

VT Momentum Diversified Funds

Q2 2025 Investment update

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Fund commentary

The VT Momentum Diversified Funds delivered strong absolute and relative returns in the second quarter of 2025, with all strategies outperforming their respective IA sectors. Quarterly returns were 3.2% (Balanced), 6.7% (Income), 6.4% (Moderate) and 6.7% (Growth). The Income Fund remained the standout performer, continuing to rank within top decile across multiple time periods including one month, three months, six months, one year, five years and ten years within the IA Mixed Investment 20-60% sector.

Markets began the quarter in turmoil, with Trump's Liberation Day tariffs triggering one of the sharpest two-day drops on Wall Street in history. Yet sentiment recovered, and by June the S&P 500 and Nasdaq were hitting all-time highs. Along the way, markets contended with a range of global risks: speculation around the Fed Chair's position, renewed US debt concerns, rising long-term yields, and military escalations in Eastern Europe and the Middle East. Despite this, global equities ended the quarter up strongly in GBP terms.

US equities rose 4.3% in Q2, while European and Japanese markets did even better, returning 5.7% and 5.2% respectively. UK equities also gained, with the FTSE All Share returning 2.3%, but UK smaller companies stood out – returning an impressive 14.6%. Emerging markets delivered a strong return of 5.4%, although China lagged due to persistent economic concerns and new tariff pressures.

Our positioning helped performance, with underweights to the US and overweights to the UK and Europe all contributing positively. UK-focused investment trusts like Aberforth Smaller Companies, Temple Bar, and Aurora UK Alpha performed strongly, while European equity exposure – via the VT Downing European Unconstrained Income Fund and Amundi Prime Europe ETF – also added value. The Curate Global Value Fund was another top contributor, helped by strong stock selection in utilities and diversified exposure across the US, Europe, and Japan. Income-focused portfolios continued to benefit from select direct UK equities such as Burberry, Sainsbury's, Kier Group and Marston's – all of which we reduced after strong runs.

Specialist assets were the top contributors to returns this quarter, supported by a broad rotation into risk assets. Private equity holdings performed especially well. Schroders Capital Global Innovation surged after launching a tender offer to return £37m of capital to shareholders, more than the £30m initially indicated. The offer, which represents a return of around 21% of the company's share capital, is expected to complete in late July. Within infrastructure, Foresight Environmental Infrastructure reported improved financials and lifted its dividend, while Digital 9 Infrastructure rallied following the sale of its SeaEdge data centre asset which will help reduce debt.

We also added new opportunities in this area. In April, we introduced Supermarket Income REIT, which owns inflation-linked supermarket properties let to retailers such as Tesco and Carrefour, offering an 8% yield and trading at a wide discount to NAV. Downing Renewables and Infrastructure Trust (DORE) was introduced to some portfolios in May and subsequently received a takeover offer at a 23% premium to its prior day's share price – a move that helped validate the underlying value in the portfolio. SDCL Energy Efficiency Income Trust was added in June. While it has faced pressure from debt concerns, we see potential for a rerating as management reduces gearing and focuses on capital discipline.

Uncertainty, combined with the strong run in markets, suggests some consolidation is due, and a degree of caution is called for in the near term. However, tariff issues appear to be heading towards resolution, and the long-term fundamentals remain supportive. The prospect of rate cuts, resilient corporate balance sheets and the ongoing AI-driven productivity boom should help underpin markets in the months ahead. Diversification remains key and volatility is likely to bring opportunity.

Fund performance & portfolio changes

Portfolio Management Team



Richard Parfect
Portfolio Manager



Tom Delic
Portfolio Manager



Gary Moglione
Portfolio Manager



Gabby Byron
Investment Services Executive

Performance to 30 June 2025

Fund	3 mths	6 mths	YTD	3 yr (ann)	Since Inc	Vol
VT Diversified Balanced Fund	3.2%	4.2%	4.2%	4.6%	4.0%	7.1%
VT Diversified Moderate Fund	6.4%	6.5%	6.5%	6.8%	5.1%	8.6%
VT Diversified Income Fund	6.7%	8.1%	8.1%	6.0%	5.3%	9.4%
VT Diversified Growth Fund	6.7%	4.8%	4.8%	5.4%	6.3%	11.6%

Five years discrete performance to 30 June 2025

Fund	Jun 24 - 25	Jun 23 - 24	Jun 22 - 23	Jun 21 - 22	Jun 20 - 21
VT Diversified Balanced Fund	6.6%	10.4%	-2.6%	-5.0%	15.1%
VT Diversified Moderate Fund	10.9%	12.3%	-2.2%	-6.6%	19.6%
VT Diversified Income Fund	12.5%	10.5%	-4.3%	-5.5%	27.2%
VT Diversified Growth Fund	7.2%	12.0%	-2.5%	-4.5%	28.3%

Q2 2025 portfolio changes

↑ Buy
 ↓ Sell
 ↔ No change
 ● Fund not held

	Balanced	Moderate	Income	Growth
Aberforth Geared Value & Income Trust / Aberforth Smaller Companies Trust	↑	↑	↑	↑
Direct UK equities	↓	↓	↓	↓
Invesco European Equity Income	●	↑	↑	●
Murray Income Trust	●	↑	↑	●
Temple Bar Investment Trust	↑	↑	↑	↑
Finsbury Growth & Income Trust	↑	●	●	↑
Candriam Global High Yield Bond Fund	↑	↑	↑	↔
Artemis Short Dated Global High Yield Bond Fund	↑	●	●	↑
TwentyFour Income Fund	●	↑	↑	●
Digital 9 Infrastructure	↑	↑	↑	↔
Downing Renewables & Infrastructure	↑	↑	↑	●
SDCL Efficiency Income Trust	↑	↑	↑	↑
Supermarket Income REIT	↑	↑	↑	↑
Assura	↓	↓	↓	↓

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.

For more information, please contact Distribution Services



distributionservices@momentum.co.uk



+44 (0)207 618 1829



www.momentum.co.uk

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+44 (0) 20 7618 1829

DistributionServices@momentum.co.uk

