Heritage

Quarterly Newsletter & Investment Review

Issue 112 Quarterly news & investment review from Heritage Quarter 4 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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2025 was another decent year for investors

Global markets have continued to shrug off a plethora of economic and geopolitical concerns to produce another strong year of returns for investors.

We are pleased to report that the Heritage funds have had another good year, with a gain of just over 2% in the final quarter taking the year-to-date return to just over 8.5% for the Managed Portfolio Fund and the SVS Heritage Managed Portfolio Fund gaining just under 10% in 2025. 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.

25 years for the Heritage Managed Portfolio Fund

We are pleased to report that the Heritage Managed Portfolio Fund has recently celebrated its 25th anniversary. We often emphasise the need to take a long-term view with investments and 25 years is a sufficiently long period to be able to look back on and make a few meaningful observations about how our investment strategy has worked in practice.

Despite many challenges along the way...

The Fund was established in December 2000 which turned out to be a difficult time, as a savage bear market saw the major equity indices lose around half their value from their peak reached at the height of the technology bubble. After a decent recovery the great financial crisis in 2008 dealt another major blow to investors and whilst the second decade of the new century was generally a bit more benign, the 2020s have again been more challenging, with the coronavirus pandemic followed by an inflation shock arising from the war in Ukraine.

..the Fund price has more than quadrupled..

Fortunately, despite these challenges the overall result for investors in the Fund has been rewarding, with the price at launch of £100 more than quadrupling to over £415 today, meaning that an investment of £100,000 in the Fund at its inception would now be worth over £415,000. This return is a significant premium to both inflation and cash deposit rates, enabling investors to earn decent returns without taking on the higher risk of a pure equity market investment.

… with lower risk.

Our emphasis on risk management through a cautious and flexible multi-asset approach has helped to better protect investors' capital and the Fund's volatility (a statistical measure of risk based on the variability of returns) has generally been around half that of the equity markets. Perhaps more meaningfully in terms of how risk is perceived in the real world is the fact that during the worst 10 year period for the Fund, it still managed to produce an overall gain of 56% and despite our cautious approach we have also been able to take on more risk when we considerate it appropriate, resulting in a best return for the Fund over 10 years of 141%.

Some highlights…

Our most successful investments have often come from taking advantage of the high yields and low prices offered by investments that have fallen out of favour with other investors. Examples of this include our purchases of shares in boring "old economy" industries as we avoided the dotcom bubble, insurance companies after 9/11, zero dividend preference shares following the split capital investment trust crisis and corporate bonds in the aftermath of the financial crisis in 2008. *Continued on page 4*

Heritage Capital Management Limited

Review for the quarter ended 31st December 2025

Market Commentary

Overall 2025 has been a very good year for global markets, with all of the major indices making decent gains and shrugging off various threats along the way. Donald Trump's "Liberation Day" tariff announcements in early April presented the biggest shock this year, with markets plunging in the immediate aftermath. However, this was followed by a strong recovery and markets have continued to rally despite ongoing economic and geopolitical concerns.

Looking ahead to 2026 there are a few issues for investors to ponder. Firstly, whilst it is helpful for markets that the Federal Reserve Bank and other central banks continue to cut interest rates, there is a worry that political pressure from President Trump for the Fed to move further and faster might lead to politically driven changes in 2026, undermining the Fed's long held independence and unnerving global markets.

Furthermore, the current bull market has been driven by a huge boom in AI (Artificial Intelligence) spending and investor enthusiasm around the prospects for this new technology. However, previous booms in new technologies, including even those that proved to be genuinely transformative such as railways and the internet, have led to investment bubbles that have subsequently burst with devastating consequences for investors, which should act as a cautionary reminder to avoid becoming over exposed to the current AI boom.

United Kingdom

The FTSE 100 index of UK leading shares finally had a year in which it outperformed both US and European markets with a gain of over 20%. The main contributors were banks, mining and defence stocks which all had a very strong year and whilst small and mid-cap shares were not able to match the large caps they did at least have a decent year in 2025.

Overall domestic UK businesses continue to find things challenging. With rising costs and red tape from the Employment Rights Bill set to make things much more difficult for employers and the latest budget extending benefits for non-workers, it is not surprising that unemployment is starting to become an issue again.

On a more positive note interest rates have continued to come down, with a further cut in the final quarter taking rates down to 3.75% compared to 4.75% at the start of the year. The consensus amongst economists is for a further two cuts in 2026 taking rates to around 3%, which if correct has the potential to be a positive catalyst for both consumer confidence and asset values for investment markets.

United States

Although it had a decent year posting various new record highs along the way, the US was actually the weakest of the major developed markets in 2025.

Also, for international investors the relative weakness of the US Dollar has been a further headwind with the dollar losing around 10% against a basket of other major currencies this year.

Overall the relative weakness of the US stock market and currency has dented the concept of "American exceptionalism" which was pervasive amongst many commentators at the start of the year.

Europe

European markets enjoyed a decent year despite various headwinds such as increased tariffs, the ongoing war in Ukraine and deteriorating fiscal positions.

Interestingly there has recently been a relative revival of Portugal, Italy, Greece and Spain (the formers so called "PIGS") which have bounced back from the Eurozone debt crisis with growth in tourism, renewable energy investment, EU funding and structural reforms, which overall have enabled them to start outperforming their northern European counterparts.

Japan

Japan was the strongest of the major developed markets this year with a strong final quarter taking the full year gain to 26% for the Nikkei 225 index.

The election of Japan's first female Prime Minister, Sanae Takaichi in October and her introduction of accommodative monetary and fiscal policies, dubbed "Sanaeomics", have been welcomed by investors and created optimism around the prospects for economic growth. However, some caution is warranted as these policies do come with an increased risk around inflation and higher government debt.

Emerging markets

Following a number of years of relative under-performance, emerging markets have finally managed to outperform the major developed markets in 2025. This revival has been encouraging for investors who use an allocation to emerging markets to provide some diversification from the major indices that tend to be quite highly correlated.

Investment Statistics - 31/12/2025

Equity Markets	Q4 2025	2025	2024	PE Ratio	Dividend Yield	Central Bank Interest Rates	10 year Gvnmt Bond Yields	Inflation CPI	Exchange Rates	
									vs GBP	vs USD
TR Global ($)	3.29%	22.53%	16.98%							
US (S&P 500)	2.35%	16.39%	23.31%	30	0.9%	3.75%	4.18%	2.70%	1.3472	1.0000
UK (FTSE 100)	6.21%	21.51%	5.69%	20	3.0%	3.75%	4.47%	3.26%	1.0000	1.3472
Europe (STOXX 50)	4.73%	18.29%	8.28%	19	2.5%	2.15%	2.87%	2.10%	1.1473	0.8516
Japan (Nikkei 225)	12.03%	26.18%	19.22%	18	1.8%	0.75%	2.07%	2.90%	212.95	158.07

Total returns- including dividends

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

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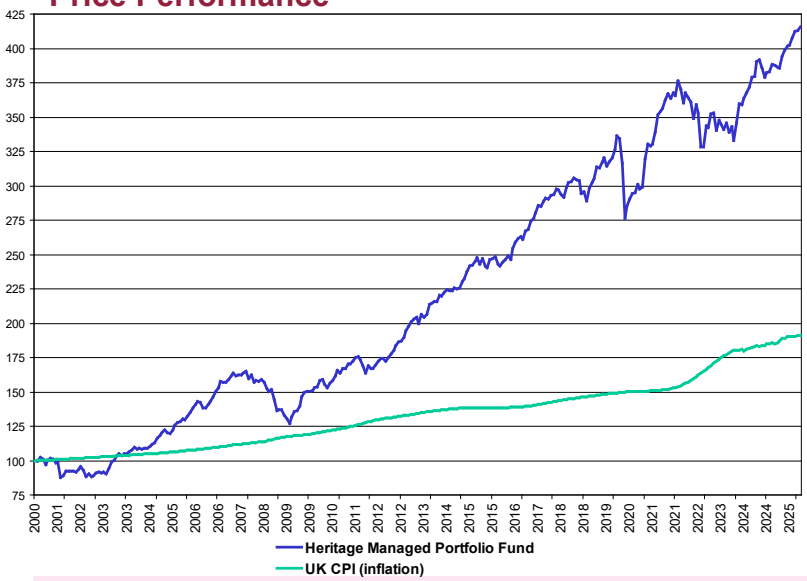
Heritage Managed Portfolio Fund

Review for the quarter ended 31st December 2025

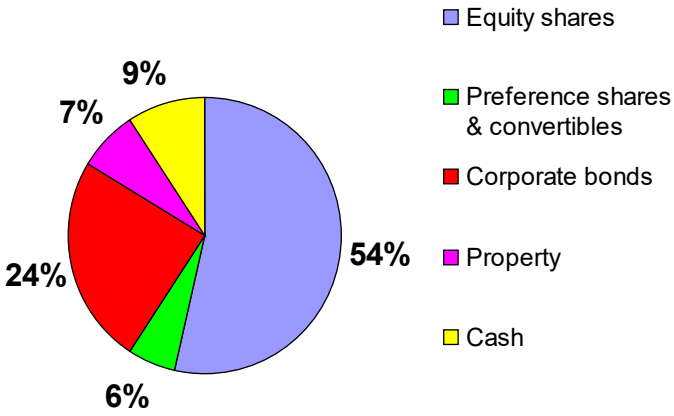
Performance	Managed Portfolio Fund	Inflation (UK)
Return for the quarter	2.03%	1.44%
Year 2025 return	8.52%	3.26%
Year 2024 return	6.66%	2.58%
Year 2023 return	5.02%	3.95%
Year 2022 return	-9.14%	10.66%
Year 2021 return	14.07%	5.40%
Year 2020 return	-1.87%	0.37%
Year 2019 return	16.31%	1.40%
Year 2018 return	-2.76%	2.29%
Compound annual return since 2001	5.87%	2.62%

Fund information	
Price at 31st December 2025	£415.92
Fund size	£193.0 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	7.9%
TR World Index	13.5%

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.

It was another positive year for the Fund, with a gain of 2.03% in the final quarter taking the full return to 8.52%.

The leading positive contributions from individual company holdings in our share portfolio this year were from our banks with HSBC, Standard Chartered and Lloyds all returning over 50%. Other notable gains came from our largest holding, Computacenter, which was up 42%, GSK and AstraZeneca which were up over 40% and various other double digit percentage gainers including Hiscox, Schroders, Gulf Marine Services, L&G, Bellway and Unilever. The detractors this year included System1, Greggs, Diageo, Victrex, Bloomsbury, RELX and Conduit.

Of our specialist listed funds the best performers included our two healthcare trusts, Worldwide Healthcare and Polar Capital Global Healthcare and our emerging markets and far eastern funds also had a good year with Aberdeen Asian Income and Focus, Utilico Emerging Markets and BG Japan all up by over 25%. There were also double digit gains for private equity funds, ICG Enterprise and Oakley Capital and the only detractor was our Renewables Infrastructure fund.

Our property holdings had a decent year with gains of over 20% for Supermarket Income REIT, Target Healthcare REIT, and Picton Property and smaller gains for Primary Health Properties and Londonmetric Property, with CLS and Conygar the only two detractors.

Our bond portfolio has had a solid year and offers an attractive average 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.

25 years of the Heritage Managed Portfolio Fund (continued)

Whilst this contrarian approach with an eye for value has generally served us well, we have also sought to identify and benefit from long term growth themes, such as the increasing need for health-care and savings for ageing populations in more mature Western countries and superior economic and domestic consumption growth prospects for emerging markets.

Another recurring theme that has proved beneficial over the years has been our ability to invest in companies that are too small for larger well known funds and index tracking funds. These companies can operate in profitable niches and often end up eventually being taken over by larger groups at a substantial premium.

…and lessons learned

Of course it has not all been plain sailing and there have inevitably also been a few disappointing individual stock and bond selections, although fortunately overall we seem to have picked many more winners than losers. Also, whilst missing out on opportunities does not show up in the results there are lessons to be learned from the ones that got away, such as the small local plant hire group Ashtead, which we sold too soon and then watched it progress all the way into the FTSE 100 index.

Growing bigger

Achieving good returns for our existing investors has always been the top priority for us, but it is interesting to note how the fund has grown over the years, from just £2m at launch to its current size of over £190m. In addition to this the Fund has also spawned a new UK version of itself, the SVS Heritage Balanced Portfolio Fund, which mirrors the same approach and enables tax efficient ISA investment for UK investors.

Looking to the future…

Over the past 25 years we hope that we have demonstrated that our conservative and common sense approach has stood the test of time and that compounding reasonable returns over a long period can result in significant gains for patient investors. Whilst we can be certain that we will face many new challenges in the future, we believe that the Fund remains well equipped to continue producing decent returns for its investors for many more years to come.

Heritage and Safeguarding your Assets

At Heritage, we are committed to keeping your assets within your Heritage investment account safe and secure. We apply a range of procedural and physical controls to keep you safe including increasing the number of security call backs that we will be undertaking when we are required to confirm your identity. Please appreciate that these security call backs are to enhance the security over your assets within your Heritage investment account. If you reside in a country which is deemed to be 'high risk' we may also be in touch with you to set up an additional security password.

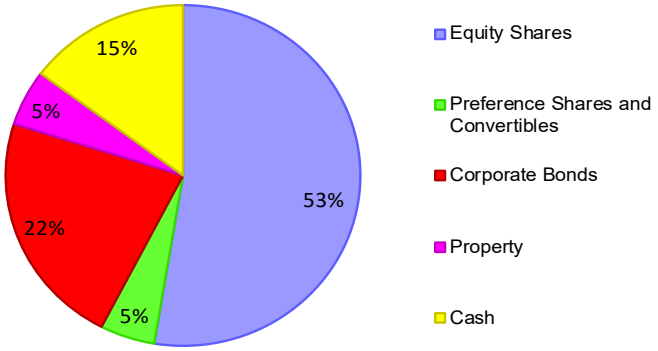
SVS Heritage Balanced Portfolio Fund

Price at 31/12/25	170.6p (launched at 100p 1/12/16)
Fund size	£38.9 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 Q4	2025	2024	2023	2022	Inception 01/12/16
SVS HBPF	2.77%	9.99%	7.86%	5.43%	-8.27%	70.60%
UK CPI	1.44%	3.26%	2.58%	3.95%	10.66%	37.85%

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 has had a good year with a gain of 2.77% in the final quarter taking the full return to 9.99%. 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.

Further details and the full fact sheet for the fund can be found on our web site at www.heritage-capital.co.uk.

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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