Heritage

Quarterly Newsletter & Investment Review

Issue 113 Quarterly news & investment review from Heritage Quarter 1 2026

In this issue

- **Page 2**
  Market commentary, outlook and investment statistics
  The latest performance, news and our outlook for the major international markets.
- **Page 3**
  Heritage Managed Portfolio Fund
  Performance, commentary and asset allocation for the Heritage Managed Portfolio Fund.
- **Page 4**
- Tax efficient investing – cont.
- Heritage update.
- The SVS Heritage Balanced Portfolio Fund.

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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Iran war sends markets into reverse

After an encouraging start to the year for investors, everything changed on the 28th February, with the joint US and Israeli attacks on Iran. Since then the markets have unsurprisingly taken fright at the uncertainty and negative implications for the global economy and the World Index was down by 3.0% overall for the first quarter.

The Heritage funds have also followed a similar path, with positive returns in January and February reversed in March, resulting in an overall fall of just over 1% for the year-to-date. 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" – Tax efficient investing

Whilst our main focus at Heritage continues to be on providing good investment returns, we recognise that most clients are also interested in making sure that their investments are structured as tax efficiently as possible. With tax rates rising and allowances falling the interest in tax efficiency is likely to become even more important.

The first point to note is that investing through a fund structure generally offers a much better way of providing tax efficiency compared to an individual portfolio of many shares and bonds, meaning that even investors with very large amounts to invest choose the fund structure. With that in mind we offer two funds, both with the same investment approach, but each with their own tax advantages.

Firstly, our offshore Guernsey fund, the Heritage Managed Portfolio Fund, remains an excellent vehicle for tax planning purposes with its ability to roll up and reinvest the gross returns, whilst allowing individual investors, both within the UK and internationally, to defer and then choose the eventual timing of any gains and associated tax. This ability to roll up all income and gains and defer tax indefinitely has another useful administrative benefit, which is that nothing needs to be entered into your tax return each year unless a sale is made. For those clients who do require a regular income, the Fund can also be used to provide this in a particularly tax efficient manner. We simply arrange to make regular small redemptions from your holding in the Fund which is then transferred to your bank account, with the big advantages being that unlike income generated from other investments, such as dividends from income funds, you can choose the exact amounts and frequency to suit your needs. In addition and crucially most of the amount you receive is a tax free return of capital, with only the top slice representing the gain being taxable.

Whilst the Heritage Managed Portfolio Fund remains our largest fund and has a number of tax planning benefits as outlined above, we thought it was important to offer clients the ability to also take advantage of the full range of tax advantages and allowances and so in 2016 we launched a UK version of the fund, the SVS Heritage Balanced Portfolio Fund. The main reason for this is the ability to use the fund for ISA investments. The ISA (Individual Savings Account) allowance is currently £20,000 per annum meaning that even the very wealthy, who had perhaps previously seen ISAs as being of marginal interest, can now build a significant tax free fund which is accessible without restriction.

Continued on page 4

Heritage Capital Management Limited

Review for the quarter ended 31st March 2026

Market Commentary

2026 got off to an encouraging start for investors with most markets pushing higher in January and February. However, that came to a very abrupt end with the attack on Iran, followed by counter attacks across the entire region and the effective closure of the Straits of Hormuz as a major shipping route. The implications for the global economy are potentially severe and the ongoing uncertainty has rattled equity markets.

The resulting prospects for higher inflation and rising interest rates have negative implications for bonds and property investors too.

Away from the Iran war, the other major focus for investors so far this year has been the rise of AI (Artificial Intelligence) and in particular that it is now seen as a threat to software companies. This had led to fears that traditional SaaS (Software as a Service) business models are in danger of collapse as AI agents replace user based subscriptions. This has resulted in a widespread collapse in share prices of companies that might be impacted – a so called "SaasS apocalypse". However, many of the companies caught up in this would point to how they are already adopting and benefitting from AI themselves and over time it will become clearer that there will be both winners and losers, depending on how well companies are able to adapt their business models to the new world.

United Kingdom

The FTSE 100 index of UK leading shares has actually been the best performing major market so far this year, thanks mainly to a relatively lower weighting to the technology and software companies mentioned above and a higher weighting to sectors that are better suited to the current environment. This includes defence stocks such as BAE and energy and commodities groups such as BP, Shell, Glencore and Rio Tinto, which have all enjoyed double digit gains so far this year.

Investors do love an acronym and the latest term coined for these old fashioned sectors which are currently enjoying a resurgence is "HALO" stocks – short for "Heavy Assets, Low Obsolescence". However, whilst the FTSE 100 has more than its fair share of these the smaller and mid cap part of the market has not benefitted from the HALO effect and was down in the first quarter, in line with other equity markets generally.

Last quarter we reported on how interest rate expectations for the year ahead in the UK were for continuing reductions. Sadly this optimistic consensus has been dealt a severe blow by recent events and the consensus has now shifted towards higher-for-longer or even increases back above 4%, due to renewed inflationary pressures from rising energy prices.

United States

Following on from a relatively poorer year in 2025, the US was again the weakest of the major markets in the first quarter of 2026, with a fall of just over 4.6% for the S&P 500 index.

In fact all of the top 10 largest stocks in the US, including NVIDIA, Apple, Alphabet, Microsoft, Amazon, Meta and Tesla have fallen so far this year and we need to go further down the list to the likes of Walmart and Exxon before finding any positives.

The hoped for reductions in the closely watched federal funds rate look like they are on hold for now, as expectations have shifted towards a "wait and see" approach in view of the current geopolitical uncertainty.

Europe

European markets were down by just under 4% in the first quarter, with technology and other former highly rated growth sectors showing particular weakness. A few sectors have managed to buck the general trend, helped by rising commodity prices and increasing infrastructure spending, including so called value stocks within the resources, telecoms, energy and utilities sectors.

There has also been a continuation of the recent reversal of fortunes at the country level, with the Mediterranean countries in the south, led by Spain and Italy, outperforming their northern neighbours, Germany and France.

Japan

A very strong start to the year for the Japanese market saw the Nikkei index reach an all-time high of over 50,000 and meant that despite the subsequent weakness in March it was still just about in positive territory for the first quarter,

The reason for the optimism is down to Japan's first female Prime Minister, Sanae Takaichi's introduction of pro-growth policies, dubbed "Sanaeomics", which have been welcomed by equity investors - but less so by bond investors who are on alert for higher government debt and inflation.

Emerging markets

Following a long awaited better year of relative performance in 2025, emerging markets have continued to outperform into the new year. In particular the likes of South Korea and Taiwan have benefitted from high demand for memory chips and AI hardware and Latin American markets including Brazil have been boosted by rising commodity prices.

Investment Statistics - 31/03/2026

Equity Markets	Q1 2026	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 ($)	-2.99%	22.53%	16.98%							
US (S&P 500)	-4.63%	16.39%	23.31%	26	1.0%	3.75%	4.28%	2.40%	1.3187	1.0000
UK (FTSE 100)	2.47%	21.51%	5.69%	16	3.0%	3.75%	4.93%	3.00%	1.0000	1.3187
Europe (STOXX 50)	-3.83%	18.29%	8.28%	17	2.6%	2.15%	2.96%	2.50%	1.1445	0.8679
Japan (Nikkei 225)	1.44%	26.18%	19.22%	19	1.8%	0.75%	2.30%	1.30%	209.79	159.09

Total returns- including dividends

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

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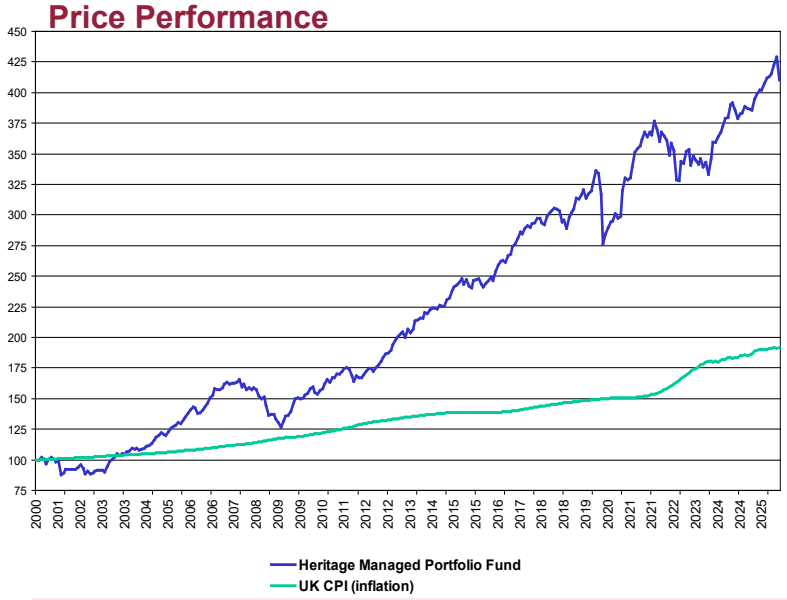
Heritage Managed Portfolio Fund

Review for the quarter ended 31st March 2026

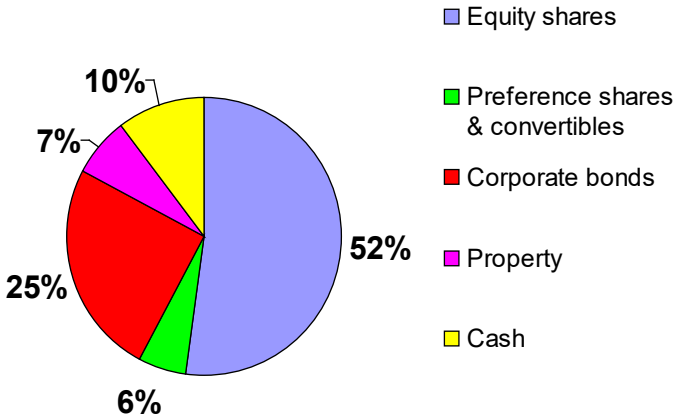
Performance	Managed Portfolio Fund	Inflation (UK)
Return for Quarter 1 & 2026 YTD	-1.35%	0.43%
Year 2025 return	8.52%	3.26%
Year 2024 return	6.66%	2.58%
Year 2023 return	5.02%	3.95%
Year 2022 return	-9.14%	10.66%
Year 2021 return	14.07%	5.40%
Year 2020 return	-1.87%	0.37%
Year 2019 return	16.31%	1.40%
Year 2018 return	-2.76%	2.29%
Compound annual return since 2001	5.76%	2.60%

Fund information	
Price at 31st March 2026	£410.29
Fund size	£193.39 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	13.5%

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.

Following a positive start to the year, the gains made in January and February were reversed in March due to the situation in Iran, leaving the Fund down by 1.35% overall for the first quarter.

Whilst most of our share holdings were adversely impacted by the Iran war, there were some notable positive performances too. One of our longstanding and largest holdings, Beazley, was bid for by Zurich resulting in a price increase of over 50% and another bid for Schroders led to a gain of over 40%. Aside from these special situations there were gains of over 10% for Shell, System1, Bloomsbury and GSK. This quarter we initiated two new positions, in IT services provider Softcat, which has built an excellent track record of organic growth whilst maintaining a strong balance sheet and drinks company AG Barr, best known as the maker of Irn-Bru but with a strong and growing portfolio of other drinks.

Our specialist investment trusts generally had a tough quarter with private equity and healthcare suffering losses, although there were a few brighter spots to buck the overall trend with positive performances from HICL Infrastructure and Utilico Emerging Markets Trust.

Our property holdings started the year strongly but fears that interest rates may now be heading upwards rather than down later this year put an abrupt end to the rally, and overall returns were mixed with losses on Primary Health Properties and TR Property offsetting gains for Picton and Target Healthcare.

Our bond portfolio also felt the impact of increased inflation and interest rate expectations but is currently providing an attractive average yield of 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"Tax efficient investment (continued)

In fact we now have Heritage client accounts that have accumulated ISA funds in excess of £1 million, through a combination of making maximum use of their allowances and investment growth.

Another area of tax efficient investment that has seen a big change in recent years is pensions. Under the old rules you were either a member of your employer's "final salary" pension scheme and/or you had your own personal pension fund that then had to be used to purchase an annuity. Fortunately annuities are no longer compulsory and these days personal pension funds can be used to drawdown an income for life and the residual capital can be left to your heirs. With all sorts of other complex rules surrounding the possibility of taking up to 25% as a tax free lump sum, changes to inheritance tax on pensions, annual contribution limits, and changes to the "Life Time Allowance", the tax planning side of things can get quite complicated and we would definitely recommend taking specialist advice. However, when it comes to the investment side of things we are pleased to confirm that things are much simpler and that our funds are very suitable investments for a personal pension or SIPP (Self Invested Personal Pension) as they are commonly known.

The examples above of how individuals can use the Heritage funds as part of a tax efficient investment strategy are by no means exhaustive and we also have many other types of clients including trusts, companies and partnerships that use our funds. Finally, it is important to note that although this article is hopefully a useful general guide to the tax planning opportunities offered by our funds, it may be appropriate to seek specialist advice depending on individual circumstances and we would be very happy to introduce you to one of our colleagues on the financial advice side of our group.

Office update

Following our recent office refurbishment, which meant a short period out of the office, we are delighted to be fully settled back in. The space has been refreshed throughout, and we're really looking forward to welcoming clients in to see our new look.

WhatsApp

We are also pleased to share that we are now set up on WhatsApp for Business for administrative communications only. If this would be a convenient new way to stay in touch for you, please do let us know and we would be happy to share our contact details.

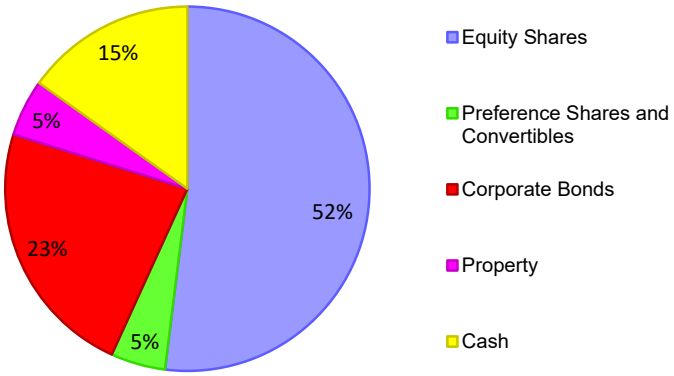
SVS Heritage Balanced Portfolio Fund

Price at 31/03/26	167.4p (launched at 100p 1/12/16)
Fund size	£39.4 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	2026 Q1	2025	2024	2023	2022	Inception 01/12/16
SVS HBPF	-1.88%	9.99%	7.86%	5.43%	-8.27%	67.40%
UK CPI	0.43%	3.26%	2.58%	3.95%	10.66%	38.44%

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 start to the year but the initial gains were reversed following the start of the Iran war and the Fund ended the quarter down by 1.88%. 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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