

VT AJ Bell Balanced

As at 30 June 2025

Market commentary:

The noise in markets reached a crescendo at the start of the second quarter as President Trump's 'Liberation day' revealed tariffs that shocked investors. Further scrutiny was poured on the US economy and the US dollar, as many began to reconsider their holdings of US assets. Geopolitical uncertainty in the Middle East had a surprisingly limited impact on markets, even as tensions between Israel and Iran flared into outright conflict before coming to a US-imposed ceasefire.

Fixed income

Tentative signs of inflation stability brought anticipation that the Federal Reserve could respond to any future economic weakness. Although Chair Powell has been resolute in the need to respond slowly, speculation about his successor and Trump's hand in that selection started to influence market thinking, as did uncertainty over how the tariff situation would impact prices.

In the UK, the mechanical uplift to utility and water bills in April sent inflation back above 3%, a level it is expected to reside at for the rest of the year. As in the US, the Bank of England has been cautious while inflation remains above target. Shorter dated gilt yields rallied, steepening the yield curve, whilst longer dated yields remained volatile.

After a wobble during the equity market downturn in April, credit spreads narrowed again to leave corporate bonds with solid returns over the quarter.

Equities

Performance within equity markets continued to buck the trend of the last couple of years, with the US no longer the standout performer: other markets have taken the lead. Emerging markets such as Korea and Taiwan have been performing strongly, driven by major constituents Samsung and TSMC. Within developed Asia Pacific, Australia and Hong Kong performed well, the former driven by the financial sector.

Europe and the UK appeared to benefit from investors looking outside America for returns. The fiscal spending on defence and infrastructure prompted investors to look more closely at domestically focused segments of the markets. In the UK, a sustained rally in financials and defence stocks aided gains, whilst mid- and small caps performed well amidst takeover interest.

Chinese equities gave back some of the bumper gains seen in the first quarter, in keeping with their volatile nature and trade tensions with the US. Japanese equities continue to grapple with the implications of higher inflation, rising interest rates and what that means for the currency.

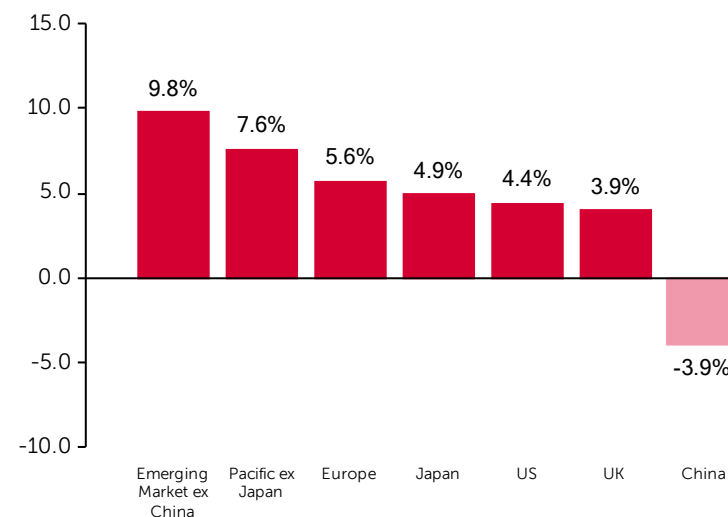
Outlook

Having seen one metaphorical and one physical ceasefire during the quarter, markets are entering summer in better spirits. Plenty of issues remain outstanding from the first half of 2025, not least that the tariff pause is due to expire in August. Having walked back from the brink once, there is a perception that Trump will be unwilling to test investor patience again, especially given the US dollar has remained on its weaker footing, supporting those claiming a strong dollar has been hindering US manufacturing.

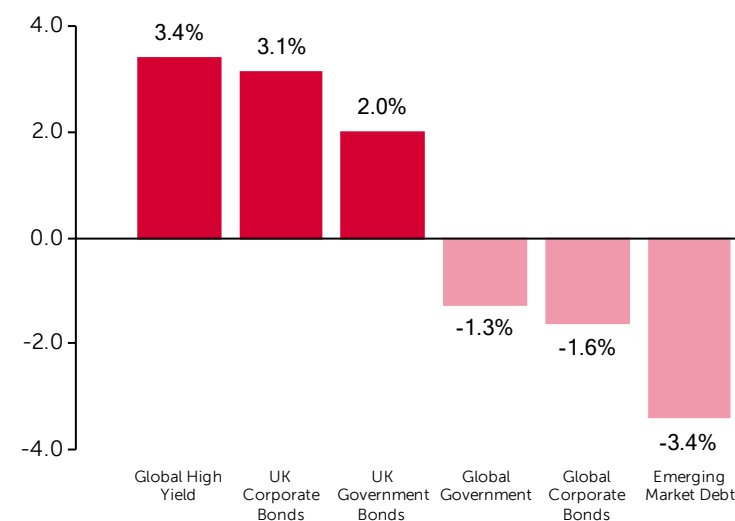
Nonetheless, it is difficult to see the relationship between Trump and the markets being plain sailing for the next four years. However, investors should pause to reflect if there has ever been a time when the outlook suggested calm waters.

The assessment of short-term events is interpreted by markets, at its most basic level, by what it means for growth and inflation. Sitting here today, the consensus appears to be that both will be acceptable, and markets will find a way to muddle through, as they often do.

Equity performance - last quarter



Fixed income performance - last quarter



Portfolio commentary

The AJ Bell Balanced Fund benefited from a mix of global exposures throughout the quarter as the US market faced a period of uncertainty.

Its equity holdings in the UK, Europe and emerging markets ex-China helped to buoy returns. Together, the regions account for over 30% of the portfolio.

In the UK, strong performance came from the defence sector and some areas of financials. Mainland Europe benefited from the German government's decision to increase spending on defence and infrastructure, while the South Korean and Australian markets also did well.

The US and China both struggled in the past three months, with pulls back and forth on tariff policies. But the S&P 500 did recover by the end of June despite the market plummet at the start of April following tariff announcements.

Concerns remain in the US around inflation rates and the value of the US dollar. Unfavourable foreign exchange rates impacted the sterling value of emerging market bonds.

UK gilts and corporate bonds maintained a strong performance, and cash, which accounts for just over 11% of the portfolio, continued to benefit from relatively high interest rates. Overall, the portfolio returned 3.51% for the quarter.

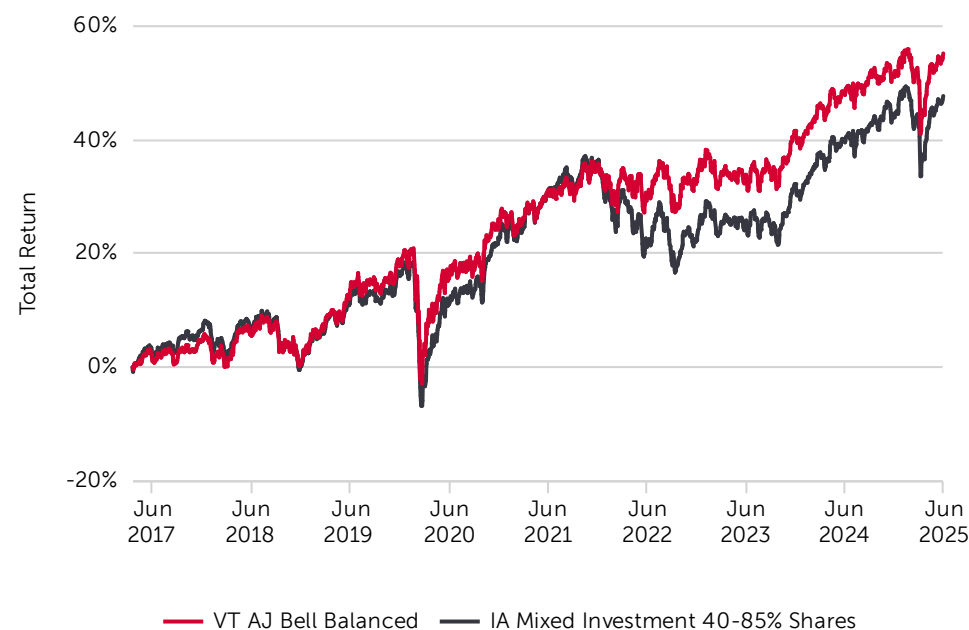
Q2 2025 best/worst performers

iShares MSCI Emerging Markets ex-China ETF	10.00%
Amundi MSCI Emerging Markets ex China ETF	9.87%
Vanguard FTSE Developed Europe ex UK Equity Index Plus	5.87%
Vanguard USD Emerging Markets Government Bond ETF	-2.80%
Franklin FTSE China ETF	-3.23%
Amundi MSCI China ETF	-3.46%

Performance

Cumulative (%)	3 months	6 months	1 year	3 years	5 years	Since inception
VT AJ Bell Balanced	3.51	2.70	4.53	20.09	33.50	55.20
IA Mixed Investment 40-85% Shares	3.88	2.61	5.48	21.83	32.77	47.70

The above table displays the total return of the fund on a cumulative basis. This is taken from the most recent month end.



Past performance is not indicative of future performance. The value of investments may go down as well as up and the income generated by investments is not guaranteed and may fluctuate. You may receive back less than the amount that you invested.

Portfolio snapshot

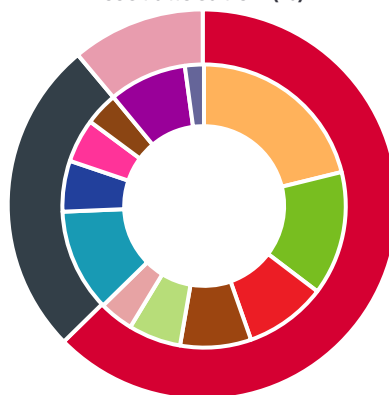
Number of holdings		23
Inception date		18 Apr 2017
Fund size		£1,377.22m
ISIN	(I Acc)	GB00BYW8RX12
	(I Inc)	GB00BYW8RW05

Top 10 holdings

Holding	Weight (%)
SPDR S&P 500 ETF	18.23
Vanguard FTSE UK All-Share Index	13.15
Vanguard UK Investment Grade Bond Index	9.87
Vanguard FTSE Developed Europe ex UK Equity Index Plus	8.10
Amundi Prime Japan ETF	5.98
iShares £ Ultrashort Bond ETF	5.93
Amundi MSCI Emerging Markets ex China ETF	5.12
iShares MSCI Emerging Markets ex-China ETF	4.22
State Street Emerging Markets Hard Currency Government Bond Index	3.29
BlackRock Institutional Sterling Liquidity	2.97

Risk profile

For investors who can tolerate short-term dips in portfolio value and understand the importance of investing for the long term to help in achieving higher overall returns. The portfolio invests in funds and exchange traded funds (ETFs), using a defined strategic asset allocation process to deliver returns while meeting the targeted level of risk.

Asset allocation (%)


Equity	62.61
North America equity	21.14
UK equity	14.14
Emerging markets ex-China equity	9.34
Europe ex-UK equity	8.10
Japan equity	5.98
China equity	3.91
Fixed Income	26.32
UK corporate bonds	11.74
Emerging market debt	5.81
Global high yield bonds (GBP hedged)	4.98
International government bonds (GBP hedged)	3.78
Cash	11.07
Cash equivalent	8.90
Cash	2.17

Fixed income breakdown (%)


GBP Bonds	77.91
UK corporate bonds	44.61
Global high yield bonds (GBP hedged)	18.93
International government bonds (GBP hedged)	14.37
International Bonds	22.09
Emerging market debt	22.09

Equity breakdown (%)


Sector	
Financial Services	19.35
Technology	18.61
Industrials	12.96
Consumer Cyclical	10.50
Healthcare	9.23
Consumer Defensive	7.94
Communication Services	7.35
Energy	4.44
Basic Materials	4.31
Utilities	3.12
Real Estate	2.19

The Ongoing charges figure (OCF) includes the underlying OCF, the annual management fee, and the costs for running and administering the fund structure. The annual management fee is variable, as it consists of the fixed OCF, minus all other costs.

Transaction costs represent the net costs incurred by the fund in buying and selling underlying investments. These are the gross costs offset with any pricing mechanisms used by the fund to protect investors from the cost of transactions (such as swing pricing). In some instances this may result in a negative number.

Due to its multi-asset nature, no financial instrument or index represents a fair benchmark for the Fund. The Fund does not aim to track the IA sector as a benchmark. Performance is calculated on a net of fees basis.

Totals may not sum to 100% due to rounding.

Currency Risk: The Fund invests in overseas markets and the value of its investments and may rise or fall as a result of changes in exchange rates.

Emerging Markets Risk: The Fund invests in less economically developed markets (i.e. emerging markets) which can involve greater risks and fluctuations in valuations compared to developed market places.

Index Trading Risk: The performance of any passively managed funds may not exactly track that of their indices. This is referred to as 'Tracking error'.

Interest Rate Risk: Fluctuations in interest rates may affect the value of the Fund and your investment.

Liquidity Risk: The Fund invests within underlying funds and there is a risk that these suspend or defer the payment of redemption proceeds, which may impact the Fund's ability to meet redemption requests.



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