



# From Big to Great

Heirloom Investment Management (Heirloom) delivers institutional-quality investment solutions to families, HNWIs and small institutions via Cayman-domiciled funds and managed accounts. Taking time to profile the company, is Heirloom's Chief Investment Officer, Geoff Dover who originally developed the cross-asset, macro-thematic investment strategy - which has delivered 11.2% annualised returns since 2009 - for a single-family-office.

Heirloom focuses on allocating capital to investment themes based on attractive long-term trends and market dislocations, taking advantage of the findings of numerous academic studies that show 90% of an investment portfolio's return is based on top-down allocation, while less than 5% is attributable to individual security selection. McKinsey recommends that large institutions adopt this strategy in order to move "From Big to Great" since it "puts the strategy back into asset allocation."

An example of such a theme, is the "Shift in Economic Power from Developed to Developing Markets". This is our largest theme, driven by demographics, globalisation and technology. Currently, we are in the midst of a long-term trend, whereby developing nations are growing faster than developed market countries. Combining this secular trend with attractive valuations, we invested across asset classes, utilising active and passive public equity investments, simple derivatives, private debt and private equity strategies, as most appropriate to the countries that we found to be most attractive.

Heirloom's clients fundamentally choose to invest with us for three reasons. First, we deliver attractive risk-adjusted returns, with our core strategy targeting 9-11% net returns, regardless of the general market environment and demonstrating strong protection against drawdowns in major asset classes. Second, we offer instant diversification to most portfolios, offering low concentrations to specific asset classes, geographies, sectors, indices, etc. Finally, since our strategy was developed to manage the entire portfolio of a wealthy family, it is suitable to be included as a core position of most investors' portfolios.

A few things make us fundamentally different from our peers:

**1. Innovative strategy** – our cross-asset macro-thematic strategy focuses on gaining exposure to long-term, secular trends, taking advantage that a "rising tide will lift all boats". By not being siloed into specific asset classes, geographies or sectors, we are free to allocate our capital to the best opportunities available.

**2. Risk Management focus** – risk management is an inherent part of our investment decision making, as opposed to being a secondary process. Our proprietary "return driver" analysis identifies what factors will cause the return of a security to be positive or negative, which allows us to better understand portfolio exposures, and increases our ability to hedge undesired risk. Traditional risk management is a backward-looking, statistical process.

**3. Nimbleness** – by design, we are a boutique investment manager. We are large enough to have quality people and infrastructure, but we are not so large that we can't react quickly to take advantage of opportunities. Also, we are often in the vanguard of investing in new opportunities, including being early investors into the US real estate recovery, the recovery of asset-backed-securities, renewable energies, and now distributed co-generation.

**4. Values** – having evolved from a family office, we exhibit the values of a family firm and consider ourselves fiduciaries of our client capital. We focus on transparency, alignment, accessibility and excellence, while we eschew asset gathering, fee-gouging, and rigid thinking. In fact, our #1 requirement when hiring a new employee or taking on a new investor is that we must like and respect them – we have turned down people that do not match our values.

The Cayman Islands domiciled Heirloom Fund was launched in June 2016 to allow our employees, friends and family to gain access to our investment strategy. Starting in 2017, we opened this fund up to external investors with a more-accessible minimum investment point of \$1mm. We are honoured that this fund has won the Wealth & Finance International award in only its 2nd year of operation.

In 2017, we also launched our Co-Investment Program, allowing our clients to gain additional exposure to specific investments that have additional capacity, and we also launched a Structured Solutions range that provides risk protection and / or return enhancement for liquid

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investments. Asymmetric return profiles allow investors to participate in an investment's upside while retaining downside protection.

Looking forward to 2018 at a company level, we will expand the distribution of our Heirloom Fund, launch a feeder fund in Canada, as well as start to offer the Fund in European and Asian markets. Mid-year we will also launch a more liquid version of our strategy, with slightly increased return targets of 11-13% net, while maintaining our same capital preservation and risk management focus.

Within the wider hedge fund industry, we see more emphasis being placed on transparency and alignment. With Heirloom, investors have full transparency into how their capital is being allocated and what expenses are being incurred. Also, we are highly aligned with our investors, as our senior team have 90% of their net worth invested alongside our investors. Finally, we charge reasonable fees, with our flagship Heirloom Fund charging just a 1% management fee and a 10% performance fee versus the standard "2 and 20" structure.

Lastly, we are honoured to be recognized as Hedge Fund Manager of the Year by Wealth & Finance International, which is an institution that we share many values with, and admire for its efforts to advance the quality of investment practices.

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