



HERITAGE US DOLLAR ABSOLUTE RETURN FUND

31-Mar-21

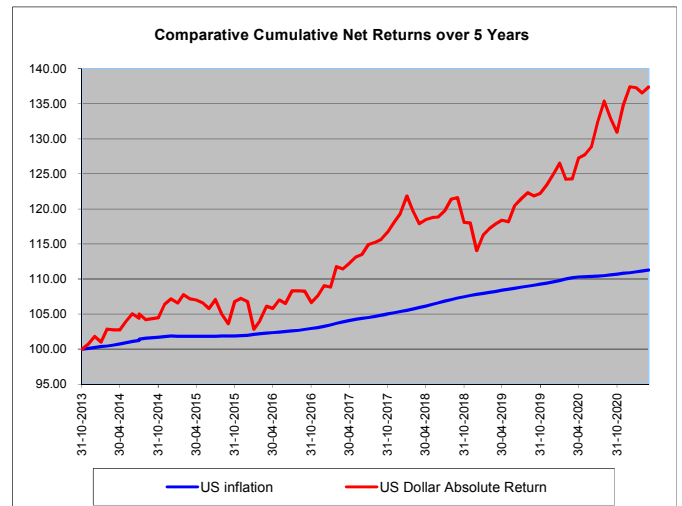
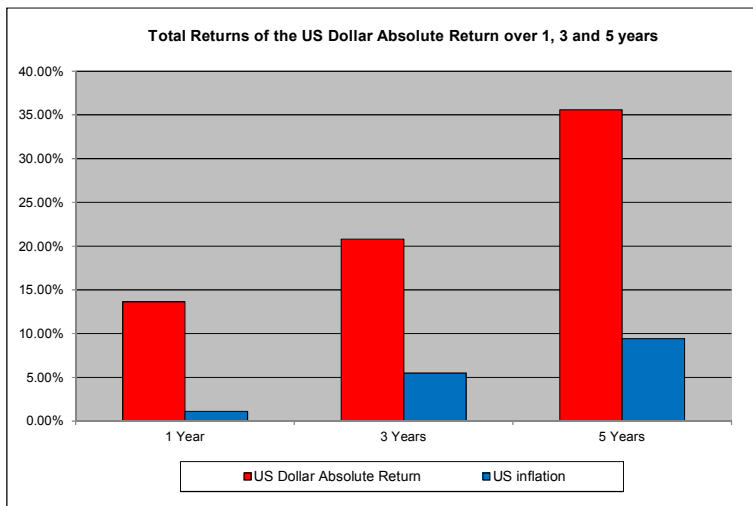
Key facts

The investment objective is to protect capital against significant losses and generate net annual returns of 3% in excess of inflation by investing in developed equity market, bond and other indices

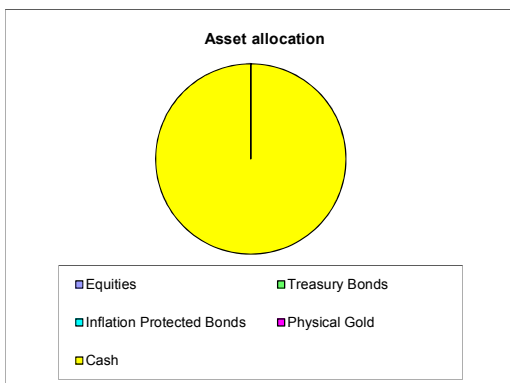
Fund currency	US Dollars	Minimum investment	£ 20,000 (or equivalent currency)
Price at 31-Mar-21	\$189.60	Initial charge	Nil
Fund size (millions)	\$17.61	Investment advisor	Heritage Capital Management Limited, London
Management fees	1% pa on capital + 5% of net gains	Fund domicile	Guernsey, Channel Islands
Subscriptions/redemptions	Monthly	Fund status	Non-distributor ("roll-up")
Bid/offer spread	0.5%	Pricing information	www.heritage-capital.co.uk

Performance

Performance	Mar-21	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	Average
US Dollar Absolute Return	0.85%	-0.04%	12.93%	11.37%	-5.42%	10.83%	2.08%	-0.47%	5.42%	3.98%	1.95%	-2.28%	2.06%	1.26%	3.16%
US inflation	0.14%	0.38%	1.32%	1.79%	2.49%	2.14%	1.16%	0.08%	1.65%	1.49%	2.10%	3.21%	1.64%	-0.35%	2.08%
Excess over US inflation	0.71%	-0.41%	11.62%	9.58%	-7.91%	8.69%	0.92%	-0.55%	3.77%	2.49%	-0.15%	-5.49%	0.43%	1.61%	1.08%



Asset allocation



The US Dollar Absolute Return Fund aims to protect investors capital against significant losses and generate net annual returns of around 3% in excess of inflation over the longer term by following a top-down asset allocation investment strategy. The core of the Fund is invested in exchange traded funds which track equity market, bond and other indices. These tracker funds are liquid, transparent and currently restricted to developed equity markets, investment grade bonds and physical gold.

In order to reduce volatility, the fund allocates its investments between a number of exchange traded funds whose returns have a low or negative correlation. Downside risk is managed using derivatives to limit annual losses.

The Fund does not have any borrowings and the total financial exposure under the derivatives contracts will not exceed the funds invested in Heritage Absolute Return SPV Limited. Any significant foreign currency exposure is hedged back into the denominated currency of the Fund to reduce any exchange rate risk.

Commentary

During March, it was decided to close the US Dollar Absolute Return Fund as Heritage has very few clients who invest in US Dollars and the Fund has not attracted new investors in recent years.

Prior to 2015, the Fund was restricted to investing in investment grade bonds. Since that date, the Fund has been permitted to invest in equities and other securities, and has grown by 35%. Over the past 1, 3 and 5 years it has returned 13.66%, 20.80% and 35.60% respectively. It had its best year last year when it returned 12.93% due to its hedging strategies.

During the first quarter, US equity markets rose in value as investors moved into risk assets as the vaccination programme was successfully rolled out and the economic outlook improved. However, 10 year government bond yields almost doubled during the period on concerns about inflation, and investors sold haven assets and moved into riskier equities. Although gold is seen as an inflation hedge, its value fell significantly during the quarter as rising bond yields increased the opportunity cost of holding non-yielding gold.

The Fund did not make any progress during the first quarter, losing 0.04%, as a result of the significant negative impact of rising bond yields on its government bond and gold investments.

Investors should be aware that past results are not a guide to future performance and that the value of investments can fall as well as rise. An investor may get back less than the amount originally invested. The information set out above does not constitute an offer to subscribe for shares, which may only be purchased under the terms of the Scheme Particulars.