

## Investment Objective

To generate a rising, distributable income yield together with preserving the value of capital ahead of inflation.

## Investment Policy

This is a fund of funds: it invests predominantly in other funds to achieve its investment objective. Investment selection is driven by our 'best of breed' multi-manager approach, using exceptional fund managers who are capable of delivering consistent added value. Our experienced team of specialists conduct research, selection and monitoring of funds across world financial markets to identify the most appropriate investments.

<b>Fund manager</b>	Alan Sippetts
<b>Launch date</b>	March 2007
<b>Fund size</b>	£25.0m
<b>IMA Sector</b>	UK Equity Income
<b>Legal structure</b>	OEIC
<b>Estimated yield (Gross)</b>	3.16%

<b>Annual management charge</b>	1.25%
<b>Total expense ratio</b>	2.09%

<b>Fund codes</b>	(SEDOL) B1RDGG6
<b>Client line</b>	020 7812 7030 01892 701801

## Commentary

- During May, the Fund fell in value by 5.9%, a little less than the 6.2% decline of UK equities (the FTSE All Share Index).
- Eurozone assets continued their weak performance. In aggregate, equities in the region fell by over 7% over the month as concerns about government debt funding continued, despite the large-scale measures taken by the EU authorities on 10<sup>th</sup> May. While the Fund has long had very little exposure to Europe, the depth of these concerns affected most assets in the region and, indeed, equities globally.
- UK equities were particularly weak, partly because of the eurozone's problems and partly because of the international nature of the UK market: indiscriminate equity selling will inevitably include UK-listed names. Added to this, the consequences for BP of the Deepwater Horizon oil disaster are still unfolding, driving the BP share price down 25% by 1<sup>st</sup> June. This leading company represented around 7% of the FTSE 100 as at the end of May and is widely held by income-seeking equity investment funds. Consequently, funds such as JO Hambro UK, Blackrock UK Income and the exchange-traded funds underperformed the wider market.
- The strongest-performing country was the US, where economic news was broadly positive; US equities fell by around 3% during May.
- A Scheme of Election was posted on 28<sup>th</sup> May to all registered investors. This advises of the options to share holders in the Fund and the opportunity to switch to a new CF Heartwood Multi-Asset Fund, if appropriate.

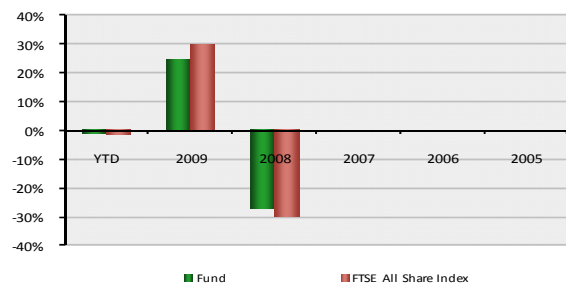
## Performance Summary

	Calendar years						12 months ending (31 May)											
	1 Mth	3 Mths	6 Mths	1 Yr	3 Yrs	5 Yrs	Since Inc	YTD	2009	2008	2007	2006	2005	2010	2009	2008	2007	2006
<b>Fund</b>	-5.9%	-0.6%	4.1%	21.0%	-14.9%	-	-13.6%	-0.7%	24.4%	-27.2%	-	-	-	21.0%	-21.7%	-10.1%	-	-
MSCI World Index (GBP)	-4.6%	0.8%	7.7%	26.7%	-1.2%	-	2.8%	4.0%	16.4%	-17.4%	-	-	-	26.7%	-19.6%	-3.1%	-	-
FTSE All Share Index	-6.2%	-1.3%	2.7%	22.9%	-12.8%	-	-10.4%	-1.6%	30.1%	-29.9%	-	-	-	22.9%	-23.7%	-7.1%	-	-
FTSE All Stocks Gilts Index	2.3%	3.8%	1.4%	6.1%	24.6%	-	23.5%	4.1%	-1.2%	12.8%	-	-	-	6.1%	11.1%	5.7%	-	-
1 month LIBOR Index	0.0%	0.1%	0.3%	0.5%	10.5%	-	11.1%	0.2%	0.9%	5.5%	-	-	-	0.5%	3.6%	6.1%	-	-
FTSE APCIMS Growth Index	-4.5%	-0.1%	4.4%	20.3%	-5.7%	-	-3.1%	1.1%	20.0%	-21.4%	-	-	-	20.3%	-18.2%	-4.1%	-	-

### Cumulative Performance since inception

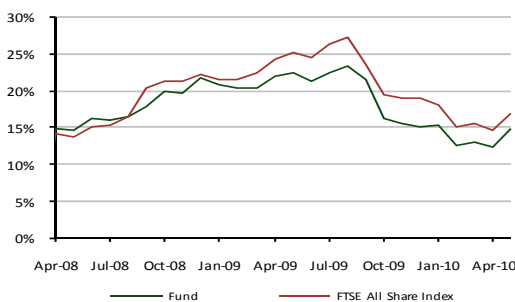


### Calendar Year Performance

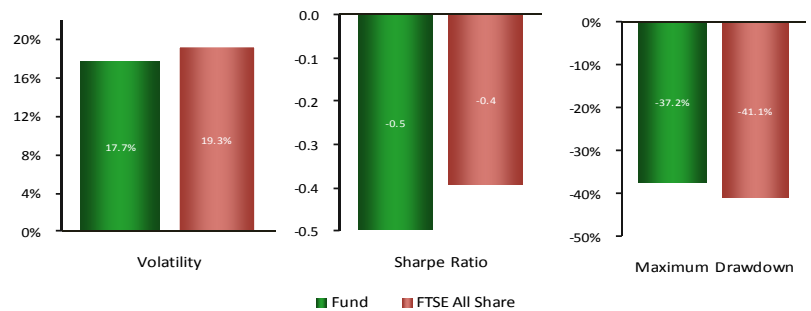


## Risk Analysis – Since Inception

### Rolling 1 Yr Volatility



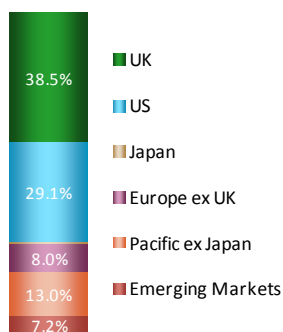
### Risk Characteristics



The fund was launched in 2007, so performance figures do not exist before that time. Fund performance data is calculated by FactSet based on valuation data from Lipper & Bloomberg. Indices are sourced from FactSet. All charts in this document show performance figures for accumulation units and incorporate full dealing charges. Past performance is not a reliable indicator of future performance.

## Asset Allocation Breakdown

### Current Equity Exposure



### Top 10 Holdings

10.14%	M&G Global Growth
9.90%	Newton Asian Income Fund
9.47%	Vanguard Mega Cap 300 ETF (US)
8.95%	iShares PLC FTSE 100
7.36%	Blackrock UK Income Fund
6.70%	Invesco Perpetual Income
6.63%	J O Hambro UK Equity Income
6.49%	Neptune US Opportunities
4.95%	iShares DJ Asia Select
3.83%	Morgan Stanley Global Brands

## Glossary

### Annual Management Charge (AMC):

A charge levied for the management of the Fund portfolio.

### Maximum Drawdown:

A measure of the downside risk of a portfolio. It is the percentage drop from any peak in a portfolio value to any bottom. It can be applied directly to the size of the portfolio giving an "estimate" of how much money you could lose at some intermediate point in time during the life of the investment strategy.

### Yield:

The annual rate of return on an investment, expressed as a percentage of the money invested.

### Sharpe Ratio:

A statistic to measure the risk-adjusted performance. It is calculated by subtracting the risk-free rate (1 Month Libor Index) from the rate of

return for the portfolio and dividing the result by the standard deviation of the portfolio returns. The Sharpe ratio tells us whether a portfolio's returns are due to smart investment decisions or a result of excess risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been.

### Total Expense Ratio (TER):

This measures the total cost of investment and includes fees such as the management fee, custodian fee, and commission. The TER is calculated by dividing the total cost by the value of the fund.

### Volatility:

A statistical measure of the dispersion of returns for a given security or fund. It is the annualised standard deviation of the monthly total return. If the return moves up and down rapidly over a short period of time, the portfolio has a high volatility.

## Risk Warning

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**CAPITA**  
FINANCIAL MANAGERS

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The Administrator and Registrar is Capita Financial Administrators Limited.  
The Investment Manager is Heartwood Wealth Management Limited.