	%
Collective investment schemes	500	—	—	—	—
<b>Total</b>	<b>500</b>	<b>—</b>		<b>—</b>	
<b>Total sales net of commissions and taxes</b>	<b>500</b>				
Commissions as % of average net asset value	—				
Taxes as % of average net asset value	—				

The above analysis covers any direct transaction costs suffered by the Fund during the year. However it is important to understand the nature of other transaction costs associated with different investment asset classes and instruments types.

All direct transaction costs have already been suffered by the underlying funds and therefore the Fund will not be passed these costs.

For the Fund's investment in collective investment scheme holdings there will potentially be dealing spread costs applicable to purchases and sales. Additionally there are indirect transaction costs suffered in those underlying Funds, throughout the holding period for the instruments, which are not separately identifiable and do not form part of the analysis above.

Dealing spread costs suffered by the Fund vary considerably for the different asset/instrument types depending on a number of factors including transaction value and market sentiment.

At the balance sheet date the average portfolio dealing spread was 0.00% (31 January 2020: 0.00%).

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

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### 14. Share movement

For the year 1 February 2020 to 31 January 2021:

	Class C shares	Class I shares
Opening shares	164,235,579	160,080,292
Shares creation	43,240,079	3,501,561
Shares cancellation	(6,689,259)	—
<b>Closing shares</b>	<b>200,786,399</b>	<b>163,581,853</b>

### 15. Related party

As at 31 January 2021 The National Farmers Union Mutual Insurance Society Limited, a related party of the ACD, held 163,581,853 (160,080,289 as at 31 January 2020) of the Class I shares in issue.

Details of total purchases made into NFU Mutual Funds are shown in the Portfolio Statement on page 51. Details of shares issued by the ACD are shown in the Statement of Change in Net Assets attributable to Shareholders, with the amounts due from and to ACD at the balance sheet date shown in notes 8 and 10. Management fees paid to the ACD are shown in note 4. The balance outstanding at the year end in respect of management fees was £163,000 (£138,000 as at 31 January 2020).

### 16. Post balance sheet events

During the period from the date of the balance sheet to the date that the annual report was approved, COVID-19 has continued to cause extensive disruptions to businesses and economic activities globally. The ACD continues to monitor the situation, the effect on the valuation of the underlying investments and the impact on the net asset values of the sub-funds and to date investment markets have been relatively stable.

In the opinion of the ACD, no other matters or events have occurred subsequent to the balance sheet date which could materially affect the annual report and related disclosures apart from those disclosed above.

# NFU Mutual Mixed Portfolio 20-60% Shares Fund

## continued

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### Distribution Tables for the year ended 31st January 2021

Group 1: Shares purchased prior to a distribution period

Group 2: Shares purchased during a distribution period

Equalisation is the average amount of revenue included in the purchase price of all Group 2 shares and is refunded to the holders of these shares as a return of capital. Being capital it is not liable to Income tax but must be deducted from the cost of shares for Capital Gains tax purposes.

#### Interim dividend distribution in pence per share

##### Class C Shares

	Gross Revenue	Equalisation	Distribution paid on 30/09/20	Distribution paid on 30/09/19
Group 1	0.6592	—	0.6592	1.2876
Group 2	0.4925	0.1667	0.6592	1.2876

##### Class I Shares

	Gross Revenue	Equalisation	Distribution paid on 30/09/20	Distribution paid on 30/09/19
Group 1	1.3102	—	1.3102	2.1481
Group 2	1.3102	0.0000	1.3102	2.1481

#### Final dividend distribution in pence per share

##### Class C Shares

	Gross Revenue	Equalisation	Distribution payable on 31/03/21	Distribution paid on 31/03/20
Group 1	0.8096	—	0.8096	1.1174
Group 2	0.4508	0.3588	0.8096	1.1174

##### Class I Shares

	Gross Revenue	Equalisation	Distribution payable on 31/03/21	Distribution paid on 31/03/20
Group 1	1.5314	—	1.5314	1.9536
Group 2	1.3286	0.2028	1.5314	1.9536

# Statement of the Depositary's Responsibilities in respect of the Financial Statements of the Company

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The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

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

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Authorised Corporate Director ("the ACD"), which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

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

## Report of the Depositary to the Shareholders of The NFU Mutual Portfolio Funds OEIC

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

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



For and on behalf of  
The Bank of New York Mellon (International) Limited  
One Canada Square  
London  
E14 5AL

19 March 2021



# Independent Auditors' Report to the Shareholders of The NFU Mutual Portfolio Funds OEIC

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## Report on the financial statements

### Our opinion

In our opinion the financial statements of NFU Mutual Portfolio Funds OEIC (the 'company'):

- give a true and fair view of the financial position of the company and its sub funds as at 31st January 2021 and of the net revenue and the net capital gains and losses on the property of the company and its sub funds for the year ended 31st January 2021; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice "Financial Statements of UK Authorised Funds", the rules in the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

We have audited the financial statements which comprise for each sub-fund:

- the statement of total return;
- the statement of change in net assets attributable to shareholders;
- the balance sheet;
- the accounting policies, risk management policies and individual notes; and
- the distribution tables.

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), the Statement of Recommended Practice: "Financial Statements of UK Authorised Funds" issued by the Investment Association in May 2014 as amended in June 2017, the Collective Investment Schemes Sourcebook and the Instrument of Incorporation.

### 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's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 authorised corporate director's (ACD'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 company'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 ACD with respect to going concern are described in the relevant sections of this report.

# Independent Auditors' Report to the Shareholders of The NFU Mutual Portfolio Funds OEIC continued

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## 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 ACD 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.

## Responsibilities of depositary and ACD

As explained more fully in the depositary's responsibilities statement and the ACD's responsibilities statement, the depositary is responsible for the safeguarding the property of the company and the ACD 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 ACD 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 ACD is responsible for assessing the company'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 ACD either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

## Auditor's 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](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 considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Collective Investment Schemes Sourcebook and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included The Open-Ended Investment Companies Regulations 2001.

We discussed among the audit engagement team including relevant internal specialists such as valuations and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

# Independent Auditors' Report to the Shareholders of The NFU Mutual Portfolio Funds OEIC continued

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

As a result of performing the above, we identified the greatest potential for fraud in the valuation and existence of investments. In response we have: involved our financial instruments specialists to assess the applied valuation methodologies; agreed investment holdings to independent confirmations; and agreed investment valuations to reliable independent sources.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reviewing correspondence with HMRC and the FCA.

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Collective Investment Schemes Sourcebook

In our opinion:

- proper accounting records for the company and its sub-funds have been kept and the financial statements are in agreement with those records;
- we have received all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit; and
- the information disclosed in the annual report for the year ended 31st January 2021 for the purpose of complying with Paragraph 4.5.9R of the Collective Investment Schemes Sourcebook is consistent with the financial statements.

### Use of our report

This report is made solely to the company's shareholders, as a body, in accordance with Paragraph 4.5.12R of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the company's shareholders 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 company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Deloitte LLP  
Statutory Auditor  
Glasgow, United Kingdom

19 March 2021

# Directory

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## **The Open-Ended Investment Company**

The NFU Mutual Portfolio Funds OEIC  
Tiddington Road  
Stratford-upon-Avon  
Warwickshire  
CV37 7BJ  
Tel: 01789 204 211\*

## **Registered in England**

IC000745 and authorised and regulated by the Financial Conduct Authority.

## **The Authorised Corporate Director (ACD)**

N.F.U. Mutual Unit Managers Limited  
Tiddington Road  
Stratford-upon-Avon  
Warwickshire  
CV37 7BJ  
Tel: 01789 204 211\*

Authorised and regulated by the Financial Conduct Authority.

## **The Administrator/Registrar**

The Bank of New York Mellon (International) Limited  
One Canada Square  
London  
E14 5AL

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## **The Depository**

The Bank of New York Mellon (International) Limited  
One Canada Square  
London  
E14 5AL

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## **Custodian**

The Bank of New York Mellon SA/NV (London Branch)  
The Bank of New York Mellon Centre  
160 Queen Victoria Street  
London  
EC4V 4LA

Authorised by the European Central Bank, National Bank of Belgium, Belgian Financial Services and Markets Authority and subject to limited regulation by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

## **Independent Auditors**

Deloitte LLP  
Statutory Auditor  
110 Queen Street  
Glasgow  
G1 3BX

## **Legal Advisers**

Eversheds Sutherland LLP  
One Wood Street  
London  
EC2V 7WS

\*For security purposes telephone calls may be recorded and monitored.



## **NFU Mutual**

The National Farmers Union Mutual Insurance Society Limited (No.111982)  
A member of the Association of British Insurers.  
Authorised by the Prudential Regulation Authority and regulated by  
the Financial Conduct Authority and the Prudential Regulation Authority.  
N.F.U. Mutual Unit Managers Limited (No.1837277).  
A member of the NFU Mutual group of companies. Authorised and regulated  
by the Financial Conduct Authority.

REP/OEIC/LONG/RPF/01-21

NFU Mutual Select Investments Limited (No.08049488)  
A member of the NFU Mutual group of companies.  
Authorised and regulated by the Financial Conduct Authority.  
All three companies: Registered in England. Registered office:  
Tiddington Road, Stratford upon Avon, Warwickshire CV37 7BJ.