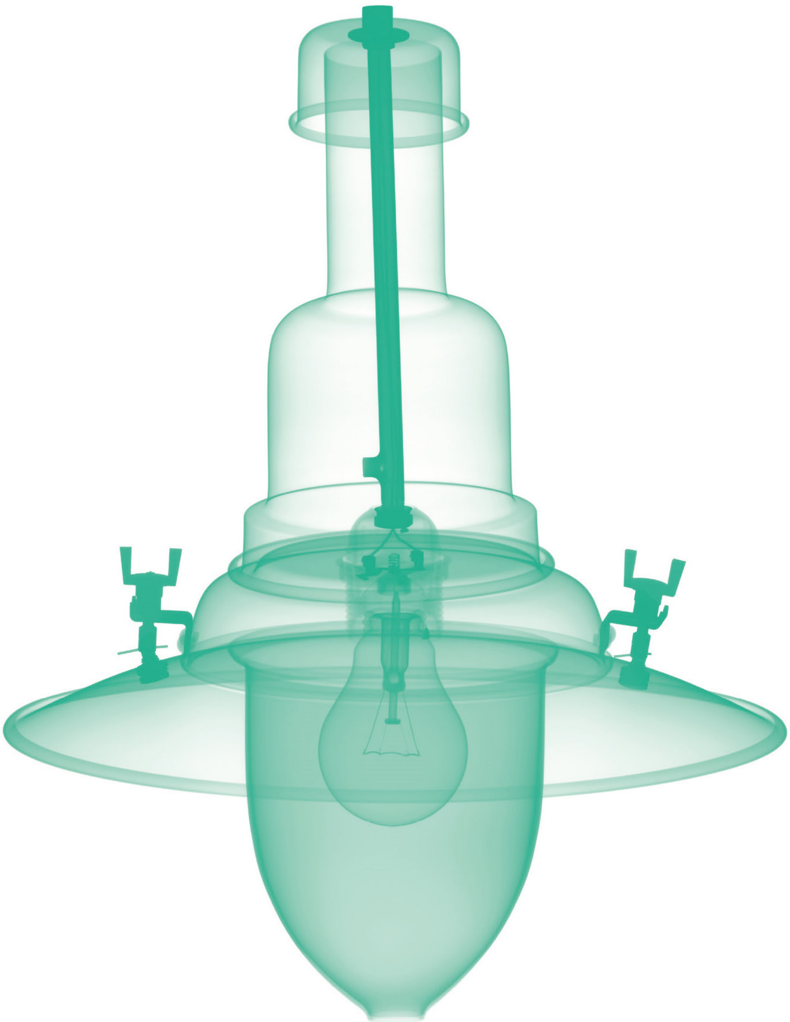
Heartwood
Investment Management

Growth - I Class

Investment Report



Growth Portfolio

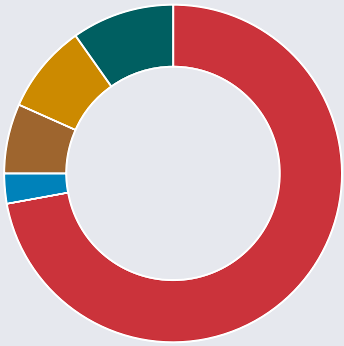
Report period 01 April 2018 - 30 June 2018

Clear Thinking

Portfolio positioning as at 30 June 2018

Asset allocation

Equity	72.1%
Bonds	2.9%
Commodities	6.7%
Hedge Funds	8.5%
Cash	9.8%



Tactical deviation

Equity	Bonds	Property
-5.9%	-7.1%	-3.0%
Underweight	Underweight	Underweight

Commodities	Hedge Funds	Cash
4.7%	3.5%	7.8%
Overweight	Overweight	Overweight

Clear thinking on positioning

Investors' willingness to take on risk has been tested this year despite strong corporate earnings and economic growth. Trade-war concerns, the possibility of interest rates being raised faster than expected and Italian political events, have all proved challenging. We have therefore continued to tilt the portfolio towards more value-orientated parts of the market, which we believe are better positioned to weather higher interest rates, and have allocated more to alternative investments, such as commodities, to help smooth the journey through a more volatile market environment.

- Equities: underweight the UK, based on fundamental concerns around the UK economy; neutral but targeted exposure to the US; overweight Europe, Japan and emerging markets (EM), where we see both relative value and economic momentum.
- Bonds: targeted exposure to EM debt. Recently switched from long to short duration to reduce our sensitivity to the possibility of interest rate hikes whilst maintaining exposure to EM due to strong fundamentals, relative valuations and increasing investor attention.
- Alternatives: overweight commodities given the reflationary environment expected this year; overweight hedge funds for their diversification benefits; underweight property (currently no property holdings) given the rising yield environment.

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	21.7%
North America	22.4%
Japan	8.1%
Europe Ex-Uk	9.1%
Pacific Ex-Japan	1.7%
Emerging Markets	9.2%

Bond breakdown

Government - Conventional	0.0%
Government - Index Linked	0.0%
Corporate - Investment Grade	0.0%
Corporate - High Yield	0.0%
Emerging Markets	2.9%
Government (Not base currency)	0.0%

Currency exposure

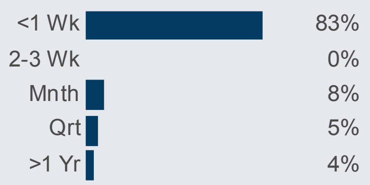
£ GBP	43.5%
$ USD	26.9%
€ EUR	6.7%
¥ JPY	8.0%
$ AUD	0.6%
RMB/HKD	2.8%
Other	11.5%

Holding type

Active	Passive
57.5%	31.5%

Direct	Cash/Liquidity
1.2%	9.8%

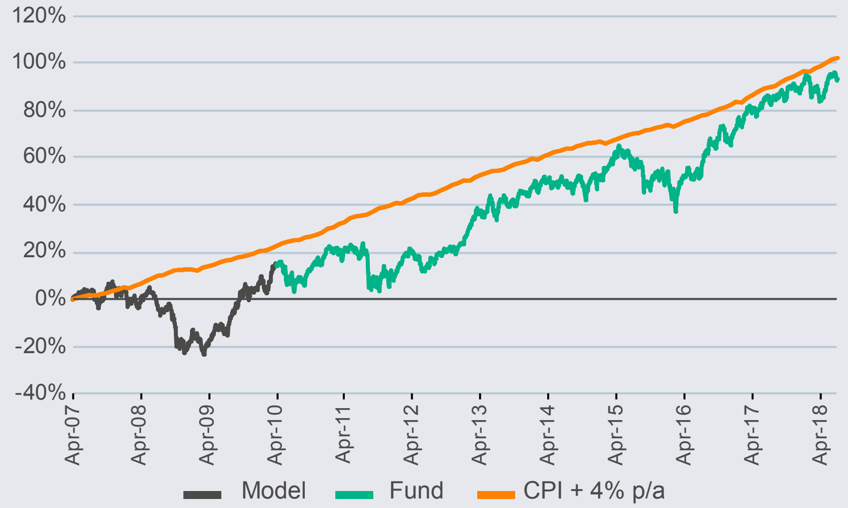
Liquidity



Source: Heartwood

Performance to 30 June 2018

Growth vs CPI + 4% p/a since inception*



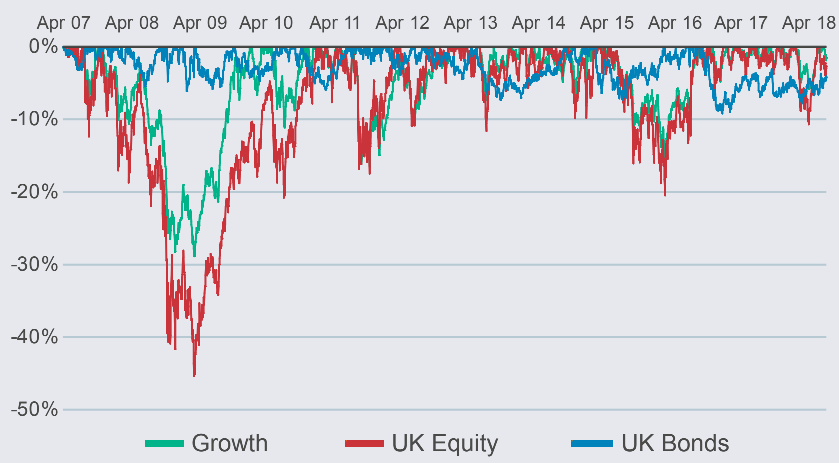
Portfolio returns to 30 Jun 2018 (%)

	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception*
Growth	-0.5	4.8	1.0	5.5	23.9	41.4	93.2
CPI + 4% p/a	0.3	1.8	2.8	6.5	18.8	30.9	102.2
UK Equity	-0.2	9.4	1.4	8.3	30.8	46.6	81.2
UK Bonds	-0.6	0.1	0.3	2.0	15.3	29.1	91.1

Discrete annual performance (%)

	12 Months to					Report period
	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	01 Apr 18 - 30 Jun 18
Growth	5.5	18.5	-0.9	4.6	9.0	4.8
CPI + 4% p/a	6.5	6.7	4.5	4.0	6.0	1.8
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 Growth portfolio gained 4.8% over Q2 2018 as risk assets rose despite the Italian political turmoil in May and ongoing US trade talks. There was some divergence in regional performance, with the US the best performing region, up 10%, whilst emerging markets was the worst performing, down over 2% (in sterling terms). Bonds were mostly flat to marginally down. Commodities performed well, with oil prices up over 20% in the quarter. A number of targeted energy positions in the portfolio benefitted handsomely from this.

Looking ahead, the market will remain focussed on developments in the trade talks, European politics and central bank policy. We continue to believe the recent US fiscal stimulus outweighs the trade hit on the economy. Tariffs are like tax increases, and the tax cut recently passed is much bigger. Solid US economic growth and corporate earnings should be supportive for markets in Q3, although expect some volatility in the run-up to the mid-term elections in November.

Performance year to date

- The Growth strategy rose 0.8% in H1 2018, slightly behind our home market, the UK, up 1.4%.
- Although marginally underweight equities, the portfolio's dominant allocation is to the asset class, so it is not too surprising to have experienced similar returns to equities so far this year.
- Performance has been helped by our focus on key positioning, security selection and the use of portfolio diversifiers, such as commodities.

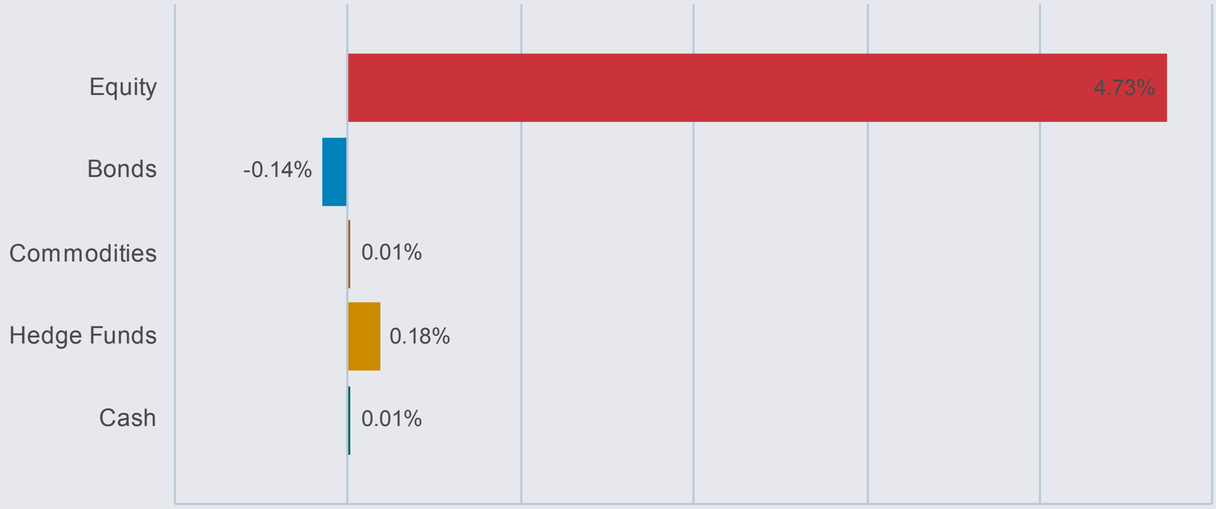
02 July 2018

*The LF Heartwood Growth Multi Asset Fund launch date is 31 March 2010. Any data prior to this date is based on the Heartwood Growth model, net of 0.75% annual management charge. The inception date of the model was 31 March 2007.

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 Oil & Gas Exploration & Prod UCITS ETF
- db X Trackers FTSE 100 UCITS ETF (Dr) 1C
- Vanguard Dublin FTSE 100 ETF
- Vanguard Index Funds S&P 500 ETF
- iShares Core FTSE 100 UCITS ETF Acc

Bottom 5 contributors

- Hermes Global Emerging Markets Fund
- ETFS Industrial Metals
- Magna New Frontiers - Fund-G GBP Acc
- Ashmore Emerging Markets Soverign Debt Fund
- Ashmore Em Hy Corporate Debt Hedged

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
Growth	-28.8%	-9.1%	10.8%	0.44	60.0%
UK Equity	-45.3%	-12.9%	13.8%	0.30	56.3%
UK Bonds	-9.2%	-4.8%	6.7%	0.69	61.5%

Past performance is not a reliable indicator of future results.

*The LF Heartwood Growth Multi Asset Fund launch date is 31 March 2010. Any Heartwood data prior to this date is based on the Heartwood Growth model, net of 0.75% annual management charge. The inception date of the model was 31 March 2007. Source: FactSet, MorningStar and Heartwood. 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.

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.

May 2018

Initiated a position in Middle Eastern & North Africa equities

- Within our Emerging Market equities allocation, we have established a small position in a manager specialising in Middle Eastern & North Africa equities. We believe that certain countries in this region are undergoing significant reforms, which we see evidence of at an economic, political, social and stockmarket level. Related to this, a number of countries are implementing large infrastructure programmes which we expect to contribute to their growth outlook.
- In addition, individual equity markets in this region may also benefit from being included in key stockmarket indices, such as FTSE and MSCI, which could prompt greater interest in the region from foreign investors.

May 2018

Reduced our global emerging market exposure

- We have sold a portion of our position in a global emerging market manager.
- This will result in an Emerging Market equities allocation bias towards Asian countries, and in particular towards the emerging Asian consumer, which benefits from the rising middle class.

April 2018

Bought European bank basket

- Europe is still early/mid cycle compared to the US, a number of European banks are trading cheaply and the regional economic recovery is beginning to show through in stronger earnings and improved non-performing loans.
- Europe also has yet to experience a normalisation in monetary policy after years of emergency stimulus, so in time there is the potential for higher interest rates to boost lending margins.
- This, coupled with attractive valuations, makes the European banking sector, in our opinion, a compelling medium-term investment opportunity.
- We have purchased a carefully selected basket of six European banks to get diversified exposure to the European continent.

April 2018

Increased investment in commodities funded from 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.

Past performance is not a reliable indicator of future results.

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Holdings as at 30 June 2018

Holding type

Active	Passive	Direct	Cash/Liquidity
57.5%	31.5%	1.2%	9.8%

	Weight
Equity	**72.1%**
United Kingdom	
db X Trackers FTSE 100 UCITS ETF (Dr) 1C	5.1%
Vanguard Dublin FTSE 100 ETF	3.6%
iShares Core FTSE 100 UCITS ETF Acc	3.3%
Aberforth UK Smaller Cos Fund Acc	3.1%
Heronbridge (Jersey) UK Equity Fund B	3.0%
Chelverton UK Equity Growth Fund	2.2%
Global	
Polar Capital Global Insurance F Acc	4.6%
T Rowe Price Global Technology- Q Acc (GBP)	2.5%
Kopernik Global All-Cap Equity Fund	2.5%
iShares Edge MSCI World Value Factor ETF UCITS	0.6%
Bb Healthcare Trust Plc	0.4%
North America	
Vanguard Index Funds S&P 500 ETF	3.8%
Invesco Nasdaq Biotech UCITS ETF	3.2%
Lazard US Concentrated Acc	3.1%
iShares Oil & Gas Exploration & Prod UCITS ETF	3.0%
Driehaus US Micro Cap S GBP Acc	2.3%
Japan	
Man GLG Japan Core Alpha Prof Acc	3.3%
Dsbi Japan Equity Small Cap Absolute Value	2.0%
Legg Mason Inv Funds Japan Equity X Acc	1.7%
Europe Ex-UK	
Blackrock European Dynamic Fund Acc	3.4%
Vanguard FTSE Developed Europe Ex UK UCITS ETF	2.3%
Davy Opps Trust Maga Micro Cap Fund Eur	1.4%
Intesa Sanpaolo	0.3%
Unicredit Spa	0.3%
Kbc Group Nv	0.2%
Caixabank S.A	0.2%
Natixis Sa	0.2%
Erste Group Bank Ag	0.1%
Intesa Sanpaola S.P.A. Subs Rts 17/07/18	0.0%
Pacific Ex-Japan	
Longleaf Partners Asia Pacific UCITS Fund	1.8%
Emerging Markets	
Blackrock Emerging Market Equity Strategies Fund Z	2.9%
Hermes Global Emerging Markets Fund	2.5%
Mirae Asset India Sector Leader Eqty R Rdr	1.3%
Magna Mena Fund GBP Acc	1.0%
Magna New Frontiers - Fund-G GBP Acc	1.0%
Bonds	**2.9%**
Emerging Markets	
Ashmore Sicav Emerging Mkts Short Duration Fund	2.9%
Commodities	**6.7%**
Commodity Indices	
UBS ETF Cmci Ex-Agri GBP Hedged	2.9%

	Weight
Commodities	**6.7%**
Industrial Metals	
ETFS Industrial Metals	1.8%
Precious Metals	
ETFS Physical Gold GBP	2.0%
Hedge Funds	**8.5%**
Credit	
Biopharma Credit Plc	2.1%
Diversified Fund-Of-Funds	
Heartwood Alternatives Fund A Shares	2.2%
Equity Long-Short	
Ginga Service Sector Fund	1.2%
Majedie Tortoise	1.1%
Man GLG UK Absolute Value	0.4%
Global Macro	
Rv Capital Asia Opportunity UCITS Fund GBP	1.3%
Kohinoor Core Fund GBP App	0.1%
Liquidity Funds	**8.1%**
Liquidity Funds - GBP	
JP Morgan Sterling Liq Fund C Acc	2.8%
Fidelity Instl Liquidity Fund GBP A Acc	2.8%
GS Sterling Liq Reserves Fund Acc	2.5%
Cash	**1.7%**
United Kingdom	
GBP	1.7%
USD	0.0%
Total	**100%**

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Portfolio details as at 30 June 2018

The LF Heartwood Growth Multi Asset Fund will aim to deliver a capital growth return of the Consumer Price Index plus 4% 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	Michael Stanes
Fund Size	£249.6m
Legal Structure	Non-UCITS Retail Scheme
Historic Yield	0.49%
Fund Charges (annualised)	Ongoing charges figure: 1.44% (Annual management charge: 0.75%; third party fees and charges: 0.69%)
Fund codes: (SEDOL)	I accumulation*: B4L57C2

*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).

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