Fund performance update

For the first half of the 12 month period most stock markets showed strong growth before experiencing relatively sharp falls in February. This was largely due to concerns at the time that interest rates in both the UK and the US were likely to increase sooner and by more than had been expected. Most stock markets subsequently recovered from that point to show relatively strong positive performance overall.

The UK stock market performance was strong for the first half of the period due to the historically weak pound (which helped large exporting companies), the rising price of oil and the low interest rate environment which helped increase the demand for shares. The UK FTSE All-Share Index fell back in February, due to interest rate concerns, which impacted the demand for shares and saw a short-lived increase in the value of the pound. However, the FTSE bounced back to hit new historical highs in May as the pound weakened, especially against the strengthening US dollar.

For much of the period European stock markets followed a similar pattern to the UK with the French and Italian stock markets finishing the period ahead of where they started. This was despite political uncertainty created by a prolonged government election process in Italy. However, not all of Europe performed positively, with the German and Spanish stock markets finishing the period behind where they had started.

Stock markets in Asia were some of the strongest performers overall with Japan and Hong Kong leading the way. Positive emerging markets performance was noted mainly in Brazil and India, due to the rising price of oil for much of the period. On the other hand, the Chinese stock market fell as a tariff trade war with the US escalated during the period.

Bond market performance was less volatile than stock market performance but did end the period marginally lower overall. This was largely due to the higher demand for shares through much of the period as well as rising interest rates, such as in the UK where in November, the Bank of England (BoE) base rate was raised for the first time since 2007 and in June the US Federal Reserve (US Fed) raised the US interest rate by 0.25%. Rising interest rates led to less demand and therefore a fall in the value of bonds already in issue as the interest rates they pay are fixed when they are issued.

Annual Returns					Returns from £10k investment
June 2013 to June 2014	**June 2014 to June 2015**	**June 2015 to June 2016**	**June 2016 to June 2017**	**June 2017 to June 2018**	**June 2013 to June 2018**
Bond and Gilt Fund					
-1.6%	6.2%	8.8%	0.4%	-0.1%	**£11,778**
Bond, Gilt and UK Share Fund*					
6.6%	3.2%	4.2%	8.1%	3.7%	**£12,848**
Bond, Gilt, UK and Overseas Share Fund*					
8.4%	4.1%	4.7%	15.2%	5.2%	**£14,320**
UK FTSE All-Share Fund					
11.9%	1.8%	1.4%	16.9%	8.0%	**£14,579**
Global Share Fund*					
6.6%	3.8%	5.0%	23.5%	6.0%	**£15,225**
Climate Change Fund					
14.1%	6.0%	-8.9%	18.3%	9.8%	**£14,320**

Source: Lipper, year on year, 30.06.13 to 30.06.18, bid to bid with net income reinvested.

*We launched a range of new funds in February 2015. For the period before February 2015, to help you compare it with other funds we have replicated the performance of the markets the funds invest in using simulated data, to give an indication of what the performance may have been prior to its launch. The data before 17.02.15 is simulated data. The performance data from 18.02.15 to 30.06.18 is actual fund data.

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 June 30 2018

Most Virgin Funds showed positive returns over the past 12 months.

The **Bond and Gilt Fund** is our lowest risk fund investing in UK government bonds (known as Gilts) and high quality UK corporate bonds and is directly influenced by changes in interest rate expectations. Overall fund performance was negative for the 12 months, returning -0.1%**. Performance was marginally negative as demand for stock market investments for much of the period depressed the demand for lower risk investments. The UK BoE and US Fed both raised interest rates during the period which lead to less demand and therefore a fall in the value of bonds already in issue, as the interest rates they pay are fixed when they are issued.

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. UK bond performance was negative as demand for stock market investments and BoE and US Fed interest rate rises depressed the demand for lower risk investments. However, the positive performance of UK shares – largely due to a rising oil price and the historically low value of the pound – resulted in overall positive fund performance for the 12 months returning 3.7%**.

The **Bond, Gilt, UK and Overseas Share Fund** is a 75/25 blend of shares (UK and overseas) and high quality bonds. UK bond performance was negative as demand for stock market investments for much of the period depressed the demand for lower risk investments and interest rate rises lead to less demand. However, positive performance of overseas and UK shares – largely due to a rising oil price and the historically low value of the pound – resulted in overall positive returns of 5.2%** for the 12 month period.

The **UK FTSE All-Share Fund** invests in 600+ of the largest companies in the UK. The fund generated a positive return for the 12 months overall of 8.0%**. Both the fund and the FTSE hit new historical highs, not least because of the historically weak pound (which helped large exporting companies), the rising price of oil and the low interest rate environment which helped increase the demand for shares.

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. The fund generated a positive return of 6.0%** over the 12 months. UK shares performed strongly for the first half of the period, then after a February fall bounced back to finish positively, as did many global stock markets. The positive performance of global shares was largely due to many foreign currencies becoming stronger against the pound during the period. This meant that fund performance benefited when the value of the developed and emerging market stocks were converted into pounds as well as the rising price of oil.

The **Climate Change Fund** is actively-managed and invests in companies with lower than-average carbon footprint and companies leading the way in developing and adopting green technologies. The fund generated a positive return of 9.8%** over the 12 months benefiting from the positive performance of many overseas stock markets as well as positive stock selection.

** The 12 month performance figures shown are calculated from 30.06.17 to 30.06.18, after the impact of fees and on an income reinvested basis.