



Shackleton

Britain's financial adviser

Investment update

December Review



01 What happened in markets

Despite the Christmas period, it was a busy month in markets. The Federal Reserve cut interest rates by 25bps but rowed back their expectations for rate cuts in 2025. Ongoing economic strength, potential inflationary pressure, and the unknowns surrounding a Trump administration have encouraged the central bank to remain cautious. In Europe and the UK, economic data is considerably weaker. While the ECB cut rates, the BoE opted to keep rates unchanged.

As a result of central bank rhetoric and potential growth tailwinds from the US, bond yields rose and resulted in negative returns in fixed income. UK gilts returned -2.2% and US Treasuries returned -1.6% hedged to GBP.

December was marked by poor returns across most major asset classes. The S&P 500 Index returned -1.0% and the S&P SmallCap 600 Index returned -6.6%, following very strong returns in November. European and UK equities, proxied by the MSCI Europe ex UK and FTSE All Share Indices, performed similarly poorly returning -0.9% and -1.2% respectively. The only bright spot in equity markets were Emerging Market and Japanese equities which returned 1.4% and 1.1% respectively. (All returns in GBP.)

*All returns in Sterling. Source: Morningstar direct



02 What did we do in the funds?

It was a month of little activity within the funds. However, we did introduce a small holding in a Gold ETC in VT Esprit Careful Growth after a modest decline in the commodity's price. This was done at the expense of Index Linked Gilts. The precious metal provides us with a differentiated source of return and remains appealing in an increasingly volatile geopolitical landscape.

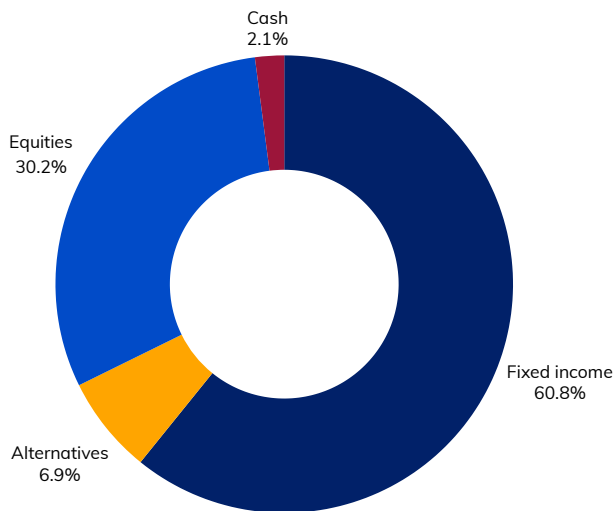


We also diversified our small cap exposure, as we have done in other funds, by introducing a small position in the Invesco S&P 600 SmallCap ETF.

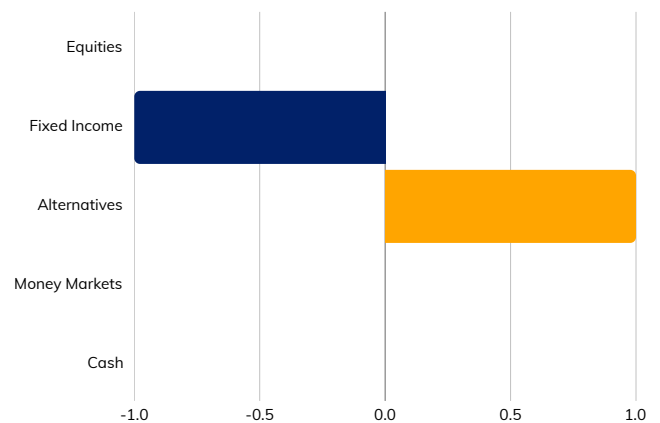


03 Asset allocation

VT Esprit Careful Growth

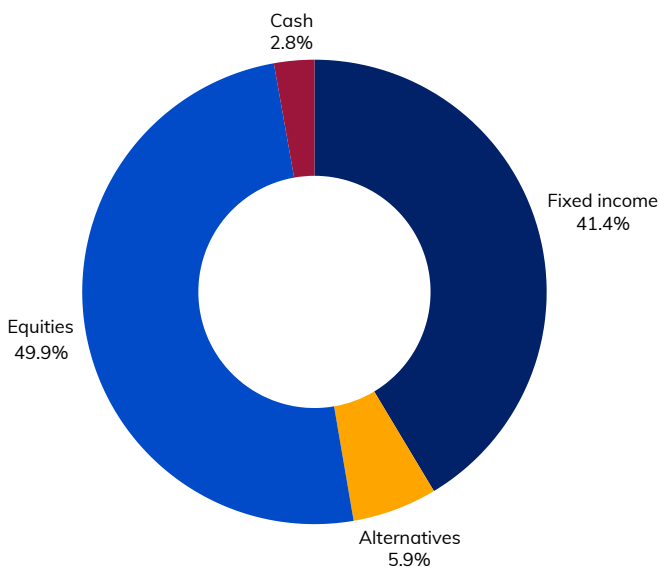


Asset allocation

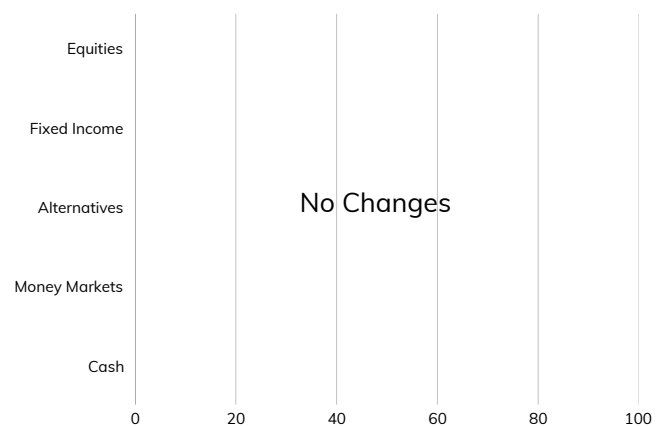


*Actual portfolio weightings may fluctuate slightly based on market movements and rounding

VT Esprit Tactical Balanced



Asset allocation

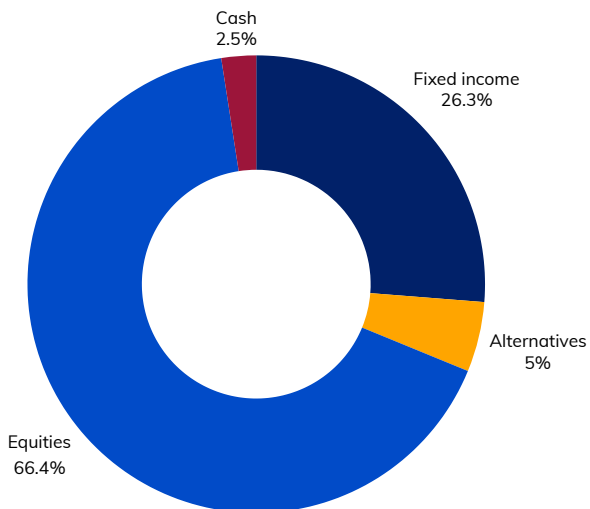


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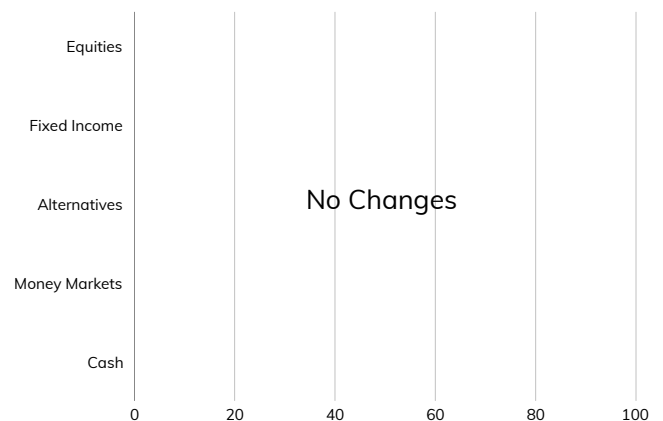


04 Asset allocation

VT Esprit Tactical Growth

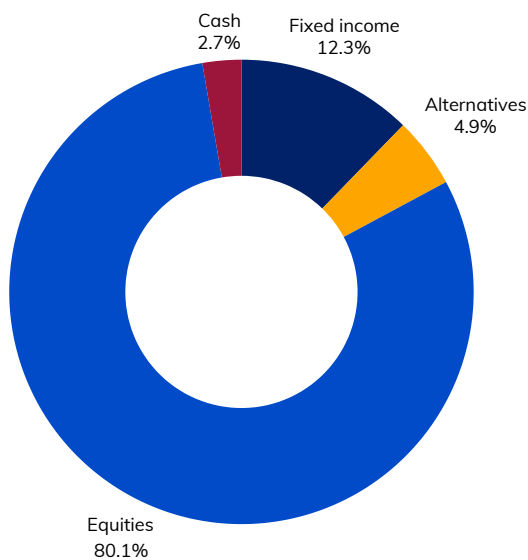


Asset allocation

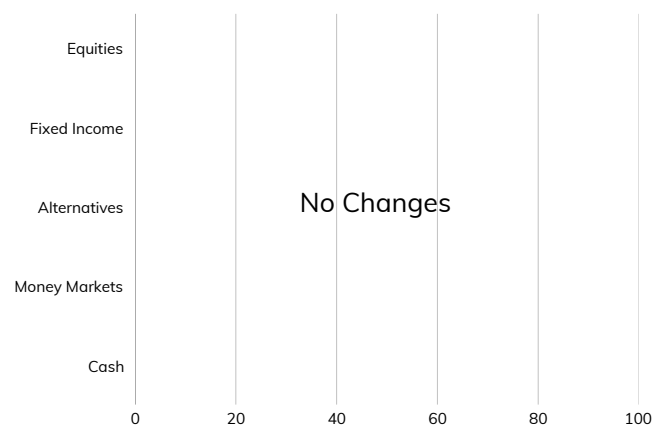


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VT Esprit Tactical Alpha Plus



Asset allocation

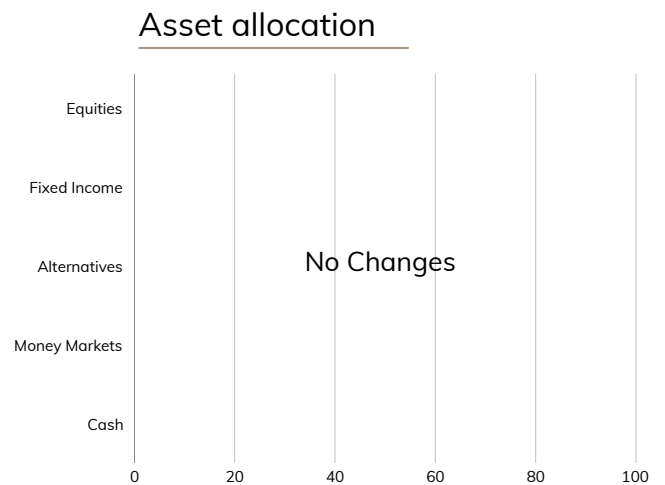
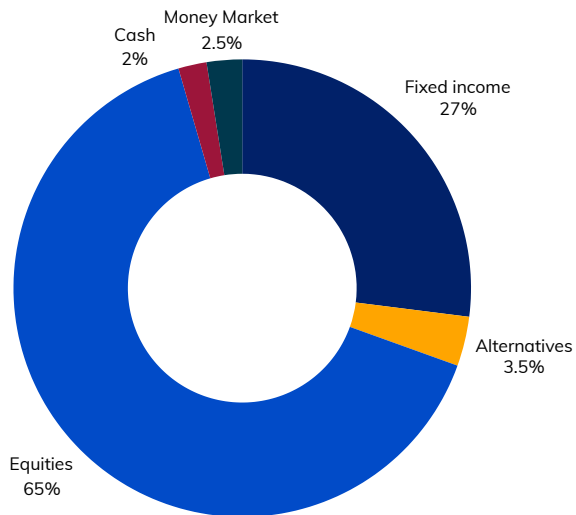


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05 Asset allocation

VT Esprit Sustainable Growth



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06 What is the outlook?

Overall, we remain positive about the outlook for financial markets, although continued economic expansion will be crucial to justifying valuations in some parts of the equity market. After the recent move higher in yields, bonds look relatively more attractive and should help offset equity market weakness in the event of growth or geopolitical shocks.

Donald Trump's victory in the US election does pose risks and has led to elevated policy uncertainty, in particular with respect to trade tariffs and the potentially inflationary impact of some policies. At this stage we think his pro-growth agenda – manifested in corporate tax cuts and deregulation – is likely to outweigh the more negative policies. In practice, we think it is unlikely Trump will implement the more extreme elements of his agenda.

The one quasi certainty is that there will be surprises in both economies and in markets, even if there are fewer electoral events scheduled than in 2024. Diversification, as ever, will remain key to successfully navigating the year ahead.





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