

VT AJ Bell Cautious

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.

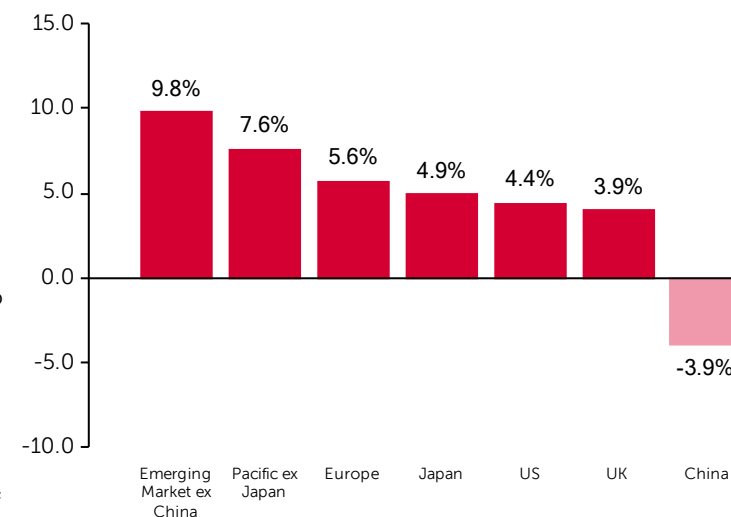
Outlook

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.

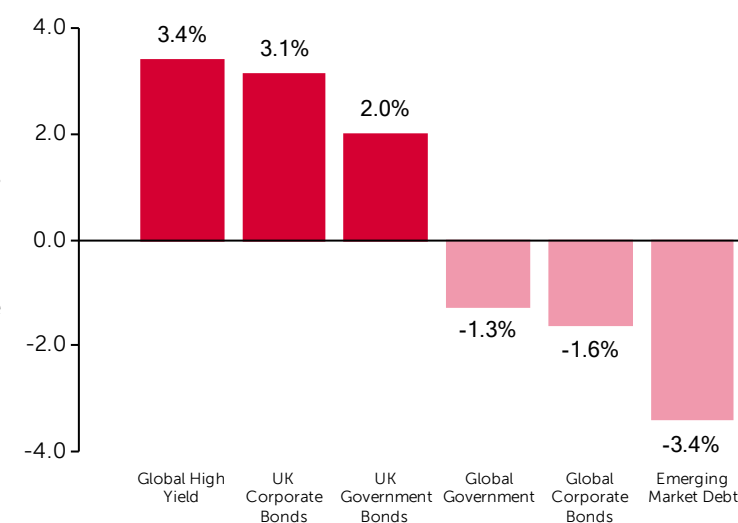
Nonetheless, it is difficult to see the relationship between Trump and the markets being plain sailing for the next four years. However, investors should pause to reflect if there has ever been a time when the outlook suggested calm waters.

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

With a tumultuous quarter of tariffs and geopolitical challenges, the high amount of cash held by the AJ Bell Cautious Fund remained an asset to the portfolio. While April began with a tumble for the stock market, the cautious fund holds only 26% of its assets in equity, helping to limit the effects.

High interest rates allowed cash to stay attractive throughout the quarter. Although there was market talk of central banks cutting interests to stimulate the economy in the face of tariffs, the Bank of England made just one cut during the quarter, and the US Federal Reserve has not cut since last year as inflation stays higher than its goal.

To protect against the risks of inflation, the fund has invested in short-term US Treasuries that adjust according to inflation levels. These are protected from fluctuations in the value of the dollar through a sterling hedge.

The portfolio is also invested in UK gilts and corporate bonds, which managed a steadily positive quarter despite other areas of tumult. Although investments in high yield bonds struggled at the beginning of April with the market tumble, prices recovered by the end of the quarter.

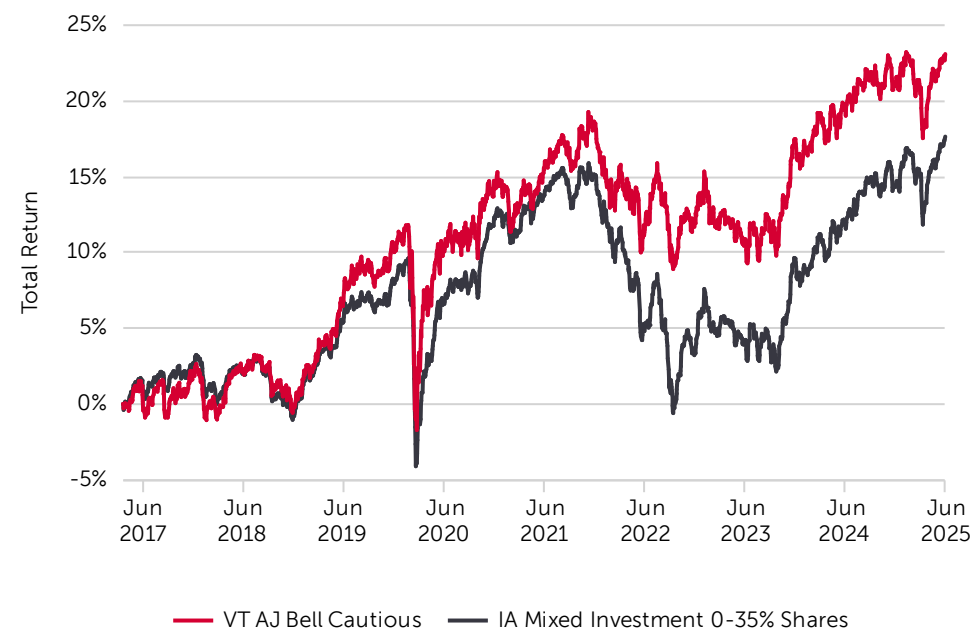
Q2 2025 best/worst performers

iShares MSCI Emerging Markets ex-China ETF	10.00%
Amundi MSCI Emerging Markets ex China ETF	9.87%
Vanguard FTSE Developed Europe exUK Equity Index Plus	5.87%
iShares \$ High Yield ESG Corporate Bond ETF (GBP Hedged)	0.52%
iShares S&P 500 Equal Weight ETF	-0.29%
State Street Emerging Markets Hard Currency Government Bond Index	-2.59%

Performance

Cumulative (%)	3 months	6 months	1 year	3 years	5 years	Since inception
VT AJ Bell Cautious	2.20	1.55	2.96	10.58	11.43	23.10
IA Mixed Investment 0-35% Shares	2.30	2.84	5.11	12.26	10.21	17.64

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

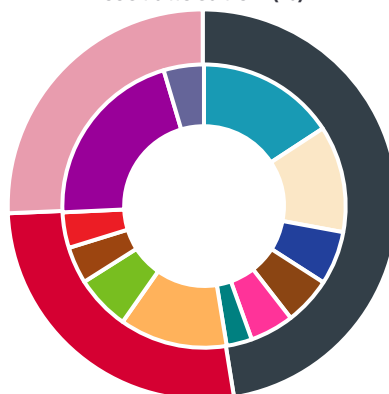
Number of holdings	31
Inception date	18 Apr 2017
Fund size	£114.62m
ISIN	(I Acc) GB00BYW8RV97
	(I Inc) GB00BYW8RT75

Top 10 holdings

Holding	Weight (%)
Vanguard UK Investment Grade Bond Index	13.32
BlackRock Institutional Sterling Liquidity	11.10
SPDR S&P 500 ETF	10.28
iShares £ Ultrashort Bond ETF	9.99
State Street Emerging Markets Hard Currency Government Bond Index	6.09
Cash	4.61
Vanguard FTSE Developed Europe ex UK Equity Index Plus	4.19
Vanguard FTSE UK All-Share Index	4.07
State Street Global High Yield Bond Screened Index	2.99
UK Gilt 1.25% July 2027	2.50

Risk profile

For investors who can tolerate some shorter-term capital loss from their portfolio, as markets fluctuate. 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 (%)


Fixed Income	47.43
UK corporate bonds	15.79
UK government bonds	12.17
Emerging market debt	6.09
International government bonds (GBP hedged)	5.46
Global high yield bonds (GBP hedged)	5.03
International government bonds	2.89
Equity	26.87
North America equity	12.31
UK equity	6.28
Europe ex-UK equity	4.19
Emerging markets ex-China equity	4.08
Cash	25.70
Cash equivalent	21.09
Cash	4.61

Fixed income breakdown (%)


GBP Bonds	81.07
UK corporate bonds	33.30
UK government bonds	25.65
International government bonds (GBP hedged)	11.52
Global high yield bonds (GBP hedged)	10.60
International Bonds	18.93
Emerging market debt	12.85
International government bonds	6.08

Equity breakdown (%)


Sector	
Technology	20.36
Financial Services	19.27
Industrials	12.23
Healthcare	10.00
Consumer Cyclical	8.97
Consumer Defensive	8.32
Communication Services	6.19
Energy	4.80
Basic Materials	4.22
Utilities	3.45
Real Estate	2.18

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.



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.

This information is for indicative purposes only and is not intended, and should not be construed, as investment advice. The information contained in this document has been taken from the sources stated and is believed to be reliable and accurate, but without further investigation cannot be warranted or guaranteed to be wholly correct. The views and opinions expressed in this document are not forecasts or recommendations in relation to investment decisions. The information and data presented in this document were believed to be correct at the time of writing and we are not liable for any subsequent changes.

©2025 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/ or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.