Heritage

Quarterly Newsletter & Investment Review

Issue 111 Quarterly news & investment review from Heritage Quarter 3 2025

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Heritage Capital Management Limited

Heritage Capital Management Ltd is an independent, specialist investment management company based in London and regulated by the Financial Conduct Authority, providing a wide range of investment services to individuals, trusts, companies and pension funds.

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Markets progress despite ongoing concerns

Global markets have continued to shrug off a worrying cocktail of economic and geopolitical concerns to produce a strong quarter of returns for investors.

We are pleased to report that the Heritage funds have had another positive quarter, with a gain of 2.2% taking the year-to-date returns to 6-7%. As usual further details for the Heritage Managed Portfolio Fund can be found on page 3 and the SVS Heritage Balanced Portfolio Fund on page 4.

"Spotlight On"- Investing in family businesses

Many Heritage clients are already familiar with the virtues of family owned businesses, having created their own wealth through successfully establishing and running a family business. Furthermore, Heritage itself is a family business, and over the years we have often highlighted the merits of this structure.

A key advantage is the stability provided by the commitment and loyalty found within a successful family company and their long-term orientation makes them well placed to navigate the multitude of challenges and volatile markets that businesses face.

This long-term approach and stability is good for clients too, particularly in an industry such as investment, where planning, management and relationships should all ideally be done with a very long time frame in mind and often span multiple generations.

These characteristics also provide interesting implications for the investments that we manage within our funds. Family owned businesses have been the subject of various academic studies that have provided empirical evidence that over the long-term listed family businesses have outperformed the rest of the market. In addition to that, they were also less likely to fail and posted less volatile results, with the structural stability, a conservative approach to taking on debt and long-term strategic thinking provided by a family doing its best to protect its wealth for future generations undoubtedly being part of the reason for this.

Despite this evidence of superior long-term performance and lower risk, it is interesting that most family controlled companies often still trade at a discount rather than a premium to their listed peers. One likely reason for this is that most institutional investors seem to have a preference for and appear be more attuned to slick professional managers and modern corporate governance methods, rather than traditional family values.

Despite the advantages mentioned above, not all family businesses prove to be successful investments. It is important that the interests of outside shareholders need to be aligned and protected and it is also the case that some family businesses are not run as professionally and may lack the same level of transparency and communication expected from other businesses. There can also be risks around succession. It is therefore important to carry out more detailed research and analysis in order to identify the most promising family businesses to invest in and on page 4 we provide some examples of our strategy in action. *Continued on page 4*

Heritage Capital Management Limited

Review for the quarter ended 30th September 2025

Market Commentary

Overall it was an excellent quarter for global markets, with all of the major indices making decent gains, despite the many geopolitical and economic risks and concerns that remain unresolved.

The current market surge has been led by a small band of US tech mega stocks that have become known as the Magnificent Seven. The US market now accounts for over 70% of the MSCI World Index and the Magnificent Seven make up over a third of the US S&P 500 index. Much of this has been driven by the excitement over Artificial Intelligence (AI) and the leading light in this field, NVIDIA, now has a market cap of over $4 trillion, which for context is more than the entire combined stock markets of the UK, Germany and France.

This level of concentration is not particularly healthy and represents a huge and often overlooked risk to index investors. The original idea and main attraction of index funds was that they provided excellent diversification, as you are in effect buying a share of the whole market. However, as the market has now become heavily skewed towards a small number of gigantic tech stocks it is important that investors are alive to this risk and ensure that they are genuinely well diversified.

United Kingdom

The FTSE 100 index of UK leading shares made further progress this quarter, with a gain of 6.7% taking the year to-date return to over 14%. However, it was a not such a good quarter for smaller companies, with the FTSE Small Cap index down by 1% and the year-to-date return of 4.1% is now lagging the large cap index.

The recent strong run by HSBC has taken the UK headquartered global bank ahead of AstraZeneca as the UK's largest listed company and other stand out performers this year include Rolls-Royce and BAE Systems, as defence stocks continue to enjoy a resurgence as one of the few sectors to be a beneficiary of increased geopolitical tensions.

Overall domestic UK business confidence remains fragile, as companies worry about how they will be able to deal with the likely additional tax rises in the upcoming Autumn Budget, as well as the incoming Employment Rights Bill which is set to make things much more difficult for employers.

On a more positive note interest rates have continued to come down, with a further cut from 4.25% to 4.0% this quarter and for investors the valuations of UK stocks also continue to look comparatively attractive.

United States

The S&P 500 recently has continued its strong run to post more record highs, which as noted above has been driven by investor enthusiasm for large tech companies that are investing heavily in Artificial Intelligence.

The market has also been given a further boost by the Federal Reserve Bank cutting interest rates in September for the first time this year. However, there have been worries about the independence of the Fed as President Trump continues to try and influence monetary policy, and although the Supreme Court recently temporarily blocked his attempt to remove the Fed's Governor, the future for its independence remains a concern.

Europe

Although Europe was a bit weaker than the other major markets this quarter it still registered a healthy gain.

The German Dax index has had a particularly strong run this year, whilst the French CAC 40 index has lagged behind. France has recently been experiencing significant political instability with Sebastien Lecornu replacing Francois Bayrou as Prime Minister after he lost a no confidence vote and President Macron struggling to secure a working majority.

Japan

Japan had a particularly strong quarter with the Nikkei index up just over 10%.

The market has been boosted by a rise in business confidence evidenced by the Tankan survey for large manufacturers, which is partly attributable to an easing in US tariffs fears and the weaker Yen has provided support to its export-oriented market.

Emerging markets

Emerging markets have continued their decent run this year, with Brazil, South Africa, Hong Kong, and Korea all doing well, whilst India and Argentina were the notable weaker exceptions this quarter.

Following a long period of underperformance it is encouraging to see a revival in emerging market investing and the hope is that they can continue to provide decent returns and useful diversification alongside the major markets.

Investment Statistics - 30/09/2025

Equity Markets	Q3 2025	2025 Ytd	2024	PE Ratio	Dividend Yield	Central Bank Interest Rates	10 year Gvnmt Bond Yields	Inflation CPI	Exchange Rates	
									vs GBP	vs USD
TR Global ($)	7.60%	18.62%	16.98%							
US (S&P 500)	7.79%	13.72%	23.31%	30	1.0%	4.25%	4.15%	2.90%	1.3441	1.0000
UK (FTSE 100)	6.73%	14.41%	5.69%	18	3.2%	4.00%	4.70%	3.80%	1.0000	1.3441
Europe (STOXX 50)	4.28%	12.95%	8.28%	18	2.6%	2.15%	2.69%	2.00%	1.1458	1.1732
Japan (Nikkei 225)	10.98%	12.63%	19.22%	17	1.8%	0.50%	1.64%	2.70%	200.52	148.04

Total returns- including dividends

Source: Financial Times, FactSet, iShares and Multrees investor Services Ltd

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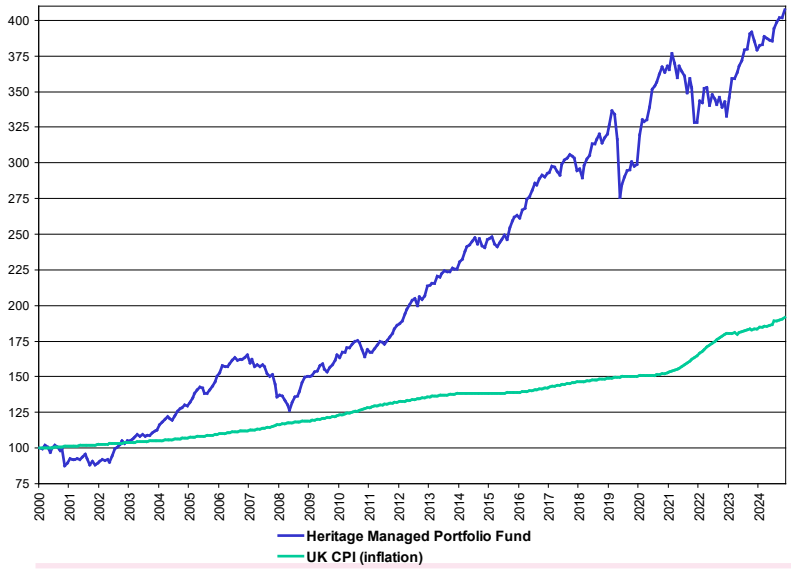
Heritage Managed Portfolio Fund

Review for the quarter ended 30th September 2025

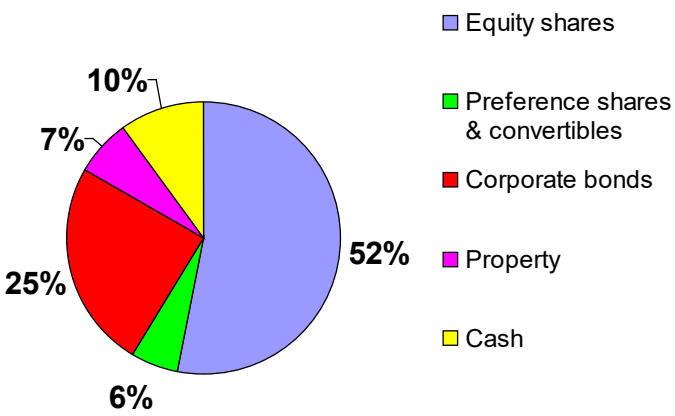
Performance	Managed Portfolio Fund	Inflation (UK)
Return for the quarter	2.17%	1.76%
Year 2025 return YTD	6.36%	3.11%
Year 2024 return	6.66%	2.58%
Year 2023 return	5.02%	3.95%
Year 2022 return	-9.14%	10.66%
Year 2021 return	14.07%	5.40%
Year 2020 return	-1.87%	0.37%
Year 2019 return	16.31%	1.40%
Year 2018 return	-2.76%	2.29%
Compound annual return since 2001	5.85%	2.62%

Fund information	
Price at 30th September 2025	£407.66
Fund size	£190.8 million
Fund domicile	Guernsey
Fund status	Non-distributor ("roll-up")
Subscriptions/redemptions	Monthly dealing
Further Information	www.heritage-capital.co.uk
Risk	**Annual Volatility**
Managed Portfolio Fund	7.4%
TR World Index	13.6%

Price Performance



Asset Allocation



Commentary

The Managed Portfolio Fund seeks to generate attractive long-term investment returns at a lower risk than that associated with pure equity market investment through active management of a well diversified multi-asset portfolio.

The Fund was up by 2.17% for the quarter and the year-to-date return is now 6.36%.

The best positive contributions from individual company holdings in our share portfolio this quarter included Standard Chartered, HSBC, Lancashire, ICG, GSK, Computacenter and Aviva, which were all up by over 10%. Notable detractors were System1, Gulf Marine Services, Greggs, Bellway and Haleon. Of our specialist listed funds there were good returns from BG Japan, Aberdeen Asian Income, Oakley Capital and Worldwide Healthcare Trust.

Within our property holdings the bidding war for Assura, which had been a battle between an all cash bid from private equity investors KKR and a merger proposal from fellow listed group Primary Health Properties, was won by PHP in the end. As we are also already holders of PHP the merger has increased our holding, which we are very comfortable with as PHP's current dividend yield is a very attractive 7.5% and it has a great record of increasing the dividend every year for the past 28 years.

Our bond portfolio has continued its solid run so far this year and offers an attractive yield of just over 7%.

Although the near term outlook remains uncertain as ever, we believe that our portfolio of well diversified investments is well positioned to generate attractive returns for long-term investors.

This report is not an invitation to subscribe for shares in the Heritage Investment Funds and is for the information of investors only. Investors should be aware that past investment performance is not a guide to future performance, and that the value of investments may fall as well as rise. An investor may get back less than the original amount invested.

"Spotlight On"- Investing in family businesses - continued

Associated British Foods was founded by the Weston family in 1935 and is still controlled by them today with George Weston the current CEO. In addition to the original groceries and food ingredients businesses, it also founded the fashion retail business, Primark, as a subsidiary in Ireland in 1969. Rather than divesting this as "non-core" asset, as suggested countless times over the years by investment bankers and institutional investors, ABF chose to take a long-term approach to invest in and nurture the Primark brand and today it has grown to become one of the most successful international retailers and provides the largest part of ABF's profits.

Young & Co's Brewery was founded in 1831 and is still controlled by the founding family. It has built up a highly valuable collection of around 300 of the UK's best pubs. Unlike many of its listed peers it has resisted the temptation to borrow heavily against this estate and this conservative approach has enabled it to avoid the heavily dilutive rescue rights issues that periodically have plagued many other heavily geared operators in the pubs sector.

In addition to these examples of UK companies that we invest in, it is worth noting that we also have exposure to family controlled holding companies worldwide through a listed investment company, the **AVI Global Trust**.

Some of the interesting family holding companies within AVI Global include;
D'leteren Group, a seventh generation Belgian family holding company which controls Belron, the world number one in vehicle glass repair (known as Autoglass in the UK and Safelite in the US).
News Corp, the Murdoch family holding company with a controlling stake in Australian listed REA Group and a collection of unlisted assets such as Dow Jones and the Wall Street Journal.
EXOR, the holding company for the Italian Agnelli family that owns vehicle manufacturers Stellantis, Ferrari and Iveco as well as other agricultural, construction, health and media companies.
Bollore, a French holding company controlled by Vincent Bollore with stakes in Universal Media Group and Vivendi.
FEMSA, a Mexican family controlled holding company, dating back to 1890, that operates Oxxo convenience stores across Latin America.
Christian Dior SE, the Arnault family's holding company for LVMH, owner of many of the world's leading luxury goods brands.
AVI also have a number of interesting holdings in Japan and Korea, where the holding companies generally trade at large discounts to their underlying asset value.

The common theme running through all of these companies is their long-term approach to protect and enhance the wealth created for future generations. This ability to stand the test of time over many business cycles and major crises make them attractive investments and is closely aligned with our own long-term approach to managing our funds together with those of our clients and their families.

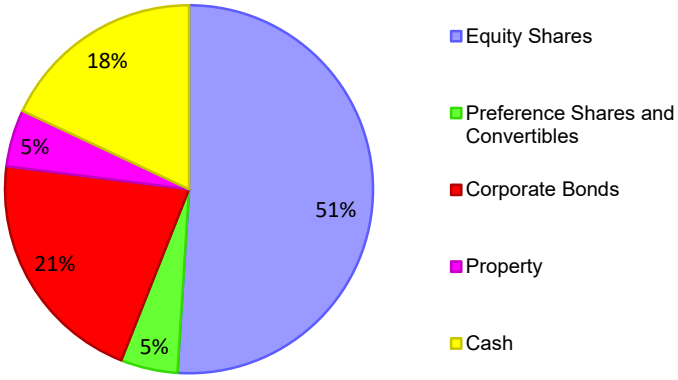
SVS Heritage Balanced Portfolio Fund

Price at 30/09/25	166.0p (launched at 100p 1/12/16)
Fund size	£39.1 million
Fund type	OEIC, UCITS (UK domiciled)
Eligible for	ISAs, SIPPs, Funds at Lloyd's
Pricing and dealing	Daily
Minimum Investment	£10,000
Administrator/ACD	Tutman Fund Solution Ltd

Performance

Return	2025 Q3	2025 Ytd	2024	2023	2022	Inception 01/12/16
SVS HBPF	2.22%	7.03%	7.86%	5.43%	-8.27%	66.00%
UK CPI	1.76%	3.11%	2.58%	3.95%	10.66%	37.65%

Asset allocation



Commentary

The approach adopted by the Fund is in line with the existing larger offshore version of the fund (the Guernsey regulated Heritage Managed Portfolio Fund) – i.e. to generate long-term investment returns at a lower risk than that associated with pure equity market investment through active management of a well diversified multi-asset portfolio.

The Fund had a good quarter with a gain of 2.22% taking the year-to-date return to 7.03%. The more detailed comments on the Heritage Managed Portfolio Fund performance on page 3 of this newsletter also apply to the SVS Heritage Balanced Portfolio Fund.

The information set out above does not constitute an offer to subscribe to shares, which may only be purchased after reading the full Prospectus/Key Investor Information Document (KIID). The Prospectus and KIID can be found at www.heritage-capital.co.uk.

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