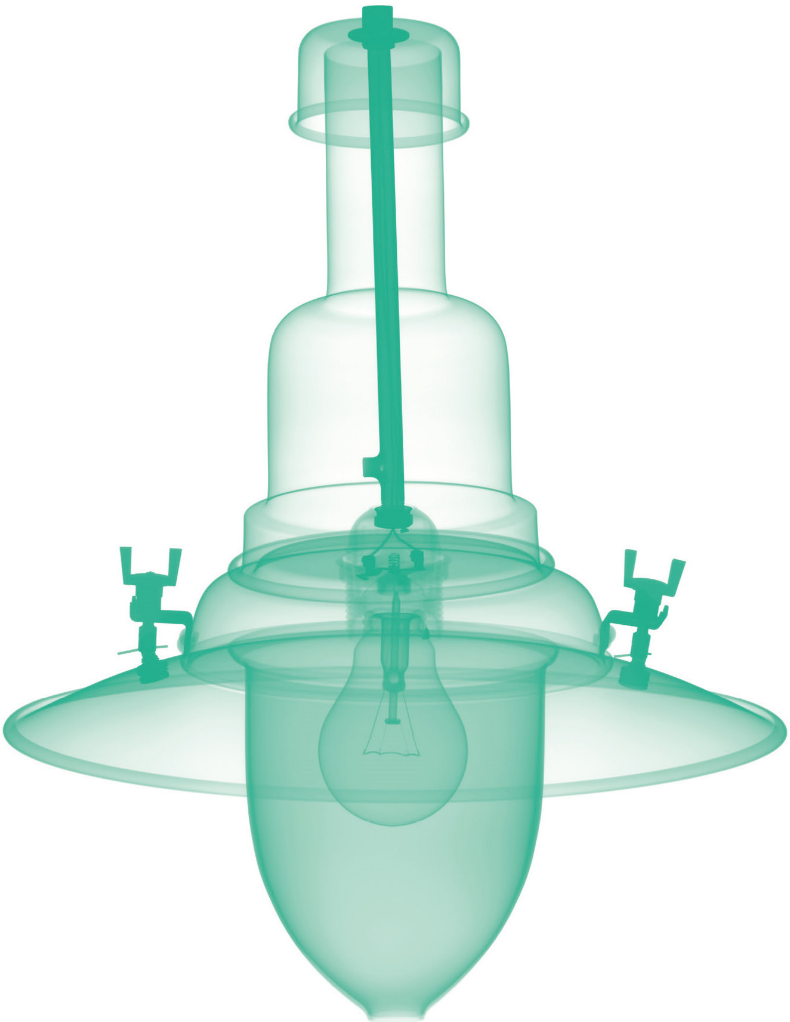
Heartwood
Investment Management

Growth - I Class

Investment Report



Growth Portfolio

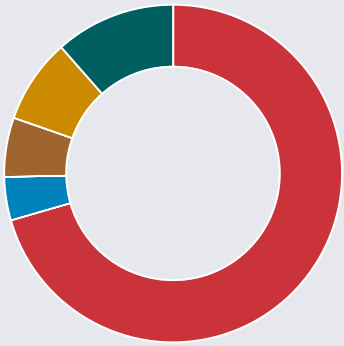
Report period 01 October 2018 - 31 December 2018

Clear Thinking

Portfolio positioning as at 31 December 2018

Asset allocation

Equity	70.5%
Bonds	4.1%
Commodities	5.7%
Hedge Funds	8.1%
Cash	11.5%



Tactical deviation

Equity	Bonds	Property
-7.5%	-5.9%	-3.0%
Underweight	Underweight	Underweight

Commodities	Hedge Funds	Cash
3.7%	3.1%	9.5%
Overweight	Overweight	Overweight

Clear thinking on positioning

Financial markets struggled through 2018, with several issues clouding investor sentiment including the trade dispute between the US and China, the pace of US interest rate increases, slowing global economic growth and messy European politics (Brexit and the Italian budget). Whilst most of these concerns still remain, we do see possible positive catalysts on the horizon, particularly as President Trump is incentivised to reach a deal with China in a pre-election year, and the Fed has recently indicated a slightly more conciliatory policy stance. For the moment, we are happy to maintain a modest underweight in equities together with a reasonable level of cash, ready to be deployed on specific opportunities should this rather indiscriminate sell-off continue.

- Equities: underweight UK, based on fundamental concerns on the UK economy; neutral but targeted exposure to the US, given strong but slowing economic momentum and elevated valuations; overweight Europe, Japan and EM, where we see relative value.
- Bonds: limited exposure at current low yields given our Growth mandate; targeted exposure to EM debt with less sensitivity to US interest rates, plus a very small position in Indian bonds due to attractive yields.
- Alternatives: overweight commodities given the current reflationary environment; overweight hedge funds for diversification benefits; underweight property due to leverage concerns. Last updated: 02 January 2019

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

Equity breakdown

United Kingdom	21.5%
North America	21.6%
Japan	8.1%
Europe Ex-Uk	8.0%
Pacific Ex-Japan	1.8%
Emerging Markets	9.6%

Bond breakdown

Government - Conventional	0.0%
Government - Index Linked	0.0%
Corporate - Investment Grade	0.0%
Corporate - High Yield	0.0%
Emerging Markets	4.1%
Government (Not base currency)	0.0%

Currency exposure

£ GBP	44.3%
$ USD	27.7%
€ EUR	8.0%
¥ JPY	8.1%
$ AUD	1.8%
RMB/HKD	10.1%
Other	0.0%

Holding type

Active	Passive
59.9%	26.8%

Direct	Cash/Liquidity
1.8%	11.5%

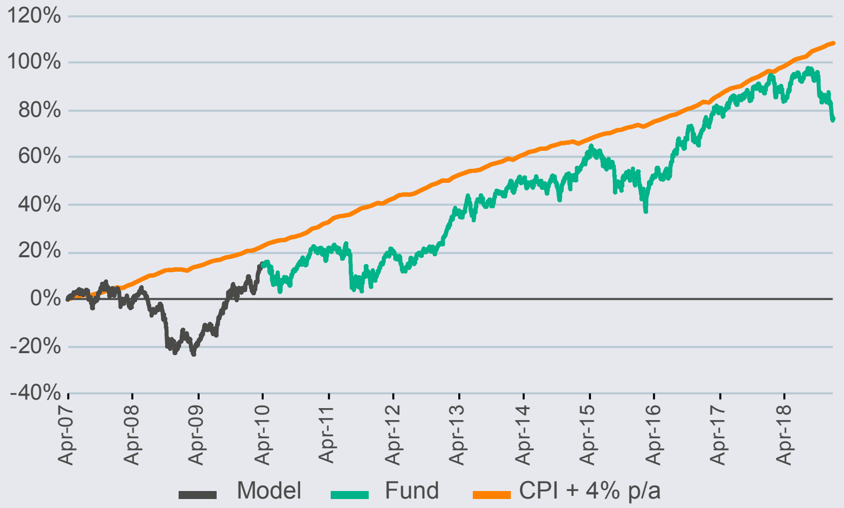
Liquidity

<1 Wk	85%
2-3 Wk	0%
Mnth	9%
Qrt	6%
>1 Yr	1%

Source: Heartwood

Performance to 31 December 2018

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



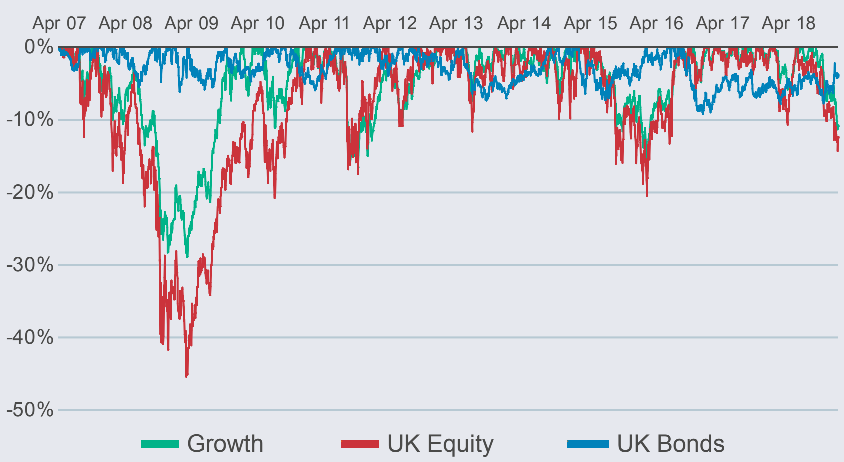
Portfolio returns to 31 Dec 2018 (%)

	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception*
Growth	-4.9	-9.7	-8.5	-7.7	14.7	19.8	76.7
CPI + 4% p/a	0.3	1.3	3.1	6.0	19.9	30.7	108.5
UK Equity	-3.6	-9.7	-10.0	-8.8	21.6	19.6	63.0
UK Bonds	2.4	2.1	0.2	0.5	13.3	30.6	91.5

Discrete annual performance (%)

	12 Months to 31 Dec 18	31 Dec 17	31 Dec 16	31 Dec 15	31 Dec 14	Report period 01 Oct 18 - 31 Dec 18
Growth	-7.7	11.2	11.7	1.6	2.8	-9.7
CPI + 4% p/a	6.0	7.1	5.6	4.2	4.6	1.3
UK Equity	-8.8	11.8	19.2	-2.2	0.5	-9.7
UK Bonds	0.5	1.9	10.6	0.5	14.7	2.1

Downside risk since inception*



Understanding your returns

The Growth portfolio fell by just under 10% in Q4 2018, in what was a rocky period for global stock markets. Slight optimism from signs of tentative progress relating to the US-China trade dispute quickly evaporated as investors switched focus to the likely obstacles to its resolution. The possibility of a slowdown in economic activity across a number of major economies and the failure of the US Federal Reserve to reassure markets regarding the pace of future interest rate hikes in 2019, also soured sentiment. In addition, concerns over Chinese growth and political interference with respect to US monetary policy rattled nerves, not helped by a partial US government shutdown.

Performance year to date

- Given the equity-heavy nature of the Growth strategy, it is inevitable that 2018's meaningful falls in global stock markets had an impact on returns. The strategy's return disappointingly was close to -8.0% for the year, only slightly better than that of our home market, UK equities (-8.8%).
- Even US equities, the one bright spot for most of 2018, gave up most of their gains in Q4 to end the year basically flat in sterling terms, with the strong dollar helping to mitigate losses.
- Outside of the UK, where we are underweight and where returns were adversely affected by the ongoing confusion over Brexit, our exposure to emerging market equities, Japan and Europe, where we are overweight, was unhelpful. Our exposure to a select list of European banks also negatively impacted performance due to concerns over the Italian budget, though this issue has recently been resolved.
- We made modest positive returns in our hedge fund holdings and benefited from having no global property exposure.

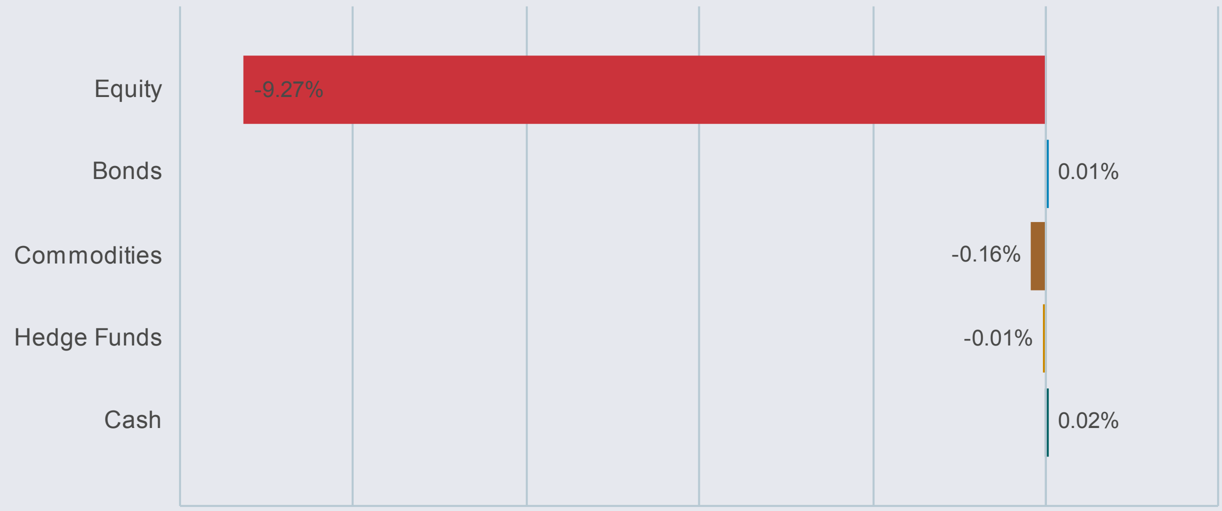
Last updated: 02 January 2019

*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 30 September 18 to 31 December 18



Top 5 contributors

- ETFS Physical Gold GBP
- Mirae Asset India Sector Leader Eqty R Rdr
- Biopharma Credit Plc
- Blackrock Emerging Market Equity Strategies Fund Z
- Kohinoor Core Fund GBP E

Bottom 5 contributors

- iShares Oil & Gas Exploration & Prod UCITS ETF
- Driehaus US Micro Cap S GBP Acc
- Invesco Nasdaq Biotech UCITS ETF
- Aberforth UK Smaller Cos Fund Acc
- Blackrock European Dynamic Fund Acc

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 31 December 2018

	Maximum drawdown	Worst month	Annualised volatility	Sharpe ratio	% positive months
Growth	-28.8%	-9.1%	10.9%	0.34	59.6%
UK Equity	-45.3%	-12.9%	13.7%	0.22	55.3%
UK Bonds	-9.2%	-4.8%	6.6%	0.67	61.0%

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*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

November 2018

Establishing a position in Indian Bonds

- We have purchased an actively managed fund which invests predominantly in Indian government bonds, as well as in some Indian corporate bonds.
- This is being funded by selling one of our holdings in broad emerging market equities that has performed well for us this year to further focus on the Indian theme.
- Reasons for investing include a high nominal yield, recent currency weakness, capital controls keep foreign exchange volatility low and yield high for those foreign investors able to access the market, democratic system with mature institutions and Central Bank and India has no foreign-denominated debt.

November 2018

Increasing our allocation to emerging market debt

- We have been impressed by the resilient performance of the emerging market debt fund that we already hold on the portfolio during what has been a volatile year for many emerging market assets.
- The manager of the debt fund has taken advantage of recent market dislocations to increase the running yield of the fund to 8%.
- We believe that this is an attractive yield level within the fixed income allocation of the Growth strategy, so have added to our position.

November 2018

Increasing our allocation to gold

- We are increasing our allocation to gold, in line with our Tactical teams recommendation at the last Strategy Meeting.
- The recent deterioration in global economic data warrants a slight addition to the existing gold position which provides a differentiated return stream.
- Should the Federal Reserve slow the pace of its planned interest rate hikes, which must now be a possibility, this would typically be positive for the gold price.

November 2018

Increased exposure to India by reducing exposure to emerging markets at a broader level

- Following a torrid summer for Indian assets, we have recently seen some stability in the Indian stock market and in the countrys currency. We are therefore taking this opportunity to marginally increase our exposure to India, where we continue to believe in the long-term structural growth story.
- We have funded this by selling one of our holdings in emerging markets that has performed well for us, despite emerging markets being the worst performing region this year.
- The next four weeks see a number of regional elections in India. Based on how Indian assets react to these events we may be provided with a further opportunity to increase allocations in portfolios.

November 2018

Increased our exposure to the biotech theme

- We have increased exposure to the biotech theme by investing in a vehicle that provides debt capital to the life sciences industry.
- The vehicle has a diversified portfolio of loans to life sciences companies, backed by royalties and/or other cash flows derived from the sales of approved life science products.
- We believe the position will generate an attractive income stream, backed by stable cash flows. Given the defensive nature of the underlying cash flows and collateral quality, we believe the position offers attractive returns with some downside protection.

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Source: Heartwood. The information above does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned.

Holdings as at 31 December 2018

Holding type

Active	Passive	Direct	Cash/Liquidity
59.9%	26.8%	1.8%	11.5%

	Weight
Equity	**70.5%**
United Kingdom	
iShares Core FTSE 100 UCITS ETF Acc	3.6%
Vanguard Dublin FTSE 100 ETF	3.3%
Aberforth UK Smaller Cos Fund Acc	3.2%
Rwc UK Equity Income Fund L GBP Acc	2.9%
Heronbridge (Jersey) UK Equity Fund B	2.8%
Chelverton UK Equity Growth Fund	2.2%
Vanguard FTSE 250 UCITS ETF	2.2%
Heronbridge (Jersey) UK Equity Fund B App	0.1%
Global	
Polar Capital Global Insurance F Acc	4.9%
T Rowe Price Global Technology- Q Acc (GBP)	2.4%
Kopernik Global All-Cap Equity Fund G	2.4%
Bb Healthcare Trust Plc	0.0%
North America	
Xtrackers S&P 500 UCITS ETF GBP Hedged	3.6%
Driehaus US Micro Cap S GBP Acc	3.0%
Invesco Nasdaq Biotech UCITS ETF	2.9%
Lazard US Concentrated Acc	2.9%
iShares Oil & Gas Exploration & Prod UCITS ETF	2.6%
Lazard US Equity Concentrated C Acc GBP	0.2%
Japan	
Man GLG Japan Core Alpha Prof Acc	3.5%
Legg Mason Inv Funds Japan Equity X Acc	1.9%
Dsbi Japan Equity Small Cap Absolute Value	1.6%
Europe Ex-UK	
Blackrock European Dynamic Fund Acc	3.0%
Vanguard FTSE Developed Europe Ex UK UCITS ETF	1.3%
Davy Opp Trust Maga Micro Cap Fund Eur	1.2%
Intesa Sanpaolo	0.5%
Kbc Group Nv	0.3%
Unicredit Spa	0.3%
Caixabank S.A	0.3%
Natixis Sa	0.2%
Erste Group Bank Ag	0.2%
Pacific Ex-Japan	
Longleaf Partners Asia Pacific UCITS Fund	2.0%
Emerging Markets	
Hermes Global Emerging Markets Fund	2.8%
Blackrock Emerging Market Equity Strategies Fund Z	2.0%
Mirae Asset India Sector Leader Eqty R Rdr	1.7%
db x-Trackers Harvest Csi300 Idx UCITS ETF (Dr)	1.6%
Magna New Frontiers - Fund-G GBP Acc	0.9%
Bonds	**4.1%**
Emerging Markets	
Ashmore Sicav Emerging Mkts Short Duration Fund	3.6%
Aberdeen Indian Bond Fund GBP Acc	0.5%

	Weight
Commodities	**5.7%**
Commodity Indices	
UBS ETF Cmci Ex-Agri GBP Hedged	2.6%
Precious Metals	
ETFS Physical Gold GBP	3.1%
Hedge Funds	**8.1%**
Credit	
Biopharma Credit Plc	3.1%
Equity Long-Short	
Ginga Service Sector Fund	1.2%
Man GLG UK Absolute Value	0.5%
Global Macro	
Rv Capital Asia Opportunity UCITS Fund GBP	1.3%
Adg Systematic Macro UCITS	0.6%
Universa Bspp Fund Series 6 Sep18	0.6%
Montlake Tiber Diversified UCITS GBP A Instl	0.5%
Kohinoor Core Fund GBP E	0.3%
Liquidity Funds	**4.4%**
Liquidity Funds - GBP	
JP Morgan Sterling Liq Fund C Acc	1.9%
GS Sterling Liq Reserves Fund Acc	1.5%
Fidelity Instl Liquidity Fund GBP A Acc	1.0%
Cash	**7.2%**
United Kingdom	
GBP	7.2%
USD	0.0%
Total	**100%**

Source: Heartwood. The information above does not constitute any recommendation to buy, sell or otherwise trade in any of the investments mentioned.

Portfolio details as at 31 December 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	£247.7m
Legal Structure	Non-UCITS Retail Scheme
Historic Yield	1.23%
Fund Charges (annualised)	Ongoing charges figure: 1.49% (Annual management charge: 0.75%; third party fees and charges: 0.74%)
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).

The Growth Portfolio information and data represents the LF Heartwood Growth Multi Asset Fund I share class, net of 0.75% annual management charge.This material is directed only at persons in the UK and is not an offer or invitation to buy or sell securities. Nothing in it constitutes advice to undertake a transaction, and professional advice should be taken before investing. All performance figures are net of all fees and are as of the publication date of the document. This document is not investment research. Opinions expressed (whether in general or both on the performance of individual securities and in a wider economic context) represent the views of Heartwood Investment Management at the time of publication. They should not be interpreted as investment advice. The data source is FactSet and Heartwood. This document has been issued by Heartwood Investment Management. Heartwood Investment Management is a trading name of Heartwood Wealth Management Ltd, which is authorised and regulated by the FCA in the conduct of investment business, and is a wholly owned subsidiary of Handelsbanken plc. For Heartwood Multi Asset Funds, the authorised corporate director is Link Fund Solutions Limited and the registrar is Link Fund Administrators Ltd, both of which are authorised and regulated by the FCA.The investment manager is Heartwood. Before investing you should read the Key Investor Information Document ("KIID") as it contains important information regarding the fund including charges, specific risk warnings and will form the basis of any investment decision. The Prospectus, Key Investor Information Document, current prices and latest report and accounts are available from Heartwood, or Link Fund Solutions Limited, PO Box 389, Darlington, DL1 9UF or by telephone on 0345 922 0044. The share class of the fund was launched in 31 March 2010 and the model was launched in 31 March 2007, performance figures do not exist before that time.

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