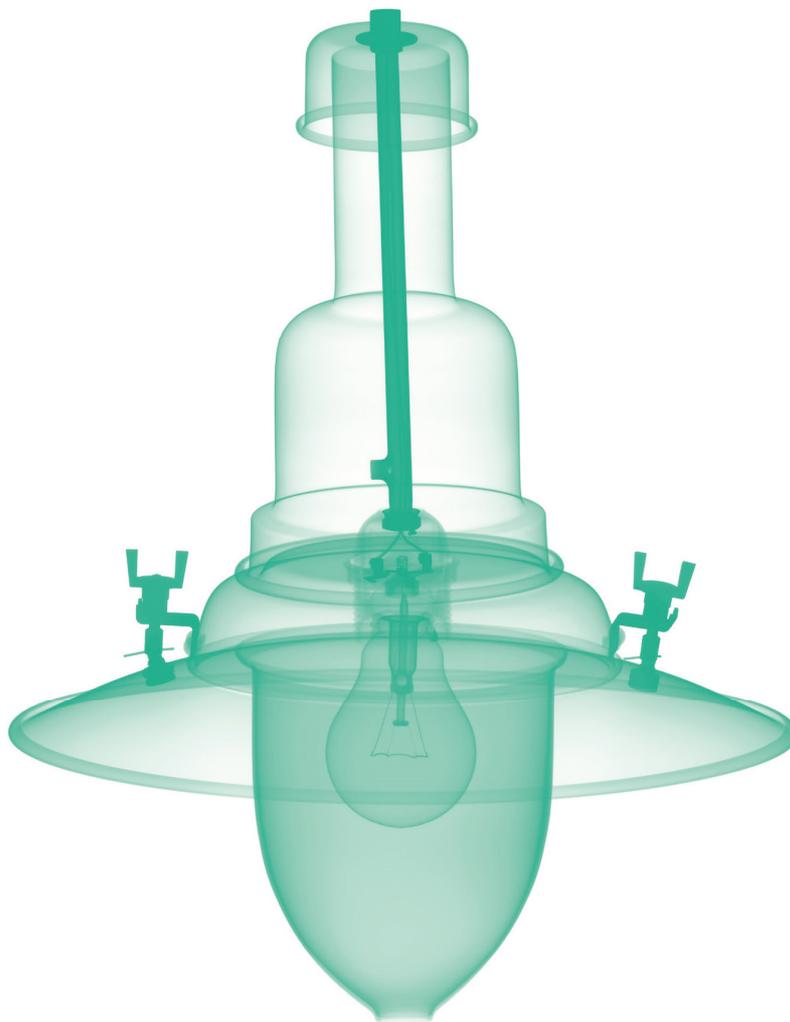




Investment Report



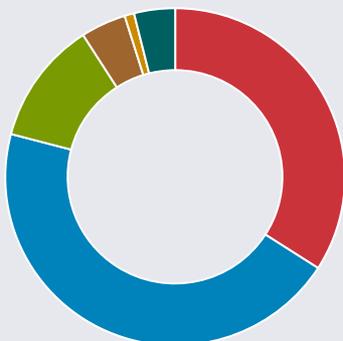
Income Portfolio

Report period 01 April 2018 - 30 June 2018

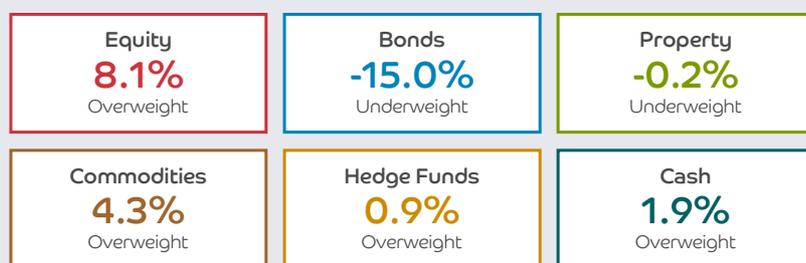
Portfolio positioning as at 30 June 2018

Asset allocation

Equity	34.1%
Bonds	45.0%
Property	11.8%
Commodities	4.3%
Hedge Funds	0.9%
Cash	3.9%



Tactical deviation



Equity breakdown

United Kingdom	15.6%
North America	7.0%
Japan	2.3%
Europe Ex-Uk	5.8%
Pacific Ex-Japan	0.5%
Emerging Markets	2.9%

Bond breakdown

Government - Conventional	12.4%
Government - Index Linked	1.5%
Corporate - Investment Grade	11.0%
Corporate - High Yield	15.0%
Emerging Markets	5.0%
Government (Not base currency)	0.0%

Currency exposure

£ GBP	76.5%
\$ USD	10.5%
€ EUR	4.5%
¥ JPY	2.2%
\$ AUD	0.2%
RMB/HKD	0.7%
Other	5.3%

Holding type

Active 61.7%	Passive 20.5%
Direct 13.9%	Cash/Liquidity 3.9%

Liquidity

<1 Wk	77%
2-3 Wk	2%
Mnth	1%
Qrt	16%
>1 Yr	5%

Clear thinking on positioning

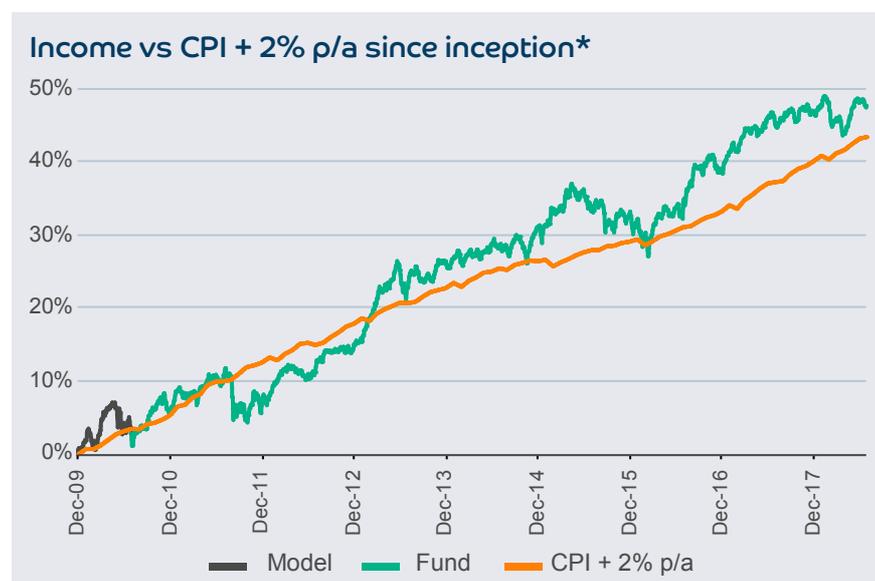
We remain slightly overweight equities, based on continued low borrowing costs and rising macroeconomic growth in all key global regions. The chief risks to this position are expensive equity valuations, the possibility of interest rates being raised faster than expected and an escalation in protectionism. We are reluctant to add to our bond allocation following weakness earlier in 2018. Most UK government bonds remain expensive, however we anticipate better opportunities to add to our bond allocation later this year.

- Equities: neutral UK. Despite ongoing Brexit-related uncertainties, there are signs of relative value emerging. We remain overweight UK medium and small-sized companies to capture higher dividend growth potential. We retain our overweight positions in emerging markets (EM) and Europe. We are underweight US equities, but are overweight the biotech and oil & gas exploration and production sectors for their growth characteristics.
- 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 UK commercial property. Recently added a position in commodities to benefit from an environment of strong growth and rising inflation.

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.

Performance to 30 June 2018



Understanding your returns

The Income portfolio rose 2.6% in Q2 2018. UK large-cap equities returned their best quarterly performance in 15 years, reversing losses from Q1, while in the US, dollar strength boosted returns from US equities. It was a volatile end to the quarter as investors increasingly focussed on escalating US/China trade tensions, but despite this, recent macroeconomic data suggests that the US economy remains in robust health and has not yet been impacted by political uncertainties.

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

- Year-to-date performance is marginally negative.
- A rebound in UK equities since March has helped portfolio performance. Within the UK, our instrument selection has added relative value, in particular, the Schroder Income Maximiser Fund, which has benefited from positive moves in mining stocks.
- Our UK gilt exposure has detracted from returns as yields have risen (prices have fallen), and our position in emerging market debt has also struggled since January.

02 July 2018

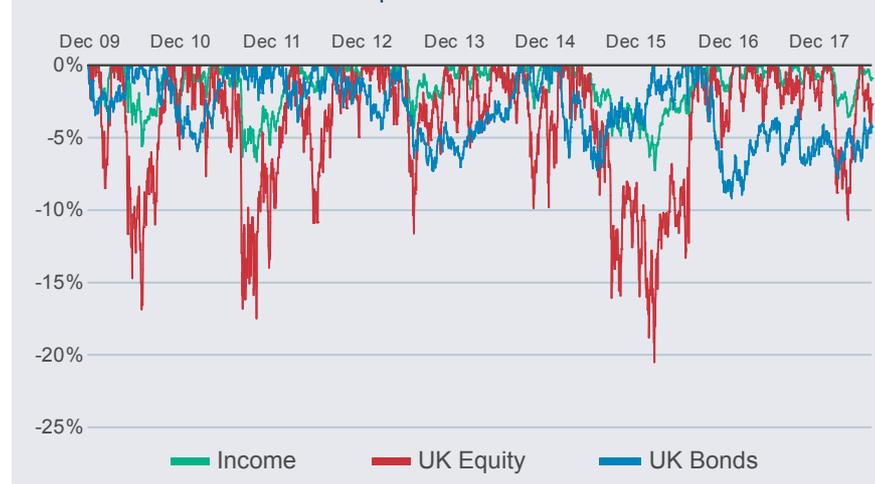
Portfolio returns to 30 Jun 2018 (%)

	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception*
Income	-0.3	2.7	-0.1	1.7	10.8	20.4	47.6
CPI + 2% p/a	0.2	1.3	1.8	4.5	12.1	18.8	43.4
UK Equity	-0.2	9.4	1.4	8.3	30.8	46.6	99.6
UK Bonds	-0.6	0.1	0.3	2.0	15.3	29.1	56.8

Discrete annual performance (%)

	12 Months to					Report period
	30 Jun 18	30 Jun 17	30 Jun 16	30 Jun 15	30 Jun 14	
Income	1.7	8.6	0.3	3.8	4.7	2.7
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*



*The LF Heartwood Income Multi Asset Fund launch date is 01 July 2010. Any data prior to this date is based on the Heartwood Income model, net of 0.75% annual management charge. The inception date of the model was 30 November 2009.

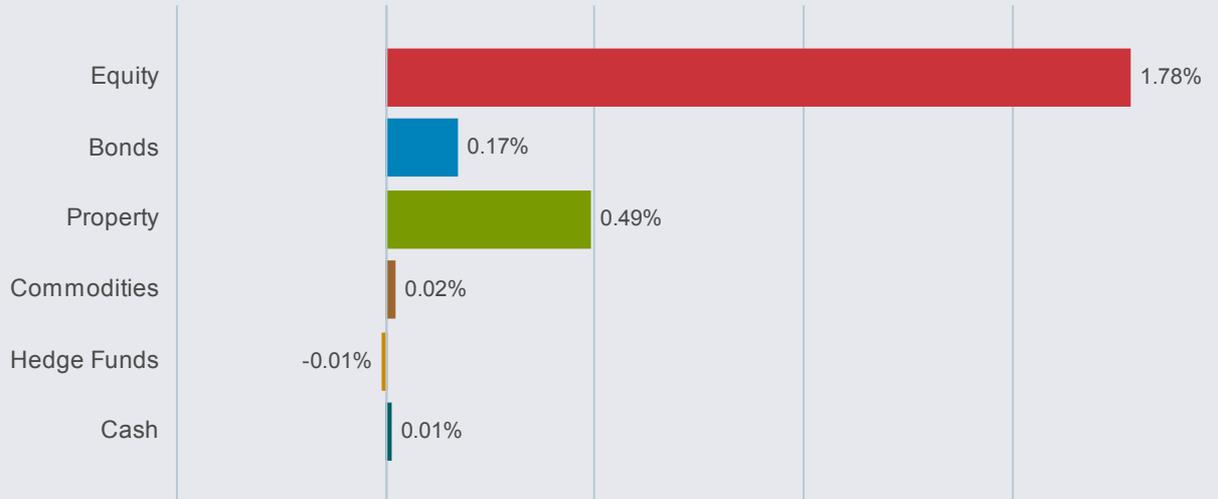
Past performance is not a reliable indicator of future results.

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

Vanguard Dublin S&P 500 ETF
 J O Hambro UK Equity Income Y Dis
 iShares FTSE 100 UCITS ETF Dist
 Rwc Enhanced Income Fund B Inc
 Custodian Reit Plc

Bottom 5 contributors

JP Morgan Put FTSE 100 Sep 2018
 Magna Emerging Markets Div B Inc
 UBS ETF (Lu) Barclays USD Em Sovereign UCITS ETF
 Pimco Global Capital Securities Fund Inc
 Ashmore Emerging Markets Sovereign Debt 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
Income	-7.2%	-3.6%	4.3%	0.97	65.0%
UK Equity	-20.5%	-6.6%	11.6%	0.68	58.3%
UK Bonds	-9.2%	-4.5%	6.6%	0.74	61.2%

Past performance is not a reliable indicator of future results.

*The LF Heartwood Income Multi Asset Fund launch date is 01 July 2010. Any Heartwood data prior to this date is based on the Heartwood Income model, net of 0.75% annual management charge. The inception date of the model was 30 November 2009. 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

March 2018



Sold index exposure to broad US healthcare sector and rotated into biotech and energy

- Concerns around the impact of political risk on large US healthcare companies have reduced our conviction in the sector. We have therefore sold out of the large pharmaceutical-focused US sector index.
- We continue to like the more innovative parts of healthcare, namely the biotech sector, and so add focused exposure to this area.
- We have also added to energy equities, given the relative underperformance of the sector so far, despite a higher oil price.

January 2018



Adding to financial debt

- We have purchased a specialist instrument that invests in debt capital issued by US and European financial companies.
- We believe that this part of the credit market offers more attractive yields, as well as potential for some capital uplift.

January 2018



Continuing to purchase puts in the portfolio to insure against market volatility

- We continue to make small purchases of puts in the portfolio to insure against large falls in UK equities.

January 2018



Adjustment to UK equities

- We have made a modest rotation within our UK equity allocation in order to increase our exposure to Value stocks which we believe may outperform Growth stocks in an environment of positive global growth and rising global inflation.

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.

Past performance is not a reliable indicator of future results.

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 30 June 2018

Holding type		Weight
Active	Passive	
61.7%	20.5%	
Direct	Cash/Liquidity	
13.9%	3.9%	
Equity		34.1%
United Kingdom		
J O Hambro UK Equity Income Y Dis		4.4%
Rwc Enhanced Income Fund B Inc		3.7%
Majedie UK Income X Inc		3.2%
Schroder Income Maximiser Z Inc		2.4%
iShares FTSE 100 UCITS ETF Dist		1.7%
Mi Chelverton UK Equity Inc		1.1%
JP Morgan Put FTSE 100 Sep 2018		0.0%
Global		
Rwc Global Enhanced Dividend Fund B GBP Dist		1.6%
Societe Generale Income Builder Note		1.5%
North America		
Vanguard Dublin S&P 500 ETF		3.3%
iShares Oil & Gas Exploration & Prod UCITS ETF		0.9%
Invesco Nasdaq Biotech UCITS ETF		0.5%
Japan		
Morant Wright Nippon Yield B		1.9%
Europe Ex-UK		
Liontrust European Income I GBP Dis		3.3%
iShares Euro Dividend UCITS ETF EUR (Dist)		1.4%
Emerging Markets		
Magna Emerging Markets Div B Inc		2.4%
Guinness Asian Equity Income Z Inc/X Inc		0.9%
Bonds		45.0%
Corporate - High Yield		
Nb Global Senior Floating Rate Inc I Mthly Dis		4.3%
M&G Gbl Floating Rate High Yield Bd Fund GBP Inc		2.7%
Cvc Credit Partners Euro Opportunities GBP		1.9%
Sequoia Economic Infrastructure Income Fund Lid		1.2%
Gcp Infrastructure Investments		1.0%
Starwood European Real Estate Finance		1.0%
UK Mortgages Limited		0.8%
Ranger Direct Lending Fund Plc		0.7%
Carador Income Fund Ord		0.7%
Sqn Asset Finance Income Fund C Share		0.6%
Corporate - Investment Grade		
iShares Markit iBoxx Corp Bond 0-5Yr UCITS		4.7%
Pimco Global Capital Securities Fund Inc		3.0%
Pimco Gbl Inv Grade Credit Part Hgd GBP Inc		2.5%
Twenty Four Income Fund		0.8%
Emerging Markets		
UBS ETF (Lu) Barclays USD Em Sovereign UCITS ETF		2.2%
Ashmore Emerging Markets Sovereign Debt Fund		1.6%
Ashmore Sicav Emerging Mkts Short Duration Fund		1.2%
Government - Conventional		
1.25% UK Treasury Stock 2027		4.6%
1.75% Treasury Stock 7/9/22		4.1%
2% UK Tsy 22/07/20		2.8%
1.5% UK Treasury 2047		0.9%
Bonds		45.0%
Government - Index Linked		
0.125% Treasury I-L Stock 22/3/2026		1.5%
Property		11.8%
United Kingdom		
Standard Life Property Inc Tst Ord		2.9%
Custodian Reit Plc		2.8%
Aew UK Reit		1.7%
Threadneedle Property Unit Trust B		1.3%
Schroder Real Estate Investment Tst Ord		1.3%
Civitas Social Housing C		0.9%
Aew UK Long Lease Reit Plc		0.9%
Commodities		4.3%
Commodity Indices		
UBS ETF Cmc Ex-Agri GBP Hedged		1.0%
Industrial Metals		
ETFS Industrial Metals		0.8%
Precious Metals		
ETFS Physical Gold GBP		2.5%
Hedge Funds		0.9%
Diversified Fund-Of-Funds		
Heartwood Alternatives Fund A Shares		0.8%
Global Macro		
Kohinoor Core Fund GBP App		0.1%
Cash		3.9%
United Kingdom		
GBP		3.9%
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 30 June 2018

The LF Heartwood Income 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, with an emphasis on generating income. 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	Jaisal Pastakia
Fund Size	£90.3m
Legal Structure	Non-UCITS Retail Scheme
Historic Yield	2.95%
Fund Charges (annualised)	Ongoing charges figure: 1.3% (Annual management charge: 0.75%; third party fees and charges: 0.55%)
Fund codes: (SEDOL)	I income*: B52LK94 I accumulation*: BF943L9



*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 loss from 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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