

VT Momentum Diversified Funds

Q1 2025 Investment update



Fund commentary

The VT Momentum Diversified Funds navigated a volatile first quarter well, with four out of the five strategies outperforming their respective IA sectors. Quarterly returns were 0.7% (Cautious), 1.0% (Balanced), 1.2% (Income), 0.1% (Moderate), and -1.8%* (Growth).

**The officially reported return for the Growth Fund was -1.8%, but this figure was impacted by a NAV pricing error at the end of March, which detracted -1.4% from the NAV and was corrected on 3rd April. Adjusting for this, the fund's underlying return for the quarter would have been closer to -0.4%. The performance correction will be reflected in April's factsheet and Q2 report.*

Underweights to the US, overweights to the UK, and positive contributions from specialist assets, European equities and gold supported performance.

The standout performer was the VT Momentum Diversified Income Fund. It not only delivered a positive return in Q1 but also ranks in the first quartile versus its IA sector over 1 month, 3 months, 1 year, 5 years, and 10 years. As at end March, it ranked 6th of 146 funds over 5 years and 9th of 107 over 10 years – a level of consistency that reflects the strength of its disciplined and long-standing investment philosophy.

The first quarter of 2025 marked a new geopolitical and economic chapter, as the Trump administration's return brought sweeping changes in tariffs, deregulation, and protectionism. These moves heightened uncertainty, damaging business and consumer confidence and raising recession fears.

Equity markets responded with a rise in volatility. Fears around escalating tariffs and concerns over US competitiveness in AI weighed heavily on sentiment, extending the sell-off in megacap technology. The MSCI World Index fell -4.7%, led by a -7.2% decline in the S&P 500. In contrast, European and UK equities rose 7.6% and 6.4% respectively – a dynamic that benefitted our positioning.

European equities were the top equity contributor, supported by rotation away from overvalued US tech and growing expectations of further ECB rate cuts. Within UK equities, we restructured exposure, rotating from direct equities into a diversified blend of UK-focused investment trusts trading at attractive discounts to NAV such as Temple Bar, Aberforth, Aurora, Finsbury Growth & Income, and Murray Income Trust.

Towards the end of the quarter, in unconstrained mandates, we addressed our US underweight by introducing the L&G S&P 500 Equal Weight Index Fund helping reduce our reliance on US megacaps, and we also added two high-quality, active global strategies: Curate Global Quality (managed by Evenlode) and Curate Global Value (managed by Lyrical). This rotation reflects a more global and balanced approach within equities, aiming to capture a broader set of opportunities as market leadership rotates.

Specialist assets were a key contributor to returns. Infrastructure benefitted from M&A activity, notably the timely purchase of BBGI Global Infrastructure within the Income fund, which received a cash offer at a 21.1% premium to the

prior day's share price and a 3.4% premium to NAV. The Board of Harmony Energy Income Trust (HEIT) received a possible cash offer from Foresight Group at a 29% premium, later topped by a 5% higher offer from Drax, valuing HEIT at nearly £200m. This potential acquisition would mark a milestone for the energy storage sector, where transaction activity has been limited, and provided a positive read across for portfolio holding Gore Street Energy Storage Fund, which rose 21% in Q1.

Elsewhere, Life Science REIT returned 17% on news of a strategic review, while Assura rose by 20% following a takeover approach and asset disposals. Within Specialist Financials, DP Aircraft returned 78%, supported by new 12-year lease agreements with LOT Polish Airlines, replacing legacy Thai Airways leases. These contracts provide long-term income visibility, with expected rental income of \$168m.

We also participated in the IPO of Achilles Investment Company, a new vehicle focused on unlocking value in deeply discounted listed alternatives, led by an experienced team with their track record including successful asset sales at Round Hill and Hipgnosis.

Gold rose 15.4%, driven by elevated geopolitical tensions and central bank demand. We trimmed exposure, exiting the Ninety One Global Gold Fund but maintained core exposure via the iShares Physical Gold ETC and iShares Gold Producers ETF.

Looking ahead, we expect volatility to remain elevated. We continue to focus on diversification across and within asset classes, balancing risk while remaining alert to tactical opportunities.

Fund performance & portfolio changes

Portfolio Management Team



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Performance to 31 March 2025

Fund	3 mths	6 mths	YTD	3 yr (ann)	Since Inc	Vol
VT Diversified Cautious Fund	0.7%	-0.7%	0.7%	0.9%	2.6%	5.6%
VT Diversified Balanced Fund	1.0%	0.6%	1.0%	1.7%	3.8%	7.2%
VT Diversified Moderate Fund	0.1%	0.1%	0.1%	2.3%	4.7%	8.6%
VT Diversified Income Fund	1.2%	0.6%	1.2%	1.6%	5.0%	9.4%
VT Diversified Growth Fund	-1.8%	-2.4%	-1.8%	1.0%	6.1%	11.6%

Five years discrete performance to 31 March 2025

Fund	Mar 24 - 25	Mar 23 - 24	Mar 22 - 23	Mar 21 - 22	Mar 20 - 21
VT Diversified Cautious Fund	3.2%	5.6%	-5.7%	4.1%	14.2%
VT Diversified Balanced Fund	5.2%	7.3%	-6.9%	5.6%	20.3%
VT Diversified Moderate Fund	6.4%	9.3%	-7.9%	5.9%	26.4%
VT Diversified Income Fund	7.4%	7.4%	-9.0%	4.5%	40.5%
VT Diversified Growth Fund	2.9%	8.6%	-7.8%	5.3%	43.2%

Q1 2025 portfolio changes

↑Buy ↓Sell ↔No change ●Fund not held

	Cautious	Balanced	Moderate	Income	Growth
Ninety One Global Gold Fund	↓	↓	↓	↓	↓
UK gilts	↑	↑	↔	↑	↑
Royal London Short Duration High Yield Fund	↔	↓	↔	↓	↓
Royal London Sterling Extra Yield Bond Fund	↓	↓	↔	↔	↓
Jupiter Financials Contingent Capital Fund	↑	↑	↑	↑	↑
TwentyFour Select Monthly Income Fund	●	●	↑	↑	●
Vanguard ESG Global Corporate Bond ETF	●	↑	↑	↑	↑
Assura	↓	↓	↓	↓	↓
Achilles Investment Company	↑	↑	↑	↑	↑
Aberforth Geared Value & Income Trust	●	●	↑	↑	●
Murray Income Trust	●	●	↑	↑	●
Temple Bar Investment Trust	●	↑	↑	↑	↑
Aberforth Smaller Companies Trust	●	↑	●	●	↑
Aurora UK Alpha	●	↑	●	●	↑
Finsbury Growth and Income Trust	●	↑	●	●	↑
iShares FTSE 250 ETF	↑	●	●	●	●
Curate Global Quality Equity Fund	↑	↑	●	●	↑
Curate Global Value Equity Fund	↑	↑	●	●	↑
L&G S&P 500 Equal Weight Index Fund	↑	↑	●	●	↑

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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