Heritage

Quarterly Newsletter & Investment Review

Issue 114 Quarterly news & investment review from Heritage Quarter 2 2026

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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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A much improved second quarter

Following a disappointing first quarter for investors which was derailed by the start of the Iran war, and despite the ongoing uncertainty, global markets have recovered well in the second quarter.

Helped by this rally in markets generally and thanks also to a few specific strongly performing individual investments, we are pleased to report that the Heritage funds have enjoyed an excellent quarter, with a gain of over 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" – Lessons from history

One of the advantages of having managed a fund for over 25 years is that it provides plenty of challenges along way that can be used to build knowledge and experience to help navigate a range of scenarios. And whilst it might be true that history does not exactly repeat itself, there are certainly times when similarities in market patterns and investor behaviour from the past can be recognised and lessons learned. One particular recurring theme is the formation of investment "bubbles" that are created by investor over enthusiasm for a particular idea or new technology.

One of the earliest examples was "Tulipmania", whereby tulip bulbs from Holland in the 1630s evolved from being a status symbol for the wealthy to a speculative commodity for traders. This bubble only burst once some tulips cost more than a prime canal property in Amsterdam and prices subsequently plunged by 99%. Other examples from history include the British South Sea Company of the 1720s, where rampant speculation and the inevitable crash resulted in the British parliament passing the "Bubble Act", and the Japanese asset price bubble of the 1980s, which famously peaked with the grounds of the Imperial Palace in Tokyo being more highly valued than the entire US state of California.

More recently and perhaps of more relevance today was the "Dot-Com" bubble of the late 1990s. The newly formed and enthusiastically adopted internet triggered a "new economy" investor frenzy and any listed company vaguely connected to the world wide web soared in value. Inevitably this particular bubble also burst, with many of these new companies becoming worthless and even the eventual survivors suffering huge share price losses. In fact after the tech heavy Nasdaq index peaked in March 2000 the subsequent crash saw it fall by 78%.

Furthermore, the bubble impacted virtually all investors as the broader based major indices became heavily weighted in these overvalued tech stocks and the S&P 500 fell by just under 50% and the FTSE 100 experienced a fall of 45%.

The relevance for today is that once again we are seeing a number of highly valued, mainly US tech stocks dominating the S&P 500 index, and in turn the World Index. This time the excitement is being driven by AI (Artificial Intelligence). Whilst investing in index funds has much to commend it and acts as a solid diversifier in normal times, most investors might not appreciate the extent to which their portfolios, which typically are based around indices, are currently skewed towards these potentially overvalued companies. Whilst AI technology has the potential to fundamentally transform industries, in much the same way as railroads and the internet have done previously, there are no guarantees that the current massive AI infrastructure spending by companies will generate future commensurate investment returns, nor who the ultimate winners will be. *(continued on p4)*

Heritage Capital Management Limited

Review for the quarter ended 30th June 2026

Market Commentary

Following a weak first quarter due to the disruption caused by the war in Iran, global markets staged a strong recovery in the second quarter, with most of the major indices reaching all-time highs.

Ever since the first oil shock in the 1970s, the Gulf has been crucial to the world economy and investors were initially understandably concerned at the potential fall-out from the closing of the Strait of Hormuz. However warnings that oil prices might spike to $200 a barrel, flights might be cancelled due to lack of jet fuel, possible petrol rationing, and shortages of chemicals, fertilisers and food have thankfully proved to be overly pessimistic. The reality is that whilst still being important, the Gulf is no longer quite as crucial to the global economy as it once was. These days the US has become the largest producer and net exporter of oil and other regions are also developing their own shale oil and gas reserves. Furthermore, the rise of alternative renewable energy is also now helping to break the world's reliance on oil from the Gulf.

Of course the impact on the global economy is still significant and the risk of higher inflation and interest rates is still a concern but overall the markets have appeared to now moved on from being dominated by events in the middle east. However, for investors there is no room for complacency and as always there are plenty of other things to be wary of, many of which we touch on elsewhere in our newsletter.

United Kingdom

Having been the best performing market in the first quarter, the FTSE 100 index lagged the other major markets this quarter with a return of 3.2% and is up by 5.7% for the year-to-date.

The big news in the UK is that Keir Starmer has been forced out by his own Labour MPs and Andy Burnham looks set to become the country's 7th prime minister within the last 10 years. As Burnham was not even an MP until he won a by-election in June, he is a relatively unknown quantity and there has been much speculation but little concrete information so far as to how he intends to govern. Initial indications are that he favours more state intervention and yet more taxes on wealth, capital gains and property, which is not particularly encouraging. On the other hand he as at least attempted to reassure nervous bond markets that he will strictly adhere to the existing fiscal rules. One key decision which will be closely watched by investors will be who he appoints as Chancellor.

United States

The US market staged a very strong rally in the second quarter, taking the S&P 500 comfortably back into positive territory for the first half of the year.

The big question for investors is whether the huge amounts that the big tech companies are spending on AI infrastructure will ultimately pay off. The amounts that these so called hyperscalers are spending on AI is estimated to exceed $700bn and working out who is investing this wisely and will ultimately earn a return on their investments is difficult to predict and is causing significant volatility in their share prices as opinions on this evolve.

The other big corporate news was the largest ever IPO in history, when SpaceX listed on the Nasdaq exchange in June. After an initial surge took its valuation to peak at over $2.6 trillion (helping Elon Musk to become the world's first ever trillionaire), it has since settled back at around $2 trillion. This is still a staggeringly high value for a company that recorded revenues of under $20 billion and made an overall loss of $5 billion last year. It will be interesting to see how SpaceX delivers for investors and also how markets deal with further expected large IPOs from AI developers Anthropic and OpenAI later this year.

In a busy quarter the other big news was Kevin Warsh replacing Jerome Powell as Chair of the Federal Reserve in May. So far it has been encouraging start, as despite pressure from US president Trump to reduce interest rates, Warsh has firmly pledged to keep the Fed independent and committed to its 2% inflation target.

Europe

European markets also had a much stronger second quarter, with the Euro Stoxx 50 index of leading companies reaching an all-time high at the half year end.

The rebound was led by technology stocks including semiconductor heavyweights ASML and STMicrolelectronics and industrials such as Siemens and Schneider Electric.

Japan

The Japanese market has recently been particularly strong, with the Nikkei index recording its best quarterly performance since 1965.

The reasons for this are a potent combination of structural corporate reforms, increasing foreign capital inflows, a strong technology industry and the currency advantages of a weakening yen.

Emerging markets

Emerging markets have continued their strong run this year with Korea and Taiwan being the stand out performers, whilst India has been the one notable laggard. As with the major markets, the narrative in emerging markets is also currently being dominated by AI investment, with the Korean and Taiwanese performance being driven by their semiconductor giants TSMC, Samsung and SK Hynix.

Investment Statistics - 30/06/2026

Equity Markets	Q2 2026	2026 Ytd	2025	PE Ratio	Dividend Yield	Central Bank Interest Rates	10 year Gvnmt Bond Yields	Inflation CPI	Exchange Rates	
									vs GBP	vs USD
TR Global ($)	13.95%	10.54%	22.53%							
US (S&P 500)	14.87%	9.55%	16.39%	30	0.9%	3.75%	4.47%	4.20%	1.3255	1.0000
UK (FTSE 100)	3.15%	5.70%	21.51%	18	3.0%	3.75%	4.82%	2.80%	1.0000	1.3255
Europe (STOXX 50)	13.62%	9.27%	18.29%	19	2.5%	2.40%	2.93%	3.20%	1.1614	0.8760
Japan (Nikkei 225)	37.21%	39.18%	26.18%	18	1.6%	1.00%	2.71%	1.50%	217.44	162.68

Total returns- including dividends

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

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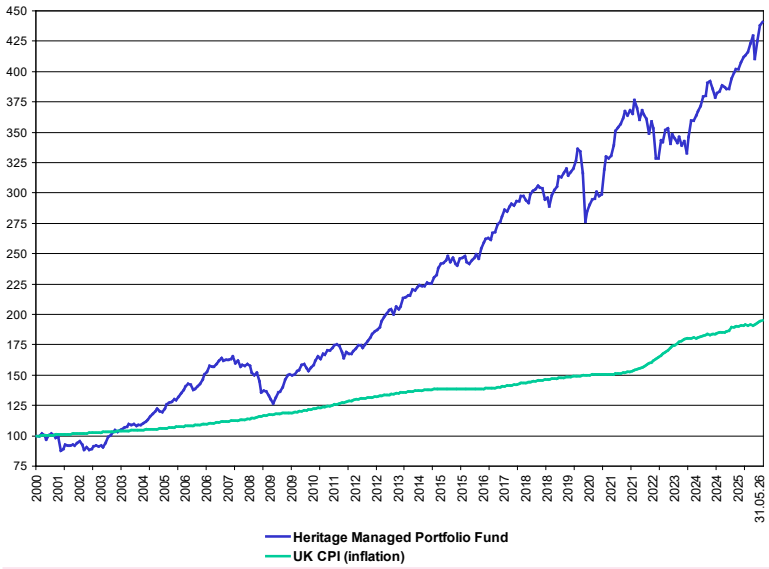
Heritage Managed Portfolio Fund

Review for the quarter ended 30th June 2026

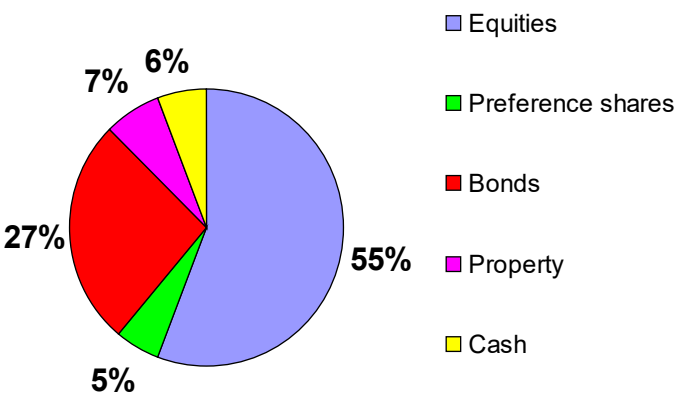
Performance	Managed Portfolio Fund	Inflation (UK)
Return for the quarter	7.39%	1.64%
Return for ytd	5.94%	2.08%
Year 2025 return	8.52%	3.26%
Year 2024 return	6.66%	2.58%
Year 2023 return	5.02%	3.95%
Year 2022 return	-9.14%	10.66%
Year 2021 return	14.07%	5.40%
Year 2020 return	-1.87%	0.37%
Year 2019 return	16.31%	1.40%
Compound annual return since 2001	5.99%	2.64%

Fund information	
Price at 30th June 2026	£440.63
Fund size	£206.0 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	7.4%
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.

Despite the ongoing uncertainty over the Iran conflict, global markets have recovered well and the Fund has produced a strong gain of 7.4% for the second quarter, helping to take the year-to-date return to 5.9%.

Within our equity portfolio the largest positive individual contributions this quarter came from new holding, Softcat which was up 49% and our largest holding, Computacenter which was up by 40% and we also had a boost from a take-over bid for one of our small holdings, Animalcare. Other shares that gained over 10% this quarter included Standard Chartered, Hiscox, Lloyds, Conduit Re and HSBC and the only share to fall by over 10% was Shell.

Our specialist investment trusts provided some very good gains with emerging markets holdings Aberdeen Asian Income and Mobius leading the way with gains of over 20%. There were also notable gains from North Atlantic Smaller Companies, BG Japan, Polar Global Healthcare, Asia Focus, Caledonia Investments and the Renewables Infrastructure Group, which were all up by over 10%.

Our property holdings had a more mixed quarter with, with gains from Supermarket Income REIT, Target Healthcare REIT and Primary Health Properties balanced by falls from Picton Property, following a rather underwhelming sales process, and a couple of our smaller positions.

During the quarter we moved some of the cash deposits into short term gilts to take advantage of the higher yields currently available on government bonds. We remain wary of longer dated bonds, which are subject to inflation risk and higher price volatility, whereas good quality shorter dated bonds can be held to maturity to provide reasonable returns with much lower risk.

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"- Lessons from history (continued)

Our job as investment managers is not only to produce attractive returns for investors but also to protect and enhance our clients hard earned wealth. For that reason we need to be aware of the risk that can build up within overall markets at times like this, when they are in danger of becoming heavily skewed towards a small number of highly valued stocks.

The benefit of this approach was demonstrated during the dot-com crash around 25 years ago, when we ensured that we had sufficient genuine diversification by holding plenty of shares in boring "old economy" companies that were being ignored and could be found on attractive valuations, rather than getting caught up in the internet mania. Fortunately this meant that after the bubble burst, during the worst year of the market crash in 2002, our Heritage Managed Portfolio Fund fell by a mere 0.4%, compared to a loss of 25% for the FTSE 100 index and 29% for the MSCI World Index.

Whilst no-one can be sure until after the event when a bubble has formed and peaked, there are currently enough warning signs in relation to AI for us to take a cautious approach and ensure that we have sufficient genuine diversification across our fund's portfolios.

A well-earned retirement for Amanda..... and a warm welcome to Jane

Following many years as a valuable member of the Heritage team we are sad to say that Amanda will be leaving us at the end of July for a very well earned retirement.

Whilst both colleagues and clients will miss Amanda and wish her well, we are pleased to report that Jane Morley has recently joined us and is already settling in well and proving to be an excellent addition to our team.

Updated terms and conditions

We are pleased to inform you that we have updated our Terms and Conditions to make them clearer, more accessible and easier to navigate.

The revised Terms and Conditions provide greater transparency on how your cash and investments are held, including clearer information about Heritage's use of trusted third-party providers for custody. We have also expanded the schedule covering different types of investments and the risks associated with them, helping you better understand how your portfolio is managed.

You can view Heritage's updated Terms and Conditions at any time via the link at the bottom of our website. By continuing to use Heritage and our services, you confirm that you agree to our updated Terms and Conditions.

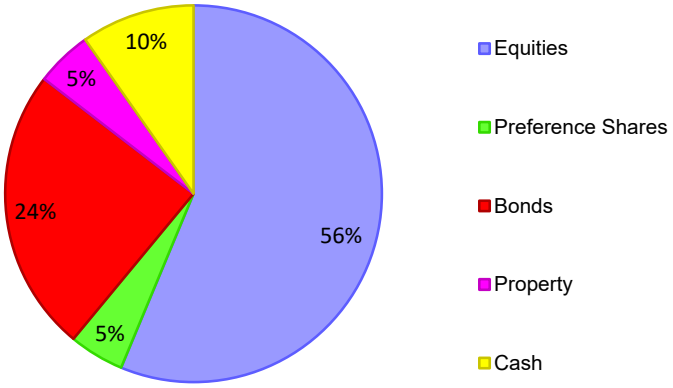
SVS Heritage Balanced Portfolio Fund

Price at 30/06/26	180.7p (launched at 100p 1/12/16)
Fund size	£42.8 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 Q2	2026 Ytd	2025	2024	2023	Inception 01/12/16
SVS HBPF	7.95%	5.92%	9.99%	7.86%	5.43%	80.70%
UK CPI	1.64%	2.08%	3.26%	2.58%	3.95%	40.71%

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 an excellent second quarter with a gain of 7.95%. 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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