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ASSET MANAGEMENT

VT Blackfinch Cautious Portfolio Fund Factsheet

July 2024

Signatory of:

PRI Principles for Responsible Investment

Targeting CPI +2%

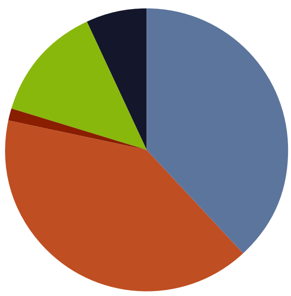
per annum, over a rolling 5 year basis net of fees.

Investment Objective

The Cautious portfolio is designed to achieve a total return in excess, of the Consumer Price Index plus 2% per annum, over a rolling 5 year basis net of fees. The portfolio is globally diversified and contains multi asset investments including fixed income, equities, property, alternatives and cash. Exposure to fixed income, equities, property, alternatives is via collective investment schemes. There is no guarantee that the objective will be met or that a positive return will be delivered over any time period. Capital at risk.

Asset Allocation (as at 31/07/2024)

Fixed Income	**38.27%**
Equities	**40.09%**
Property	**1.50%**
Alternatives	**13.33%**
Cash & Equivalent	**6.81%**



Tactical Deviation

Fixed Income	**2.77%**	Overweight
Equities	**0.09%**	Overweight
Property	**-3.50%**	Underweight
Alternatives	**-1.17%**	Underweight
Cash & Equivalent	**1.81%**	Overweight

Market Commentary

July was yet another action-packed month for global investment markets. Investors tackled a slew of political news flow, from the attempted assassination of US presidential candidate Donald Trump to President Joe Biden agreeing to step aside following pressure from Democrats, with Vice-President Kamala Harris becoming the Democrat's favoured candidate. In the UK, there was a widely anticipated change of political leadership. Sir Keir Starmer's Labour Party appeared to offer a level of stability for the UK, bolstering the case for it becoming a more attractive proposition to overseas investors.

Central bankers offered some cheer for investors. In the US, inflation moved closer to the Federal Reserve's (Fed) 2% target, and although interest rates were left unchanged at the Fed's July meeting, commentary from Fed Chair Jerome Powell raised prospects of a first cut in September. The Bank of Japan (BoJ) opted for an increase in its main policy rate to 0.25% from a range of 0%-0.1%, a move that surprised Japanese investors. For context, only 30% of traders were pricing in a hike as their base case scenario. The move suggests the BoJ is determined to normalise monetary policy in line with other developed economies. Finally, positive sentiment in the UK was further boosted by expectations of a 0.25% Bank of England interest rate cut in early August.

Despite the political noise and mixed economic news increasing volatility, it was, in fact, the earnings results from the world's largest technology companies – dubbed the "Magnificent Seven" – that were the centre of attention in July. Some of the seven released trading updates that raised more questions than answers. Many of these companies have committed billions of dollars into artificial intelligence (AI), without yet seeing a justifiable return on investment. This scepticism took hold and triggered a sell-off for these large-cap tech companies, with some market participants arguing it was well overdue due to already lofty valuations.

Performance

3 months	**2.31%**
6 months	**4.00%**
12 months	**8.55%**
Since Inception*	**16.58%**

Past performance is no guarantee of future performance.

**Date of inception: 1st May 2020.*
All Blackfinch unitised fund performance figures are quoted net of AMC and fund OCFs.
The above performance is that of the F Accumulation Share Class.

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Portfolio Holdings (as at 31/07/2024)

Vanguard - FTSE 100 Index	5.03%
CanLife - Sterling Liquidity	5.01%
Man GLG - Sterling Corporate Bond	4.60%
TM Tellworth - UK Select	4.52%
HSBC - European Index	4.49%
PIMCO - Income	4.49%
Liontrust - Sustainable Future Monthly Income Bond	4.10%
Capital Group - Global High Income Opportunities	4.02%
Vanguard - Global Bond Index	4.02%
Vanguard - US Government Bond Index	4.02%
Vanguard - UK Government Bond Index	4.01%
JPM - US Equity Income	4.00%
Brown Advisory - US Sustainable Growth	3.99%
Jupiter - Japan Income	3.97%
JPM - Global Macro Opportunities	3.60%
iShares - Corporate Bond Index (UK)	3.50%
JPM - Emerging Markets Sustainable Equity	3.20%
Ninety One - Diversified Income	3.20%
Fidelity - Asian Dividend	3.19%
LF Montanaro - UK Income	3.03%
Rathbone - Ethical Bond	3.01%
iShares - US Equity Index	3.00%
iShares - ESG Overseas Corporate Bond Index (UK)	2.50%
Man GLG - Continental European Growth	2.50%
Comgest - Growth Japan	2.19%
BNY Mellon - Global Dynamic Bond	2.01%
Blackfinch - NextGen Infrastructure	1.50%
Blackfinch - NextGen Property Securities	1.50%
Cash	1.80%

All data as at 31 July 2024, unless specified otherwise.

This Month's Activity

Seven months into 2024 and it has still been a strong year for equity markets. However, the sands shifted under investors' feet over the month, with the period now being dubbed 'the Great Rotation'. The rotation came two-fold. First, markets were buoyed by prospects that central bankers could increase the amount of interest rate cuts, and there has been a broadening out of investment into interest rate-sensitive sectors such as smaller companies and real estate. Second, investors have grown increasingly impatient with tech companies' efforts to profit from their massive investments in AI, triggering a rotation out of the names that had done so well previously. As a consequence, smaller companies dominated returns in July by the widest margin in decades, and our recent trading activity captured much of this trend.

For bond markets, it felt as though investors were finally rewarded for their patience as interest rate cuts came to the fore. With rate cuts being priced into markets, bond yields began to fall, and prices subsequently climbed. The ten-year UK government bond (Gilt) paid 3.97% at the end of July, compared with 4.17% the same time last month, while the ten-year US Treasury bond offered 4.03% compared with 4.4% at the end of June. The ten-year Japanese government bond stayed level for the month at 1.05%.

Please note: EValue risk tolerance scores are based on a 10-year time horizon. The mappings are only for use by financial advisers licensed to use EValue's risk profiling system and does not constitute financial advice.

Risk 1 - 5 3
Risk 1 - 7 4
Risk 1 - 10 6

Portfolio Information

Class S Accumulation Share ISIN	Class S Management Fee	Class S Underlying fund charges
GB00BLF82D26	0.55%	0.50%
Class F Accumulation Share ISIN	**Class F Management Fee**	**Class F Underlying fund charges**
GB00BKP3DX73	0.45%	0.50%

Estimated Annual Income Yield	Number of holdings
3.08%	28

Investment Directors

Gareth Deacon and Alex Sumner co-manage the Blackfinch Asset Management multi-asset portfolio range. Combined they have over 25 years' experience in investment management. They bring expertise in the construction of mainstream investment products, managing private client portfolios and working closely with financial advisers. Each is a chartered fellow of the Chartered Institute for Securities & Investment.

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Responsible Investing from Blackfinch Asset Management

Creating long-term value across investee companies

We believe acting responsibly is core to businesses' future success. Investing in firms who can demonstrate this value can offer an investor superior returns over the longer-term. There's a positive correlation between firms which improve on factors, such as higher operational efficiency and enhanced risk management, and share-price performance. We prioritise investments where there's enhanced engagement on these factors and responsible values. By doing this, we can help support fund managers who exercise their power to help drive these factors to positively shape the way such businesses are run.

We invest with a **core focus** on the UN Global Compact Principles

Extensive due diligence across multiple factors to identify sound business fundamentals, accounting for the 10 UNGC principles, where possible

We take a forward-looking approach to investment selection using positive screening

We encourage 'engagement' with both 'leaders' and 'improvers' for positive outcomes

We're committed to transparency on our multi-factor screening process and reflect this in our investment approach

Positive Screening Approach

We have a duty of care to all our stakeholders, whether its tech startup founders, financial advisers, retail investors, borrowers, brokers, developers, operators, industry bodies, our own employees or institutional investors. Our actions need to ensure that we all thrive, both now and in the long-term. We assess multiple factors in investments, including risks to society, the environment, financial sustainability and more. We look for firms with well thought-out responsible business practices and policies in place, and continue to seek out fund managers who invest in firms that can deliver improved long-term future prospects. It's not just about recognising what's being done by businesses today. We're focused on encouraging firms to keep the future impact at the forefront of their work.

Responsible investing in action

IMPROVING COMPANY MARGINS THROUGH 'HEALTHIER' PRODUCTS

There has been a stark shift in global food production over recent decades, as consumer demand has shifted in favour of health-conscious lifestyles for living longer. Therefore, selling healthier food products can improve a company's profit margins with consumers willing to pay premium prices for higher-quality, more nutritious products. One of the activity equity strategies we invest in has engaged with one of the world's largest wholesale food providers, to discuss adopting a government-endorsed nutrient profiling model. The objective of the engagement was to capture this trend, meet best practice, and increase the proportion of healthier food sales.

The engagement took place over several years, and was initially met with resistance. However, the activity equity strategy's investment team joined with other shareholders in the company to highlight the regulatory risk associated with depending on sales of unhealthy food products. Since then, there has been continued dialogue with subject matter experts at the company, which announced new sales targets and efforts to increase the production of more nutritious food products by 50% by 2030. Though this target fell short of the investment team's preferred target of a proportional increase in healthier food sales, it represents progress on this topic and reflects the impact of constructive engagement with shareholders.