

VT AJ Bell Cautious

As at 30 September 2025

Market commentary:

As summer arrived, markets started to become more relaxed about the trade war and political theatre in Washington. Instead, investors turned their attention back to fundamentals and the dominant AI theme. There was little change in the economic backdrop with respect to growth across most regions, however, greater concern arose in the US after a significant downward revision to payroll data and weakness through the summer months. Whilst the US dollar is weaker in 2025, it stabilised versus major peers during the quarter and made some ground back versus the pound.

The risks to inflation that we have been flagging for some time started to emerge in earnest in the UK, with inflation now expected to reach double the Bank of England target before year end. In the US, inflation pressures also arose, although there were signs that companies absorbed some price pressures through margins rather than passing them on to consumers amidst economic uncertainty.

Bond markets started to price in greater inflation uncertainty, with longer-dated bond yields moving higher throughout the quarter in many markets. Fiscal uncertainty also loomed over the UK and US bond markets, however, in the US this was counteracted by the Fed quickly responding to weaker employment statistics via a "risk management" rate cut in September. At a time of political pressure on the central bank, significant dispersion arose amongst the Fed's voting members, with one suggesting interest rates should fall to below 3% by year end.

Back in the UK, inflation pressures similarly complicated the Bank of England's path. Sticky price increases in core goods, housing, and services make calibration difficult. The UK yield curve steepened slightly as markets struggled to pin down the inflation and growth trade-off.

The leadership rotation in global equities gained traction again this quarter. While the US market continued to deliver gains and be powered by the AI theme, its returns stood amongst some other good performances. China stole the

show as AI technology continued to emerge and attract investors to the offshore market, where tech sector valuations are much lower than those seen in the US. Broader emerging markets also performed well. Strong returns from TSMC in Taiwan and a continued rally in Korea were however weighed down by weakness in Indian equities.

Europe and the UK also advanced, particularly large caps in the UK. However, returns fell short of other regions. In Japan, the equity market picked up after a hard-fought trade deal with the US and the reassertion of good company fundamentals, not least that they continue to undertake large-scale buybacks.

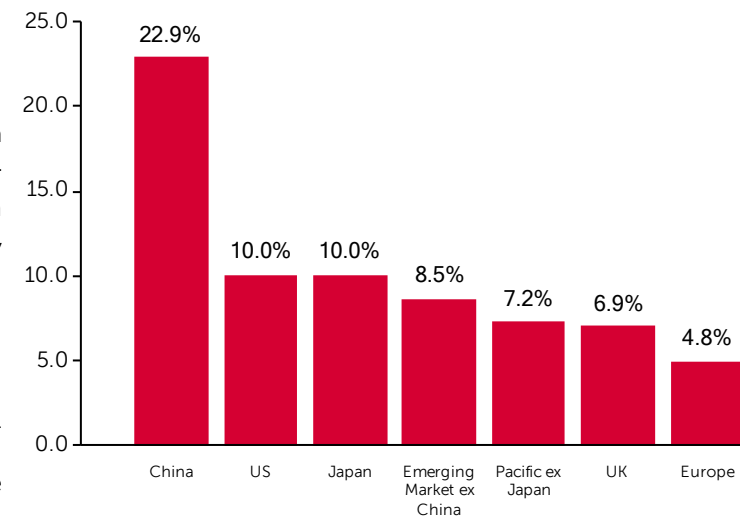
Outlook

The improving mood through the summer brings year-to-date returns in many equity markets into double-digit territory. However, the weaker dollar over the course of the year has eroded returns for UK investors significantly.

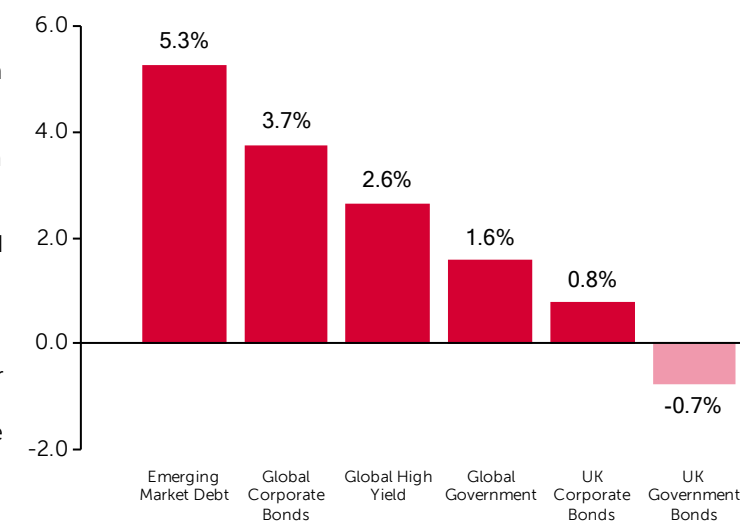
The contrast between the equity and bond markets is becoming interesting, particularly in the US where bond yields are increasingly displaying fears over the economic growth trajectory, whilst equities remain squarely focused on AI, the associated capex and signs of strong sentiment in M&A activity. Bond markets are often early to point out cracks in the economy that may worry equities later, however they can also cry wolf. Meanwhile, gilt investors in the UK have other issues to worry about, namely inflation and how it can be tamed without causing economic damage. Plenty of headlines regarding these problems stand between us and the end of the year, however, as we often see, they may just prove to be noise best avoided by those managing portfolios.

The value of investments can go down as well as up and your client may not get back their original investment. Past performance is not a guide to future performance and some investments need to be held for the long term.

Equity performance - last quarter



Fixed income performance - last quarter



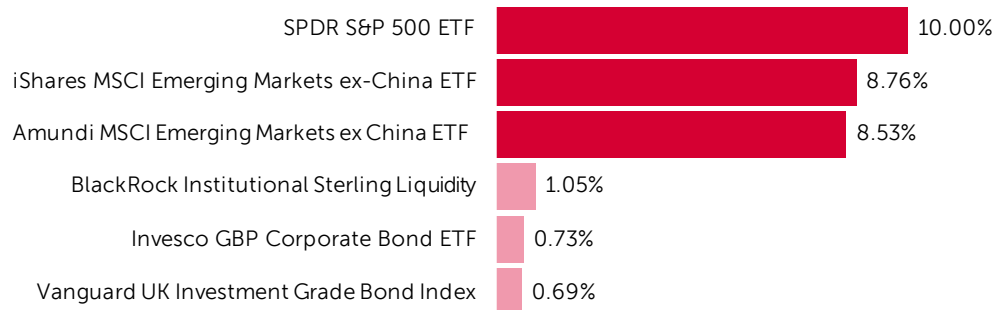
Portfolio commentary

The past three months offered a smoother ride for stock markets than the first part of the year. However, there were still challenges in balancing inflation and interest rates both in the UK and abroad. The AJ Bell fund benefited from holding ultrashort bonds and money market funds, despite falling interest rates. These assets offer returns that aim to be slightly above what a traditional cash account would give, while maintaining lower risk levels because of short lending periods.

The global high yield bonds within the fund had a strong third quarter. In addition, the fund's holding in UK corporate bonds performed well as prices rose due to buyers looking for alternatives to UK government bonds. Inflation worries also boosted the return of the fund's US TIPS holding. These are bonds which adjust their value based on inflation.

Equities, which account for 26% of the portfolio, benefited from a broad rally. The US is the fund's largest region in terms of equity exposure and has slowly recovered from the drop earlier this year. In total, the fund grew 3.3% throughout the quarter.

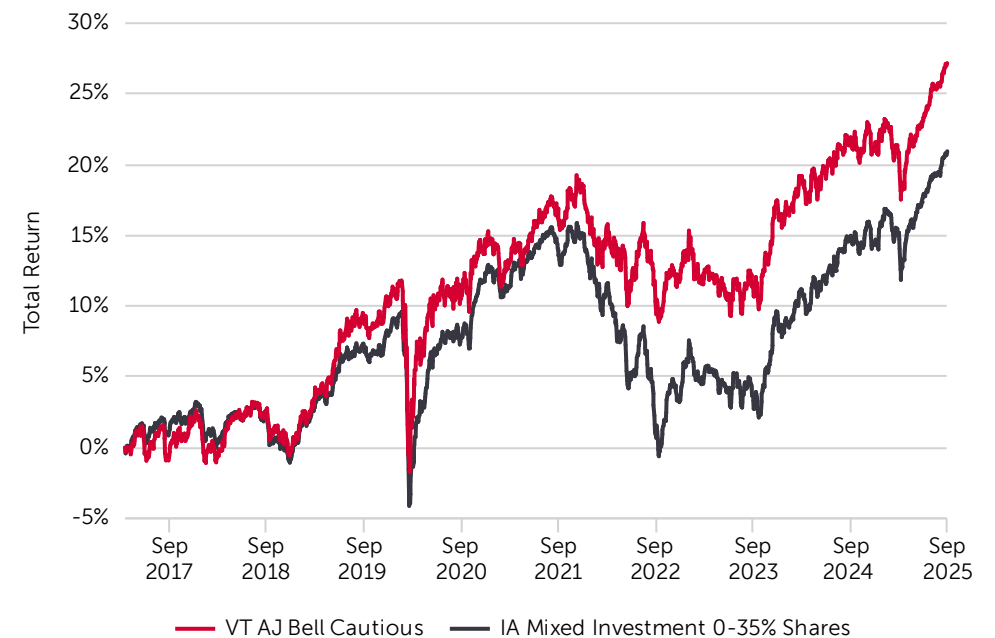
Q3 2025 best/worst performers



Performance

Cumulative (%)	3 months	6 months	1 year	3 years	5 years	Since inception
VT AJ Bell Cautious	3.30	5.57	4.65	15.26	15.07	27.17
IA Mixed Investment 0-35% Shares	2.81	5.17	5.37	19.74	12.24	20.95

The above table displays the total return of the fund on a cumulative basis. This is taken from the most recent month end.



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Portfolio snapshot

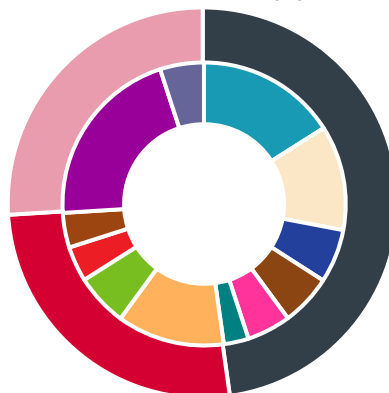
Number of holdings		31
Inception date		18 Apr 2017
Fund size		£122.39m
ISIN	(I Acc)	GB00BYW8RV97
	(I Inc)	GB00BYW8RT75

Top 10 holdings

Holding	Weight (%)
Vanguard UK Investment Grade Bond Index	12.57
BlackRock Institutional Sterling Liquidity	10.97
SPDR S&P 500 ETF	10.27
iShares £ Ultrashort Bond ETF	10.00
State Street Emerging Markets Hard Currency Government Bond Index	6.13
Cash	5.03
Vanguard FTSE UK All-Share Index	4.05
Vanguard FTSE Developed Europe ex UK Equity Index Plus	3.95
Invesco GBP Corporate Bond ETF	3.41
State Street Global High Yield Bond Screened Index	3.05

Risk profile

For investors who can tolerate some shorter-term capital loss from their portfolio, as markets fluctuate. The portfolio 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 (%)


Fixed Income	47.77
UK corporate bonds	15.98
UK government bonds	11.97
Emerging market debt	6.13
International government bonds (GBP hedged)	5.87
Global high yield bonds (GBP hedged)	4.98
International government bonds	2.84
Equity	26.23
North America equity	12.26
UK equity	5.98
Emerging markets ex-China equity	4.03
Europe ex-UK equity	3.95
Cash	26.00
Cash equivalent	20.97
Cash	5.03

Fixed income breakdown (%)


GBP Bonds	81.22
UK corporate bonds	33.46
UK government bonds	25.06
International government bonds (GBP hedged)	12.28
Global high yield bonds (GBP hedged)	10.43
International Bonds	18.78
Emerging market debt	12.83
International government bonds	5.95

Equity breakdown (%)


Sector	
Technology	21.65
Financial Services	18.87
Industrials	12.10
Healthcare	9.72
Consumer Cyclical	8.75
Consumer Defensive	7.91
Communication Services	6.35
Energy	4.90
Basic Materials	4.25
Utilities	3.38
Real Estate	2.11

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.

Due to its multi-asset nature, no financial instrument or index represents a fair benchmark for the Fund. The Fund does not aim to track the IA sector as a benchmark. Performance is calculated on a net of fees basis.

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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