Quilter Investors

# Monthly Income Portfolios

## Monthly commentary – Review of April 2025

*Marcus Brookes*
Chief Investment Officer

## Our market summary

April was marked by significant market volatility, primarily driven by President Trump's 'Liberation Day' announcement of sweeping reciprocal tariffs on imported goods. The tariffs announced on 2 April were broader and higher than expected, and the implications of this new US trade policy impacted equities, fixed income, and currencies. Stock markets recovered somewhat later in the month as Trump suspended the reciprocal tariffs for 90 days for countries that had not implemented any retaliatory measures. Against this backdrop, global equities ended the month down 2.4% whilst global bonds finished the month up by 0.5%.

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

### *Equity markets*

The US was the worst performing equity market in April. The 0.9% loss experienced in US dollar terms was increased to a loss of 3.9% for sterling-based investors due to the weakness of the US dollar. Energy was the weakest sector along with the healthcare and financials sectors, with consumer staples and IT the best performers. Meanwhile, Trump's tariffs weakened business confidence, hindering investment and spending decisions, and increasing the risk of a recession.

Like the US, European markets were impacted by the uncertainty caused by the reciprocal tariffs. However, an interest rate cut from the European Central Bank (ECB) and supportive fiscal policies helped provide relief. Overall, European ex UK equities were up 1.6% over the month. Like the US, the energy sector was the weakest with defensive areas, including consumer staples and utilities, showing resilience.

UK equities also faced the same challenges from trade policy uncertainties and ended the month down 0.2%. The energy sector was once again the main laggard, whereas the utilities sector, known for its defensive characteristics, was the top performer. Additionally, the more domestically focused small-cap companies (up 3.6%) outperformed large cap (down 1.4%) over the month.

April saw an escalation in trade tensions between the US and China. This weighed on Chinese equities, which ended the month down 7.5%. Overall, emerging markets proved to be more were resilient and were down only 2.1%. Mexico was the top performer as it faced no new trade tariffs on 2 April, whilst Brazil was notably strong, supported by the strength of the Brazilian real. Elsewhere, India continued to do well, and South Africa was up, helped by the surge in the gold price.

### *Fixed income*

There was significant volatility in bond markets over the month. There was a sharp spike in US Treasury yields and government bond yields fell across Europe and the UK. At the end of the month, US Treasuries were up 0.5%, UK gilts were up 1.8%, global corporate bonds were up 0.4%, and global government bonds were up 1.3%.

***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 30 April 2025. Total return, percentage growth over period 31 March 2025 to 30 April 2025. The performance figures shown for equities are represented by an appropriate MSCI index. global bonds by the Bloomberg Global Aggregate (GBP Hedged) Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index, UK gilts by the ICE BofA UK Gilt Index, global corporate bonds.by the Bloomberg Global Aggregate Corporate (GBP Hedged) Index, and global government bonds by the Bloomberg Global Aggregate Government Treasuries (GBP Hedged) Index.*

# Performance review

Helen Bradshaw
Portfolio Manager

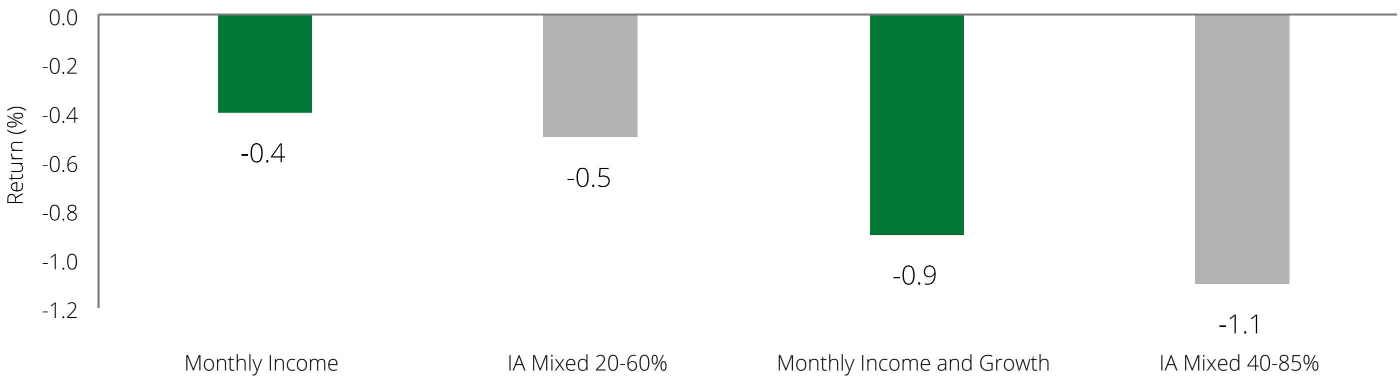
CJ Cowan
Portfolio Manager

In April, the Monthly Income Portfolio and Monthly Income and Growth Portfolio delivered losses of 0.4% and 0.9%, respectively. However, both the portfolios were ahead of their performance comparators.

Our equity exposure was the dominant drag on returns. In particular, dollar weakness compounded falls in US equities. However, our underweight to the region contributed positively to relative performance.

Fixed income added to returns with government and investment grade bonds helping to mitigate losses from elsewhere in the portfolios. It was also a positive month for the infrastructure holdings within our alternatives' allocation.

## *Monthly performance (%)*




## *Performance summary (%)*

| | *Cumulative performance* | | | | | | *Discrete annual performance to end of April* | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | *1 month* | *YTD* | *1 year* | *3 year* | *5 year* | *Since launch* | *2024 - 2025* | *2023 - 2024* | *2022 - 2023* | *2021 - 2022* | *2020 - 2021* |
| **Monthly Income** | **-0.4** | **0.2** | **4.5** | **7.3** | **23.6** | **15.6** | **4.5** | **4.6** | **-1.9** | **-0.2** | **15.4** |
| IA Mixed 20-60% | -0.5 | -0.3 | 4.0 | 7.8 | 22.3 | 16.6 | 4.0 | 6.4 | -2.6 | -2.2 | 16.0 |
| **Monthly Income and Growth** | **-0.9** | **-0.6** | **4.2** | **10.5** | **34.2** | **25.5** | **4.2** | **6.4** | **-0.4** | **1.5** | **19.7** |
| IA Mixed 40-85% | -1.1 | -2.3 | 2.9 | 9.8 | 33.2 | 26.7 | 2.9 | 8.7 | -1.8 | -0.1 | 21.4 |

*Past performance is not a guide to future performance and may not be repeated. Source: Quilter Investors as at 30 April 2025. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Monthly Income Portfolios launched on 26 June 2019.*

# Portfolio activity

During the month we increased our exposure to Japanese equities given the encouraging signs of corporate reforms as well as attractive valuations.

Elsewhere, we sold our remaining holding in Assura following a takeover bid that saw the shares spike higher. The proceeds were reallocated to our infrastructure holdings – The Renewables Infrastructure Group and the Clearbridge Global Infrastructure Income Fund.

# Investment outlook

At the end of the first quarter of 2025, the US economy was still in decent shape. Consumer and business confidence was weaker, but there was good reason to be sceptical of those surveys. Meanwhile, economic activity and labour market data was solid. So, while a slowdown was coming, we didn't expect anything more serious. In Europe, the promise of more government spending had notably improved the long run economic outlook. Closer to home, the UK enjoyed a bounce in growth, but wage gains without productivity growth meant upside risks to inflation were still a concern.

## *1. How it started*

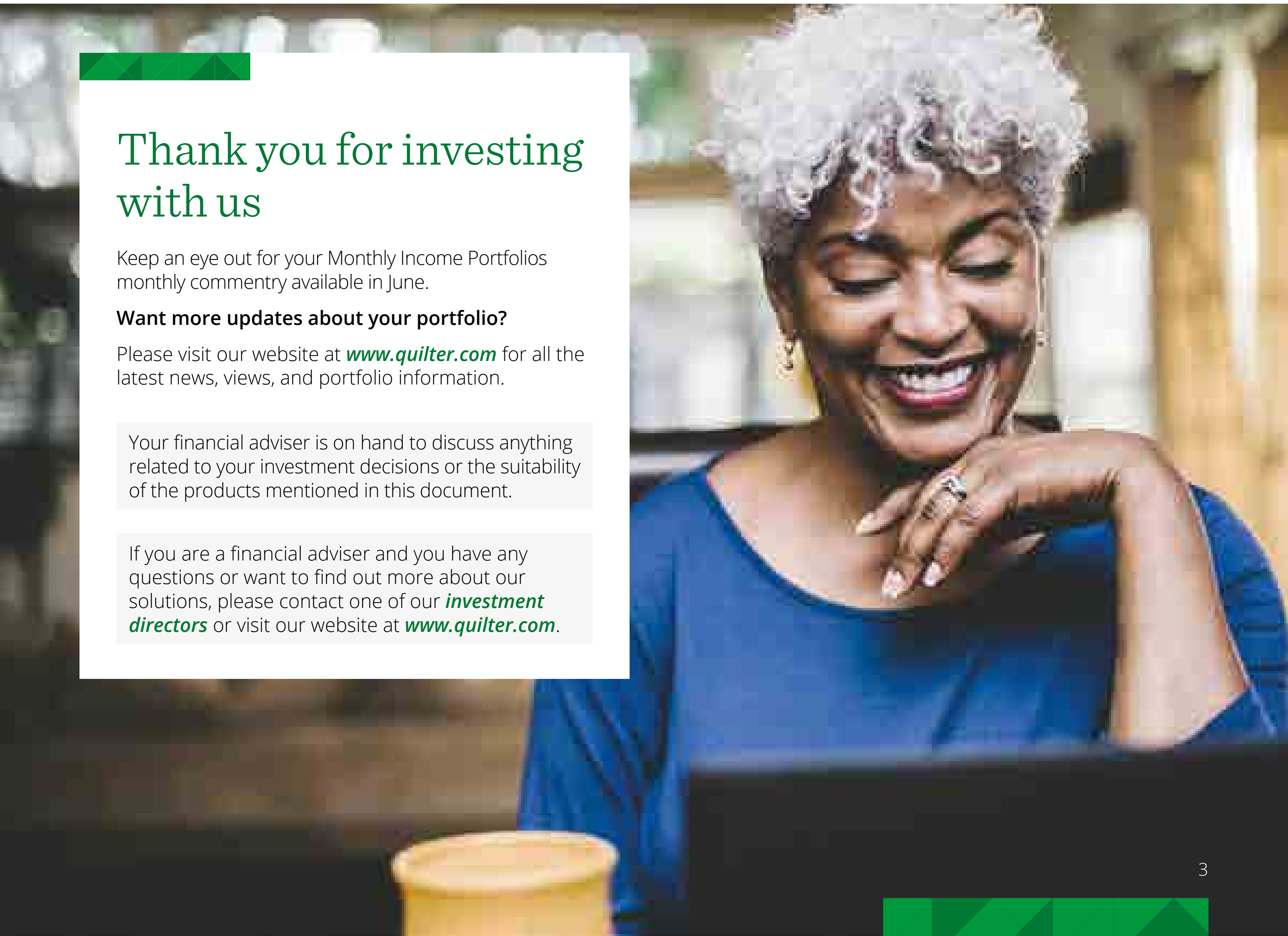
Before the Presidential election, US equities rallied on expectations of deregulation and tax cuts. While tariffs were always part of Trump's policy agenda, our working assumption was that the reality would be less extreme than the rhetoric, given the knock-on impact of lower global growth and higher US inflation. However, this theory was already being challenged following the 20% tariff placed on imports from China and the on-off tariff back and forth with Canada and Mexico.

## *2. How it's going*

'Liberation Day' on 2 April was worse than almost anyone foresaw. Its chaotic aftermath left investors with doubts over the competency of US policy making. Trump backtracked in a matter of days once US Treasury yields jumped, but there is now a reluctance to hold US assets among investors. We have likely seen the peak in the US share of global equity markets unless policy drastically changes but would note that asset allocation shifts like this typically take place slowly over many years.

## *3. What does it all mean?*

A more significant global slowdown is now expected. A recession is far from certain and is not priced into markets, so if conditions worsen materially then a further equity sell-off and bond rally is likely. Conversely, the turmoil in markets was entirely Trump-made and could be (partly) unwound with a single 'tweet'. With heightened uncertainty, diversification across regions and asset classes is the name of the game.



# Thank you for investing with us

Keep an eye out for your Monthly Income Portfolios monthly commentry available in June.

**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 contact one of our ***investment directors*** or visit our website at ***www.quilter.com***.

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## *Important information*

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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)).*

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