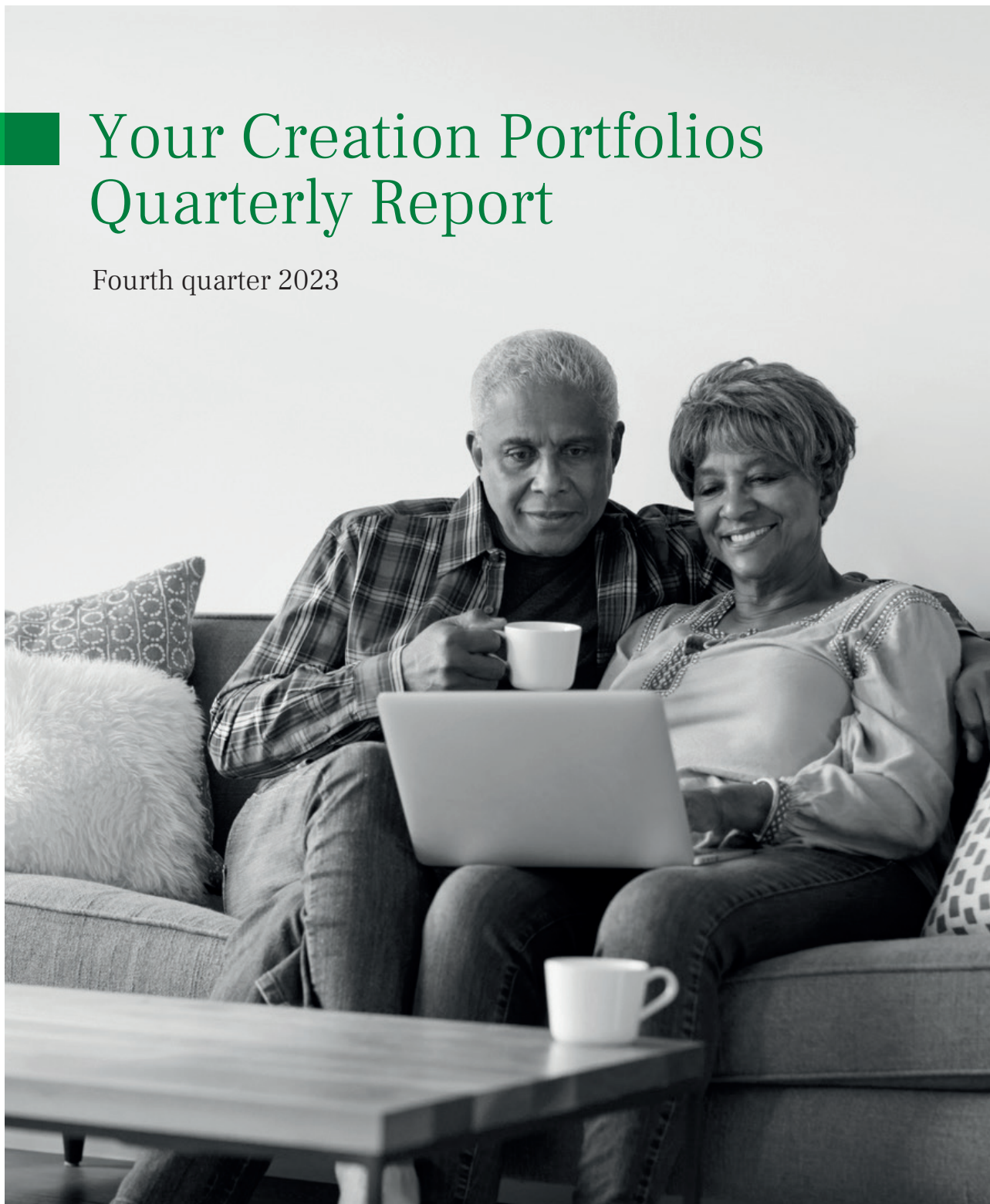


UK: Suitable for retail and professional clients.

Quilter
Investors

Your Creation Portfolios Quarterly Report

Fourth quarter 2023



What your report covers

- ▶ Our market summary
- ▶ Your performance review
- ▶ Portfolio changes
- ▶ Investment outlook
- ▶ Important information





Marcus Brookes
Chief Investment Officer

Our market summary

In November, signs of falling inflation in the US, Europe, and UK triggered the best month for global equities since the news of a covid vaccination broke three years ago. By mid-December, the rally was given further impetus by the US Federal Reserve's (Fed) surprise pivot from maintaining interest rates to pencilling-in cuts in the year ahead. Developed market equities significantly outperformed emerging markets to gain 6.8%, while bond markets enjoyed their best quarter for more than two decades.

Equity markets



Buoyed by rising expectations of US interest-rate cuts in the face of consistently falling inflation numbers, US equities enjoyed their strongest quarter since 2020. They surged 7.2% over the quarter to finish the year at close to record highs. The surprise Fed pivot further boosted the rally, with interest-rate sensitive sectors such as technology and real-estate stocks leading the market while energy stocks gave back some of the gains from the previous quarter.



Europe was the top-performing regional market as investors ignored a looming recession in Germany and declining economic data to focus on falling inflation numbers. Euro area annual inflation fell to 2.4% in November after starting the year at 8.6%. Led by real-estate, technology, industrial and materials stocks, European equities jumped 7.6% over the quarter, catapulting the region from being one of the year's underperformers, to being one of its leaders.



UK equities trailed other regions to return 3.2%. However, domestically-focused smaller companies substantially outperformed the UK's larger stocks. They benefitted most from expectations that UK interest rates had peaked while sterling strength undermined larger UK companies, which generate the majority of their revenues overseas. As elsewhere, technology and real-estate stocks were prominent, while energy and defensive stocks trailed.



Currency strength is when a currency, such as sterling, rises relative to another currency. If a sterling investor holds a US dollar investment, and sterling rises relative to the US dollar, the return from the investment will decrease.



Emerging markets underperformed developed market equities to deliver 3.3%. Chinese equities were among the worst performers, they declined by 8.3%. Meanwhile, Taiwan and South Korea surged on the back of renewed demand for technology stocks, which feature prominently in their respective indices. India also performed strongly alongside markets such as Brazil, Egypt, Mexico and Poland. Meanwhile, crisis-hit Turkey was the worst performer.

Fixed-income

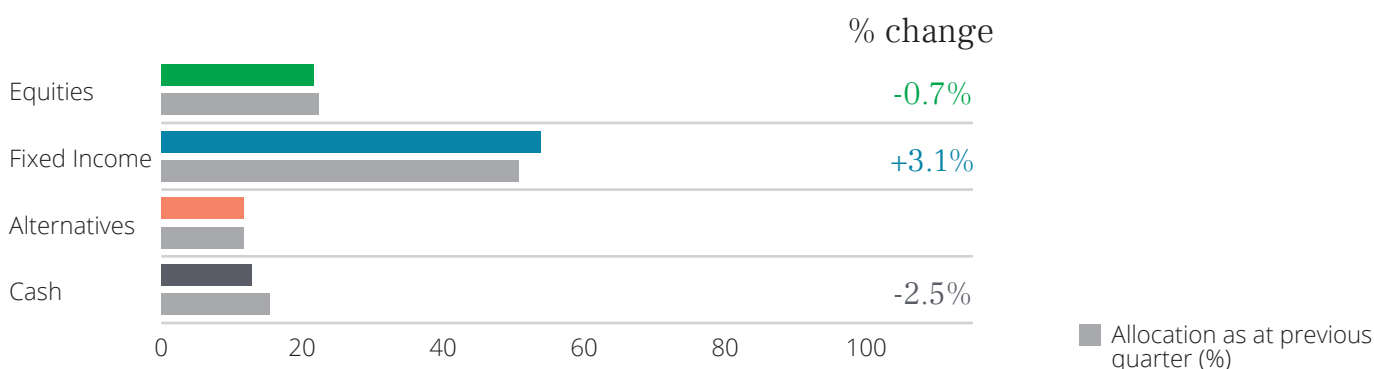


Falling US inflation data, followed by the Fed's surprise pivot in mid-December, from its 'higher-for-longer' narrative to considering interest-rate cuts, delivered the strongest quarter for global bond markets in over 20 years. US Treasuries (US government bonds) jumped 5.5%, while UK gilts (government bonds) delivered 8.6% and higher-risk, UK corporate bonds (issued by companies) gained 8.5%.

Source: Quilter Investors as at 31 December 2023. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for developed market equities is represented by the MSCI World Index; US equities by the MSCI USA Index; European equities by the MSCI Europe ex UK Index; UK equities by the MSCI United Kingdom All Cap Index; UK smaller companies by the MSCI United Kingdom Small Cap Index; emerging markets by the MSCI EM (Emerging Markets) Index; Chinese equities by the MSCI China Index; US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; UK gilts by the ICE BofA UK Gilt Index; and sterling corporate bonds by the ICE BofA Sterling Corporate Index.

Your investment summary: Creation Conservative Portfolio

Creation Conservative Portfolio asset allocation breakdown



Creation Conservative Portfolio growth year by year to end of December

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Conservative Portfolio - A (GBP) Accumulation Shares	4.2%	-8.7%	0.9%	0.5%	8.4%
Quilter Investors Creation Conservative Portfolio - U1 (GBP) Accumulation Shares	4.9%	-8.1%	1.6%	1.3%	9.2%
Quilter Investors Creation Conservative Portfolio - U2 (GBP) Accumulation Shares	4.9%	-8.0%	1.6%	1.2%	9.2%
IA Mixed Investment 0-35% Shares sector average	6.1%	-10.2%	2.6%	4.0%	8.8%

Creation Conservative Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Conservative Portfolio - A (GBP) Accumulation Shares	3.9%	3.3%	4.2%	-4.1%	4.5%	45.2%	28/04/08
IA Mixed Investment 0-35% Shares sector average	5.7%	5.3%	6.1%	-2.3%	10.5%	64.5%	
Quilter Investors Creation Conservative Portfolio - U1 (GBP) Accumulation Shares	4.0%	3.6%	4.9%	-2.0%	8.3%	17.1%	06/06/14
IA Mixed Investment 0-35% Shares sector average	5.7%	5.3%	6.1%	-2.3%	10.5%	26.4%	
Quilter Investors Creation Conservative Portfolio - U2 (GBP) Accumulation Shares	4.0%	3.6%	4.9%	-2.0%	8.3%	20.0%	19/02/14
IA Mixed Investment 0-35% Shares sector average	5.7%	5.3%	6.1%	-2.3%	10.5%	28.7%	

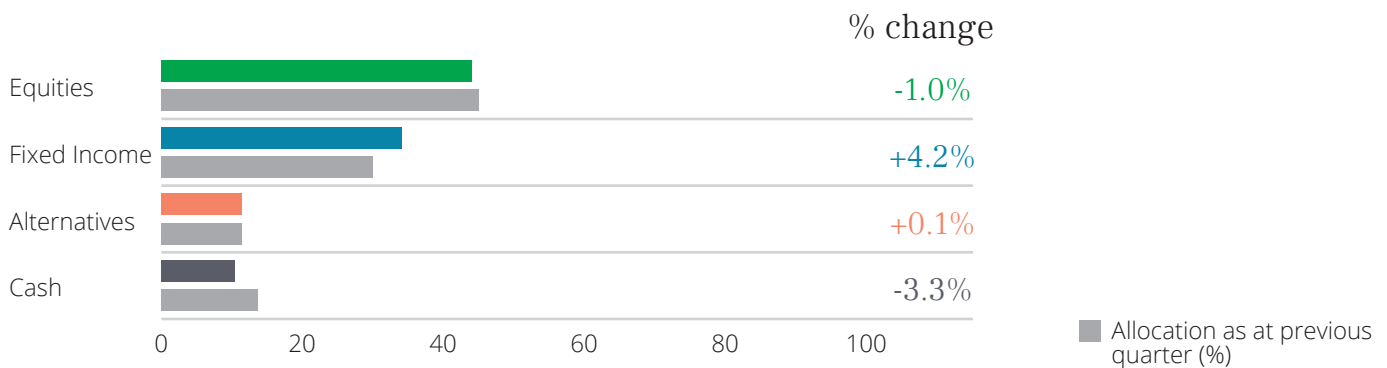
*Since launch performance figures are from the launch date of the respective share class.

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Your investment summary: Creation Balanced Portfolio

Creation Balanced Portfolio asset allocation breakdown



Creation Balanced Portfolio growth year by year to end of December

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Balanced Portfolio - A (GBP) Accumulation Shares	5.8%	-7.8%	4.3%	2.0%	12.0%
Quilter Investors Creation Balanced Portfolio - U1 (GBP) Accumulation Shares	6.4%	-7.2%	5.0%	2.7%	12.8%
Quilter Investors Creation Balanced Portfolio - U2 (GBP) Accumulation Shares	6.5%	-7.2%	5.1%	2.7%	12.8%
IA Mixed Investment 20-60% Shares sector average	6.9%	-9.7%	6.3%	3.5%	12.1%

Creation Balanced Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Balanced Portfolio - A (GBP) Accumulation Shares	4.0%	4.0%	5.8%	1.7%	16.1%	60.7%	28/04/08
IA Mixed Investment 20-60% Shares sector average	5.7%	5.6%	6.9%	2.6%	19.0%	84.5%	
Quilter Investors Creation Balanced Portfolio - U1 (GBP) Accumulation Shares	4.1%	4.3%	6.4%	3.8%	20.3%	32.2%	28/04/14
IA Mixed Investment 20-60% Shares sector average	5.7%	5.6%	6.9%	2.6%	19.0%	41.3%	
Quilter Investors Creation Balanced Portfolio - U2 (GBP) Accumulation Shares	4.2%	4.4%	6.5%	3.9%	20.4%	32.7%	19/02/14
IA Mixed Investment 20-60% Shares sector average	5.7%	5.6%	6.9%	2.6%	19.0%	41.9%	

*Since launch performance figures are from the launch date of the respective share class.

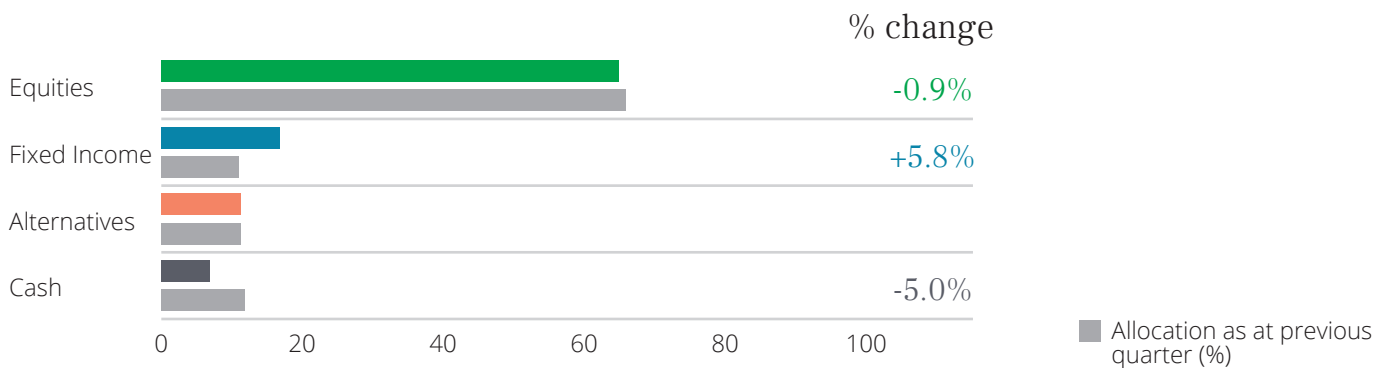
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Your investment summary: Creation Moderate Portfolio

Creation Moderate Portfolio asset allocation breakdown



Creation Moderate Portfolio growth year by year to end of December

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Moderate Portfolio - A (GBP) Accumulation Shares	7.7%	-7.9%	7.3%	3.4%	15.4%
Quilter Investors Creation Moderate Portfolio - U1 (GBP) Accumulation Shares	8.3%	-7.2%	8.2%	4.1%	16.2%
Quilter Investors Creation Moderate Portfolio - U2 (GBP) Accumulation Shares	8.3%	-7.3%	8.2%	4.1%	16.3%
IA Mixed Investment 40-85% Shares sector average	8.1%	-10.2%	11.2%	5.5%	15.9%

Creation Moderate Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Moderate Portfolio - A (GBP) Accumulation Shares	4.4%	4.9%	7.7%	6.5%	27.0%	75.9%	28/04/08
IA Mixed Investment 40-85% Shares sector average	5.8%	5.5%	8.1%	8.0%	32.1%	121.9%	
Quilter Investors Creation Moderate Portfolio - U1 (GBP) Accumulation Shares	4.6%	5.2%	8.3%	8.8%	31.6%	46.9%	16/05/14
IA Mixed Investment 40-85% Shares sector average	5.8%	5.5%	8.1%	8.0%	32.1%	65.8%	
Quilter Investors Creation Moderate Portfolio - U2 (GBP) Accumulation Shares	4.5%	5.2%	8.3%	8.7%	31.7%	46.8%	19/02/14
IA Mixed Investment 40-85% Shares sector average	5.8%	5.5%	8.1%	8.0%	32.1%	66.3%	

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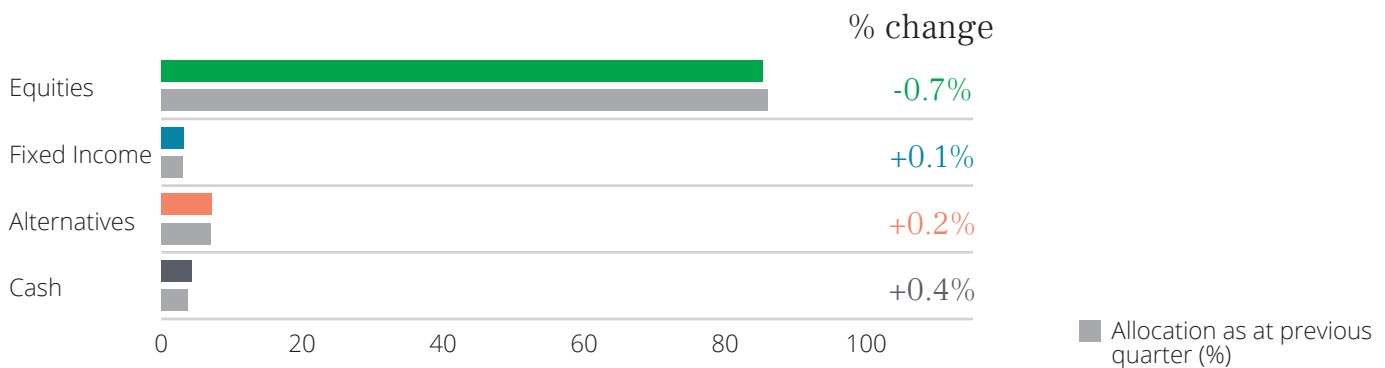
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Your investment summary: Creation Dynamic Portfolio

Creation Dynamic Portfolio asset allocation breakdown



Creation Dynamic Portfolio growth year by year to end of December

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Dynamic Portfolio - A (GBP) Accumulation Shares	8.9%	-8.0%	10.7%	4.0%	19.3%
Quilter Investors Creation Dynamic Portfolio - U1 (GBP) Accumulation Shares	9.8%	-7.1%	11.7%	4.9%	20.3%
Quilter Investors Creation Dynamic Portfolio - U2 (GBP) Accumulation Shares	9.8%	-7.1%	11.8%	4.9%	20.2%
IA Flexible Investment sector average	7.3%	-9.1%	11.4%	7.0%	15.6%

Creation Dynamic Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Dynamic Portfolio - A (GBP) Accumulation Shares	4.8%	5.3%	8.9%	11.0%	37.8%	89.4%	28/04/08
IA Flexible Investment sector average	5.2%	5.0%	7.3%	8.6%	34.4%	119.9%	
Quilter Investors Creation Dynamic Portfolio - U1 (GBP) Accumulation Shares	5.0%	5.7%	9.8%	14.0%	43.8%	59.6%	05/06/14
IA Flexible Investment sector average	5.2%	5.0%	7.3%	8.6%	34.4%	67.6%	
Quilter Investors Creation Dynamic Portfolio - U2 (GBP) Accumulation Shares	4.9%	5.7%	9.8%	14.0%	43.7%	61.5%	19/02/14
IA Flexible Investment sector average	5.2%	5.0%	7.3%	8.6%	34.4%	70.9%	

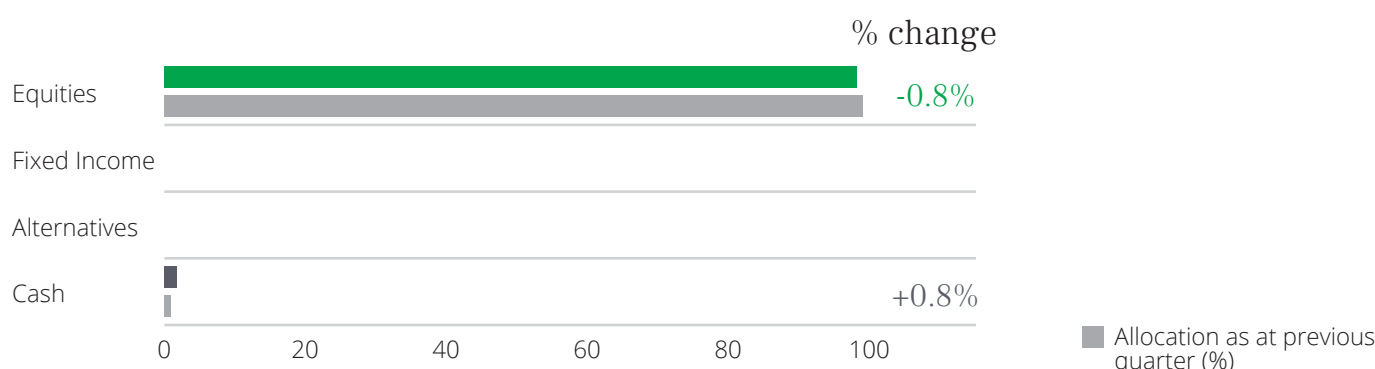
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Your investment summary: Creation Adventurous Portfolio

Creation Adventurous Portfolio asset allocation breakdown



Creation Adventurous Portfolio growth year by year to end of December

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Adventurous Portfolio - A (GBP) Accumulation Shares	10.0%	-7.8%	12.6%	3.1%	20.6%
Quilter Investors Creation Adventurous Portfolio - U1 (GBP) Accumulation Shares	10.7%	-7.1%	13.5%	3.9%	21.5%
Quilter Investors Creation Adventurous Portfolio - U2 (GBP) Accumulation Shares	10.9%	-6.9%	13.7%	4.1%	21.7%
IA Flexible Investment sector average	7.3%	-9.1%	11.4%	7.0%	15.6%

Creation Adventurous Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Adventurous Portfolio - A (GBP) Accumulation Shares	5.2%	5.6%	10.0%	14.3%	42.1%	32.2%	03/07/17
Quilter Investors Creation Adventurous Portfolio - U1 (GBP) Accumulation Shares	5.2%	5.9%	10.7%	16.7%	47.3%	38.6%	03/07/17
Quilter Investors Creation Adventurous Portfolio - U2 (GBP) Accumulation Shares	5.4%	6.1%	10.9%	17.3%	48.7%	40.1%	03/07/17
IA Flexible Investment sector average	5.2%	5.0%	7.3%	8.6%	34.4%	31.6%	

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Your portfolio holdings

Holding Name	Fund manager (where applicable)	Asset type	Creation Conservative Portfolio	Creation Balanced Portfolio	Creation Moderate Portfolio	Creation Dynamic Portfolio	Creation Adventurous Portfolio
EQUITY			21.64%	44.02%	64.97%	85.35%	98.27%
ASIA PACIFIC EQUITY			3.00	5.85	8.41	11.06	12.22
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	0.84	1.74	2.36	2.99	3.24
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.00	1.17	2.41	3.21	3.36
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.01	0.00	0.00	0.00	0.00
M&G JAPAN FUND	M&G	COLLECTIVE	1.84	2.43	2.82	3.74	4.64
SCHRODER ORIENTAL INCOME FUND LIMITED	SCHRODERS	COLLECTIVE	0.31	0.51	0.82	1.11	0.98
EMERGING MARKETS EQUITY			1.01	2.35	3.80	5.12	6.43
FIDELITY CHINA CONSUMER FUND	FIDELITY	COLLECTIVE	0.08	0.29	0.28	0.37	0.51
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.00	0.00	0.30	0.50	1.17
JUPITER GLOBAL EMERGING MARKETS FOCUS	JUPITER	COLLECTIVE	0.51	1.02	1.69	2.23	2.42
QUILTER INV EM EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.41	1.04	1.53	2.02	2.33
EUROPEAN EQUITY			3.72	8.66	12.90	17.05	19.81
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.36	3.75	6.32	8.96	10.60
M&G EUROPEAN STRATEGIC VALUE FUND	M&G	COLLECTIVE	1.22	1.84	2.33	2.84	3.17
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	1.16	1.57	2.18	2.68	3.02
QUILTER INV EUR (EX UK) EQ (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	1.21	1.72	2.30	2.79	3.19
SX5E 03/15/24 P4125		DERIVATIVE	-0.23	-0.22	-0.22	-0.22	-0.17
GLOBAL EQUITY			7.14	10.27	13.11	15.01	16.80
ISHARES MSCI WORLD HEALTH CARE UCITS ETF	BLACKROCK	COLLECTIVE	3.02	3.02	3.01	3.00	2.99
QUILTER INV GBL EQUITY GROWTH (FIDELITY)	FIDELITY	COLLECTIVE	0.51	1.35	1.51	1.82	2.10
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	0.91	2.26	2.81	3.51	4.11
QUILTER INV GLOBAL DYNAMIC EQUITY	ROYAL LONDON	COLLECTIVE	0.00	0.00	0.00	0.00	0.00
QUILTER INV GLOBAL UNCONSTR. EQUITY (RLAM)	ROYAL LONDON	COLLECTIVE	0.90	1.70	2.51	2.97	3.48
SCHRODER GLOBAL ENERGY TRANSITION FUND	SCHRODERS	COLLECTIVE	1.08	0.22	1.08	1.07	1.02
WELLINGTON DURABLE ENTERPRISES FUND	WELLINGTON	COLLECTIVE	0.72	1.74	2.19	2.65	3.10
NORTH AMERICAN EQUITY			1.15	4.62	8.72	12.99	15.47
BNY MELLON US EQUITY INCOME FUND	BNY MELLON	COLLECTIVE	0.90	2.00	2.81	3.06	3.69
EMINI S&P 500 (CME) MAR 24		DERIVATIVE	-1.08	-0.85	0.00	0.00	0.00
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.00	0.00	0.66	3.78	4.48
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.51	1.55	2.24	2.75	3.11

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Your portfolio holdings (cont'd)

Holding Name	Fund manager (where applicable)	Asset type	Creation Conservative Portfolio	Creation Balanced Portfolio	Creation Moderate Portfolio	Creation Dynamic Portfolio	Creation Adventurous Portfolio
EQUITY (CONTINUED)							
QUILTER INV US EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	1.01	2.14	3.21	3.58	4.18
SPX US 03/15/24 P4250		DERIVATIVE	-0.20	-0.22	-0.20	-0.19	0.00
UK EQUITY			5.63	12.27	18.02	24.13	27.55
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	1.73	5.42	10.54	13.31	15.00
J O HAMBRO CAPITAL MANAGEMENT UK DYNAMIC	J O HAMBRO	COLLECTIVE	1.22	2.08	2.20	3.13	3.57
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.82	1.71	1.93	2.62	3.08
QUILTER INV UK EQ LG-CAP INCOME (ARTEMIS)	ARTEMIS	COLLECTIVE	1.32	1.97	2.10	2.94	3.48
QUILTER INV UK EQ MID-CAP GROWTH (JUPITER)	JUPITER	COLLECTIVE	1.09	1.66	1.82	2.67	2.96
UKX 03/15/24 P5900		DERIVATIVE	0.05	0.05	0.05	0.04	0.04
UKX 03/15/24 P7400		DERIVATIVE	-0.61	-0.60	-0.61	-0.59	-0.58
FIXED INCOME			53.80%	34.12%	16.83%	3.16%	0.00%
CORPORATE BONDS			13.78	10.09	7.04	2.29	0.00
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	1.20	1.21	1.20	0.62	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.30	0.15	0.05	0.02	0.00
QUILTER INV DYNAMIC BOND (TWENTY FOUR)	TWENTY-FOUR	COLLECTIVE	2.74	2.78	2.79	1.33	0.00
QUILTER INV STERLING CORP BOND FUND	FIDELITY	COLLECTIVE	3.02	2.34	1.44	0.00	0.00
WELLINGTON GLOBAL CREDIT PLUS FUND	WELLINGTON	COLLECTIVE	6.52	3.61	1.54	0.32	0.00
EMERGING MARKET DEBT			6.56	3.84	1.62	0.11	0.00
ISHARES CHINA CNY BOND UCITS ETF	BLACKROCK	COLLECTIVE	6.50	3.81	1.60	0.11	0.00
LEBANON 5.% 14/04/2020		BOND	0.06	0.03	0.02	0.00	0.00
GOVERNMENT BONDS			32.07	18.89	6.88	-0.10	0.00
10Y AUSTRALIA T-BOND (SFE) MAR 24		DERIVATIVE	0.59	0.34	0.10	0.00	0.00
10Y T-NOTE (CBT) MAR 24		DERIVATIVE	0.00	0.00	0.00	-0.62	0.00
EURO BUND GERMANY (EUR) MAR 24		DERIVATIVE	0.90	0.00	0.39	0.00	0.00
ISHARES \$ TREASURY BOND UCITS ETF	BLACKROCK	COLLECTIVE	19.36	13.09	2.27	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	0.96	0.93	0.92	0.42	0.00
ISHARES GLOBAL GOVT BOND UCITS ETF	BLACKROCK	COLLECTIVE	8.46	3.40	3.43	0.00	0.00
LONG GILT (IFEU) MAR 24		DERIVATIVE	-0.97	-0.83	-0.72	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	2.78	1.96	0.48	0.09	0.00
OTHER FIXED INCOME			1.40	1.30	1.29	0.86	0.00
ALLSPRING U.S. SHORT-TERM HIGH YIELD BOND	ALLSPRING	COLLECTIVE	0.00	0.00	0.00	0.00	0.00
JANUS HENDERSON ASSET-BACKED SECURITIES	JANUS HENDERSON	COLLECTIVE	1.40	1.30	1.29	0.86	0.00

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Your portfolio holdings (cont'd)

Holding Name	Fund manager (where applicable)	Asset type	Creation Conservative Portfolio	Creation Balanced Portfolio	Creation Moderate Portfolio	Creation Dynamic Portfolio	Creation Adventurous Portfolio
ALTERNATIVES			11.65%	11.46%	11.25%	7.23%	0.00%
ALTERNATIVE EQUITY			2.86	2.75	2.57	1.68	0.00
HICL INFRASTRUCTURE PLC	HICL	COLLECTIVE	0.39	0.39	0.37	0.17	0.00
INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED	AMBER INFRASTRUCTURE	COLLECTIVE	0.36	0.33	0.29	0.19	0.00
JUPITER UK SPECIALIST EQUITY FUND	JUPITER	COLLECTIVE	1.08	1.04	0.90	0.64	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	1.03	1.00	1.01	0.69	0.00
ALTERNATIVE FIXED INCOME			6.96	6.93	6.93	4.47	0.00
ALLIANZ FIXED INCOME MACRO FUND	ALLIANZ	COLLECTIVE	2.76	2.87	2.82	1.79	0.00
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	1.01	0.99	0.99	0.68	0.00
BREXAN HOWARD ABSOLUTE RETURN GOV. BOND	BREXAN HOWARD	COLLECTIVE	0.72	0.71	0.72	0.53	0.00
HIPGNOSIS SONGS FUND LIMITED	HIPGNOSIS SONG MANAGEMENT	COLLECTIVE	0.52	0.45	0.48	0.23	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.82	0.80	0.81	0.52	0.00
WELLINGTON GLOBAL TOTAL RETURN	WELLINGTON	COLLECTIVE	1.14	1.10	1.10	0.72	0.00
ALTERNATIVE OTHER			0.85	0.83	0.83	0.54	0.00
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	0.85	0.83	0.83	0.54	0.00
COMMODITIES			0.98	0.94	0.92	0.54	0.00
L&G MULTI-STRATEGY ENHANCED COMMODITIES UCITS ETF	L&GIM LIMITED	COLLECTIVE	0.54	0.54	0.54	0.35	0.00
THE RENEWABLES INFRASTRUCTURE GROUP	INFRARED CAPITAL PARTNERS	COLLECTIVE	0.44	0.40	0.38	0.18	0.00
CASH			12.90%	10.41%	6.95%	4.26%	1.73%
CASH			12.90	10.41	6.95	4.26	1.73
TOTAL			100%	100%	100%	100%	100%

Source: Quilter Investors, as at 31 December 2023. Due to rounding and use of derivatives the allocations may not add up to 100%.

Your performance review



Ian Jensen-Humphreys
Portfolio Manager



Sacha Chorley
Portfolio Manager



CJ Cowan
Portfolio Manager

Against a backdrop of surging equity and bond markets, the Creation Portfolios delivered robust returns ranging from 4% for the Creation Conservative Portfolio to 5.2% for the Creation Adventurous Portfolio. This brought the annual return for 2023 up to 4.9% for the Creation Conservative Portfolio. Annual returns for 2023 rose steadily across the Creation Portfolios to peak at 10.7% for the Creation Adventurous Portfolio.



How our equity holdings performed

Europe drives equity returns

In aggregate, our European holdings were the biggest positive contributor to performance. Further softening in eurozone inflation was a tailwind with equity markets benefitting from the improvement in investor risk appetite. The Premier Miton European Opportunities Fund was up over 14% while the Quilter Investors Europe (ex UK) Equity Fund, managed by Janus Henderson, was up nearly 10%.

UK and US small caps come racing back

Small-cap stocks in both the UK and US staged strong comebacks as market leadership broadened out and kept pace with the 'Magnificent Seven' tech stocks (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla) for the first time in 2023. In the UK, the Quilter Investors UK Equity Mid-Cap Fund (Jupiter), was the top performer as it gained almost 13%. Although robust, returns from our US holdings were dampened by a falling US dollar.

Asia: a mixed bag

Chinese stocks continued to struggle. This weighed on returns from our emerging market managers, despite many being underweight to China. The biggest loss arose in the Fidelity China Fund, which fell 7.9%. While Japanese equities enjoyed a strong first nine months of the year, as monetary policy remained unambiguously stimulative, the final quarter was a disappointment with the M&G Japan Fund gaining just 0.8%.



Underweight is when a fund or portfolio holds a smaller position in a particular stock, sector, region, or strategy than the stock market index or model against which it's benchmarked.



How our fixed-income holdings performed

Bond markets off to the races

Government bonds went from selling-off at the start of the period to enjoying their best quarter for two decades. This was against a backdrop of softening inflation numbers in November, and a surprise pivot by the Fed in December. Bond markets surged as investors brought forward expectations for interest-rate cuts to as early as March 2024. The iShares Index Linked Gilt ETF returned 9.9%, while the iShares Treasury Bond ETF gained just 5.2%, but the latter made a bigger contribution to returns in the Creation Conservative and Balanced Portfolios, due to the larger size of the position. Meanwhile, corporate bond funds prospered with the Wellington Global Credit ESG Fund gaining 7.7%.



Corporate bonds are bonds issued by companies. They are generally riskier than government bonds, so corporate bonds generally offer higher interest rates (or yields) to compensate for the additional risk.



How our alternative holdings performed

Interest-rate sensitive holdings bounce

Although aggregate returns were muted, several holdings delivered double-digit gains. The infrastructure investment trusts, HICL and International Public Partnerships, gained 13.5% and 11%, respectively, while the Renewables Infrastructure Group (TRIG) jumped 8.5%. Although they were greatly boosted by the prospect of interest-rate cuts, they still delivered losses for 2023 as a whole. Elsewhere, the Allianz Fixed Income Macro Fund was up 7.6% while the Brevan Howard Absolute Return Government Bond and the Jupiter Strategic Absolute Return Bond funds delivered low, single-digit returns. The L&G Multi-Strategy Enhanced Commodity ETF lost ground as oil prices fell, but tempered losses with gains from its exposure to gold and copper.



Portfolio changes

We ended our longstanding underweight to government bonds. Half of this adjustment came in October. The remaining half of the underweight, relative to our strategic asset allocation (SAA) model, was removed following the Fed's surprise pivot in December. Elsewhere, we added to our healthcare sector overweight in October, following a period of underperformance. In November we implemented a downside protection strategy via the purchase of equity index put spreads (derivative contracts), which will deliver a pay-out if markets fall from their early November levels by the time the contracts expire in March. We also began to build a thematic exposure to energy transition stocks and made some changes to the manager line-up within the alternatives allocations.



Strategic asset allocation (SAA) is a long-term model asset allocation set out for a fund or portfolio. It establishes how much of the fund or portfolio should be held in each asset class such as equities, bonds, alternatives, and cash.

New and increased holdings



L&G Multi-Strategy Enhanced Commodity ETF

We added this holding to the inflation-sensitive sleeve of our alternatives allocation to replace the WisdomTree Enhanced Commodities ETF. Despite offering exposure to the same basket of commodities, we believe the L&G fund has the potential for additional returns over and above the existing WisdomTree ETF.



iShares Global Government Bond ETF

We added to this fund when we reduced and, ultimately, removed our underweight to government bonds.



Wellington Global Total Return Fund (non-UCITS)

This fund replaced the Quilter Investors Absolute Return Bond Fund (managed by Janus Henderson). The Wellington fund employs a multi-strategy approach within the fixed-income sector and boasts a strong track record. We have confidence in the manager's ability to deliver a positive return stream that isn't correlated with wider bond markets.



iShares MSCI World Health Care Sector ETF

We added to this holding as part of our tactical increase in healthcare sector exposure. This adds defensive characteristics to the equity mix in the portfolios while still providing exposure to a sector which we expect to benefit from a structural increase in spending as global populations continue to age.



Schroder Global Energy Transition Fund

We initiated a position here as part of a long-term thematic position we are building in the portfolios. After an exceptional run in 2020, the share gradually came off alternative energy stocks in subsequent years. Further share price weakness throughout 2023 offered an attractive entry point into a structural growth sector – green energy.

Removed and reduced holdings



WisdomTree Enhanced Commodity ETF

We sold this holding to fund the purchase of the L&G Multi-Strategy Enhanced Commodity ETF.



Quilter Investors Absolute Return Bond Fund

We sold this holding to fund the purchase of the Wellington Global Total Return Fund.

Investment outlook

The story of last year was one of a recession that never happened. Although economic growth in the US unexpectedly accelerated in the third quarter, the general trend has been for softening, but still positive real growth. Inflation has also been slowing steadily and approaching central bank targets, which gave Fed chair Jerome Powell the confidence to open the door to rate cuts at the Fed's December meeting. This contributed to a bumper final quarter for both equity and bond markets, leaving US equities close to all-time highs. Investors drove home for Christmas with renewed optimism, a widespread acceptance that a 'soft landing' for the US economy was likely, and confidence that central banks would soon ride to the rescue with interest-rate cuts.

1. Our thoughts

Last year, we were sceptical of recession forecasts due to the lagging impact of interest-rate hikes on the real economy and robust US growth momentum that was supported by a strong labour market. We see several possible paths ahead, but now the Fed has indicated its inclination to cut interest rates to protect growth, we believe the risk of a material recession has been reduced. However, the path to lower inflation will not be as smooth as many have come to hope.

2. Great expectations

The bond market currently expects almost six US interest-rate cuts from the Fed in 2024, with expectations for Europe and the UK not far behind. We worry that market pricing may have got ahead of itself creating the risk of near-term disappointment, particularly if inflation were to surprise with another rise. Although economic growth is slowing, it's still positive, and the Fed has made it clear its next move is likely to be a cut, so the backdrop looks reasonably supportive.

3. Tempered optimism

We remain much in line with our strategic asset allocation (SAA) model with small overweights to risky assets through high-yield bonds, which typically perform well in the kind of 'muddle through' economic environments like the one we expect to see from here.



Thank you for investing with us

Keep an eye out for your next Creation Portfolios monthly commentary available in February.

Want more updates about your portfolio?

Please visit our website at www.quilter.com for all the latest news, views, and portfolio information.

Your financial adviser is on hand to discuss anything related to your investment decisions or the suitability of the products mentioned in this document.

If you are a financial adviser and you have any questions or want to find out more about our solutions, please speak to one of our investment directors on +44 (0)207 167 3700, email us at enquiries@quilter.com, or visit our website at www.quilter.com.



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QI 26520/25/5683/January 2024/SK18518