

Managed Portfolio Service

Pactive MPS 2

As at 30 June 2025

Market commentary:

The noise in markets reached a crescendo at the start of the second quarter as President Trump’s ‘Liberation day’ revealed tariffs that shocked investors. Further scrutiny was poured on the US economy and the US dollar, as many began to reconsider their holdings of US assets. Geopolitical uncertainty in the Middle East had a surprisingly limited impact on markets, even as tensions between Israel and Iran flared into outright conflict before coming to a US-imposed ceasefire.

Fixed income

Tentative signs of inflation stability brought anticipation that the Federal Reserve could respond to any future economic weakness. Although Chair Powell has been resolute in the need to respond slowly, speculation about his successor and Trump’s hand in that selection started to influence market thinking, as did uncertainty over how the tariff situation would impact prices.

In the UK, the mechanical uplift to utility and water bills in April sent inflation back above 3%, a level it is expected to reside at for the rest of the year. As in the US, the Bank of England has been cautious while inflation remains above target. Shorter dated gilt yields rallied, steepening the yield curve, whilst longer dated yields remained volatile.

After a wobble during the equity market downturn in April, credit spreads narrowed again to leave corporate bonds with solid returns over the quarter.

Equities

Performance within equity markets continued to buck the trend of the last couple of years, with the US no longer the standout performer: other markets have taken the lead. Emerging markets such as Korea and Taiwan have been performing strongly, driven by major constituents Samsung and TSMC. Within developed Asia Pacific, Australia and Hong Kong performed well, the former driven by the financial sector.

Europe and the UK appeared to benefit from investors looking outside America for returns. The fiscal spending on defence and infrastructure prompted investors to look more closely at domestically focused segments of the markets. In the UK, a sustained rally in financials and defence stocks aided gains, whilst mid- and small caps performed well amidst takeover interest.

Chinese equities gave back some of the bumper gains seen in the first quarter, in keeping with their volatile nature and trade tensions with the US. Japanese equities continue to grapple with the implications of higher inflation, rising interest rates and what that means for the currency.

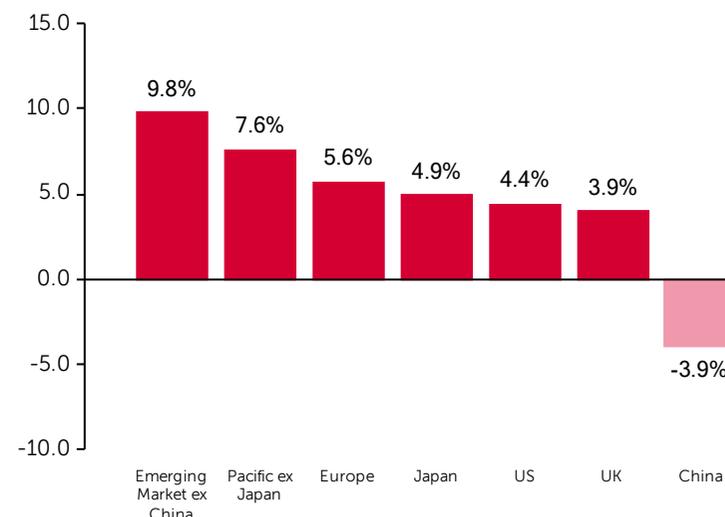
Outlook

Having seen one metaphorical and one physical ceasefire during the quarter, markets are entering summer in better spirits. Plenty of issues remain outstanding from the first half of 2025, not least that the tariff pause is due to expire in August. Having walked back from the brink once, there is a perception that Trump will be unwilling to test investor patience again, especially given the US dollar has remained on its weaker footing, supporting those claiming a strong dollar has been hindering US manufacturing.

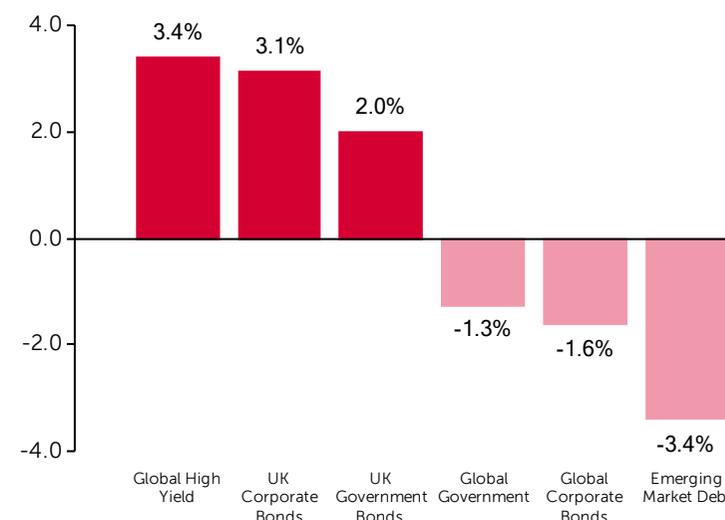
Nonetheless, it is difficult to see the relationship between Trump and the markets being plain sailing for the next four years. However, investors should pause to reflect if there has ever been a time when the outlook suggested calm waters.

The assessment of short-term events is interpreted by markets, at its most basic level, by what it means for growth and inflation. Sitting here today, the consensus appears to be that both will be acceptable, and markets will find a way to muddle through, as they often do.

Equity performance - last quarter



Fixed income performance - last quarter



Portfolio commentary

AJ Bell Pactive MPS 2 maintains a significant allocation to cash and equivalents via money market funds and ultra-short duration bonds. This positioning continued to support performance, as the portfolio benefited from the elevated interest rates currently available on cash holdings.

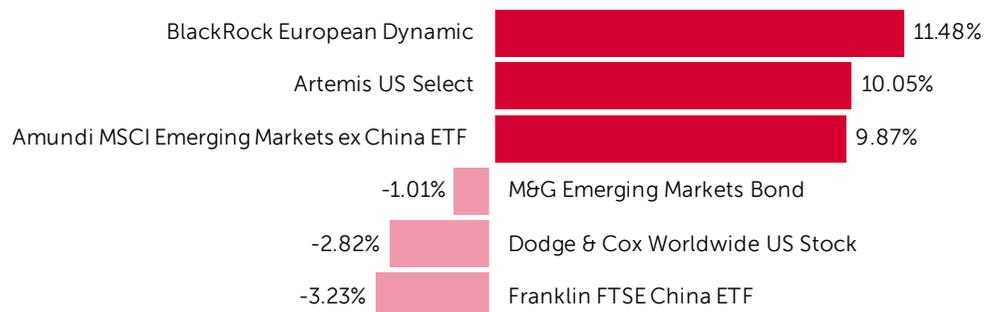
In domestic fixed income, both gilts and UK corporate bonds delivered positive returns over the quarter, offering some welcome stability amid heightened market volatility. Although escalating geopolitical tensions have raised concerns around more persistent inflation, the portfolio remains well positioned to navigate such risks, supported by its allocation to US inflation-linked bonds, which are fully hedged back to sterling.

Across the wider bond market, global high yield extended its positive momentum, underpinned by tightening credit spreads. Meanwhile, the M&G Emerging Markets Bond Fund helped cushion the impact of a weakening US dollar, owing to its exposure to a mix of local emerging market currencies.

UK equities contributed positively in Q2, as global investors increasingly sought opportunities beyond the US. The JPM UK Equity Plus Fund capitalised on this trend and outperformed its benchmark over the period.

Overall, AJ Bell Pactive MPS 2 returned 3.24% over the quarter.

Q2 2025 best/worst performers



Performance

| Cumulative (%) | 3 months | 6 months | 1 year | 3 years | 5 years | Since inception |
|-----------------------------------|----------|----------|--------|---------|---------|-----------------|
| Pactive MPS 2 | 3.24 | 2.74 | 4.49 | 17.00 | 21.49 | 30.14 |
| IA Mixed Investment 20-60% Shares | 3.14 | 3.33 | 5.78 | 17.16 | 21.63 | 25.24 |

The above table displays the total return of the fund on a cumulative basis. This is taken from the most recent month end.



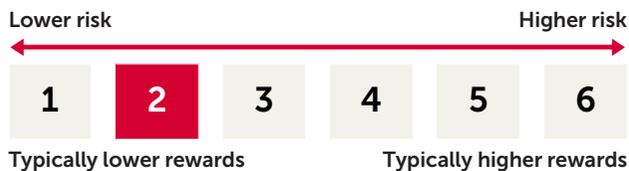
! Past performance is not indicative of future performance. The value of investments may go down as well as up and the income generated by investments is not guaranteed and may fluctuate. You may receive back less than the amount that you invested.

Portfolio snapshot

| | |
|-------------------------------------|-------------|
| Number of holdings | 21 |
| Inception date | 18 Feb 2019 |
| Underlying OCF | 0.35% |
| Annual Investment Management Charge | 0.15% |
| Indicative Total OCF | 0.50% |

Top 10 holdings

| Holding | Weight (%) |
|--|------------|
| SPDR S&P 500 ETF | 10.01 |
| iShares £ Ultrashort Bond ETF | 9.85 |
| Vanguard FTSE UK All-Share Index | 5.70 |
| Vanguard UK Investment Grade Bond Index | 5.57 |
| BlackRock Institutional Sterling Liquidity | 5.46 |
| JPM UK Equity Plus | 4.50 |
| Cash | 4.26 |
| Artemis Corporate Bond | 4.00 |
| Amundi MSCI Emerging Markets ex China ETF | 3.15 |
| Vanguard FTSE Developed Europe ex UK Equity Index Plus | 3.03 |

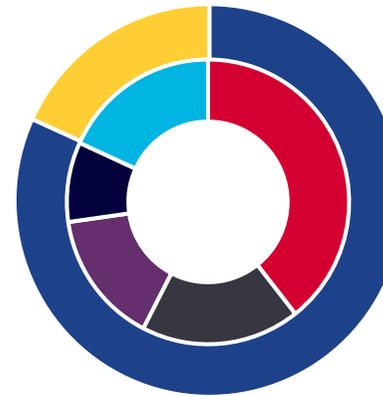


Asset allocation (%)



| | |
|---|--------------|
| Equity | 48.15 |
| North America equity | 16.95 |
| UK equity | 12.05 |
| Emerging markets ex-China equity | 6.10 |
| Europe ex-UK equity | 6.03 |
| Japan equity | 4.04 |
| China equity | 2.99 |
| Fixed Income | 32.28 |
| UK corporate bonds | 12.87 |
| UK government bonds | 5.85 |
| Emerging market debt | 5.80 |
| Global high yield bonds (GBP hedged) | 4.93 |
| International government bonds (GBP hedged) | 1.50 |
| International government bonds | 1.34 |
| Cash | 19.58 |
| Cash equivalent | 6.81 |
| Cash | 2.26 |

Fixed income breakdown (%)



| | |
|---|--------------|
| GBP Bonds | 81.82 |
| UK corporate bonds | 39.39 |
| UK government bonds | 18.18 |
| Global high yield bonds (GBP hedged) | 15.15 |
| International government bonds (GBP hedged) | 9.09 |
| International Bonds | 18.18 |
| Emerging market debt | 18.18 |

Equity breakdown (%)



| Sector | Weight (%) |
|------------------------|------------|
| Financial Services | 19.69 |
| Technology | 17.36 |
| Industrials | 12.60 |
| Consumer Cyclical | 11.20 |
| Healthcare | 9.69 |
| Consumer Defensive | 7.46 |
| Communication Services | 7.43 |
| Basic Materials | 4.81 |
| Energy | 4.63 |
| Utilities | 3.05 |
| Real Estate | 2.08 |

Due to its multi-asset nature, no financial instrument or index represents a fair benchmark for the portfolio. The portfolio does not aim to track the IA sector as a benchmark. Performance is calculated on a net of fees basis.

Allocation and performance information contained in this document is representative of the standard Pactive MPS 2 model held on AJ Bell Investcentre. The implementation of this model may vary when held via other platforms, for example, where access to certain share classes is restricted. This may lead to differences in allocation, performance and cost.

Asset allocation is based on the target active holdings combined with the underlying holdings of the VT AJ Bell Moderately Cautious Fund. Totals may not sum to 100% due to rounding



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