

VT Momentum Diversified Funds

Q1 2026 Investment Update

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Fund commentary

The first quarter of 2026 marked a clear break from the supportive backdrop of much of 2025. Markets began the year positively, helped by easier monetary policy, better global manufacturing data, and resilient earnings. But this optimism faded as geopolitical tensions – especially in the Middle East – escalated sharply and came to dominate sentiment.

Equity markets declined over the quarter, although headline index moves masked significant dispersion beneath the surface. Regionally, the UK and Japan were relative bright spots, with Japanese equities notably delivering positive returns over the quarter. Emerging markets also ended the period in positive territory, despite heightened volatility, supported by selective strength across regions.

US Treasuries were relatively resilient, although yields rose globally as uncertainty increased, especially during the March escalation in the Middle East. UK gilts were the weakest major sovereign bonds, falling 2.0% after an early rally reversed on the Middle East-led energy shock and rising inflation concerns. The Bank of England struck a hawkish tone, surprising markets with a unanimous hold and signalling possible rate hikes given the UK's gas-price sensitivity and limited fiscal flexibility. In credit, spreads widened in both investment grade and high yield, with high yield outperforming due to lower rate sensitivity.

Against this backdrop, the VT Momentum Diversified Funds delivered negative returns of between -2% and -4% over the quarter. Equity allocations detracted from performance, particularly exposure to quality funds which continued to lag. Exposure to Japanese and emerging market equities provided some offset.

The Schroder Emerging Markets Value Fund was one of the top performers over the period. However, following its closure during the period, exposure was transitioned to a passive alternative, the iShares Edge MSCI EM Value Factor ETF, while we undertake due diligence on a replacement active strategy.

We introduced a small allocation to global defence equities. This reflects a structural investment theme rather than a short-term response to geopolitical events. After decades of underinvestment, defence spending is rising meaningfully, particularly across

Europe, driven by the need to rebuild capacity and modernise military infrastructure. While valuations have adjusted higher, we believe the structural nature of this trend supports further growth over the medium term.

Gold, which had been a strong contributor in January and February, proved less reliable during the March sell-off, falling sharply as it was used as a source of liquidity. Despite this, it still delivered a positive return over the quarter overall and continued to provide some diversification benefits across the period.

Within specialist assets, performance was mixed. Property assets sold off towards the end of the period, with the escalation of US-Iran tensions and the associated spike in bond yields leading to a broad-based sell off across longer duration assets. We introduced new positions in Pantheon Infrastructure (PINT) and Social Housing REIT (SOHO) over the quarter. PINT adds diversified global infrastructure exposure across digital infrastructure, utilities, transport, renewables and social investments. SOHO provides exposure to social housing assets across the UK, focusing on homes in the supported housing sector which have been adapted for vulnerable adults with care and support needs, delivering long-term government-backed rental income.

Markets rallied into April on news of a ceasefire and a sharp – if likely temporary – drop in oil prices, though it is too early to claim any fundamental improvement. The rebound appears driven as much by short covering as by genuine risk appetite, but remains a welcome development from both an investment and humanitarian perspective. After a period where higher stock dispersion favoured active managers and slowed megacap dominance, markets have reverted to a volatile “risk-on/risk-off” pattern, heavily influenced by shifting political rhetoric. In this environment, the strategy remains to stay broadly invested, maintaining diversified multi-asset exposure and using cash selectively to capture better risk premia rather than attempting to time markets. Despite geopolitical tensions, equity markets still price in healthy mid-teens earnings growth through 2026, reinforcing the case for diversification and against overconcentration.

Fund performance & portfolio changes

Portfolio Management Team



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Performance to 31 March 2026

Fund	3 mths	6 mths	YTD	3 yr (ann)	Since Inc (ann)	Vol
VT Diversified Balanced Fund	-2.6%	0.6%	-2.6%	5.8%	3.9%	7.2%
VT Diversified Income Fund	-2.1%	0.6%	-2.1%	8.2%	5.2%	9.4%
VT Diversified Growth Fund	-4.0%	-1.0%	-4.0%	6.6%	6.2%	11.5%

Five years discrete performance to 31 March 2026

Fund	Mar 25-26	Mar 24-25	Mar 23-24	Mar 22-23	Mar 21-22
VT Diversified Balanced Fund	5.0%	5.2%	7.3%	-6.9%	5.6%
VT Diversified Income Fund	9.9%	7.4%	7.4%	-9.0%	4.5%
VT Diversified Growth Fund	8.3%	2.9%	8.6%	-7.8%	5.3%

Q1 2026 portfolio changes

↑Buy

↓Sell

↔No change

●Fund not held

	Balanced	Income	Growth
Invesco Physical Gold	↔	↓	↔
Schroder EM Value Fund	↓	↓	↓
iShares Edge MSCI EM Value Factor UCITS ETF	↑	●	↑
Robeco QI Emerging Conservative Equities Fund	●	↑	●
Pantheon Infrastructure	↑	↑	↑
SDCL Efficiency Income Trust	↓	↓	↓
Social Housing REIT	↑	↑	↑
Doric Nimrod Air Three	↓	↓	↓

Sources: Momentum Global Investment Management, Valu-Trac, Morningstar. The value of the underlying funds and the income generated from them can go down as well as up, and is not guaranteed. Investors may not get back the original amount invested. The value of investments involving exposure to foreign currencies can be affected by currency exchange rate fluctuations. Past performance is not a guide to future performance.

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