

Fund performance update

For the majority of the period, stock markets showed strong growth. The UK stock market regularly set new all-time highs during the 12 months largely 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. However, from early February, the UK stock market fell back and overall finished lower than where it started 12 months previously. The drop was largely due to concerns that interest rates in both the UK and US were likely to increase sooner and by more than had been expected which impacted the demand for shares and saw an increase in the value of the pound.

Outside of the UK, the majority of global stock markets also performed very strongly for much of the period and themselves set all-time highs before falling back in early February. Unlike the UK however, many global stock markets did finish the 12 month period, higher than where they had started.

Stock markets in Asia were some of the strongest performers overall despite also falling during February, with Japan and Hong Kong leading the way. Emerging markets performance was again led by Brazil and Russia due to the rising price of oil for much of the period while on the other hand the Chinese stock market fell.

Bond market performance was less volatile than stock market performance but did end the period lower overall. This was largely due to the higher demand for shares through much of the period as well as rising interest rates around the world such as in the UK where in November, the Bank of England base rate was raised for the first time since 2007. Rising interest rates 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.

Annual Returns					Returns from £10k investment
March 2013 to March 2014	March 2014 to March 2015	March 2015 to March 2016	March 2016 to March 2017	March 2017 to March 2018	March 2013 to March 2018
Bond and Gilt Fund					
-3.3%	10.9%	1.4%	4.9%	-1.6%	£11,229
Bond, Gilt and UK Share Fund*					
2.4%	7.4%	-2.2%	12.2%	-0.7%	£11,976
Bond, Gilt, UK and Overseas Share Fund*					
4.2%	10.3%	-3.5%	19.5%	-0.2%	£13,212
UK FTSE All-Share Fund					
7.7%	5.6%	-4.6%	20.8%	0.6%	£13,189
Global Share Fund*					
1.0%	12.7%	-6.3%	29.4%	2.4%	£14,144
Climate Change Fund					
13.9%	9.5%	-10.5%	11.6%	9.8%	£13,693

Source: Lipper, year on year, 31.03.13 to 31.03.18, bid to bid with net income reinvested.

*We launched a range of 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 31.03.18 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 March 31 2018

Most Virgin Funds showed negative 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 -1.6%**. Performance was negative as demand for stock market investments for much of the period depressed the demand for lower risk investments as did the UK interest rate rise in November (the first UK interest rate rise since 2007) and growing expectations that interest rates will rise sooner and by more than had been expected.

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. Overall fund performance was negative for the 12 months returning -0.7%**. Both UK shares as well as UK bonds performed negatively for the period overall due to growing expectations that interest rates will rise sooner and by more than had been expected. This was despite UK shares performing positively for much of the period largely due to a rising oil price and the historically low value of the pound.

The **Bond, Gilt, UK and Overseas Share Fund** is a 75/25 blend of shares (UK and overseas) and high quality bonds. Overall fund performance was negative for the 12 months returning -0.2%**. Both UK shares as well as UK bonds performed negatively for the period overall due to growing expectations that interest rates will rise sooner and by more than had been expected. This was despite UK shares performing positively for much of the period largely due to a rising oil price and the historically low value of the pound while overseas shares did perform positively for the period overall.

The **UK FTSE All-Share Fund** invests in 600+ of the largest companies in the UK. The fund had performed well for much of the period due to the rising price of oil and the pound falling in value before growing expectations that interest rates will rise sooner and by more than had been expected led to the UK stock market finishing the 12 months lower than where it had started it. However, although the performance of the UK stock market was negative, when taking into account the income generated by the fund being reinvested, the fund generated a positive return for the 12 months overall of 0.6%**.

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 2.4%** over the 12 months. Although UK shares after performing strongly for much of the period did end the 12 months lower than where they had started, many global stock markets performed positively. The positive performance of global shares was largely due to many foreign currencies becoming stronger against the pound during the period. Meaning fund performance benefited when the value of these market stocks were converted into pounds. Additionally the rising oil price particularly benefited emerging markets such as Brazil which was up over 30%.

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 31.03.17 to 31.03.18, after the impact of fees and on an income reinvested basis.

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