

WealthSelect Responsible Passive 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

The returns from the Responsible Passive Portfolios as you moved down the risk scale, in line with their decreasing equity content. Returns ranged from a flat 0.0% for the Responsible Passive 3 Portfolio to a 3.1% loss for the Responsible Passive 10 Portfolio.

Markets ended February in a weaker position, particularly in the US, with running estimates of real GDP growth sharply declining. Against this backdrop, our US equity holdings fell while European equities posted gains – boosted in some part by the election result in Germany. Meanwhile, fixed interest rallied and our ad hoc rebalance in the middle of January, where we added to our traditional fixed income exposure, helped returns.



Stuart Clark
Portfolio Manager

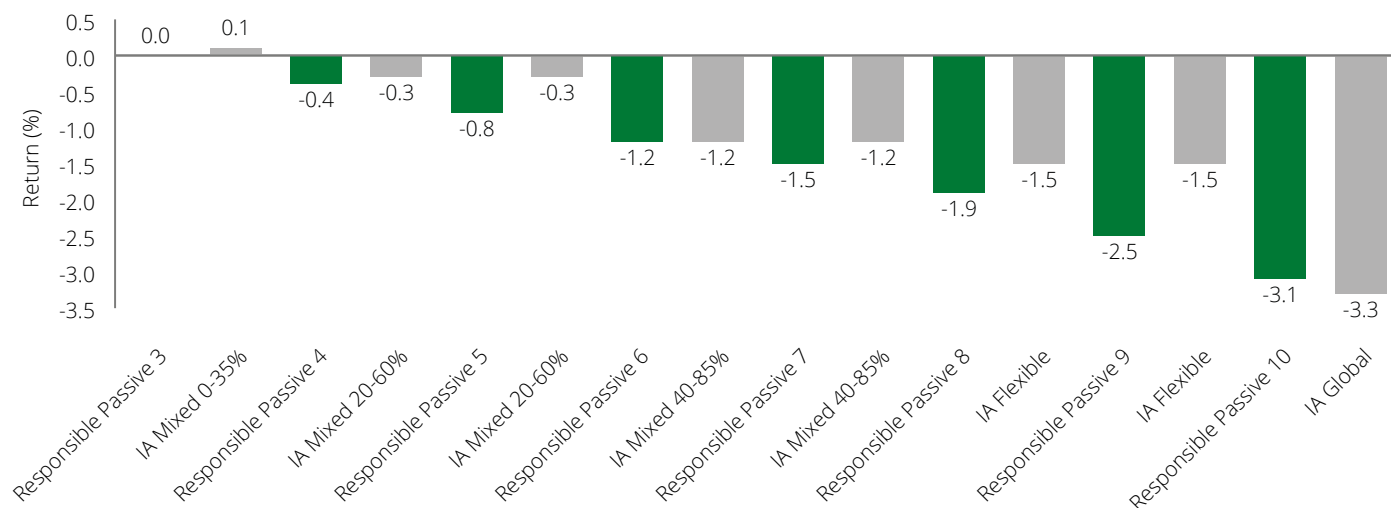


Helen Bradshaw
Portfolio Manager



Bethan Dixon
Portfolio Manager

Monthly performance (%)



Performance summary (%)

	Cumulative performance						Discrete annual performance to end of February				
	1 month	YTD	1 year	3 year	5 year	Since launch	2023 - 2024	2022 - 2023	2021 - 2022	2020 - 2021	2019 - 2020
Responsible Passive 3	0.0	1.7	7.4	-	-	10.3	7.4	6.7	-	-	-
IA Mixed 0-35% Shares	0.1	1.8	6.8	-	-	5.6	6.8	4.1	-	-	-
Responsible Passive 4	-0.4	1.9	8.6	-	-	15.8	8.6	8.1	-	-	-
IA Mixed 20-60% Shares	-0.3	2.1	8.3	-	-	11.8	8.3	4.7	-	-	-
Responsible Passive 5	-0.8	2.1	9.7	-	-	20.2	9.7	9.2	-	-	-
IA Mixed 20-60% Shares	-0.3	2.1	8.3	-	-	11.8	8.3	4.7	-	-	-
Responsible Passive 6	-1.2	2.2	10.7	-	-	24.6	10.7	10.2	-	-	-
IA Mixed 40-85% Shares	-1.2	2.1	9.7	-	-	18.1	9.7	6.3	-	-	-
Responsible Passive 7	-1.5	2.4	11.8	-	-	27.9	11.8	11.4	-	-	-
IA Mixed 40-85% Shares	-1.2	2.1	9.7	-	-	18.1	9.7	6.3	-	-	-
Responsible Passive 8	-1.9	2.6	12.7	-	-	32.3	12.7	12.4	-	-	-
IA Flexible	-1.5	2.0	9.5	-	-	19.0	9.5	6.2	-	-	-
Responsible Passive 9	-2.5	2.2	14.2	-	-	38.9	14.2	13.7	-	-	-
IA Flexible	-1.5	2.0	9.5	-	-	19.0	9.5	6.2	-	-	-
Responsible Passive 10	-3.1	1.9	14.4	-	-	43.4	14.4	17.8	-	-	-
IA Global	-3.3	1.5	9.6	-	-	30.0	9.6	13.0	-	-	-

Past performance is not a guide to future performance and may not be repeated. Source: Quilter and FactSet as at 28 February 2025. Total return, percentage growth, rounded to one decimal place. The performance shown is after the deduction of the charges of the underlying funds, but before the deduction of the Managed Portfolio Service charge. The deduction of this charge will impact on the performance shown. The performance shown is based on a model of the WealthSelect Responsible Passive Portfolios held via Quilter's platform. The WealthSelect Responsible Passive Portfolios launched on 8 March 2022.

Investment outlook

Last month we highlighted 'the volatility of policy and their far from typical delivery methods' under the new political regime in Washington. This has clearly started to have a material impact on the outlook for global growth and international trade, as tariffs are implemented, alongside the potential increase to inflation. Another factor to consider is the damage to consumer confidence caused by the potential for further job losses within government departments and agencies.

1. A broadening of returns

US earnings have continued to be strong but the confidence in their expected outperformance versus other developed markets has continued to fall. In Europe, the election result in Germany, hopes about a Russia/Ukraine ceasefire as well as cheaper valuations, led to outperformance at a time when the majority of the Magnificent Seven names struggled.

2. Plenty to consider

A key factor in our outlook is going to be whether the rotation from US equities to the rest of world – particularly European and Chinese equities – is the start of a significant reversion or a shorter-term trade. At the end of the month, we saw the disastrous meeting between President Trump, Vice President Vance, and President Zelenskyy. On a humanitarian level, we remain concerned about the potential impact on the outcome of the war if US support is not forthcoming.

3. Diversification is key

With so much going on we are maintaining a moderately cautious stance and a willingness to be flexible with the positioning of the portfolios. As we have said for many years, in periods like this, diversification will be key to maintaining the overall risk and return profile of the portfolios and this seems even more pertinent now.

Thank you for investing with us

Keep an eye out for your WealthSelect quarterly commentary report available in April.

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