Heritage

Quarterly Newsletter & Investment Review

Issue 115 Quarterly news & investment review from Heritage Quarter 3 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.

Contacts

Graeme Olsen
graeme@heritage-capital.co.uk
Graeme is responsible for advising the Heritage Managed Portfolio Fund and managing the SVS Heritage Balanced Portfolio Fund.

Jemma Spencer
jemma@heritage-capital.co.uk
Jemma is responsible for compliance oversight and our client cash and custody arrangements.

Zoe Olsen
zoe@heritage-capital.co.uk
Zoe assists with management of the Heritage funds and various other roles including client reporting.

www.heritage-capital.co.uk
Tel +44 (0) 20 7799 2110
Broadway House, Tothill Street, London SW1H 9NQ

A surprisingly quiet quarter for investors

Despite the ongoing and unresolved geopolitical tensions it has been a relatively calm quarter for global markets, with the World Index appreciating by around 1.4%.

We are pleased to report that the Heritage funds have enjoyed another positive quarter, with a gain of 2% taking the year-to-date return to just over 8%. 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"- Advantages of smaller wealth managers

In previous newsletters we have commented on how studies have demonstrated that listed small companies have tended to perform better than larger ones over the long run. Interestingly recent studies and surveys have now also shown that when it comes to investment management the same is true – i.e. smaller owner-managed boutiques tend to have a number of key advantages over the giant investment institutions that you hear much more about.

There are sound underlying reasons for this and below we have listed the key factors that we think help to explain it and the successful track record that we have established here at Heritage;

Independence and simplicity – Smaller, independent investment houses are free from the often conflicting pressures within larger organisations. This allows them to select the best investments from a truly independent perspective. Our clients have therefore not been exposed to the multitude of complex products that are pushed onto those dealing with the large institutions, with often disastrous results. We believe in keeping things simple.

Flexibility and liquidity – Large funds can become constrained and unwieldy as a result of their sheer size. The flexibility of smaller fund managers is an important aspect of their competitive advantage. At Heritage, it also allows us to offer some interesting investment opportunities that are simply not available via larger institutions. Importantly it also means that liquidity is less of an issue than it is for those managing billions of pounds.

Personal service – With more lucrative fees on offer from large corporate clients, most multinational investment institutions tend to allocate less experienced staff to individual private clients. At Heritage, we continue to build our business around the concept of long-standing relationships and a high level personal service. Calls to our office will be met by a cheerful and helpful real person, rather than an automated response asking you to choose between numerous confusing options whilst keeping you on hold. Clients also have direct access to our directors and fund managers.

Management participation and alignment of interests - Investors should be cautious of funds that are managed by individuals who are not prepared to commit a significant proportion of their own wealth to the fund, as is so often the case with large retail funds. A large personal stake in the fund does not automatically guarantee success but investors in Heritage's funds can take some comfort from the knowledge that we do "eat our cooking" and that our interests are aligned with our clients. *Continued on page 4*

Heritage Capital Management Limited

Review for the quarter ended 30th September 2026

Market Commentary

It has been a relatively calm third quarter for global equity markets, with the World Index pushing slightly higher by just under 1.5%.

Whilst equity markets typically get most of the attention, it is also definitely worth paying attention to what is happening in bond markets and recently there have been some potentially far reaching developments. For example, US 10 year Treasury yields have climbed well above 5%, reaching levels not seen since 2002 and in the UK the 30 year gilt yield recently touched 6%, the highest it has been since 1998.

The main reason for this is that governments continue to spend above their means and there appears to be no political will to curb the unsustainable spending. Total US government debt is now estimated to be a staggering $40 trillion. On top of these huge amounts of government debt we now need to add to the mix the huge debt pile being built up on Artificial Intelligence infrastructure. The so called AI "hyperscalers" have so far borrowed over $450bn, which is more than the $330bn total UK government borrowing for 2026.

So far equity markets have remained remarkably resilient in the face of these pressures in bond markets, as investors have focused more on the current strength of corporate earnings. The worry is that at some point earnings growth could begin to fade and equity investors will wake up to the implications of higher bond yields.

United Kingdom

The FTSE 100 index was up by just over 1% this quarter and just under 7% for the year-to-date.

With Andy Burnham installed as the country's new prime minister and John Healey appointed as his chancellor, attention is now focused on the upcoming budget in late October. Despite their stated objectives of encouraging "economic growth in every postcode" and talk of "a new age of industrialisation", investors are braced for yet more taxes on wealth, capital gains and property.

Although the base rate remains at 3.75% for now, Bank of England Governor Andrew Bailey has warned that interest rates will rise if global energy price volatility persists and markets are now expecting an increase to 4.0% at the next meeting in November, with further rises likely in the new year.

United States

The US market has managed to push higher by around 2% this quarter, taking the gains for the S&P 500 above 10% for the year-to-date.

Artificial Intelligence (AI) continues to dominate the US equity market. NVIDIA, as the maker of the key microchips, has already become the most valuable company in the world with a market cap of $5.5 trillion – which for context is significantly more than the roughly $4.3 trillion value of the entire UK stock market. Then there are also the hyperscalers including Amazon, Meta, Microsoft and Alphabet (Google) who are spending in excess of $700bn on silicon chips, data centres and other infrastructure for AI in the hope that they can emerge as the winners in this arms to dominate the new industry. Furthermore, Anthropic, which is at the AI frontier with its Large Language Model (LLM) Claude, is planning an IPO before the year end with an expected valuation of $2 trillion and this could be closely followed by another IPO for the company behind Chat GPT, Open AI which would be hoping for a similar valuation. Predicting who will ultimately earn a return on these massive AI investments is not easy and is likely to cause significant volatility in markets as opinions differ widely and evolve over time.

Despite being hand-picked by Donald Trump as the new Chairman of the Federal Reserve, Kevin Warsh has so far ignored the president's calls for lower interest rates, with the Fed actually raising rates by 0.25% to 4.0%, as part of its pledge to remain independent and committed to its 2% inflation target.

Europe

European markets lost ground over the summer with the STOXX 50 index of leading companies down by around 1%.

Although Europe is home to a number of world class companies across a range of industries, the overall economic and political backdrop remains challenging. European markets are acutely exposed to volatile global energy costs, which continue to be exacerbated by geopolitical tensions in Ukraine and the conflict in the Gulf.

Japan

The Japanese market has been having a very strong year and despite a fall of around 5% this quarter it remains the runaway leading major market, with year-to-date gains still above 30%.

In contrast to the headwinds facing Europe, Japan is currently benefitting from various tailwinds including a normalisation of interest rates after years of deflation, structural corporate reforms and the currency advantages of a weakening yen.

Emerging markets

Whilst emerging markets have generally done well this year, this quarter has been a bit more subdued and as usual there was a wide range between the best and weakest performers. Leading the gains this time have been Brazil and China whilst India and Turkey have both suffered negative third quarters.

Investment Statistics - 30/09/2026

Equity Markets	Q3 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 ($)	1.43%	12.11%	22.53%							
US (S&P 500)	2.03%	11.77%	16.39%	30	0.6%	4.00%	5.24%	3.40%	1.3264	1.0000
UK (FTSE 100)	1.04%	6.79%	21.51%	18	3.1%	3.75%	5.40%	3.10%	1.0000	1.3264
Europe (STOXX 50)	-0.93%	8.25%	18.29%	19	2.3%	2.65%	3.53%	3.20%	1.1696	0.8816
Japan (Nikkei 225)	-4.72%	32.61%	26.18%	19	1.6%	1.25%	3.10%	1.90%	210.39	157.31

Total returns- including dividends

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

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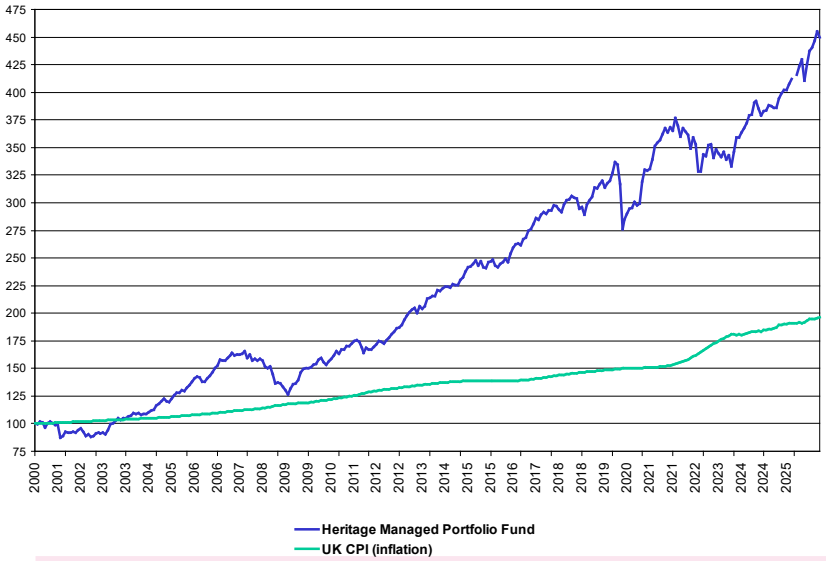
Heritage Managed Portfolio Fund

Review for the quarter ended 30th September 2026

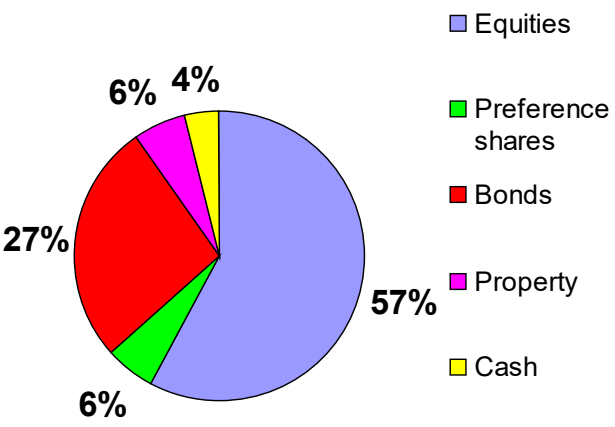
Performance	Managed Portfolio Fund	Inflation (UK)
Return for the quarter	1.99%	0.84%
Return for year to date	8.05%	2.94%
Year 2025 return	8.52%	3.26%
Year 2024 return	6.66%	2.58%
Year 2023 return	5.02%	3.95%
Year 2022 return	-9.14%	10.66%
Year 2021 return	14.07%	5.40%
Year 2020 return	-1.87%	0.37%
Year 2019 return	16.31%	1.40%
Compound annual return since 2001	6.02%	2.64%

Fund information	
Price at 30th September 2026	£449.40
Fund size	£205.9 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.

The Fund has had another positive quarter, with a return of 2.0% taking the year-to-date return to 8.1%.

Our equity portfolio had a good quarter, led by our largest holding Computacenter, which was up by 22%. Other notable contributions came from Victrex, Shell, System1 (which is the subject to an ongoing take-over bid), Bellway, Standard Chartered, Diageo, ICG, RELX and Aviva which all gained over 5%, whilst the main detractor was AstraZeneca. The completion of the take-over bids for our second largest holding Beazley, as well as Schroders, are due to complete in early October leaving us with the decision of how best to redeploy the proceeds.

Our specialist investment trust funds were generally positive this quarter with BG Japan, Oakley Capital (private equity), the Renewables Infrastructure Group and Mobius (emerging markets small caps) all gaining over 5%.

Property has been one of the weaker areas of the market recently. Whilst rental growth continues to be encouragingly positive, property capital values have been held back by higher interest rate expectations.

Bonds and preference shares currently account for around a third of the Fund and continue to deliver an attractive yield of just under 7%, whilst also helping to balance the overall risk profile of the Fund. However, the impact of elevated inflationary pressures due to the ongoing situation with Iran in the Gulf continues to be a headwind for bond prices.

Whilst 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"- Advantages of smaller wealth managers (continued)

Stability - A further advantage of having a manager with a personal interest in both the fund and the management company is that it provides better stability. Too often fund managers and investment advisors who are simply employees lack the commitment and loyalty to stay with a company for more than a few years, leaving clients with a difficult choice of sticking with the original company and a new individual or moving to a new company to follow the individual manager. At Heritage we are proud of the stability of our team which now includes both second and third generation family members.

Lower charges – Smaller companies that maintain a low profile do not spend large amounts on advertising, or carry the overheads associated with a large sales force. Most fund managers seek to recover these marketing costs from investors (for example by charging initial fees), whereas Heritage clients do not suffer any entrance or exit charges, our annual management fees remain very competitive and our long-term buy and hold approach minimizes transaction costs.

We believe that the benefits outlined above mean that smaller, privately owned investment companies such as Heritage will continue to offer clients a more attractive alternative, with the prospect of superior long-term performance and an overall better service.

New reporting enhancements

You may notice that your quarterly portfolio valuation looks a little different this quarter. As part of our ongoing efforts to enhance your experience, we are pleased to introduce a refreshed valuation report, developed in partnership with our custodian, Multrees Investor Services.

The updated report contains the same core information you are accustomed to receiving, presented in a more modern format. It includes additional detail designed to provide a more comprehensive view of your portfolio, including its performance, holdings, and overall position.

In addition to the new quarterly reports we have also been working on a number of other reporting enhancements. Many clients will have already started receiving our new annual tax statements or the annual costs and charges statement.

We hope you find the new reports more informative. If you have any questions about these or would like us to guide you through any aspects of them, please do not hesitate to get in touch. We are always happy to help.

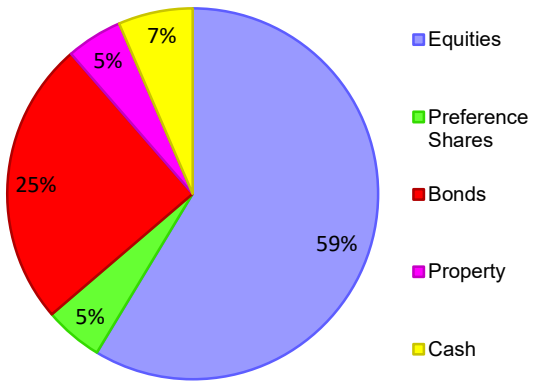
SVS Heritage Balanced Portfolio Fund

Price at 30/09/26	184.9p (launched at 100p 1/12/16)
Fund size	£42.9 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	2026 Q3	2026 Ytd	2025	2024	2023	Inception 01/12/16
SVS HBPF	2.32%	8.38%	9.99%	7.86%	5.43%	84.90%
UK CPI	0.84%	2.94%	3.26%	2.58%	3.95%	41.90%

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 another positive quarter with a gain of 2.3% and is now up by 8.4% for the year-to-date. 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.

Heritage

Heritage Capital Management Limited
Broadway House, Tothill Street, London SW1H 9NQ
Tel: +44 (0) 20 7799 2110
General email: info@heritage-capital.co.uk
Website www.heritage-capital.co.uk

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