

Creation Portfolios

Monthly commentary – Review of February 2025



Marcus Brookes
Chief Investment Officer

Our market summary

In February, global markets experienced mixed performance with global equities posting a 1.9% loss overall. US equities faced challenges due to policy uncertainties, while European equities saw strong performance, driven by gains in financials and defence stocks. Elsewhere, emerging markets equities benefited from the positive sentiment around Chinese tech stocks and a weakening US dollar. Meanwhile, fixed income markets saw gains as US Treasury yields declined in the face of softer economic data, with global bonds providing diversification against equity losses. Overall, the month highlighted the importance of diversification and the varying impacts of regional and sector-specific factors on market performance.



In order to aid your understanding, the underlined terms are hyperlinked to definitions in our online investment glossary.

Equity markets



US equities struggled in February, recording a loss of 2.9%. The continued uncertainty about Trump's agenda affected corporate and consumer sentiment. The technology sector faced significant headwinds as investors moved away from the more richly valued large-cap growth stocks. Mixed economic data and ongoing inflationary pressures also contributed to market volatility. Despite this, the energy and healthcare sectors demonstrated relative strength.



Despite ongoing geopolitical tensions and inflationary pressures, European equities performed well in February and ended up 2.4%. Gains were driven by strong performance from the financials and defence sectors, supported by hope of a ceasefire in Ukraine, higher long-term defence spending, and a rotation out of US tech stocks. The European Central Bank's accommodative monetary policy (lowering interest rates) and improving economic data also helped.



In February, UK equities returned 1.4%. This was led by gains in healthcare, financials, and industrials, while the consumer discretionary and consumer staples sectors both underperformed. The large banks, defence, and pharmaceutical companies boosted performance of UK large-cap equities, but the sentiment towards small-caps weakened. So far, the UK has been spared US tariffs and this helped sterling strengthen following a very poor January.



Emerging markets equities were up 0.8% in local currency terms over the month, but the strength of the pound turned this into a 0.8% loss for sterling-based investors. China was the best performing region delivering a 10.3% return amid continued optimism about its AI capabilities and signals of government support for the private sector. Elsewhere, Poland, Greece, and Chile all posted positive returns. Korea saw negative returns, as did Brazil and India.

Fixed income



Fixed income markets saw gains in February as global bonds acted as diversifiers against equity losses. Treasury yields fell (meaning their prices rose) with global bonds returning 1.2% over the month. The decline in yields was driven by increased demand for safe-haven assets amid market volatility and concerns about economic growth. At a more granular level, US Treasuries were up 2.2%, gilts saw a 0.8% gain, and sterling corporate bonds returned 0.4%.

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested. Source: Quilter Investors as at 28 February 2025. Total return, percentage growth, rounded to one decimal place. The performance shown for global equities is represented by the MSCI AC 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, emerging markets by the MSCI Emerging Markets Index, Chinese equities by the MSCI China Index, global bonds by the Bloomberg Global Aggregate (GBP Hedged) Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index, gilts by the ICE BofA UK Gilt Index; and sterling corporate bonds by the ICE BofA Sterling Corporate Index.

Performance review

In February, the Creation Portfolios delivered returns ranging from a loss of 1.2% for the higher risk Adventurous Portfolio to 0.2% gain for the Conservative Portfolio. These returns reflected weaker performance from equities compared to fixed income and alternatives.

Within equities, the US was the biggest detractor from performance, particularly more tech focused holdings. However, both our fixed income and alternatives allocations were positive contributors to returns, driven by positive performance from both government and investment-grade corporate bonds.



Ian Jensen-Humphreys
Portfolio Manager

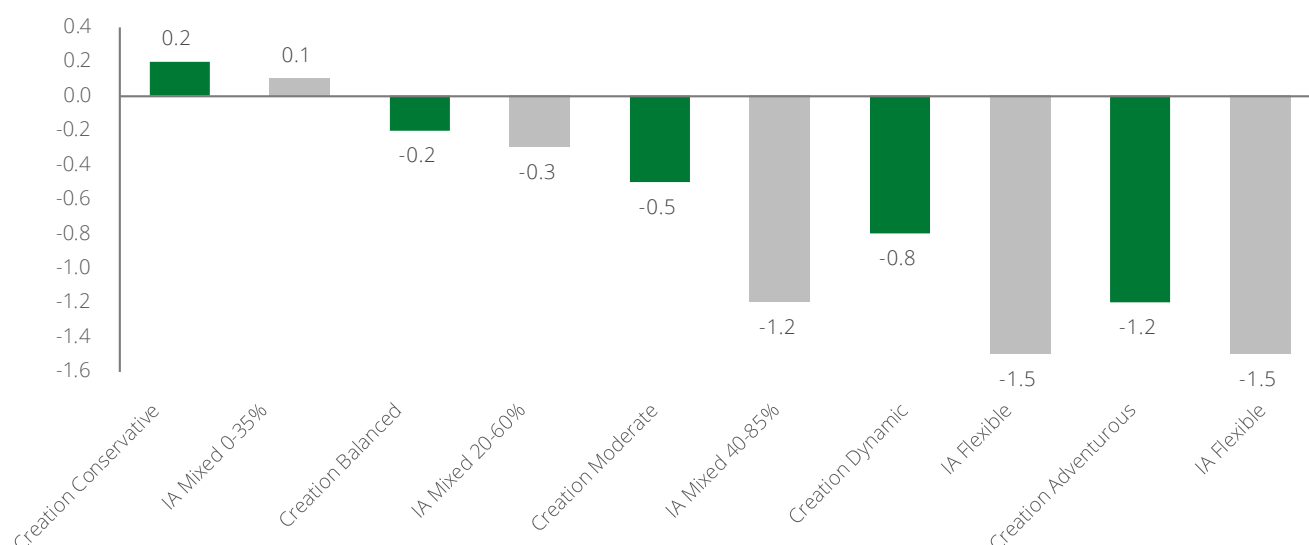


Sacha Chorley
Portfolio Manager



CJ Cowan
Portfolio Manager

Monthly performance (%)



Performance summary (%)

| | Cumulative performance | | | | | | Discrete annual performance to end of February | | | | |
|------------------------------|------------------------|------------|-------------|-------------|-------------|--------------|--|-------------|-------------|-------------|-------------|
| | 1 month | YTD | 1 year | 3 years | 5 years | Since launch | 2024 - 2025 | 2023 - 2024 | 2022 - 2023 | 2021 - 2022 | 2020 - 2021 |
| Creation Conservative | 0.2 | 1.5 | 4.7 | 4.4 | 5.9 | 22.5 | 4.7 | 3.7 | -3.8 | -1.0 | 2.4 |
| IA Mixed 0-35% | 0.1 | 1.8 | 6.8 | 4.9 | 9.0 | 34.4 | 6.8 | 4.1 | -5.6 | 0.4 | 3.5 |
| Creation Balanced | -0.2 | 1.9 | 6.7 | 11.3 | 18.4 | 42.1 | 6.7 | 4.7 | -0.4 | 0.2 | 6.2 |
| IA Mixed 20-60% | -0.3 | 2.1 | 8.3 | 9.9 | 19.0 | 53.2 | 8.3 | 4.7 | -3.0 | 1.6 | 6.6 |
| Creation Moderate | -0.5 | 2.3 | 8.6 | 17.6 | 31.1 | 61.9 | 8.6 | 6.1 | 2.0 | 1.2 | 10.2 |
| IA Mixed 40-85% | -1.2 | 2.1 | 9.7 | 15.2 | 33.2 | 84.3 | 9.7 | 6.3 | -1.1 | 4.2 | 10.9 |
| Creation Dynamic | -0.8 | 2.7 | 10.4 | 23.4 | 43.8 | 80.1 | 10.4 | 7.2 | 4.2 | 2.8 | 13.4 |
| IA Flexible | -1.5 | 2.0 | 9.5 | 16.0 | 36.3 | 86.6 | 9.5 | 6.2 | -0.2 | 3.7 | 13.4 |
| Creation Adventurous | -1.2 | 2.8 | 11.4 | 26.3 | 49.5 | 58.5 | 11.4 | 7.8 | 5.2 | 3.5 | 14.3 |
| IA Flexible | -1.5 | 2.0 | 9.5 | 16.0 | 36.3 | 46.6 | 9.5 | 6.2 | -0.2 | 3.7 | 13.4 |

Past performance is not a guide to future performance and may not be repeated. Source: Quilter Investors as at 28 February 2025. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Creation Conservative Portfolio launched on 6 June 2014, the Creation Balanced Portfolio launched on 28 April 2014, the Creation Moderate Portfolio launched on 16 May 2014, the Creation Dynamic Portfolio launched on 5 June 2014, and the Creation Adventurous Portfolio launched on 3 July 2017.

Portfolio activity

We made no changes to our tactical asset allocation views, nor any significant shifts in our manager line up. Our portfolio activity was largely restricted to the management of inflows and outflows in the portfolios.

Investment outlook

February was an interesting month. Markets fell, despite strong earnings reports and robust hard data (measurable and objective metrics rather than sentiment). Overall, we remain modestly positive in light of corporate earnings growth and activity levels that, at least for now, remain healthy. However, the recent increase in market volatility gives us pause for thought, especially given increased political volatility we have seen in the first months of Trump's second term.

1. Political impacts to the US economy

Even at the best of times, political decisions and edicts can be difficult to translate into real economic impacts. The style of decision making from the Trump cabinet is making this harder still and we have started to see some reaction to this through lower confidence levels in survey responses. While deregulation and tax cuts are still expected to propel US growth, we remain mindful of the growth-negative policies such as tariffs and immigration curbs in the near term.

2. Reasons to be cheerful

Factors which can support and accelerate economic growth are likely to ensure market sentiment remains positive. To that end, the recent political developments in Europe, which have the potential to offer meaningful fiscal stimulus, is a potential bright spot. Likewise, the increased breadth in stock market returns signals that there is more to markets than just the Magnificent Seven, which should be a positive for sustainable market returns in the future.

3. What might make us more pessimistic?

The key risk for us in 2025 is US inflation. Trump's policies might be a catalyst for another increase, with tariffs as the culprit. This would likely hinder the US Federal Reserve from cutting interest rates further and may even necessitate rate rises, which would be bad for bond prices and borrowers everywhere. The resulting shock to growth from these tighter financial conditions could lead to poor corporate earnings. Separately, a tit-for-tat tariff war could be destructive to growth.

Thank you for investing with us

Keep an eye out for your Creation Portfolios quarterly report available in April.

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.

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There are also other risks shown below of which investors should be aware. For more information on these risks, investors should read the key investor information document(s) (KIID(s)).

The portfolios are denominated in one currency, but may hold assets denominated in other currencies, which means exchange rate changes may cause the value of investments to rise or fall. The portfolios may invest in a range of assets such as bonds, equities (company shares), and other investment funds. This means the portfolios will be subject to the collective risks of those investments and, in the case of other investment funds, the collective risks of those investment funds as well as their underlying investments. The portfolios deduct the charges from the capital of the portfolios, which means there is the potential for capital erosion if insufficient capital growth achieved to cover the charges. The portfolios may use derivatives, which means there may be a higher level of risk. The portfolios may hold investments that may be more difficult to sell, which may affect the ability of investors to withdraw their money. The portfolios invest in emerging markets, which may be more volatile than investments in developed markets.

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