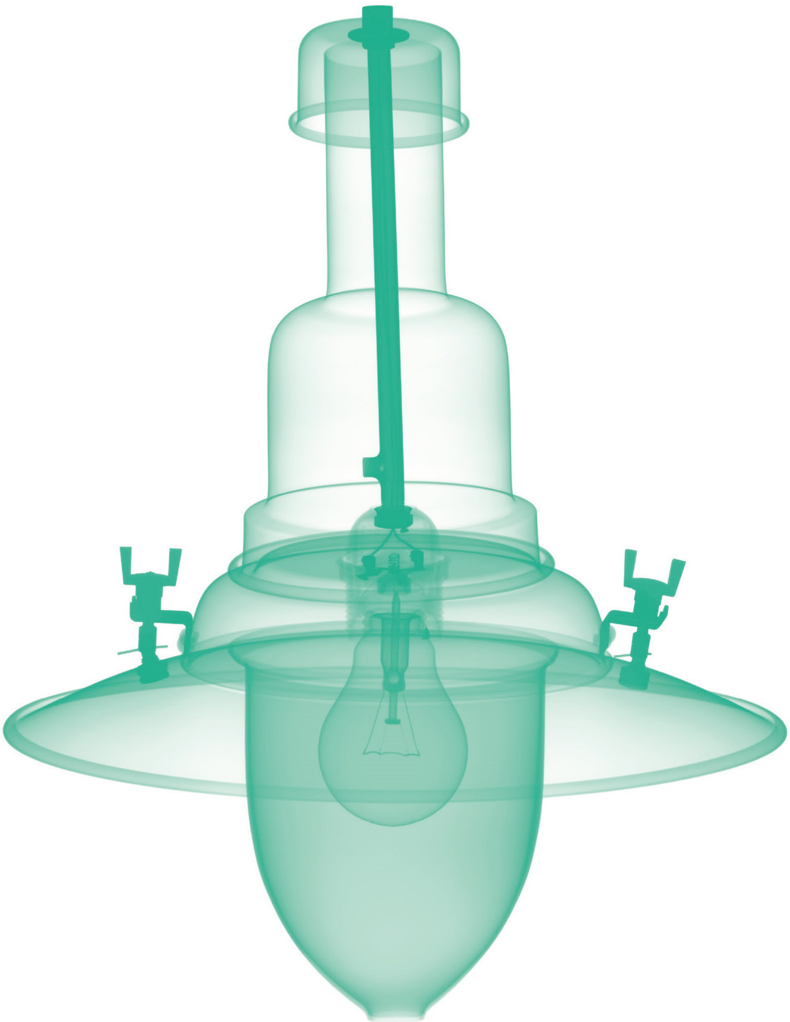
Heartwood
Investment Management

Cautious - I Class

Investment Report



Cautious Portfolio

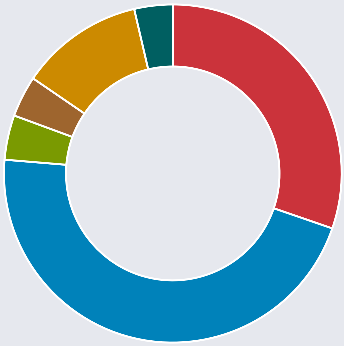
Report period 01 April 2018 - 30 June 2018

Clear Thinking

Portfolio positioning as at 30 June 2018

Asset allocation

Equity	30.3%
Bonds	46.0%
Property	4.3%
Commodities	3.9%
Hedge Funds	11.8%
Cash	3.7%



Tactical deviation

Equity	Bonds	Property
2.3% Overweight	-5.0% Underweight	-1.4% Underweight

Commodities	Hedge Funds	Cash
0.1% Overweight	2.3% Overweight	1.7% Overweight

Clear thinking on positioning

We remain slightly overweight equities, based on continued low borrowing costs and rising macroeconomic growth in all key global regions. The chief risks to this position are expensive equity valuations and the possibility of interest rates being raised faster than expected. In Q2 we have increased our alternatives exposure by adding two systematic macro hedge funds. We have also added industrial metals exposure. These positions should benefit from higher inflation and greater volatility.

- Equities: underweight UK, based on fundamental concerns around the UK economy; overweight in emerging markets (EM), Europe and Japan, where we see both relative value and economic momentum.
- Bonds: remain invested in bonds with less sensitivity to interest rates, but with select exposures to EM sovereign debt and high quality asset-backed securities.
- Alternatives : maintain underweight to property. We have been increasing both our commodity and hedge fund allocations this year.

02 July 2018

If you would like to read more please visit our website http://www.heartwoodgroup.co.uk where there is a comprehensive Monthly Strategy Review and other literature.

Equity breakdown

United Kingdom	12.5%
North America	7.9%
Japan	3.4%
Europe Ex-Uk	3.1%
Pacific Ex-Japan	0.2%
Emerging Markets	3.2%

Bond breakdown

Government - Conventional	17.8%
Government - Index Linked	9.4%
Corporate - Investment Grade	11.9%
Corporate - High Yield	2.5%
Emerging Markets	4.4%
Government (Not base currency)	0.0%

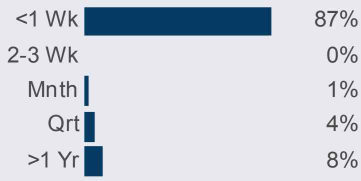
Currency exposure

£ GBP	80.2%
$ USD	9.8%
€ EUR	2.2%
¥ JPY	3.4%
$ AUD	0.0%
RMB/HKD	1.0%
Other	3.5%

Holding type

Active	Passive
35.8%	33.3%
Direct	**Cash/Liquidity**
27.2%	3.7%

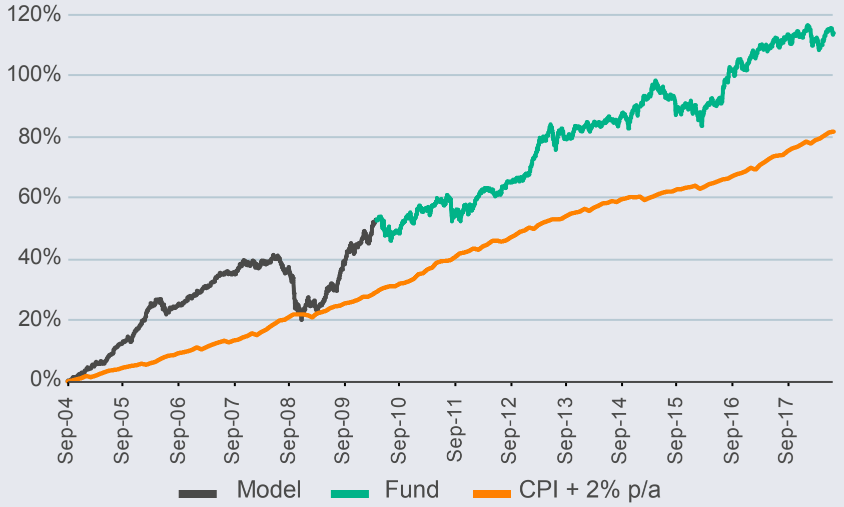
Liquidity



Source: Heartwood

Performance to 30 June 2018

Cautious vs CPI + 2% p/a since inception*



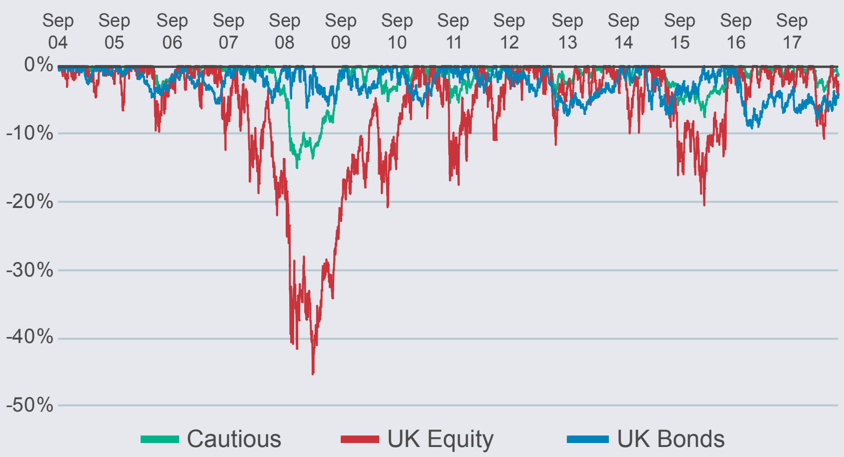
Portfolio returns to 30 Jun 2018 (%)

	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception*
Cautious	-0.5	2.2	-0.4	2.0	11.1	20.2	113.8
CPI + 2% p/a	0.2	1.3	1.8	4.5	12.1	18.8	81.6
UK Equity	-0.2	9.4	1.4	8.3	30.8	46.6	179.2
UK Bonds	-0.6	0.1	0.3	2.0	15.3	29.1	113.7

Discrete annual performance (%)

	12 Months to 30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	Report period 01 Apr 18 - 30 Jun 18
Cautious	2.0	7.9	0.9	3.7	4.3	2.2
CPI + 2% p/a	4.5	4.7	2.5	2.0	3.9	1.3
UK Equity	8.3	16.7	3.4	-0.2	12.3	9.4
UK Bonds	2.0	-1.0	14.2	9.3	2.5	0.1

Downside risk since inception*



Understanding your returns

The Cautious portfolio rallied strongly in Q2 2018, advancing 2.2%. The second quarter saw rampant equity markets, particularly in the US and UK. However, emerging markets suffered losses, hurt by a strong US dollar and the ratcheting up of protectionism from the Trump administration. Bonds barely moved over the second quarter, but commodities steamed higher, driven by a more than 20% rise in the oil price.

Looking ahead, the market will be focussed on US foreign and trade policy. We tend to believe that protectionist rhetoric is part of a negotiating strategy and that the imposition of tariffs will not destabilise markets.

Performance year to date

- The Cautious portfolio is marginally negative year-to-date, despite having recovered a big chunk of the losses from a turbulent first quarter.
- Equities have contributed positively, whereas UK inflation-linked gilts and emerging market bonds have detracted.
- The addition of commodities in Q1 helped performance in Q2, as oil and metals have made further gains.
- The US dollar has strengthened rapidly, propelling the value of our US equities holdings higher in sterling terms.

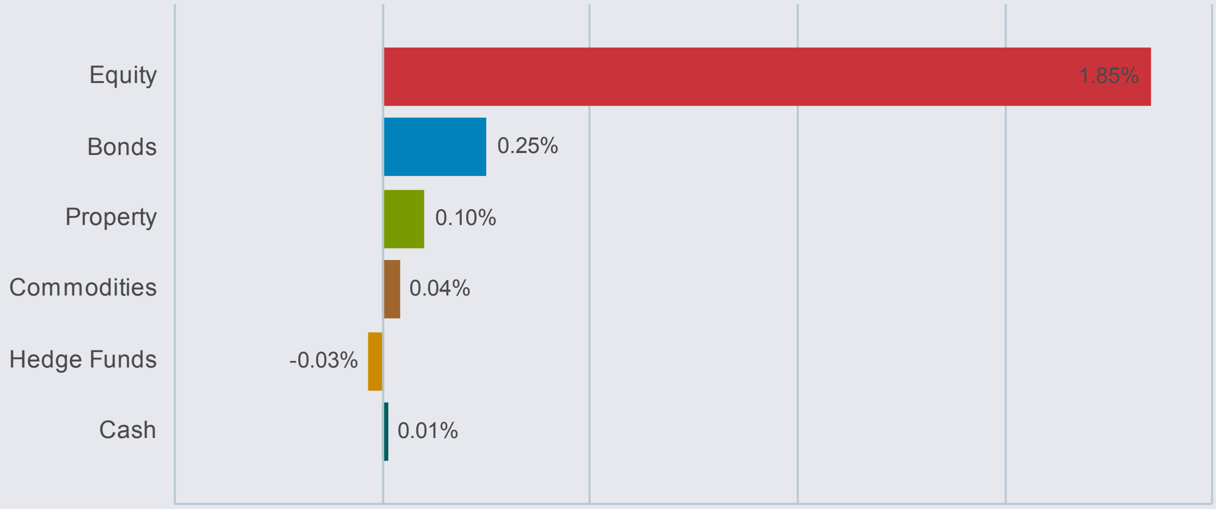
02 July 2018

*The LF Heartwood Cautious Multi Asset Fund launch date is 31 March 2010. Any data prior to this date is based on the Heartwood Cautious model, net of 0.75% annual management charge. The inception date of the model was 31 August 2004.

Past performance is not a reliable indicator of future results.
UK Equity represented by MSCI United Kingdom, UK Bonds represented by BoA Merrill Lynch UK Gilts. Calculation basis: Sterling, total return, net of 0.75% annual management charge.
Source for all charts: Heartwood, Factset

Contribution to performance

Contribution to performance by asset class report period 31 March 18 to 30 June 18



Top 5 contributors

- iShares FTSE 100 UCITS ETF Dist
- Majedie UK Equity X Acc
- J O Hambro UK Equity Income Y Dis
- Vanguard Dublin S&P 500 ETF
- iShares VII Core S&P 500 UCITS ETF

Bottom 5 contributors

- JP Morgan Put FTSE 100 Sep 2018
- UBS ETF (Lu) Barclays USD Em Soverign UCITS ETF
- ETFS Industrial Metals
- Ashmore Emerging Markets Soverign Debt Fund
- Hermes Global Emerging Markets Fund

Charts show gross performance as at close of business each day, therefore they do not take into consideration any commissions, fees or other charges within the portfolios. Source: FactSet and Heartwood. Fund performance analysis is calculated by FactSet, based on valuation data from Heartwood's internal accounting system. The information above does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned.

Risk analysis since inception to 30 June 2018

	Maximum drawdown	Worst month	Annualised volatility	Sharpe ratio	% positive months
Cautious	-15.0%	-5.8%	4.6%	0.81	69.9%
UK Equity	-45.3%	-12.9%	12.9%	0.45	60.2%
UK Bonds	-9.2%	-4.8%	6.2%	0.60	62.7%

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Recent portfolio changes

June 2018

Emerging Market Debt reducing rate sensitivity

- Sold long duration emerging market bonds (those with a greater sensitivity to interest rates) and purchased short duration emerging market bonds (those with less sensitivity). We are using the same active manager but reducing our sensitivity to the possibility of interest rate hikes and increasing our exposure to emerging market corporates.
- Our continued belief is that inflation will move higher globally and that emerging markets will continue to perform due to strong fundamentals, relative valuations and increasing investor attention. Emerging market bond benchmarks tend to be quite narrow and exclusive, providing opportunities for the active manager we are using to make significant investments in bonds that are not included in the benchmark. We believe this will deliver a premium over the medium-to-long term.

April 2018

Increased investment in commodities by selling out of emerging market debt

- We have increased our allocation to a broad basket of commodities. Given the reflationary environment expected this year, rising geopolitical tension and the budgetary requirements of OPEC members, we believe commodity prices are set to increase in the short-to-medium term.
- This investment has been funded by selling sovereign emerging market debt, which is now less attractive given hedging costs and future return expectations.

March 2018

Sold index exposure to the US healthcare sector and rotated into commodities and value equities

- We have consolidated our thematic holdings within equities to give more weight to our highest conviction ideas.
- Concerns around the impact of political risk on large US healthcare companies have reduced our conviction in the sector. We continue to like the more innovative parts of healthcare, such as biotech, but have decided to sell out of the large pharmaceutical-focused US sector index.
- We have used the funds to top-up positions in a broad basket of commodities and in value-orientated equities, given the reflationary environment expected this year.

February 2018

Fixed income rotation

- We have sold US Treasury Inflation-Protected Securities (currency hedged) and purchased European Asset Backed Securities.
- We have sold the TIPs because the cost of currency hedging the US Dollar has increased recently, thereby detracting from the yield of the underlying.
- We are adding to our European ABS exposure through a new fund, in order to spread counterparty risk. We continue to believe that high quality ABS deliver positive returns with relatively low volatility.
- This is because European ABS is underpinned by European consumers, who are benefiting from growing economies and low interest rates.

January 2018

Increasing our infrastructure debt exposure

- We have taken the opportunity to initiate a position in a new closed-ended infrastructure debt fund from cash.
- The instrument is UK focused, financing renewable energy, social housing and private finance initiative projects.
- It offers a yield premium to broad debt markets due to its niche nature and the illiquidity of the underlying positions.

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Holdings as at 30 June 2018

Holding type

Active	Passive	Direct	Cash/Liquidity
35.8%	33.3%	27.2%	3.7%

	Weight
Equity	**30.3%**
United Kingdom	
iShares FTSE 100 UCITS ETF Dist	3.8%
J O Hambro UK Equity Income Y Acc	2.3%
Vanguard Dublin FTSE 100 ETF	2.2%
Majedie UK Equity X Acc	1.8%
Vanguard FTSE 250 UCITS ETF	1.2%
Aberforth UK Smaller Cos Fund Acc	1.1%
JP Morgan Put FTSE 100 Sep 2018	0.0%
Global	
iShares Edge MSCI World Value Factor ETF UCITS	2.7%
Polar Capital Global Insurance F Acc	0.5%
North America	
Vanguard Dublin S&P 500 ETF	2.2%
iShares VII Core S&P 500 UCITS ETF	2.0%
iShares MSCI USA Small Cap ETF	1.1%
iShares S&P North America Technology Software Idx	0.6%
Invesco Nasdaq Biotech UCITS ETF	0.5%
Japan	
iShares III Core MSCI Japan IMI UCITS ETF	1.5%
Morant Wright Nippon Yield B	0.7%
Man GLG Japan Core Alpha Prof Acc	0.5%
Europe Ex-UK	
Blackrock European Dynamic Fund Acc	1.4%
iShares MSCI Europe Ex UK UCITS ETF	1.0%
Emerging Markets	
iShares Core MSCI Emerging Mkts IMI UCITS ETF £	1.6%
Hermes Global Emerging Markets Fund	0.9%
Mirae Asset India Sector Leader Eqty R Rdr	0.5%
Blackrock Asian Growth Leaders	0.3%
Bonds	**46.0%**
Corporate - High Yield	
Gcp Infrastructure Investments	1.0%
Sequoia Economic Infrastructure Income Fund Lid	0.9%
Sqn Asset Finance Income Fund C Share	0.6%
Corporate - Investment Grade	
iShares Markit iBoxx Corp Bond 0-5Yr UCITS	6.8%
Twentyfour Monument Bond Fund	4.0%
Aegon European Abs UCITS Fund	1.2%
Emerging Markets	
Ashmore Sicav Emerging Mkts Short Duration Fund	2.2%
UBS ETF (Lu) Barclays USD Em Soverign UCITS ETF	2.2%
Government - Conventional	
0.5% UK Treasury 22/07/2022	6.4%
1.5% UK Treasury Stock 22/07/2026	3.4%
1.25% UK Treasury Stock 2027	3.3%
1.5% UK Treasury Stock 22/01/2021	2.4%
1.75% Treasury Stock 7/9/22	2.3%
Government - Index Linked	
0.125% Treasury I-L Stock 22/3/2026	5.8%

	Weight
Bonds	**46.0%**
Government - Index Linked	
0.125% Treasury I-L Stock 22/03/2024	3.6%
Property	**4.3%**
United Kingdom	
Threadneedle Property Unit Trust B	2.2%
Standard Life Property Inc Tst Ord	1.3%
Civitas Social Housing C	0.8%
Commodities	**3.9%**
Commodity Indices	
UBS ETF Cmci Ex-Agri GBP Hedged	2.0%
Industrial Metals	
ETFS Industrial Metals	0.9%
Precious Metals	
Source Physical Gold P-Etc GBP	1.0%
Hedge Funds	**11.8%**
Credit	
Rwc Global Convertibles Fund - GBP Hedged Acc	3.0%
Diversified Fund-Of-Funds	
Heartwood Alternatives Fund A Shares	4.5%
Equity Long-Short	
F&C Global Equity Market Neutral	1.1%
Man GLG UK Absolute Value	0.7%
Global Macro	
Adg Systematic Macro UCITS	1.2%
GAM Systematic Core Macro	0.7%
Rv Capital Asia Opportunity UCITS Fund GBP	0.5%
Kohinoor Core Fund GBP App	0.1%
Cash	**3.7%**
United Kingdom	
GBP	3.7%
USD	0.0%
Total	**100%**

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Portfolio details as at 30 June 2018

The LF Heartwood Cautious Multi Asset Fund will aim to deliver a total return (the combination of income and capital growth) of the Consumer Price Index plus 2% per annum net of fees over a rolling five-year period. There is no guarantee that the objective will be met or that a positive return will be delivered over any time period and capital is at risk.

Strategy Manager	Scott Ingham
Fund Size	£1006.9m
Legal Structure	Non-UCITS Retail Scheme
Historic Yield	1.09%
Fund Charges (annualised)	Ongoing charges figure: 1.07% (Annual management charge: 0.75%; third party fees and charges: 0.32%)
Fund codes: (SEDOL)	I accumulation*: B4P1209 I income*: B4KBTG9

*Charges / SEDOL variable by share class

Glossary of terms

Annualised volatility
A common statistical measure used to assess the risk levels of different investments. It is an annualised figure measuring the dispersion of monthly returns around the average monthly return of that security. If a portfolio has a high volatility, this suggests a greater variation of returns.

Annual Management Charge (AMC)
A charge levied yearly for the management of the fund which is accrued on a daily basis within the fund.

Asset allocation
The asset allocation pie chart shows how the portfolio is currently invested between various asset classes (Equities, Bonds, Private Equity, Hedge Funds, Commodities, Property and Cash) as a percentage. The boxes below illustrate the percentage deviation of our current positioning away from the long term strategic asset allocation.

Bond breakdown
Portfolios allocation to different bond types, shown as a percentage of the overall bond weighting.

CPI
CPI is the Consumer Price Index. Our multi asset funds have target performance benchmarks of CPI + X% per annum net of fees over a rolling five year period.

Downside risk (drawdown)
Drawdown is a measure of the downside risk of a portfolio. It is the percentage drop from any peak in a portfolio value to any bottom. It can be applied directly to the size of the portfolio giving an estimate of how much money you could lose at some intermediate point during the life of the investment strategy. Maximum drawdown is the maximum lossfrom a peak to a trough of a portfolio.

Duration
A measure of the sensitivity of a fixed income security, also called a bond, or bond fund to changes in interest rates. The longer a bond or bond funds duration, the more sensitive it is to interest rate movements.

Equity breakdown
Portfolios allocation to equity by geographic region, shown as a percentage of the overall equity weighting.

Historic yield
The annual rate of return from distributions on an investment, expressed as a percentage of the money invested.

Investment Performance
The chart and tables show the performance of the portfolio versus the long term portfolio comparator. The table also shows the performance of the portfolio over discrete time periods.

Liquidity
Liquidity shows the percentage of holdings that can be bought and sold within the timeframes specified.

Ongoing charges figure (OCF)
The OCF figure may vary from year to year. The ongoing charges are taken from the income of the fund. They exclude portfolio transaction costs, except in the case of an entry/exit charge paid by the fund when buying or selling units in another collective investment undertaking.

Sharpe ratio
The Sharpe ratio is a risk-adjusted measure of return that is used to evaluate the performance of a portfolio. The ratio helps to make the performance of one portfolio comparable to that of another by making an adjustment for the level of risk associated with the underlying assets held within the portfolio.

Volatility
The degree to which a given security, fund, or index rapidly changes. It is calculated as the degree of deviation from the norm for that type of investment over a given time period. The higher the volatility, the riskier the security tends to be.

Important information

Past performance is not a reliable indicator of future results. The value of any investment and the income from it is not guaranteed and can fall as well as rise, so that you may not realise the amount originally invested. Where an investment is denominated in a currency other than sterling, changes in exchange rates between currencies may cause investment values or income to rise or fall. The portfolios may invest in funds which have limited liquidity, or which individually have a relatively high risk profile and/or be unregulated by the Financial Conduct Authority (FCA).