AJ BELL INCOME FUNDS

ADVISER FAQS

INTELLIGENT INVESTING MADE EASY

Contents

Important information:

- Forecasted returns are based on AJ Bell's target weights for different asset classes in each fund. We then allow for the capital market assumptions of AJ Bell for the relevant indices for each asset class. If we believe certain asset classes are over or undervalued at any point in time, we may vary the asset allocation weightings accordingly.
- The expected return is the arithmetic mean return over a single holding period.
- There is a 10% chance of getting a return worse than the 'bad return'.
- There is a 10% chance of getting a return better than the 'good return'.
- Future returns are assumed to be in line with market returns and conditions experienced over at least the last 15 years.
- All projected returns include underlying OCFs but exclude AJ Bell's AMC, fund running costs and platform charges.
- The projected returns shown may vary according to the tax treatment of your investment.
- If you pay tax on this investment, your returns may be lower. Tax depends on your personal circumstances and the rules can change at any time in the future.
- The data used in this illustration is valid as at January 2024.

Past performance is not a guide to future returns and there is a risk of loss to capital. The value of investments and the income from them can go down as well as up. The target yields are not guaranteed and can fluctuate. Full details of the fund specific risks are available in the fund prospectus and Key Investor Information Document.

The AJ Bell Income funds

So, you've launched some income funds. Why?

As more investors take advantage of their new pension freedoms, there's a clear swell in demand for funds that generate regular income to replace the role that annuities used to perform.

We launched income options for advisers through our Managed Portfolio Service (MPS) back in 2018, and the success of those portfolios gives us the confidence to offer the opportunity of accessing these strategies in either fund or MPS format – consistent with our commitment to leading the market on choice.

In a world that seems to be increasingly focused on short-term results, we take the view that long-term thinking is critical when it comes to investing. That's why our investment process is built upon the cornerstones of risk-first, long-term investing with a valuation-driven approach. This allows us to focus on positioning the funds for secular changes in the economy, rather than short-term trends. We manage these funds with a five-year horizon, and recommend that investors adopt a similar approach.

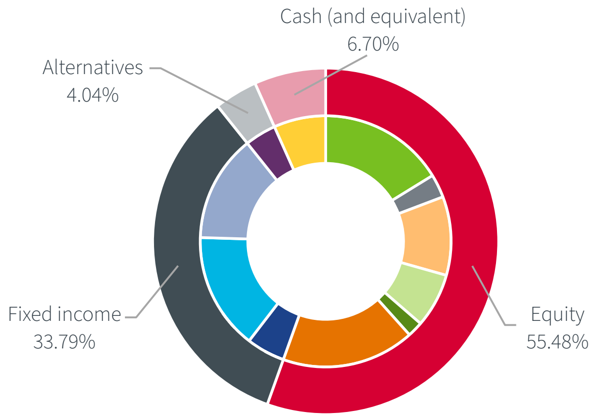
Who are the funds designed for?

Our two income fund options both look to offer investors a target yield of 3% - 5% p.a. with income paid monthly.

The **VT AJ Bell Income** fund will seek a 3% - 5% income return, with the expectation of holding its capital value over time. The **VT AJ Bell Income & Growth** fund will aim for a 3% - 5% income whilst also looking to grow the capital in line with inflation. So, for investors who are looking to improve their returns on cash or generate an income in retirement, the funds offer a competitive yield – albeit with the day-to-day fluctuations in value that come with investments in risky assets such as shares and bonds.

How will the funds achieve their aims?

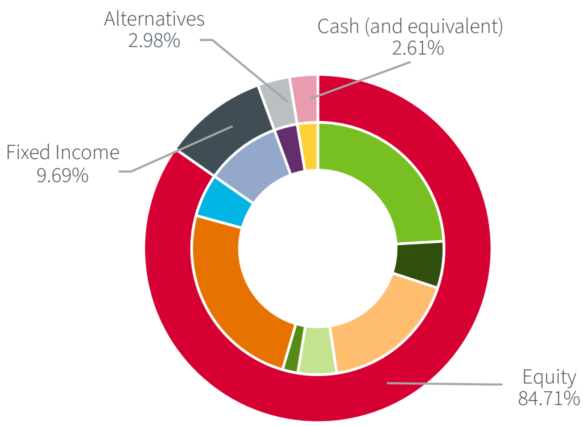
Built largely upon fixed-income assets from around the globe, the **VT AJ Bell Income** fund aims to deliver its target yield of 3% - 5% from a portfolio of largely government and corporate bonds. As well as making the income generated in the fund more predictable, the focus on fixed-income also brings with it the prospect of capital stability over time.



16.22%	UK equity	3.01%	Europe ex-UK equity
10.13%	North America equity	6.99%	Japan equity
2.00%	Asia Pacific ex-Japan equity	17.13%	Emerging markets equity
4.97%	UK government bonds	15.03%	UK corporate bonds
13.78%	International bonds	4.04%	Property
6.70%	Cash (and equivalent)		

Totals may not sum to 100% due to rounding

The **VT AJ Bell Income & Growth** fund builds its yield of 4% from a portfolio containing mostly 'real' assets, such as property and equities. This should allow the fund to grow capital and income over time in line with inflation, albeit at the expense of bigger fluctuations in value from day to day.



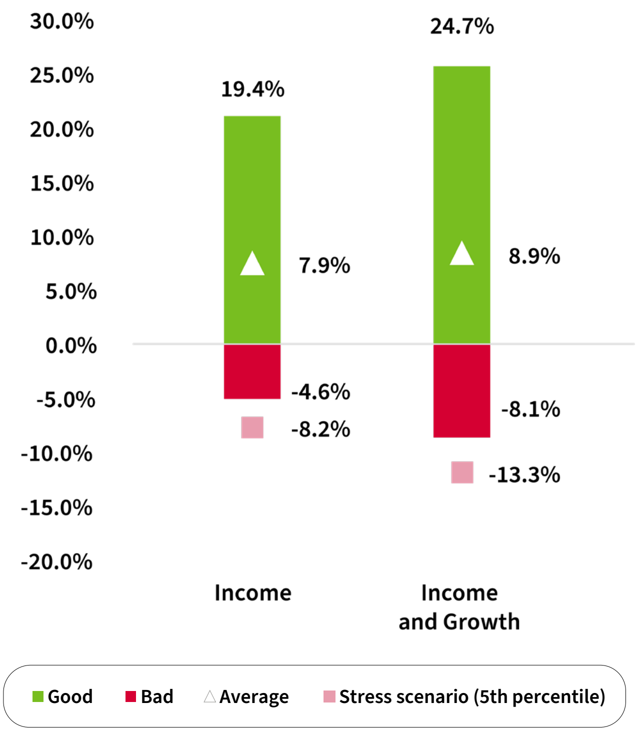
24.09%	UK equity	5.98%	Europe ex-UK equity
17.54%	North America equity	4.95%	Japan equity
1.97%	Pacific ex-Japan equity	24.69%	Emerging Markets equity
5.50%	Global equity	9.69%	International bonds
2.98%	Property	2.61%	Cash (and equivalent)

Totals may not sum to 100% due to rounding.

What can I expect?

In addition to the prospect of the funds delivering on the target 3% - 5% p.a. we have used financial models (known as our capital market assumptions) to determine the most likely outcomes for each of the funds over time. In a ‘good’ year, investors could expect to see a return somewhere in the green bar range. In a bad year, losses could be expected to be somewhere in the red bar.

As the output is based on statistical forecasts, the actual outcome and performance could differ from the scenarios outlined below.



What about the risks?

We test our capital market assumptions regularly but, as with any projections of the future, there can be no certainty. That said, the longer a client invests, the more predictable the returns become. That’s because, over time, the good and bad years tend to cancel each other out. To demonstrate how this might work, we back-tested the strategic asset allocations for each of the portfolios using data from the last five years. Investors in those portfolios would have made the returns shown in the table below.

	Income	Income & Growth
5 Year Back Tested performance	4.21%	6.57%
Expected Returns p.a.	7.88%	8.89%
Expected Volatility	8.4% - 10.5%	12.6% - 14.7%

5 Year Back Tested performance is the annualised return calculated from 1 January 2018 - 31 December 2023. Returns are simulated, based on the strategic asset allocation and rebalanced on a quarterly basis. Returns are gross of fund OCF, transaction and platform fees.

For the **VT AJ Bell Income** fund, with its focus on fixed income assets, the prospect of higher interest rates in future would reduce the value of the fixed payments from bonds, causing capital values to fall. Even in the event of no significant rise in interest rates, we would expect the purchasing power of the income generated by the **VT AJ Bell Income** fund to be eroded by inflation over time.

Given the strategy of focusing on ‘real’ assets, such as property and shares, within the **VT AJ Bell Income & Growth** fund, the prospect of deteriorating economic conditions would likely put pressure on the ability of corporations to make dividend payments as expected. Declines in expected income in this manner would be expected to go hand in hand with declines in capital value.

The value of investments can go down as well as up and your client may not get back their original investment.

What about costs and charges?

Both of our Income Funds have an Overall OCF of 0.65%. This includes the underlying OCF, the annual management fee, and the costs for running and administering the fund structure. The annual management fee is variable, as it consists of the fixed OCF, minus all other costs.

Your other funds have a fixed OCF of 0.31%. Why aren’t these income funds the same?

The aim of the income funds to generate a 3% - 5% target yield requires the use of portfolio holdings that also focus on delivering income. Current market conditions are such that these portfolio holdings generally come at a higher cost, reflected through a higher underlying OCF. These higher costs, combined with the fixed costs associated with administering a fund structure, make a fixed OCF of 0.31% impossible to implement. A fixed OCF of 0.65% will apply to the Income Funds.

This guide provides general information about the AJ Bell Income funds. It should not be read or construed as investment advice. It is your responsibility to assess your client's circumstances and make a personal recommendation that is suitable for their needs.

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