

VT Momentum Diversified Funds

Q2 2026 Investment Update

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Fund commentary

The second quarter of 2026 marked a sharp reversal from the difficult conditions experienced earlier in the year. Improving sentiment around the Middle East, falling oil prices and a reduction in fears surrounding a prolonged energy shock helped support a broad recovery across risk assets. While geopolitical tensions remained elevated and markets continued to react to shifting headlines, investors became increasingly willing to look through near-term uncertainty.

Against this backdrop, the VT Momentum Diversified Funds delivered strong absolute returns, recovering much of the weakness experienced during the first quarter. The VT Momentum Diversified Balanced Fund returned 4.8% over the quarter, the VT Momentum Diversified Income Fund returned 7.3% and the VT Momentum Diversified Growth Fund returned 8.6%.

Equities and specialist assets were the largest contributors to returns over the quarter. Emerging market equities performed particularly well, led by Asian markets with significant semiconductor exposure, supported by continued demand for AI infrastructure and strong corporate earnings. Developed market equities were supported by improving risk appetite and continued strength in areas linked to artificial intelligence and technology. Within the Funds, value-oriented strategies generally outperformed, with the Lyrical Global Value Equity Fund among the stronger contributors. Quality-oriented strategies continued to lag despite the improvement in market conditions, with the Evenlode Global Equity Fund among the largest detractors. The manager's underperformance has largely been driven by market concerns surrounding the impact of artificial intelligence on information services and software businesses held within the portfolio. However, the underlying fundamentals of these businesses remain robust, with healthy revenue growth, high customer retention rates and valuable proprietary datasets that may become increasingly important as AI adoption accelerates. The manager believes current valuations imply a level of disruption that is inconsistent with both current trading performance and long-term earnings prospects. Although this has weighed on performance in the short-term, we continue to view quality as an important source of diversification within the Funds.

Within specialist assets, private equity was a particularly strong performer during the quarter, supported by improving sentiment and continued enthusiasm for technology-related companies. Infrastructure and property also delivered positive returns as concerns around energy prices and inflation eased. Corporate activity within specialist assets continued to highlight the valuation opportunity available, with takeover interest in assets such as SEGRO and Bluefield Solar Income Fund demonstrating the disconnect between share prices and underlying asset values.

Fixed income delivered positive but more modest returns. Government bond returns were more modest and varied across markets. The Federal Reserve kept its policy rate unchanged and signalled that rates could stay high, as did the Bank of England. The European Central Bank raised its deposit rate by 25bps to 2.25%, and the Bank of Japan increased its policy rate to 1.0%. Credit markets performed well as spreads narrowed and company finances remained solid.

Commodities were weaker overall. Oil fell by 38.5%, also gold declined by 14.1%, while industrial metals rose on increased demand linked to technology and infrastructure spending.

Alongside the strong equity market recovery, the quarter also saw significant portfolio activity, particularly within the VT Momentum Diversified Growth Fund. During the period, we undertook a strategic restructuring designed to align the portfolio more closely with our broader multi-asset investment framework and highest-conviction long-term views. This resulted in a modest increase in overall equity exposure alongside higher allocations to US, Japanese and emerging market equities, funded primarily through reductions in UK equities and specialist assets. While these changes altered the portfolio's regional positioning, the overall expected risk characteristics remain broadly unchanged.

Fund commentary continued...

The restructuring also provided an opportunity to upgrade a number of underlying managers and improve portfolio efficiency. We introduced a broader range of carefully selected global equity managers, reflecting some of our highest conviction investment ideas across quality, value and growth. Alongside these active managers, we added low-cost multi-factor core equity funds the Curate Global Sustainable Equity Fund and Curate Global Emerging Markets Fund, while reducing passive holdings and investment trust positions. In addition, the directly held specialist asset investment trusts were consolidated through the Momentum Real Assets Growth & Income Fund (RAGI), providing a more efficient route to accessing exposures across property, infrastructure, specialist financials and private equity. While the portfolio's expected long-term risk profile remains broadly unchanged, these changes are intended to improve diversification, increase alignment with our wider investment process and enhance long-term risk-adjusted return potential.

Looking ahead, our view remains supportive for a diversified mix of risk assets. Corporate earnings continue to provide support for equity markets, while credit markets still offer attractive levels of income. However, inflation remains above target across many major economies and persistent government borrowing requirements may keep bond yields higher for longer. While the strong market recovery during the quarter has been encouraging, parts of the equity market continue to price in optimistic earnings expectations and market leadership remains concentrated in a relatively small number of companies. In this environment, we believe diversification remains as important as ever. Maintaining exposure across multiple asset classes, investment styles, regions and managers remains central to the way we manage the Funds.

Fund performance & portfolio changes

Portfolio Management Team



Richard Perfect
Portfolio Manager



Tom Delic
Portfolio Manager



Alex Harvey, CFA
Senior Portfolio Manager
& Investment Strategist



Lorenzo la Posta, CFA
Portfolio Manager



Gabby Byron
Client Portfolio Manager

Performance to 30 June 2026

Fund	3 mths	6 mths	YTD	3 yr (ann)	Since Inc (ann)	Volatility (SI)
VT Diversified Balanced Fund	4.8%	2.1%	2.1%	7.8%	4.2%	7.1%
VT Diversified Income Fund	7.3%	5.2%	5.2%	11.2%	5.5%	9.4%
VT Diversified Growth Fund	8.6%	4.3%	4.3%	9.8%	6.5%	11.5%

Five years discrete performance to 30 June 2026

Fund	Jun 25-26	Jun 24-25	Jun 23-24	Jun 22-23	Jun 21-22
VT Diversified Balanced Fund	6.6%	6.6%	10.4%	-2.6%	-5.0%
VT Diversified Income Fund	10.6%	12.5%	10.5%	-4.3%	-5.5%
VT Diversified Growth Fund	10.2%	7.2%	12.0%	-2.5%	-4.5%

Q2 2026 Fund contributions*

Helped

- » Global Value Equities
- » Global Growth Equities
- » EM Value Equities
- » Real Assets

Hurt

- » Global Quality Equities
- » Gold
- » Defence Equities

**Not an exhaustive list, information shown highlights the main contributors and detractors. 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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