

# VT AJ Bell Income & Growth

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.

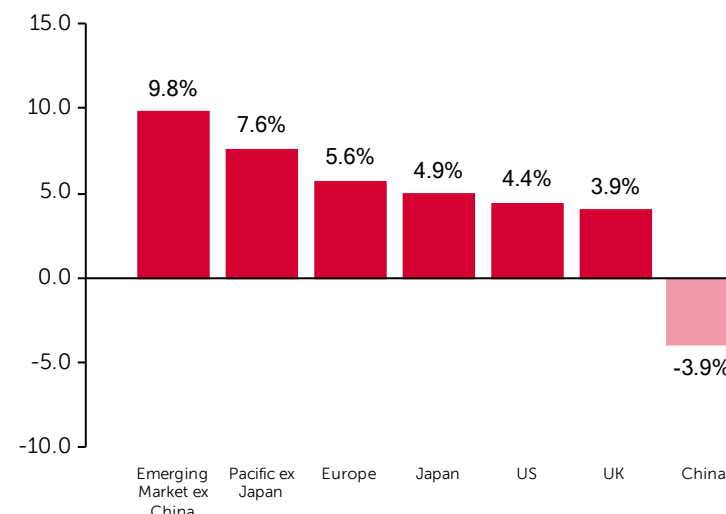
## Outlook

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.

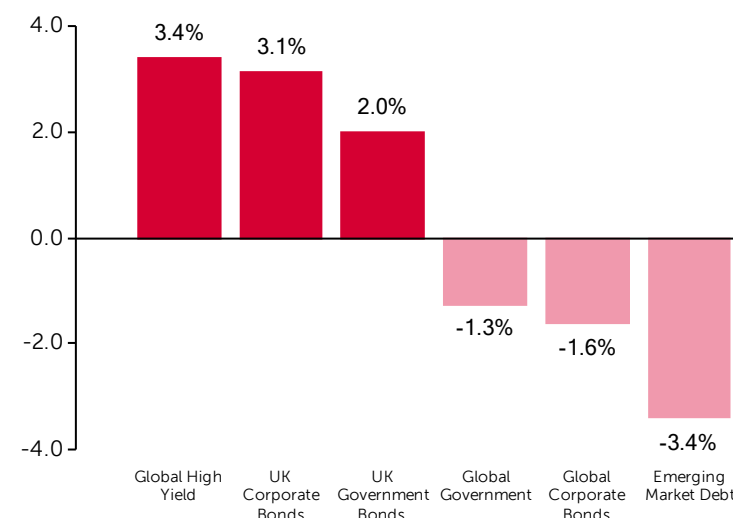
Nonetheless, it is difficult to see the relationship between Trump and the markets being plain sailing for the next four years. However, investors should pause to reflect if there has ever been a time when the outlook suggested calm waters.

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

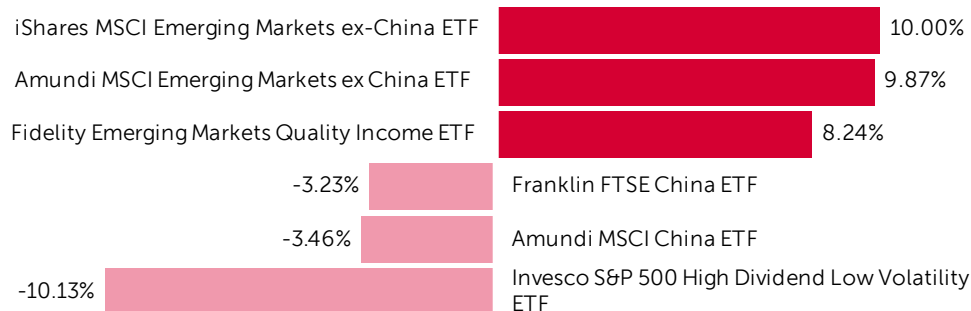
The AJ Bell Income & Growth fund weathered rapidly shifting market conditions this quarter with the help of equity holdings in the UK, mainland Europe and emerging markets.

Emerging market quality income strategies were the top performer for the quarter, with companies such as Pop Mart Group, which creates luxury toys, continuing to grow. Closer to home, the UK benefited from the popularity of defence stocks, such as Rolls Royce, and financials, including Lloyds and Barclays. Europe more broadly also gained popularity as governments upped their defence spending.

Investments in the US and China faced a harder path as the countries haggled over tariffs, leaving businesses unsure of the future.

Changing tariff policies was followed by a weakening of the US dollar. This had a negative effect on US income holdings, where returns were diminished by the dollar value in comparison to sterling. This also created complications for fixed income holdings that were held in dollar denominations. For example, emerging market bond holdings saw growth throughout the quarter. However, because these holdings were in dollars, after being converted to sterling, it resulted in a loss for UK investors. Despite a tumultuous period for the market, the fund returned 3.48% for the quarter.

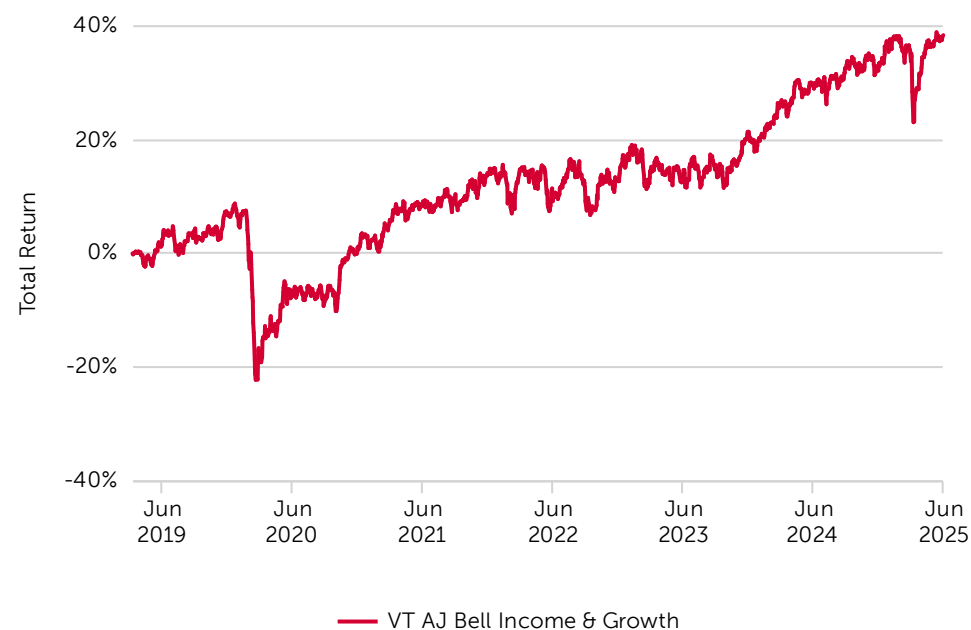
## Q2 2025 best/worst performers



## Performance

Cumulative (%)	3 months	6 months	1 year	3 years	5 years	Since inception
VT AJ Bell Income & Growth	3.48	3.75	6.60	26.84	49.34	38.45

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**

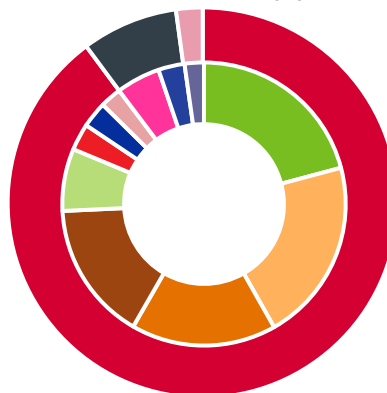
Number of holdings		19
Inception date		08 Apr 2019
Fund size		£85.25m
ISIN	(I Acc)	GB00BH3W7883
	(I Inc)	GB00BH3W7990

**Top 10 holdings**

Holding	Weight (%)
iShares Core FTSE 100 ETF	18.05
Fidelity Emerging Markets Quality Income ETF	16.60
Fidelity US Quality Income ETF	10.85
Invesco S&P 500 High Dividend Low Volatility ETF	10.02
Franklin Templeton European QualDiv ETF	7.97
iShares MSCI Europe Quality Dividend ETF	7.88
Amundi Prime Japan ETF	4.73
State Street Global High Yield Bond Screened Index	3.05
Vanguard Pacific ex-Japan Stock Index	2.96
Vanguard FTSE UK All-Share Index	2.84

**Risk profile**

For investors who favour capital growth and regular dividend payments through a higher allocation to equities. Investors should understand the risk reward relationship that entails over the short, medium, and long term. The fund predominantly 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 (%)**


<b>Equity</b>	<b>89.79</b>
UK equity	20.89
North America equity	20.86
Emerging markets equity	16.60
Europe ex-UK equity	15.86
Japan equity	7.13
Emerging markets ex-China equity	3.04
Asia Pacific ex-Japan equity	2.96
China equity	2.45
<b>Fixed Income</b>	<b>7.99</b>
Global high yield bonds (GBP hedged)	5.01
Emerging market debt	2.98
<b>Cash</b>	<b>2.22</b>
Cash	2.22

**Fixed income breakdown (%)**


<b>GBP Bonds</b>	<b>62.74</b>
Global high yield bonds (GBP hedged)	62.74
<b>International Bonds</b>	<b>37.26</b>
Emerging market debt	37.26

**Equity breakdown (%)**


<b>Sector</b>	
Financial Services	22.23
Technology	11.61
Industrials	11.19
Consumer Defensive	9.12
Consumer Cyclical	8.48
Communication Services	8.15
Healthcare	8.12
Energy	6.43
Utilities	5.50
Basic Materials	4.90
Real Estate	4.26

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.

Performance is calculated on a net of fees basis. This fund launched on 08 Apr 2019.

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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