Fund performance update

This commentary covers the 12 months to 31 March 2021

This reporting period occurred during the Coronavirus outbreak and covers the impact Coronavirus has had on the markets.

The 12-month period was dominated by the world trying to cope with a human and economic crisis – the COVID-19 pandemic. Positive progress with vaccine development and deployment boosted confidence for the future, which helped most markets generate positive returns by the end of the period. Most markets returned largely back to the position they had been prior to the significant falls experienced a year ago in March 2020.

Recovery for global markets:

The pandemic continued to put strain on economies around the world, and new variants of the virus added further uncertainty. However, many markets were underpinned by government support and confidence improved as the COVID-19 vaccination programmes were rolled out. In addition, many areas of the economy have largely adapted to this constrained environment.

Having fallen sharply (below $20 per barrel) in Q1 2020, oil prices rose notably through the period, and are back up above $60, helping the recovery of oil producing countries and the companies involved in the industry.

A Joe Biden presidency was warmly received, with markets buoyed by the prospect of a calmer geopolitical outlook and further government support. With the possibility of a 'no-deal' Brexit looming large, the UK and European Union finally reached an agreement at the end of December 2020. Markets responded positively to the news.

Equities rose, as optimism prevailed:

Following a difficult start, with a recession officially declared in August, UK shares recovered during the second half of the period and rose overall. Positively viewed US election results and vaccine developments drove a strong recovery, further boosted by the last-minute Brexit trade deal.

US equities rebounded during the review period. Following two months of weak performance – which stemmed from uncertainty surrounding the presidential election and further stimulus programmes – US stocks rose strongly, particularly in November. They ended the year at new all-time highs, as outgoing President Trump finally signed the new $900 billion stimulus package.

European shares finished higher over the period despite gloomy economic data, a spike in COVID-19 cases and the reimposition of lockdown restrictions. Positive vaccine announcements, the sign off of the landmark €1.8 trillion EU budget and stimulus package, and a last-minute Brexit deal all supported markets. Returns were tempered by concerns about rising COVID-19 cases, mutating variants and slower vaccine rollouts across Europe during the first quarter of the year.

Asia Pacific stocks rose strongly over the review period, outperforming other markets. The positive sentiment was driven by a weaker US dollar, which is generally positive for developing economies. Investor optimism stemming from promising vaccine news and positive reaction to US stimulus plans also helped share prices. The Asia Pacific region did not generally suffer the resurgence in COVID-19 cases seen in other areas. Therefore, the region's economies benefited from less-strict lockdown rules.

Emerging market stocks performed well over the review period, outperforming developed markets. Emerging markets were driven by a weaker US dollar, vaccine developments and the improving geopolitical outlook.

Demand for bonds fell towards the end of the period:

Corporate bond markets performed well for much of the period, due to positive news from the US presidential elections, vaccine news, government stimulus programmes and the Brexit deal. Central bank policy was also supportive, with many of the major central banks committing to purchasing corporate bonds. UK Government bonds (gilts) saw a more mixed performance, with prices generally rising in the third quarter of 2020.

However, in the first quarter of 2021 gilts and bonds fell in value due to rising inflation expectations and what that means for future interest rates. With the government unleashing unprecedented spending to prop up the economy, there is greater risk of inflation and increased likelihood that the next move in interest rates will be up, which pushes down the prices of bonds which pay a fixed level of interest.

Annual returns					Returns from £10k investment
March 2016 to March 2017	March 2017 to March 2018	March 2018 to March 2019	March 2019 to March 2020	March 2020 to March 2021	March 2016 to March 2021
Bond and Gilt Fund					
4.9%	**-1.6%**	**3.9%**	**3.1%**	**0.0%**	**£11,065**
Benchmark*					
6.9%	-0.5%	4.6%	3.9%	0.8%	
Bond, Gilt and UK Share Fund					
12.2%	**-0.7%**	**4.2%**	**-7.0%**	**11.2%**	**£11,998**
Benchmark*					
13.4%	0.7%	5.3%	-5.8%	11.9%	
Bond, Gilt, UK and Overseas Share Fund					
19.5%	**-0.2%**	**4.9%**	**-10.3%**	**21.3%**	**£13,612**
Benchmark*					
20.7%	1.6%	6.1%	-9.4%	22.2%	
Virgin UK Index Tracking Trust					
20.8%	**0.7%**	**4.9%**	**-19.1%**	**26.5%**	**£13,054**
Benchmark*					
22.0%	1.2%	6.4%	-18.5%	26.7%	
Global Share Fund					
29.5%	**2.4%**	**2.9%**	**-12.6%**	**35.1%**	**£16,088**
Benchmark*					
30.9%	5.1%	4.7%	-11.8%	36.6%	
Climate Change Fund					
11.6%	**9.9%**	**2.4%**	**-13.3%**	**39.7%**	**£15,205**
Benchmark**					
19.6%	2.0%	4.3%	-13.3%	34.5%	

Source: Lipper, year on year, 31.03.16 to 31.03.21, bid to bid with net income reinvested.

*The benchmark is the stock market index (or 'indices' if more than one) that the fund tracks. The fund benchmark doesn't include the cost of the ongoing charges, but our fund performance does. The index/indices which make up the benchmark are as follows:

Bond and Gilt Fund consists of 50% the FTSE 5-15 Year Gilt Index and 50% the Bank of America Merrill Lynch 5-15 year AAA-A Non Gilt Index.

Bond, Gilt and UK Share Fund consists of 50% FTSE All Share index, 18.5% Bloomberg Barclays UK Gilt Index, 13% Bloomberg Barclays UK Gilt 1-5 year index, 9.25% FTSE 5-15 year Gilt Index and 9.25% Bank of Merrill Lynch 5-15 year AAA-A Non gilt index.

Bond, Gilt, UK and Overseas Share Fund consists of 50% FTSE All-Share Index, 6.5% FTSE World North America Index, 6.5% FTSE All World Developed Europe ex UK Index, 6% FTSE Japan Index, 6% FTSE All World Developed Asia Pacific ex Japan Index, 6.5% Bloomberg Barclays UK Gilt Index, 9.25% FTSE 5-15 Year Gilt Index, and 9.25% Bank of America Merrill Lynch 5-15 Year AAA-A Non-Gilt Index.

Index Tracking Trust/FTSE consists of 100% FTSE All-Share Index.

Global Share Fund consists of 25% FTSE All-Share Index, 12.5% FTSE World North America Index, 12.5% FTSE All World Developed Europe ex UK Index, 12.5% FTSE Japan Index, 12.5% FTSE All World Developed Asia Pacific ex Japan Index, and 25% MSCI Emerging Markets Index.

The benchmark is the stock market index that the **Climate Change Fund tries to outperform and consists of the MSCI Europe Index.

Remember, past performance is not a reliable guide to the future. The value of your investment can go down as well as up, and you may get back less than you invest. This is a medium to long term investment so you should be prepared to invest your money for at least 5 years.

Fund performance update – 12 months to 31 March 2021

The Virgin Money funds that invest solely or predominantly in shares finished the period positive as equity markets recovered from the falls caused by COVID-19 impacts. Virgin Money Bond and Gilt Fund was flat for the period, as earlier gains were negated by increasing expectation that that next move in interest rates would be up.

The **Bond and Gilt Fund** is our lowest risk fund, investing in UK government bonds (known as gilts) and high quality UK corporate bonds. Government bonds (gilts) and corporate bonds performed positively for much of the period following the cut in interest rates in March 2020 (0.75% to 0.10%) with demand remaining strong. However, in the first quarter of 2021 gilts and bonds fell in value due to rising inflation expectations and what that means for future interest rates. This meant the fund ended up back where it started the 12 months, posting a 0.0% return.

The **Bond, Gilt and UK Share Fund** is a 50/50 blend of UK shares and high quality bonds, offering greater potential for returns than the Bond and Gilt Fund, but with added risk. The 12 month period was dominated by the world trying to cope with a human and economic crisis – the COVID-19 pandemic. Positive progress with vaccine development and deployment boosted confidence for the future, which helped UK shares rebound from the falls suffered at the start of the pandemic. However, in the first quarter of 2021 gilts and bonds fell in value due to rising inflation expectations and what that means for future interest rates. The negative bond and gilt performance in the first quarter of 2021 was not enough to outweigh positive UK shares performance, resulting in an 11.2% return for the 12 months.

The **Bond, Gilt, UK and Overseas Share Fund** is a 75/25 blend of shares (UK and overseas) and high quality Sterling denominated bonds. The 12 month period was dominated by the world trying to cope with a human and economic crisis – the COVID-19 pandemic. Positive progress with vaccine development and deployment boosted confidence for the future, which helped UK and overseas shares rebound from the falls suffered at the start of the pandemic. The negative bond and gilt performance seen in the first quarter of 2021 did not outweigh positive shares performance, resulting in the fund finishing the period up 21.3%.

The **UK FTSE All-Share Fund** invests in 600+ of the largest companies in the UK. During a period of considerable political, economic and social upheaval, investors grappled with Brexit-related uncertainty and the economic fallout from the coronavirus pandemic. The pandemic continued to put strain on economies around the world throughout the 12-month period, and new variants of the virus added further uncertainty. However, the UK, as with many other markets, was underpinned by government and central bank support. Confidence improved as COVID-19 vaccination programmes were rolled out. In addition, many areas of the economy have largely adapted to this constrained environment. This allowed UK shares to rebound strongly from the falls suffered at the start of the pandemic, resulting in the fund ending the period up 26.5%.

The **Global Share Fund** invests 25% in UK shares, 25% in shares of companies in emerging markets (such as China and India) and 50% in overseas shares. Over the period, share markets across the world recovered strongly following the falls in Q1 2020 relating to COVID-19. Shares in the US reached new highs, with the S&P 500 closing above 4,000 for the first time – the technology sector in particular performing strongly over the last year. The allocation to emerging markets was also a strong positive, up over 40% when translated into GBP. In comparison, the return from UK shares (26%) was more modest compared to overseas markets, with the large oil companies down 5% in aggregate. Overall the fund returned 35.1% after charges over the 12 month period, which represented a good recovery from the falls of early 2020.

The **Climate Change Fund** is actively managed and invests in companies with lower-than-average carbon footprints, and companies leading the way in developing and adopting green technologies. As the COVID-19 crisis developed, zero exposure to oil stocks and airlines insulated the fund from some of the more dramatic falls early in the period, and the fund enjoyed steady growth through the last six months. President Biden's election victory brought the promise of massive, environmental-focused stimulus spending to come in the US, with Biden confirming the US return to the Paris climate agreement within hours of becoming President. The fund returned 39.7% for the 12 month period, ahead of the MSCI Europe benchmark (34.5%).

The 12-month performance figures shown are calculated from 31.03.20 to 31.03.21, after the impact of fees and on an income reinvested basis.