

May 2022

Virgin Money Bond and Gilt Fund update

Because you invest in our Bond and Gilt Fund through an ISA or unit trust, we want to let you know how it's doing.

As you know, we're going through a time of rising inflation which is now pushing up interest rates. This fund invests in bonds and gilts (gilts are bonds issued by the UK government) and the returns from bond and gilts are particularly susceptible to these types of economic changes.

With this in mind, we thought you'd like some information about how it's performing to help you decide if this fund's still right for you.

How the fund's performed

While the longer-term performance had been good until last year – averaging 3.6% over the 10 years until end of March 2021 – that was during a period of low, relatively stable interest rates. Performance over the past 12 months hasn't been so good though – a return of -5.5% up until end of March 2022.

This fall in value over the past year was caused by rising inflation and the knock-on effect of higher interest rates, and the expectation that more interest rate rises will follow. It's important to remember that the rate of income from bonds is usually fixed upfront for the life of the bond. So, when interest rates rise, their fixed income becomes less attractive compared to other types of investing and their value usually falls.

Changes we're going to make

To help the fund's performance, we're looking at changes we can make while keeping it fully invested in bonds. These would include investing in more types of bonds and moving away from a fixed 50/50 split between bonds and gilts.

Although the fund will still be susceptible to lower returns because of rising interest rates, these changes will hopefully lessen the impact. We don't have a date for making these changes, but we'll let you know when we do. They will need to be approved by our regulator, the Financial Conduct Authority.

Continued overleaf...

So what does that mean for you?

You might be invested in this fund alongside other funds or shares you own directly. That way, you've got a more diversified investment portfolio which spreads your risk – because any fall in the value of this fund could be offset by rises elsewhere. Or in other words, your eggs are not all in one basket.

However, you might be invested in just the Bond and Gilt fund. Maybe you chose the fund as a lower risk option for growth, or for the income it generates. If most or all of your investments are in our Bond and Gilt Fund, you might wish to consider whether a more diversified approach to investing would be more suitable.

You can read about our other funds on our website. Bear in mind that they have a higher risk/return potential compared to our Bond and Gilt Fund. So, while they're less susceptible to losing value because of rising interest rates, the investment risk is higher because they invest partly or fully in shares.

If you're unsure whether you should stay invested in the Bond and Gilt fund, you might want to consider getting financial advice. You can find a financial adviser at [unbiased.co.uk](https://www.unbiased.co.uk).

What happens next?

We'll be in touch again when we have more news about changes to this fund. We'll also write to you later this year about some bigger changes we're making to our investment service, which we're really excited about.

While we can't give you advice about what's right for you, if you have any questions or want more information, call us on **03456 10 20 30*** and we'll do all we can to help. We're here between 8am to 9pm Monday to Friday, and 9am to 6pm on Saturdays.

The team at Virgin Money

*Calls may be monitored and recorded. Calls to 03 numbers cost the same as calls to 01 and 02 numbers and they are included in inclusive minutes and discount schemes in the same way.

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