

Fund performance update

Despite the political upheaval and ongoing uncertainty caused by the Brexit negotiations, the UK stock market grew strongly reaching historic all-time highs during the year. This was largely due to a weak pound which helped large exporting companies, the rising price of oil and the strength of stock markets globally. The low interest rate environment also helped increase demand for shares over the 12 months.

Outside of the UK, many global stock markets reached all-time highs during the year. In Europe economic growth improved, the US is rising on the back of the promised stimulus from President Trump and the significant rise of the mega tech companies like Amazon, Facebook, Apple, Netflix and Google while unemployment levels in the US as in the UK fell to historically low levels.

Asia performed strongly with Japan experiencing significant stock market growth while emerging markets performance was led by Brazil (up over 25%) and India, while China was more subdued and Russia fell back.

Bond market performance was lower but relatively stable due to higher demand for shares 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.

Annual Returns					Returns from £10k investment
December 2012 to December 2013	December 2013 to December 2014	December 2014 to December 2015	December 2015 to December 2016	December 2016 to December 2017	December 2012 to December 2017
Bond and Gilt Fund					
-4.6%	11.4%	-0.8%	7.8%	1.6%	£11,526
Bond, Gilt and UK Share Fund*					
6.9%	6.4%	-1.2%	11.2%	5.5%	£13,178
Bond, Gilt, UK and Overseas Share Fund*					
13.2%	4.4%	1.0%	16.1%	9.1%	£15,135
UK FTSE All-Share Fund					
19.6%	0.2%	0.3%	15.6%	11.9%	£15,554
Global Share Fund*					
6.5%	3.2%	-1.2%	24.5%	15.4%	£15,607
Climate Change Fund					
27.2%	-1.2%	5.1%	-1.2%	13.5%	£14,821

Source: Lipper, year on year, 31.12.12 to 31.12.17, 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 31.12.17 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

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All 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. The fund generated a positive return of 1.6%** for the 12 months. Performance was relatively low but stable throughout the period as demand for stock market investments depressed the demand for lower risk investments as did the expectation of an increase in UK interest rates which ultimately took place in November. However, volatility caused by key political events did mean that some demand remained for perceived lower risk investments.

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 fund generated a positive return of 5.5%** . Both UK shares as well as UK bonds performed positively over the period with shares significantly outperforming bonds. The positive performance of UK shares was largely due to the pound falling in value during the period and a rise in the price of oil.

The **Bond, Gilt, UK and Overseas Share Fund** is a 75/25 blend of shares (UK and overseas) and high quality bonds. Returns were positive for the 12 months achieving 9.1%** , with overseas shares from developed markets such as the US and Europe benefiting from the fall in the pound and many overseas stock markets reaching all-time high's as economic growth improved.

The **UK FTSE All-Share Fund** invests in 600+ of the largest companies in the UK. The Fund generated positive returns of 11.9%** for the 12 months not least because of the pound falling in value due to the UK political and Brexit related events but also due to the rising price of oil and the strength of stock markets globally.

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 has generated a positive return of 15.4%** over the 12 months. As many foreign currencies became stronger against the pound, fund performance benefited when the value of the developed and emerging market stocks were converted into pounds. Both UK and overseas shares performed well, as did shares in emerging markets many of which particularly benefited from a rise in the price of oil such as Brazil which was up over 25%.

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 13.5%** for the 12 months benefiting from the overall strong performance of UK and overseas stock markets

** The 12 month performance figures shown are calculated from 31.12.16 to 31.12.17, after the impact of fees and on an income reinvested basis.

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