

Investment update

February Review



01 What happened in markets

US equity markets underperformed over the month. The S&P 500 Index returned -2.63%, while US Small Caps proxied by the S&P SmallCap 600 Index returned -6.97%, both in GBP terms. The US administration's stance on tariffs and some signs that US economic data is weakening have begun to question US exceptionalism. Whilst the market had assumed that Trump would be reluctant to tolerate much in the way of stock market weakness, this is being re-appraised given the President's recent comments that short-term pain may be required to achieve his longer-term goals.

European equities were positive over the month, with the MSCI Europe ex-UK Index returning 1.58%. Economic data here has been somewhat more positive than expected, whilst news of potential very large German spending on infrastructure and defence has acted as a very positive catalyst. The prospect of an end to the war in Ukraine is also generating renewed interest in European equities.

Whilst bonds have delivered reasonable returns YTD, most of this came in February. Over the month, US Treasuries outperformed both Gilts and European Government bonds. Credit was also positive, across both investment grade and high yield.

*All returns in Sterling. Source: Morningstar direct



02 What did we do in the funds?

In VT Esprit Careful Growth and VT Esprit Tactical Balanced, we continued to increase our exposure to gold. The asset class offers a diversified source of returns and remains appealing in a world of rising geopolitical tensions.

Across VT Esprit Tactical Balanced, VT Esprit Tactical Growth, and VT Esprit Tactical Alpha Plus, we increased our exposure to European equities on several occasions. There is positive momentum behind Europe and the prospect of looser fiscal policy and an end to the war in Ukraine could be a meaningful tailwind in the near term.

We also introduced an S&P US Equal Weighted fund to diversify our exposure away from the large-cap technology stocks which dominate US large-cap indices.

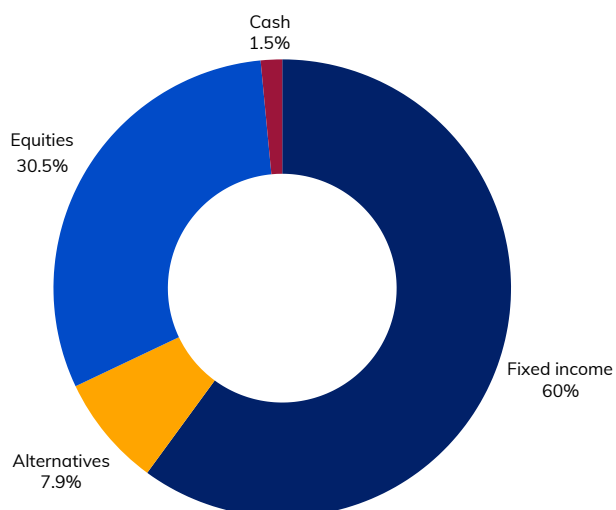


So far, this has been a relatively successful investment. Again, this was done incrementally and opportunistically over the month.

In VT Esprit Tactical Alpha Plus we introduced a new fund, the Redwheel UK Equity Income fund. The fund is focussed on uncovering undervalued opportunities in the UK and provides useful diversification to US equities.

03 Asset allocation

VT Esprit Careful Growth



Fund Changes

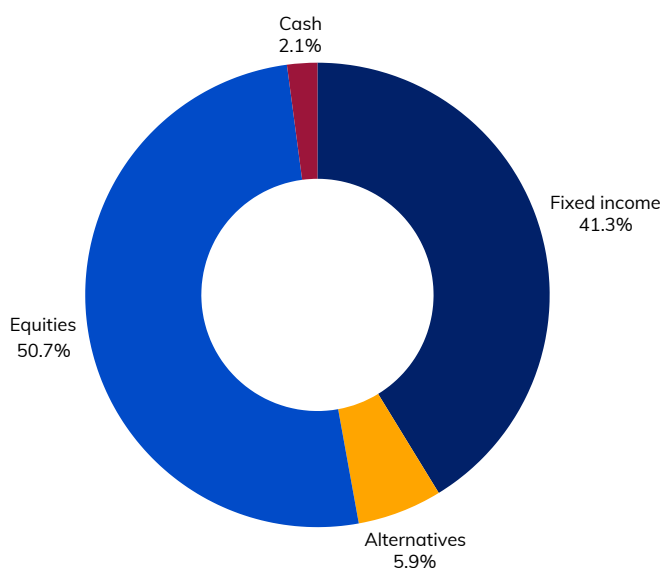
Bought/Increased

- Amundi MSCI Emerging Markets ETF
- BNY Mellon Efficient Global High Yield Beta
- Invesco MSCI USA
- Invesco Physical Gold ETC
- Vanguard FTSE 100 Index

Sold/Decreased

- L&G Index Linked Gilts Index
- Montanaro UK Income

VT Esprit Tactical Balanced



Fund Changes

Bought/Increased

- Amundi MSCI Emerging Markets
- Artemis Short Duration Strategic Bond
- BNY Mellon Efficient Global High Yield Beta
- HSBC European
- Invesco Physical Gold ETC
- L&G S&P 500 US Equal Weight
- Vanguard FTSE 100 Index

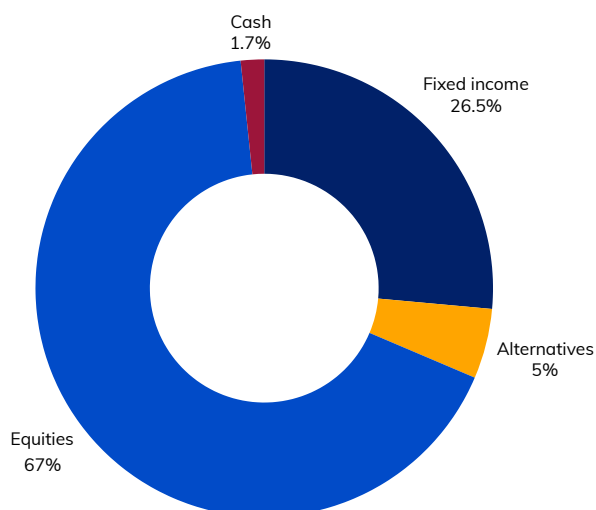
Sold/Decreased

- AXA Global Strategic Bond
- HSBC Pacific Index
- Montanaro UK Income



04 Asset allocation

VT Esprit Tactical Growth



Fund Changes

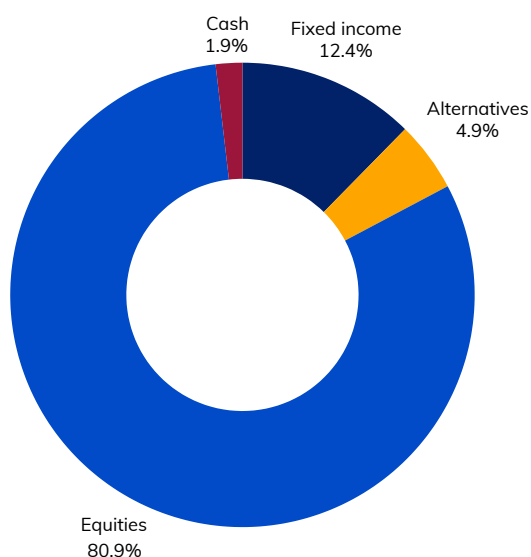
Bought/Increased

- Amundi MSCI Emerging Markets ETF
- Artemis Short Duration Strategic Bond
- BNY Mellon Efficient Global High Yield Beta
- HSBC European
- Invesco MSCI USA ETF
- L&G S&P 500 Equal Weight Index
- Montanaro Global Select
- Vanguard FTSE 100 Index

Sold/Decreased

- iShares Corporate Bond Index
- Montanaro UK Income
- Vanguard US Government Bond Index
- HSBC Pacific Index

VT Esprit Tactical Alpha Plus



Fund Changes

Bought/Increased

- Amundi MSCI Emerging Markets ETF
- BNY Mellon Efficient Global High Yield Beta
- HSBC European Index
- L&G S&P 500 Equal Weight Index
- Redwheel UK Equity Income
- Vanguard FTSE 100 Index

Sold/Decreased

- HSBC Pacific Index
- Montanaro UK Income

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



06 What is the outlook?

Patience may be required over 2025 while investors digest the implications of President Trump's agenda, not to mention the daily ratcheting up and down of trade tensions. The market dislikes uncertainty and some clarity on the economic outlook of the US, and in particular, some policy stability would be welcome.

Technology stocks are undergoing a correction in sentiment and valuation that could persist, even if the market gets better news on the economic and policy front.

At this stage, we're not making any major changes to our overall asset allocation. We're prioritising diversification within the portfolio to protect our investors against the major risks we have identified.





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