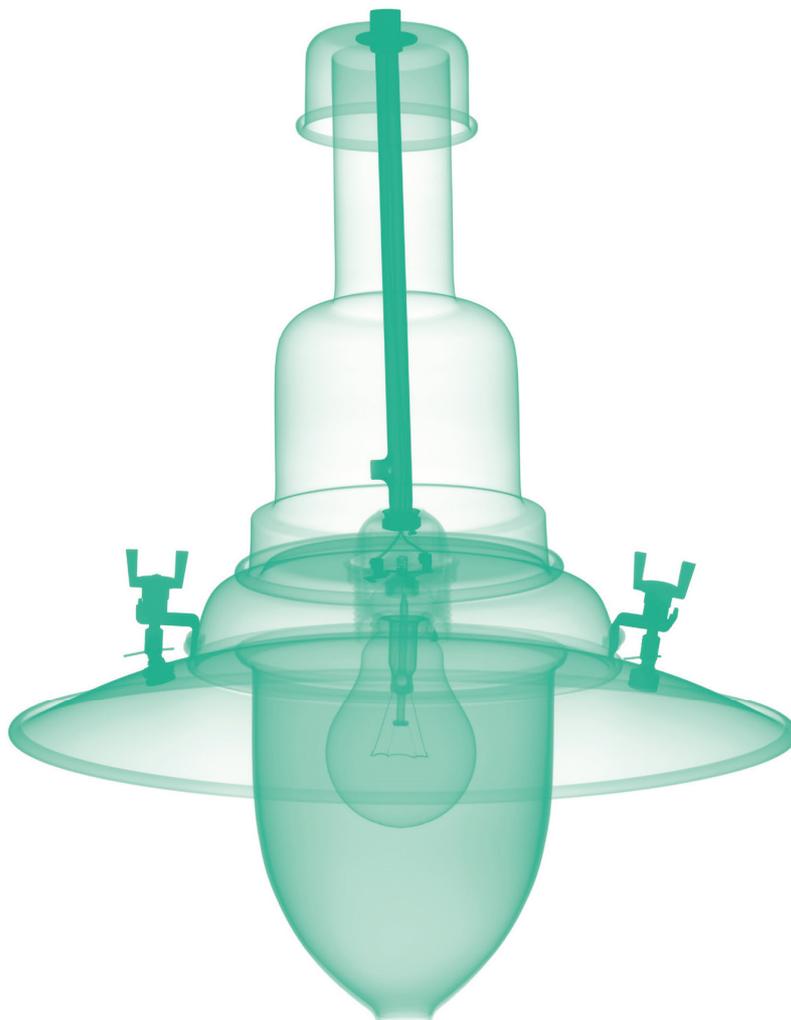




Investment Report



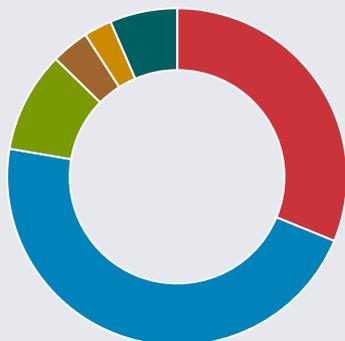
Income Portfolio

Report period 01 October 2018 - 31 December 2018

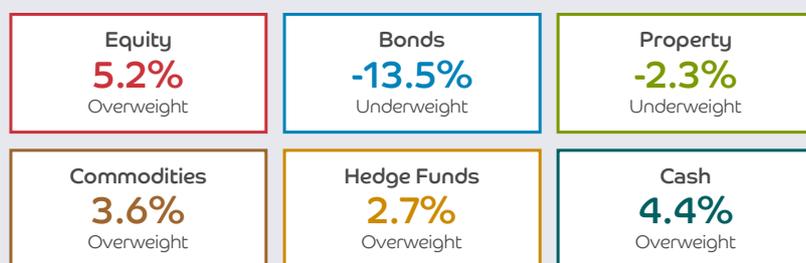
Portfolio positioning as at 31 December 2018

Asset allocation

Equity	31.2%
Bonds	46.5%
Property	9.7%
Commodities	3.6%
Hedge Funds	2.7%
Cash	6.4%



Tactical deviation



Equity breakdown

United Kingdom	12.5%
North America	8.1%
Japan	2.2%
Europe Ex-Uk	5.1%
Pacific Ex-Japan	0.6%
Emerging Markets	2.8%

Bond breakdown

Government - Conventional	14.5%
Government - Index Linked	2.7%
Corporate - Investment Grade	10.2%
Corporate - High Yield	14.0%
Emerging Markets	5.1%
Government (Not base currency)	0.0%

Currency exposure

£ GBP	80.6%
\$ USD	8.4%
€ EUR	5.5%
¥ JPY	2.2%
\$ AUD	0.6%
RMB/HKD	2.8%
Other	0.0%

Holding type

Active 56.0%	Passive 20.5%
Direct 17.2%	Cash/Liquidity 6.4%

Liquidity

<1 Wk	81%
2-3 Wk	0%
Mnth	1%
Qrt	14%
>1 Yr	4%

Clear thinking on positioning

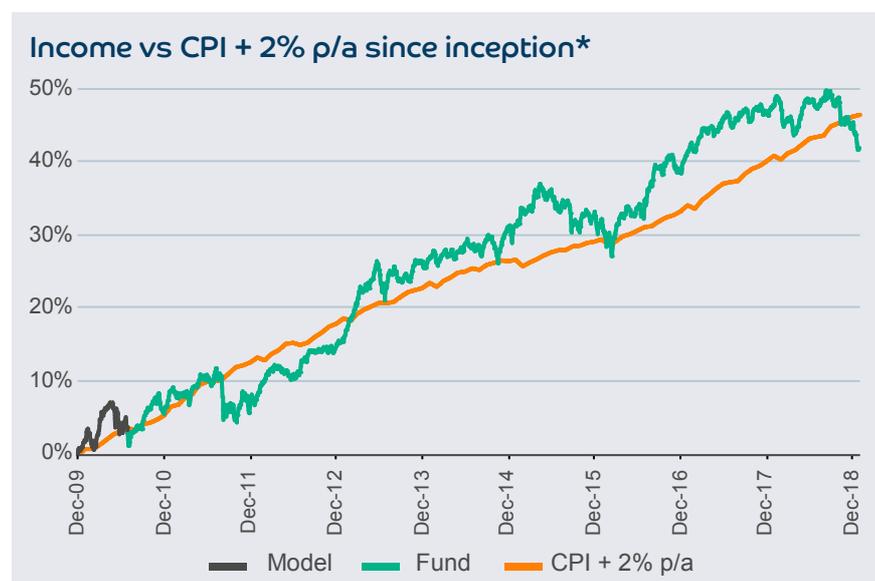
Global financial markets, broadly speaking seem to be pricing in an economic downturn which we presently think is unlikely to materialise. As such, we retain a small overweight to equities when comparing our tactical asset allocation to our strategic asset allocation. We are hopeful that a more pragmatic stance from the US Federal Reserve and constructive talks between the US and China will both emerge this year. That said, a change for the worse in either of these would likely hamper global growth, hence our optimism remains constrained.

- Equities: underweight UK equities but overweight mid- and small-sized companies to capture higher dividend growth and emerging signs of relative value. We retain our overweight positions in the 'unloved' regions of Europe and emerging markets.
- Bonds: remain invested in bonds with less sensitivity to interest rates, and select exposures to emerging market sovereign debt and high quality asset backed securities.
- Alternatives: underweight UK commercial property, but one to keep watching as Brexit-related uncertainties may present opportunities at cheaper levels. Maintain positions in gold and tail risk protection strategies which could help to offset any sharp deterioration in market sentiment.

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.

Performance to 31 December 2018



Understanding your returns

The fourth quarter of 2018 was challenging: the MSCI UK index fell 9.7% and the S&P 500 index (in sterling terms) fell 12.0% - their worst quarterly performances since 2011. Over Q4 the Income portfolio fell just over 4.5%. The portfolio's exposure to UK medium and smaller sized companies was especially costly owing to a combination of moderating global growth momentum, together with Brexit-related uncertainties. In the same vein, the portfolio's exposure to UK commercial property also fell, reversing previous gains. Elsewhere, concerns about the US interest rate cycle weighed on investment grade and high yield credit.

Performance year to date

- In 2018, UK and US equities posted their worst annual performance since 2008, down 8.8% and 6.3% in local currencies respectively. Indeed 2018 was a highly unusual year with a record share of asset classes posting negative annual total returns.
- Against this backdrop the Income portfolio fell by close to 4.5%.

Last updated: 02 January 2019

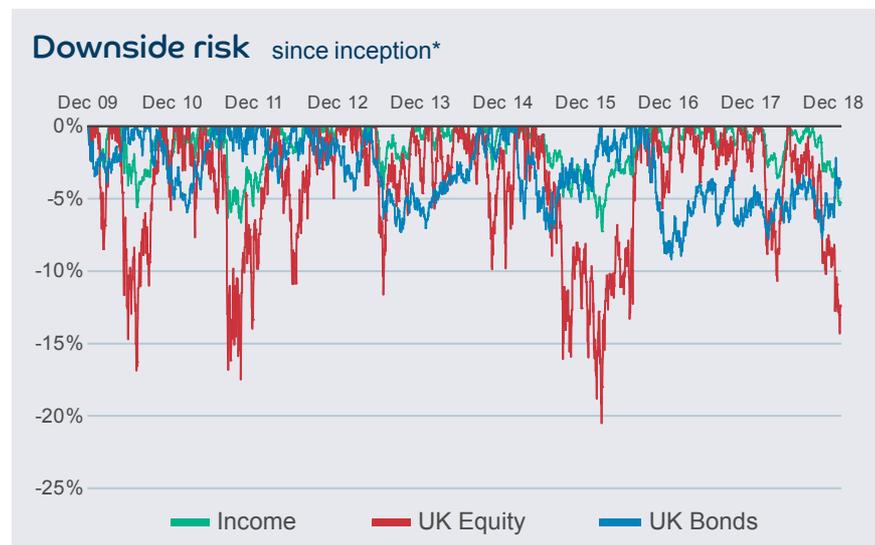
Portfolio returns to 31 Dec 2018 (%)

	1 Month	3 Month	6 Month	1 Year	3 Years	5 Years	Since Inception*
Income	-2.1	-4.5	-3.9	-4.0	7.4	11.8	41.9
CPI + 2% p/a	0.2	0.8	2.1	4.0	13.1	18.6	46.4
UK Equity	-3.6	-9.7	-10.0	-8.8	21.6	19.6	79.6
UK Bonds	2.4	2.1	0.2	0.5	13.3	30.6	57.1

Discrete annual performance (%)

Report period

	12 Months to					01 Oct 18 - 31 Dec 18
	31 Dec 18	31 Dec 17	31 Dec 16	31 Dec 15	31 Dec 14	
Income	-4.0	4.5	7.0	0.7	3.5	-4.5
CPI + 2% p/a	4.0	5.0	3.6	2.2	2.6	0.8
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



*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.

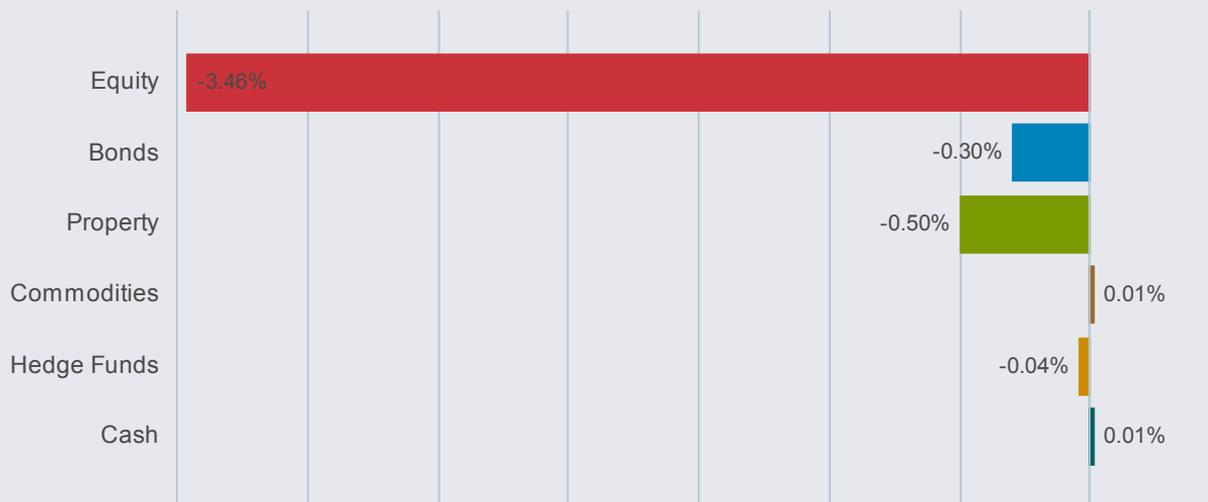
Past performance is not a reliable indicator of future results.

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 30 September 18 to 31 December 18



Top 5 contributors

Xtrackers Physical Gold GBP Hedged Etc

1.25% UK Treasury Stock 2027

Civitas Social Housing Ord

Sequoia Economic Infrastructure Income Fund Lid

0.125% Treasury I-L Stock 22/3/2026

Bottom 5 contributors

Vanguard Dublin S&P 500 ETF

J O Hambro UK Equity Income Y Dis

iShares Oil & Gas Exploration & Prod UCITS ETF

Liontrust European Income I GBP Dis

Morant Wright Nippon Yield B

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

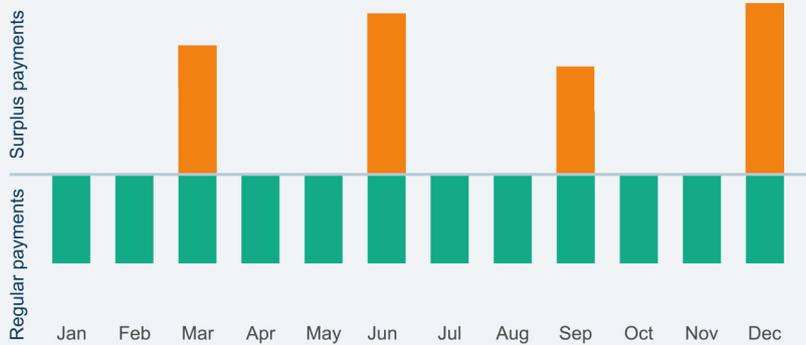
	Maximum drawdown	Worst month	Annualised volatility	Sharpe ratio	% positive months
Income	-7.2%	-3.6%	4.3%	0.79	63.3%
UK Equity	-20.5%	-6.6%	11.6%	0.53	56.9%
UK Bonds	-9.2%	-4.5%	6.5%	0.71	60.6%

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.

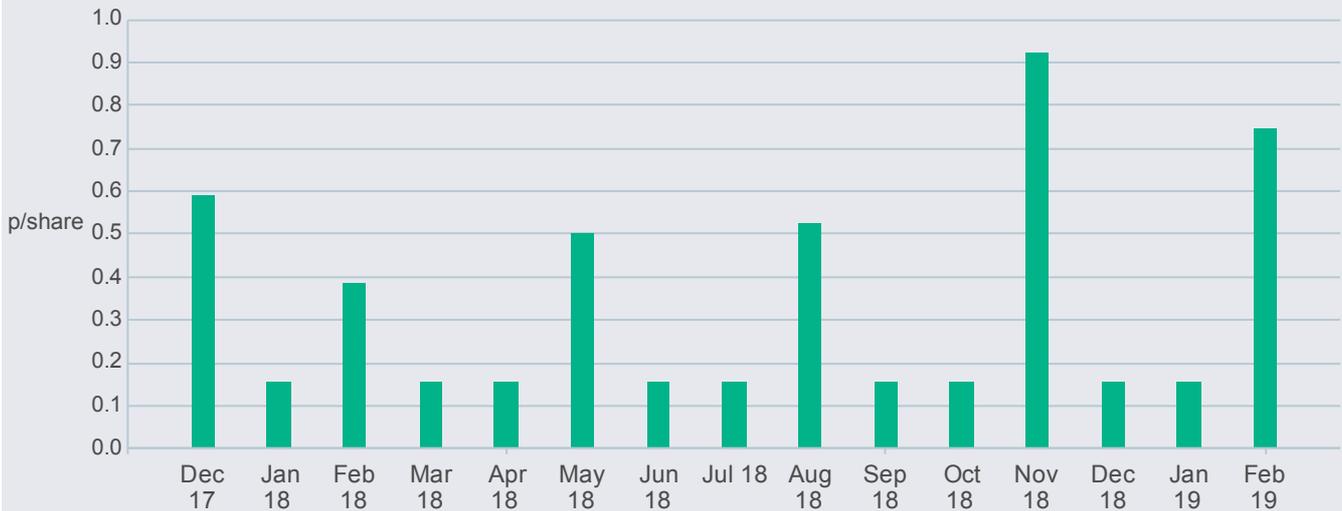
Income payments

Indicative distribution payments



- Income distributed as dividend
- The portfolios target paying a stable monthly income
- Any surplus income achieved is distributed quarterly
- The expected yields are achieved from the combination of regular and surplus payments

Historic distribution payments pence per share



Past performance is not a reliable indicator of future results. Income distributed may fall as well as rise. Payments based on official Link Group payment dates. Regular payments are not guaranteed and may differ according to the underlying investments in the portfolio each month. Source: Heartwood, Factset

Understanding payments

Our Income and Income Plus multi asset funds follow the same cycle for distributing income payments to investors. Both funds are structured to pay a stable amount each month and both pay out a top-up amount each quarter. Top-ups are paid in March, June, September and December each year.

Ex-dividend date

Those invested on or before the ex-dividend date - in any month - are legally entitled to the dividend income payment for that month. At Heartwood, the ex-dividend date is the last working day of each calendar month for both funds.

Payment date

Payments are made by Heartwood on (or around) the 24th calendar working day of the third month following the ex-dividend date.

Recent portfolio changes

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.

September 2018



Sold all ETFs Industrial Metals

- We have exited our small position in Industrial Metals across all strategies, which includes the likes of aluminium, copper, nickel and zinc.
- We view this reduction as prudent portfolio management in light of the macro/political risks facing the commodities space.
- Anti-trade rhetoric from Donald Trump and resilience in the broad US Dollar have both played a role, which could continue in the near term.
- A softening of Trumps stance and reversal in the US Dollar, perhaps related to more balanced comments from the US Federal Reserve, may indeed come through but the timing is uncertain.

July 2018



We have made an investment in a real estate finance strategy

- The strategy makes secured loans at attractive yields in the growing, but difficult to access, real estate finance market.
- Since the financial crisis traditional banks have retrenched from all but the most straight forward of real estate financing projects. This has created opportunities for specialist, private investors who operate at the niche end of the market and are able secure attractive yields in return for undertaking significant levels of the diligence in underwriting loans.
- The managers have operated this strategy for nearly 6 years, making loans across the UK and Europe and in that time have built up a strong track record.

July 2018



Built a position in a specialist credit debt fund

- This fund is a compelling means to access the life sciences sector, by making debt and royalty investments that are secured against cash flows from sales of approved life sciences products. We believe that the expected return profile is an attractive one for the risk being taken.
- We view this vehicle has a complementary position to our current healthcare equity exposures in the portfolio.

July 2018



Addition to US equities

- We have increased our exposure to the S&P500, which we have funded selling more of our holding in UK large company shares.
- We believe that in the near term, US equity market performance will continue to benefit from improving domestic macroeconomic activity, together with what is expected to be a strong earnings reporting season for US corporations.

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 31 December 2018

Holding type			Weight
Active	Passive	Direct	Cash/Liquidity
56.0%	20.5%	17.2%	6.4%
Equity			31.2%
United Kingdom			
	J O Hambro UK Equity Income Y Dis		3.7%
	Rwc Enhanced Income Fund B Acc		3.5%
	Schroder Income Maximiser Z Inc		2.0%
	Majedie UK Income X Inc		1.9%
	iShares Core FTSE 100 UCITS ETF Acc		1.1%
	Mi Chelverton UK Equity Inc		0.9%
Global			
	Rwc Global Enhanced Dividend B Acc GBP		1.6%
	Societe Generale Income Builder Note		1.3%
North America			
	Vanguard Dublin S&P 500 ETF		3.9%
	iShares Oil & Gas Exploration & Prod UCITS ETF		1.1%
	Invesco Nasdaq Biotech UCITS ETF		0.9%
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)		0.9%
Emerging Markets			
	Magna Emerging Mkts Div B Acc		1.9%
	Guinness Asian Equity Income Z Inc/X Inc		1.4%
Bonds			46.5%
Corporate - High Yield			
	Nb Global Senior Floating Rate Inc I Mthly Dis		4.2%
	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		1.5%
	Gcp Infrastructure Investments		1.2%
	Starwood European Real Estate Finance		1.0%
	UK Mortgages Limited		0.9%
	Sqn Asset Finance Income Fund C Share		0.6%
Corporate - Investment Grade			
	iShares Markit iBoxx Corp Bond 0-5Yr UCITS		5.5%
	Pimco Global Capital Securities Fund Inc		2.2%
	Pimco Gbl Inv Grade Credit Part Hgd GBP Inc		1.7%
	Twenty Four Income Fund		0.8%
Emerging Markets			
	Ashmore Sicav Emerging Mkts Short Duration Fund		2.9%
	UBS ETF (Lu) Barclays USD Em Sovereign UCITS ETF		2.2%
Government - Conventional			
	1.25% UK Treasury Stock 2027		5.2%
	1.75% Treasury Stock 7/9/22		5.0%
	1.5% UK Treasury 2047		2.4%
	2% UK Tsy 22/07/20		2.0%
Government - Index Linked			
	0.125% Treasury I-L Stock 22/3/2026		2.7%
Property			9.7%
United Kingdom			
	Custodian Reit Plc		2.6%
	Standard Life Property Inc Tst Ord		2.6%
	Aew UK Reit		1.4%
	Threadneedle Property Unit Trust B		1.2%
	Civitas Social Housing Ord		1.0%
	Aew UK Long Lease Reit Plc		0.9%
Commodities			3.6%
Commodity Indices			
	UBS ETF Cmci Ex-Agri GBP Hedged		0.9%
Precious Metals			
	Xtrackers Physical Gold GBP Hedged Etc		2.7%
Hedge Funds			2.7%
Credit			
	Biopharma Credit Plc		1.0%
Global Macro			
	Montlake Tiber Diversified UCITS GBP A Instl		1.0%
	Universa Bspp Fund Series 9 Sep18		0.5%
	Kohinoor Core Fund GBP E		0.2%
Cash			6.4%
United Kingdom			
	GBP		6.4%
	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 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	£97.6m
Legal Structure	Non-UCITS Retail Scheme
Historic Yield	3.31%
Fund Charges (annualised)	Ongoing charges figure: 1.32% (Annual management charge: 0.75%; third party fees and charges: 0.57%)
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).

The Income Portfolio information and data represents the LF Heartwood Income 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 01 July 2010 and the model was launched in 30 November 2009, performance figures do not exist before that time.

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