

PRIVATE WEALTH MANAGEMENT



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PRIVATE ASSET MANAGERS AWARDS

Winner 2010 & 2011: Best Overall Wealth Solutions Provider - High Net Worth

Shortlisted 2010 & 2011: Investment Performance Defensive Portfolios

Shortlisted 2010 & 2011: Image and Reputation - High Net Worth

Shortlisted 2011: Investment Performance Growth Portfolios



CITYWIRE WEALTH MANAGER PERFORMANCE AWARDS

Shortlisted 2010:

Investment Performance - Small Firm

Investment Performance - Steady Growth Portfolio



CITYWEALTH MAGIC CIRCLE AWARDS

Shortlisted 2011:

Investment Management Company of the Year

AN INTEGRATED APPROACH

Tax solutions and retirement planning. Investment management and estate planning. Our private wealth management service combines all the elements that are critical to building and preserving your wealth, saving you time and making your life less complicated.

In a complex world of ever-changing tax and pension regulations and constantly evolving financial products, it is hard to keep up with the bewildering pace of developments, never mind the latest moves in global markets.

With over 20 years' experience, we know what it takes to be a successful wealth manager: a thorough understanding of our clients' financial affairs and the specialist expertise to help them achieve their goals.

Today, we manage and administer over £1 billion of funds on behalf of our clients, who include senior executives of UK companies, lawyers, financiers and entrepreneurs, private equity individuals, media and sports professionals, as well as many who have entrusted their retirement assets to us. By sticking steadfastly with our founding principles, we have forged strong relationships with our clients, which in turn has provided a platform for future growth: in our 2010 customer satisfaction survey, over 90% of our clients said they would willingly recommend us to family and friends.

Our abilities have been externally recognised by (inter alia) the Private Asset Manager (PAM) award judges, details of which can be seen on the opposite page.

Our strength is our people. Outstanding talent is drawn here both by the integrity and intelligence that is evident in all of our business dealings and by the challenging yet collegiate process at the heart of our investment approach.

Each member of our team understands the role they play in the successful management of our clients' affairs. Those who meet Heartwood people regularly comment on the common sense of vision and purpose.

Heartwood aligns itself with our clients' interests in two main ways. Firstly, we expect senior staff to invest their own money in Heartwood's equity, and we make equity available throughout the company via regular ownership schemes. Two-thirds of our staff are shareholders in Heartwood, together owning more than 90% of the company's shares. Secondly, we encourage staff to use Heartwood's investment, pension and tax services so that they share our clients' experience and use this understanding to develop our offering.

"We deal with some of the most complicated issues that come into our clients' and their families' lives, so we need to combine the personal care of a trusted adviser with an institutional investor's discipline."

David Lough, Founder & Chairman

WHAT MAKES US DIFFERENT

At Heartwood, we understand the value of joined-up thinking. Many advisers treat tax as separate from investment and investment as separate from pensions, leaving you to decipher how these can be managed cohesively. In fact, all these elements are interconnected: viewing them in combination can enhance your wealth significantly over the long term – and will certainly make your life less complicated.

The value we bring is in establishing and implementing an overall financial strategy that allows you and your family to benefit from the most efficient deployment of your capital. This is what we call intelligent integration.

Unusually, we have an in-house team of well-qualified, experienced professionals drawn from all relevant wealth management disciplines, including investment, tax, trusts, pensions and inheritance planning. They meet regularly to consider how all these elements combine to affect the efficient management of your wealth.

We know from long-term experience that the only way to understand a client's true needs is to take the time to discuss them at length – and then continue to reassess them as they change. As a result, we meet more frequently, take more care over key decisions and involve a greater span of senior experts than is normal for a trusted advisor relationship.

We are passionately committed to our independence as an organisation. We are not owned by a larger institution. This means that our interests are precisely aligned with those of our clients, so you can expect objective advice uncontaminated by pressure for one-off product sales.

As in any business reliant on intellectual capital, the quality of the people we employ is paramount. Whether they have served our clients for many years at Heartwood or have joined from some of the best-known international institutions, Heartwood people share a passion for delivering results to our clients and developing our business. We hope you will find in us an unusual blend of intelligence and empathy. It is this combination of the personal and professional which has allowed us to serve our clients with distinction over the years.

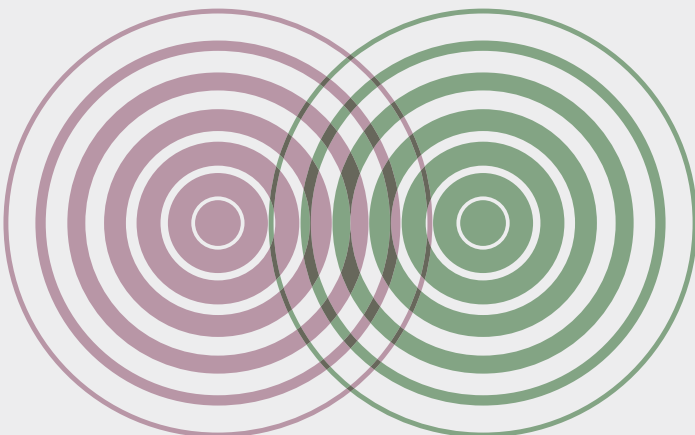
Intelligent integration

"While discretionary investment management is a constant in our service, we view the investment process as part of a bigger picture, also including tax structuring and compliance, retirement and inheritance planning. We know there are very real benefits in taking an integrated approach to the management of our clients' financial affairs." *Simon Lough, Chief Executive Officer*

Traditional Model

Investment Management

Wealth Structuring



Heartwood Model

Integrated Wealth Management



WHAT YOU CAN EXPECT FROM US

Central to everything we do is a full understanding of what you want from your wealth. Whether your objective is to fund your retirement or to preserve your wealth for the next generation, we will need a thorough knowledge of your personal and financial ambitions and the breadth of assets and income with which you can fulfil them.

This may be the first time you have sat down with an adviser to consider all the wider wealth issues affecting you.

To help achieve your objectives we can draw upon the quality of investment and wealth management personnel normally available to only the largest institutions, and a risk-controlled investment process with an impressive performance record. We use a range of proprietary quantitative tools to assess where your level of comfort lies between the competing dynamics of risk and return. Our expertise in tax and pension legislation and structures ensures that your assets are managed effectively and efficiently.

Every client's circumstances and challenges are specific and personal, but the underlying themes will be familiar to us. An experienced relationship director acts as your interface with Heartwood's specialists and is responsible for blending the varied disciplines into a cohesive strategy on your behalf. Crucially, nothing we do - in either wealth or investment management - is the outcome of one individual acting in isolation; our particular skill is to bring the appropriate constituents of the firm's intellectual capital to bear to work towards producing a successful outcome for you. In doing so, we aim to become your genuinely trusted adviser.

The following pages provide examples of typical client circumstances and requirements for which we provide solutions every day.

Our relationship

"We understand the difference between experience and expertise and believe that we intelligently integrate the exceptional talent we have at Heartwood in order to protect and enhance the wealth of our clients."

Guy Hudson, Director, Head of Client Services

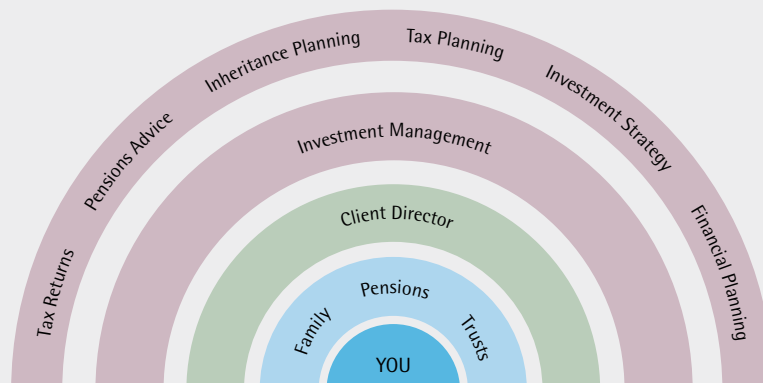
You and your interests

Experience:

Achieving a clear understanding of objectives and ensuring appropriate and timely action

Expertise:

Achieving a coherent result for you and your family through regular and focused inter-disciplinary consultation



INVESTMENT MANAGEMENT

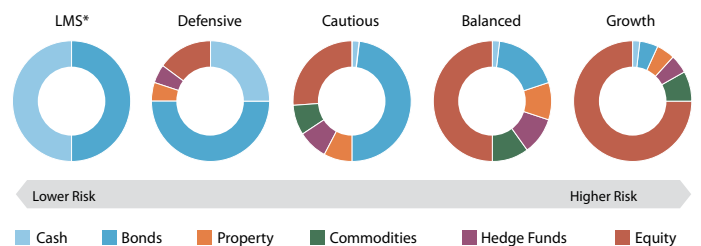
At the core of Heartwood's integrated wealth service is a disciplined yet dynamic investment approach, with a strong emphasis on prudent management of clients' money. In our view, combining this approach with our expert appreciation of tax, retirement and inheritance issues gives us a competitive advantage in helping you to preserve and grow your wealth over the long term.

We are an active, global multi-asset investor, seeking to deliver strong risk-adjusted returns. In other words, we look for opportunities in all markets worldwide, while reducing risk in the portfolio, by spreading investments across a wide range of different assets and markets. Our robust and sophisticated risk-management controls give us the confidence to be truly active managers, taking significant positions where we have strong conviction in our views.

Heartwood has assembled a high-calibre team of experienced investors from across the financial services industry. Our clients experience a robust, repeatable process that has been honed in extremely challenging markets and which would normally be the preserve of the largest institutions. Our investment approach, and the way in which we deliver it, is characterised by bringing the entirety of our team's intellectual capital to bear on the challenge of generating strong risk-adjusted returns for our clients. This way, decisions taken for one client will be applied consistently throughout all portfolios with similar objectives. Our Multi Asset Funds provide access to our investment skills through a single tax-efficient and cost-efficient structure.

Heartwood's five core Investment Strategies are created around strategic blends of asset classes which our research shows have the optimum potential of meeting your goals over the lifetime of your investment. Asset allocation is modified depending on our market outlook, and portfolios are constructed using the most appropriate vehicle to suit each investment opportunity. Our goal is to add value at every stage of this process and to do so in a controlled and prudent manner.

Each strategy is designed to deliver an appropriate long-term return for a given level of risk. A central position is created for each strategy using a wide range of asset classes - we use this as a starting point for our investment decisions.



Central position as at 31/03/11
*Liquidity Management Service

Source: Heartwood

CASE STUDY

A FTSE 100 Director, married with two children, with significant share and option holdings in his employer's company, and other investment assets. His concerns may include:

- Can I effectively diversify the level of employer equity exposure I hold?
- What overall investment strategy will meet my objectives?
- Will my pension arrangements meet my income requirements in retirement?
- Can I ensure my children are financially secure, yet motivated to succeed?

Employing an integrated approach with a single investment strategy and taking all concerns and objectives into consideration, including the high employer equity weighting within the client's self-managed portfolio, we would recommend an appropriate Investment Strategy.

We would review and consolidate pension affairs; recommend a phased and tax-efficient diversification strategy for his employer equity exposure; analyse and establish tax-efficient estate planning; and establish appropriate portfolios for the children.



Noland Carter
Chief Investment Officer

TAX STRUCTURING

Sensible tax planning can save you money, help structure your investments efficiently and simplify your financial affairs.

In addition to utilising tax efficient wrappers such as individual saving accounts (ISAs), self-invested personal pensions (SIPPs) and offshore investment bonds as appropriate for your investment assets, we look beyond the assets under our management or custody so we can provide advice that covers the entirety of your wealth. This may include property, trusts and critically employer equity and incentives, as well as the sources and tax treatment of your regular income.

Some of the questions you may need to ask include:

- What is the after-tax value of my equity options and how does that fit with my overall wealth management aims?
- What are the capital gains implications of making a gift to my children at this time?
- How should ownership of assets be split between members of my family?
- Can I get an estimate for my potential Inheritance Tax liability?

You can be confident that we will do everything possible to minimise your tax liabilities.

We can provide:

- tax-efficient organisation of your affairs;
- tax compliance (preparation and submission of tax returns, appeals etc.);
- tax-efficient investment structures;
- advice on and arrangement of tax-advantaged products;
- advice on and administration of trust arrangements;
- employer equity and options strategy and management.

CASE STUDY

An entrepreneur, married with two grandchildren, has sold her business for a significant sum and is looking for a single source of tax and wealth structuring, and consolidation of investment management. She may have the following concerns:

- Having all this money suddenly is daunting - I really don't know what to do.
- How can I ensure all my financial arrangements are tax-efficient?
- How can I help my children to increase their investment understanding?
- What financial strategies should be put in place to plan for a possible move abroad in the future?

With a number of different tax structures already in place, Heartwood would consolidate affairs and review their efficiency. All investments would be reviewed and shared more sensibly for income purposes between the client and her husband, with an appropriate Investment Strategy applied to the underlying funds in order to generate real returns on the assets without undue risk.

The client would need to include the family in making financial decisions and potentially use an offshore investment bond for tax purposes to prepare for the possibility of a move abroad. Heartwood would manage investments for the whole family, helping the younger generations to understand investments in preparation for the future.



Jaisal Pastakia
Investment Associate

Jade Fu
Investment Associate

Alan Sippetts
Investment Director

RETIREMENT PLANNING

Increasing longevity has meant that planning and managing retirement has become an even greater challenge. Fewer people now have the comfort of a government or company underwriting their income once they have stopped working. Planning for a time when you are no longer earning can be confusing at best and lonely and unsettling at worst.

As you would expect, we can help to establish the pension framework within which you can accumulate retirement capital and manage those assets for you during your working life. However, where we can really add significant value is in the management of your assets during retirement.

Rather than taking pensions in isolation, we look at all your assets and investments – which may be spread across pensions, SIPPs, ISAs, offshore investment bonds and own-name accounts – to identify the optimum use of pension arrangements and the best ways of producing the right amount of income for you at the right time. We then meet with you on a regular basis to ensure our expectations remain aligned.

We will guide you as to how much capital you will need to secure the future you want, drawing on Heartwood's powerful proprietary modelling capabilities. This allows us to look cohesively at all of your investment and retirement funds (and other sources of income) on an after-tax basis, so that we can recommend the best strategy for you.

Applying an investment strategy that takes account of the entirety of your wealth, and not simply your pension assets, is another example of intelligent integration.

"We often find ourselves reviewing pension arrangements acquired by clients during their careers, which may be inappropriately invested and offer poor value. Intelligently consolidating them can considerably enhance the benefits they provide in retirement."

Clive Meek, retirement planning specialist

CASE STUDY

A semi-retired professional, married, with two children and one grandchild, has extensive assets spread across several pension arrangements and may have the following concerns:

- Can I consolidate all of my pension funds into one coherent strategy?
- Can my retirement income keep pace with my growing income needs as I phase my retirement?
- How can I mitigate potential Inheritance Tax liabilities?
- What steps can be put in place for my wealth to be used effectively by the next generation?

After discussing and reviewing objectives, we would consolidate all personal pension arrangements within a SIPP in order to apply a consistent investment strategy, gain greater flexibility on the drawing of benefits and simplify the process involved in drawing from the occupational pension scheme.

Potential Inheritance Tax liabilities would be analysed and a number of solutions put in place, for example including more tax-effective wills, nominating SIPP benefits appropriately, completing deeds of variation and instituting enduring powers of attorney.



Clive Meek
Client Director

Tony Slocombe
Head of Retirement Solutions

INHERITANCE PLANNING AND PHILANTHROPY

We see our business as the long-term stewardship of wealth. This means not only looking after your wealth for you but also advising on how your wealth can work most beneficially for future generations and for the wider community.

Inheritance planning is about far more than Inheritance Tax planning. It is about ensuring an appropriate legacy for the wealth you have worked hard to earn.

The basic steps include ensuring, through tax-efficient wills, that your family will be properly provided for.

Taking into account our knowledge of your wider financial situation, we will give you confidential, expert advice on such matters as the detail and suitability of trust arrangements, the structuring of tax-efficient wills, and the mitigation of Inheritance Tax liabilities.

Few wealth managers and even fewer individuals keep a proper log of gifts given over time. We are able to maintain Inheritance Tax records for you, as well as keeping track of your giving within a gift schedule, advising you on the best vehicles and optimum timing to ensure tax-efficient gifting of your assets.

Many of our clients also want to support philanthropic concerns, both in their lifetime and on their death. We help them structure this tax-efficiently and, if appropriate, through a private charitable trust.

CASE STUDY

A partner in a private equity firm in his late 40s, married, with four children, has substantial assets far in excess of his and his wife's lifetime needs and may have these concerns:

- What level of assets do we need to maintain our own financial security?
- How can we ensure we look after our children financially without demotivating them?
- What are the tax implications of lifetime giving?
- How can we mitigate the impact of Inheritance Tax on our deaths?
- How can we structure charitable giving to be tax-efficient, valuable for the wider community and something we can enjoy?

We would establish maximum projected lifetime financial requirements and would recommend an appropriate Investment Strategy to give a high degree of confidence that they could meet this, with a plan in place to review annually.

We would then establish a strategy to enable them to give money tax-efficiently to their children, retaining a suitable level of control until the children reach maturity. This would also be reviewed annually, with Inheritance Tax records maintained.

Finally, we would help to establish a private charitable trust for their surplus wealth. We would assist in the running of the trust and manage the portfolio under an agreed long-term investment strategy.



Alastair Briggs
Client Director

KEEPING IN TOUCH

Private wealth management by its nature is complex and sensitive. However busy you are, you will need to understand the progress we are making together to meet your objectives.

As your trusted advisor, we will have regular contact with you in a variety of ways. Your relationship director will oversee the implementation of your overall wealth management strategy, but you can also expect to meet with your team of investment, tax and retirement specialists, as well as an experienced associate charged with the day-to-day administration of your affairs.

We will report in a variety of ways, including:

- face-to-face review meetings;
- portfolio valuations;
- weekly and monthly updates on our investment strategy;
- regular publications on investments and wider wealth topics;
- integrated service reports.

It is crucial that we meet regularly so that we can articulate what we have implemented and why. We also need to be kept fully apprised of changes in your financial circumstances or investment objectives so that we can respond accordingly. Just as importantly, we actively seek your opinion as to how you think we are doing so that we can improve where necessary and further build upon our strengths.

On-line access

Our Client Centre provides a secure link to your investment portfolios and valuations, cash balances, recent transactions and key documents, such as trust deeds and wills. Current model and fund factsheets are also easily accessible.

The client centre is available 24 hours a day, seven days a week to all clients for whom we manage investment portfolios and is provided over the Heartwood website.



We have an experienced team from across the wealth management spectrum, from professional services firms, leading asset managers and investment and private banks.

A client with complex financial issues no longer needs to call upon multiple firms to supply different elements of expertise. We look forward to helping you at Heartwood.

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Important Information

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Past performance should not be seen as a reliable indicator of future performance. The value of any investment and the income from it is not guaranteed and can fall as well as rise, so that you may not get back the amount originally invested. Changes in exchange rates between currencies can cause investments or income to go up or down.

Professional advice should be taken on specific issues and before any course of action is pursued. Case studies are for illustrative purposes only. Heartwood will select or recommend those investments that we consider appropriate for inclusion in each portfolio. Portfolios may include individual investments in structured products, foreign currencies and funds (including funds not regulated by the FSA) which may individually have a relatively high risk profile. They may specifically include hedge funds, property funds, private equity funds and other funds which may have limited liquidity.

For Heartwood Multi Asset Funds: The Authorised Corporate Director is Capita Financial Managers Limited. The Registrar is Capita Financial Administrators Limited. The Investment Manager is Heartwood Wealth Management Limited.

The value of the pension received when taking benefits from a SIPP will depend on various factors including, but not limited to, contributions made, charges and fees, tax treatments of SIPPs, annuity rates, investment performance. Please note that a SIPP is not a stakeholder pension. Heartwood will not be the provider or scheme administrator of the SIPP. Any levels of taxation referred to depend on the individual circumstances of the investor and the value of tax reliefs are those which apply at the date of publication. Tax rates and legislation are subject to change.