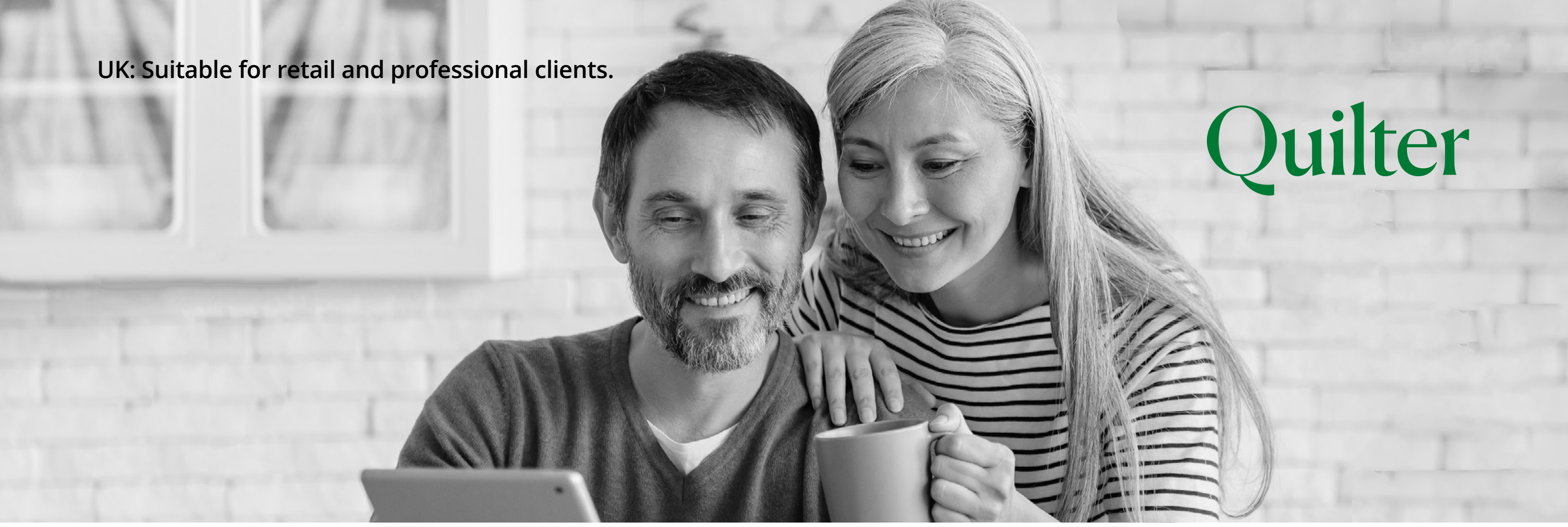
UK: Suitable for retail and professional clients.



WealthSelect Managed Blend Portfolios

Monthly commentary – Review of April 2023

Marcus Brookes
Chief Investment Officer

Our market summary

Global equities eked out a modest 0.2% gain in April. Losses in China, which undermined Asian and emerging market equities, and a small decline in US equities due to the strength of sterling, were mostly balanced by strong returns from Europe with UK equities once again proving to be the top-performing region. Meanwhile, the banking sector continued to creak, particularly in the US, with the Federal Reserve (Fed) tempering short-term expectations for the US economy.

Equity markets

Dampened investor confidence stemming from the ongoing banking issues paired with muted economic forecasts from the Fed weighed on US stock markets, which declined 0.2%. In the banking sector, there were echoes of last month's merger between Credit Suisse and UBS as the US regulators helped facilitate the purchase of the troubled First Republic Bank by JP Morgan.

European stock markets continued their recent upswing, delivering a return of 1.4%. This was partly due to positive economic data showing growth for the region over the first quarter, most notably driven by Italy and Spain. Similarly, a raft of positive corporate earnings reports helped buoy stock markets, with energy and real-estate – both of which had lagged the market last quarter – bouncing back to be the top-performing sectors.

Inflation persisted as the chief concern in the UK. With both headline and core inflation remaining higher than forecast, expectations of further interest-rate hikes from the Bank of England increased. Despite this, UK stock markets rallied gaining 2.6% thanks to a pronounced rebound in financial sector stocks, which benefit from rising interest rates, and the UK's extensive exposure to energy stocks.

Negative sentiment towards China's stock market impacted emerging markets, with emerging markets equities down 2.6% in April. China's stock markets fell by 6.2%, despite improving economic numbers, due to continued tensions with the US surrounding trade and Taiwan. Turkey, one of 2022's top performers, also lost ground ahead of May's general election whilst Latin American markets generally outperformed, as did India and Indonesia.

Fixed income

Global bond markets were steady in April, having tremored in March following the well-publicised issues with some banks. Expectations surrounding continued interest-rate rises from central banks, due to persistently high inflation levels, muted performance over the period, with US government bonds down 1.2% while sterling corporate bonds returned 0.3%. UK gilts (UK government bonds) were worst affected, finishing April down by 1.6%.

Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. Each asset class is represented by the appropriate IA sector.

Stuart Clark
Portfolio Manager

Performance review

Against the current market backdrop, there was a broad spread of returns from different markets with the WealthSelect Managed Portfolios. The portfolios delivering modest gains over the month that were broadly in line with their Investment Association (IA) sector performance comparators.

Performance summary (%)

	Cumulative performance						*Discrete annual performance*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*28 Apr 22 - 28 Apr 23*	*30 Apr 21 - 30 Apr 22*	*30 Apr 20 - 30 Apr 21*	*30 Apr 19 - 30 Apr 20*	*30 Apr 18 - 30 Apr 19*
Managed Blend 3	**0.4**	**2.5**	**-0.3**	**7.5**	**12.8**	**38.1**	**-0.3**	**-2.3**	**10.4**	**2.9**	**2.0**
IA Mixed 0-35% Shares	0.3	2.0	-3.7	2.1	3.7	23.8	-3.7	-3.0	9.3	-0.5	2.1
Managed Blend 4	**0.5**	**2.8**	**0.4**	**11.6**	**16.8**	**49.0**	**0.4**	**-1.7**	**13.1**	**2.2**	**2.4**
Managed Blend 5	**0.5**	**3.1**	**0.6**	**15.2**	**20.1**	**59.4**	**0.6**	**-1.1**	**15.8**	**1.3**	**2.9**
IA Mixed 20-60% Shares	0.6	2.2	-2.6	10.5	9.1	35.6	-2.6	-2.2	16.0	-3.6	2.5
Managed Blend 6	**0.6**	**3.4**	**1.4**	**19.8**	**23.7**	**68.8**	**1.4**	**-0.2**	**18.4**	**0.2**	**3.1**
Managed Blend 7	**0.7**	**3.7**	**2.1**	**24.2**	**27.3**	**78.8**	**2.1**	**0.4**	**21.2**	**-1.0**	**3.5**
IA Mixed 40-85% Shares	0.6	2.9	-1.8	19.1	19.4	58.0	-1.8	-0.1	21.4	-3.8	4.1
Managed Blend 8	**0.8**	**4.1**	**2.8**	**29.1**	**32.2**	**90.4**	**2.8**	**1.3**	**24.1**	**-1.7**	**4.2**
Managed Blend 9	**0.7**	**4.4**	**2.8**	**33.7**	**38.2**	**109.8**	**2.8**	**1.5**	**28.2**	**-1.4**	**4.9**
IA Flexible	0.5	2.3	-1.4	22.3	20.9	62.8	-1.4	-0.6	24.7	-4.2	3.2
Managed Blend 10	**0.5**	**4.5**	**2.7**	**36.2**	**41.6**	**129.5**	**2.7**	**1.2**	**31.0**	**-1.2**	**5.2**
IA Global	-0.2	3.9	0.6	34.3	44.4	123.1	0.6	0.0	33.4	-1.1	8.7

Source: Quilter Investors as at 28 April 2023. Total return, percentage growth rounded to one decimal place. All performance figures are net of underlying fund charges, but gross of the Managed Portfolio Service charge. Deduction of this charge will impact on the performance shown. The WealthSelect Managed Blend Portfolios launched on 24 February 2014.

How our equity holdings performed

UK equity market leads the field

The outperformance of UK equities was a bright spot that was in stark contrast to the gloomy economic data that was released during the month. Stubbornly high inflation met with higher wages and slower manufacturing. Even so, the international nature of UK company earnings alongside the market's heavy weighting to financials and energy stocks, which make it the most value-biased major market, made the UK the top performing regional market in April.

Turning defensive

Within our other developed market equity holdings, the Quilter Investors Precious Metals Equity Fund was a top contributor to performance as investors looked towards the potentially defensive and diversifying characteristics that gold can provide. As in the UK, those managers with a more 'value-oriented' approach generally performed better as interest rates trended higher, hurting the valuations of more growth-oriented investments.

China drags on emerging markets

Chinese equities were the worst performing asset held in the portfolios as the US ratcheted up its rhetoric of further restrictions on Chinese investment and trade. This impacted broader Asian and emerging market indices. With the exception of the Quilter Investors China Equity Fund (Janus Henderson), our active managers outperformed their respective benchmarks, but still delivered muted losses.

'Growth' stocks derive their value from the rate at which they're expected to grow their future earnings. 'Value' stocks have low share prices relative to their intrinsic value and tend to pay more generous dividends than growth stocks.

How our fixed-income holdings performed

Modest gains from bond portfolios

With UK government bond yields rising (meaning their prices fell) in April, our holdings here delivered losses. Offsetting this was our exposure to overseas government bonds, which delivered a positive contribution to returns. Meanwhile, the general improvement in investor risk appetite meant that corporate bonds (issued by companies) outperformed government bonds. This helped the investment-grade corporate bonds held within the portfolios to deliver positive returns.

Bonds issued by governments, companies, or institutions are rated according to their creditworthiness. Those with lower 'credit ratings' must pay higher rates of interest to compensate for the greater risks. Bonds with the highest credit ratings are called 'investment grade' and bonds with lower credit ratings are called 'high-yield'.

How our alternative holdings performed

Diversified approach delivers overall gains

Within the alternatives holdings we aim to maintain diversification to a broad range of asset classes and investment approaches. In April, this meant positive returns from one of the global equity market-neutral holdings but not the other; and positive returns from both of the absolute return bond fund holdings and the dynamic bond holding, but modest losses from the dynamic multi-asset strategy we hold. In aggregate, this resulted in the alternatives holdings delivering a positive boost to the performance of the WealthSelect Managed Portfolios.

Market-neutral funds are strategies that are not closely correlated to the movements of a given index benchmark. In general, they aim to generate consistent returns regardless of whether markets are rising or falling.

Investment outlook

To justify current equity market valuations, it's paramount that central banks successfully engineer a soft landing for the global economy. However, this is something that's incredibly difficult to achieve. If the economy remains robust, and company earnings aren't compromised by higher wage settlements, then inflation is likely to remain 'sticky' and central banks will need to move interest rates still higher. If the economy falters and consumption drops, impacting company earnings, then central banks could cut interest rates, if inflation allows. However, against a backdrop of economic weakness, such cuts would be unlikely to move the dial in the right direction for company valuations.

1. Counter intuitive

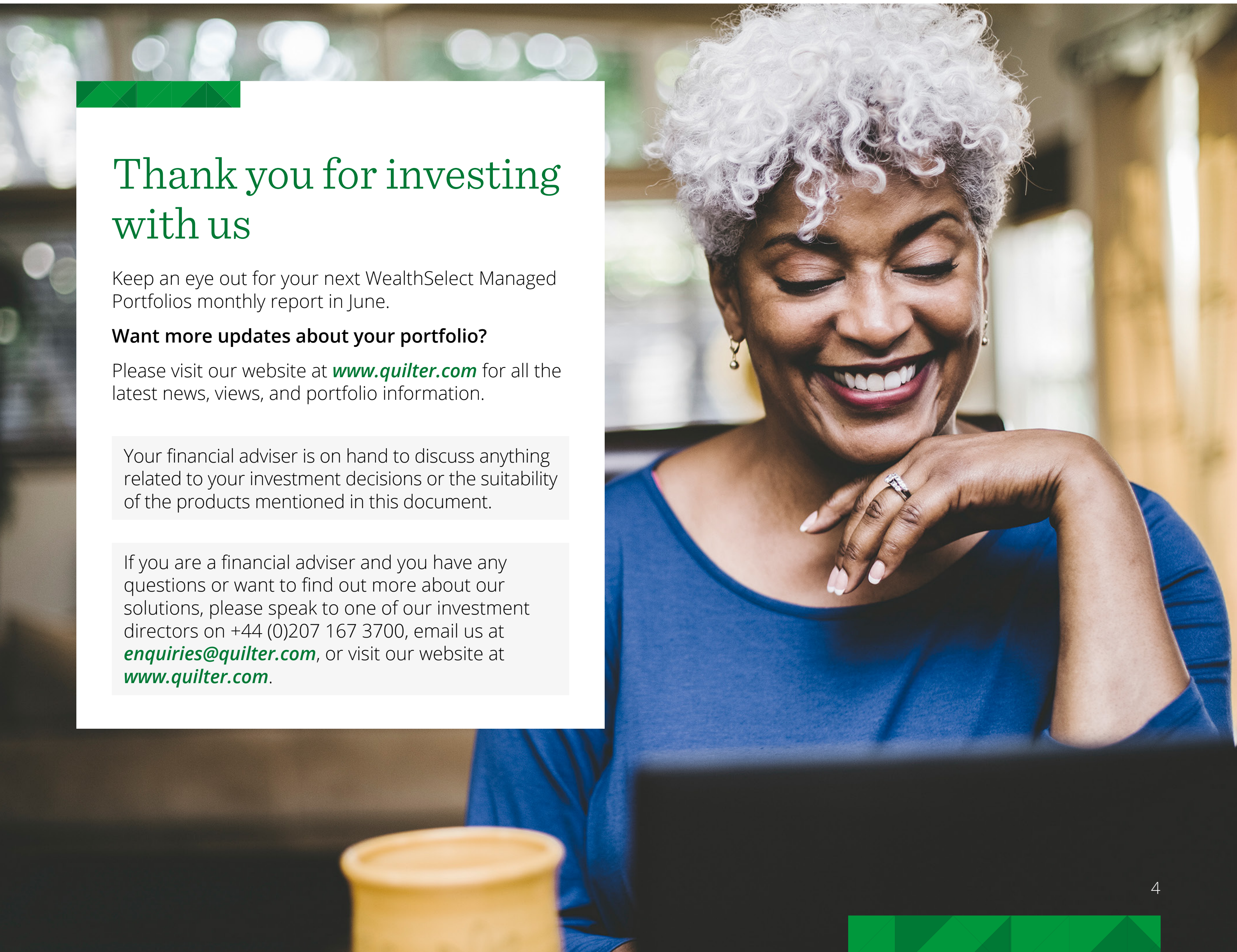
Countering this argument is the fact that most of the gains from equity markets this year have been driven by a relatively small cohort of large-cap stocks. This dynamic makes it hard for active stock pickers to outperform the market but, in our opinion, it doesn't yet suggest that there's a broader buying opportunity in equity markets.

2. Walking a tightrope

While we remain alive to the possibilities that central banks and governments can unwind the excess liquidity in the system and the cost-of-living crisis with no dire consequences and that companies will expertly manage supply, demand, wage costs and margins to grow earnings further, it's a lot to ask. The current situation recalls the analogy of the tightrope walker crossing between mountain peaks – a fantastic feat if achieved, but with considerable downside!

3. Better safe than sorry

While there will inevitably be stock-specific opportunities, both now and in the future, at the current juncture we remain mindful of the challenges central banks face in achieving a soft landing and alert to more near-term risks, such as the US debt ceiling and the disquiet among its regional banks, which could present additional headwinds for risk assets in the coming months.



Thank you for investing with us

Keep an eye out for your next WealthSelect Managed Portfolios monthly report 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 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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Important information

Past performance is not a guide to future performance and may not be repeated.
Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.

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