# WealthSelect
# Managed Blend 5 Portfolio
# Quarterly Report Q1 2025

Quarterly report to 31 March 2025

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# Market summary

Marcus Brookes
Chief Investment Officer

The first quarter of 2025 was volatile with global equities down 4.2% due to elevated uncertainty caused by US trade policy dampening growth expectations. Whilst outside of the period of review for this commentary, since end of Q1, we have continued to see Trump's tariff policies lead to heightened volatility and market weakness. The uncertain nature of Trump's policies and the unpredictability of their delivery means market volatility is here to stay for at least the short term. However, one pleasing aspect of recent weeks has been the success of diversification in navigating these uncertain times. Falling yields in the US have offset equity losses, and in equities overall, diversification has worked at a regional and sector level.

## Developed markets (ex UK)

US equities saw significant volatility in Q1 2025 due to tariff-related headlines and policy uncertainty. Overall, US equities were down 7.4% with the information technology and consumer discretionary sectors seeing the worst losses. The energy and healthcare sectors performed better. The ongoing concerns about trade tariffs and fears of public sector job cuts by DOGE (the new Department of Government Efficiency) also impacted consumer sentiment.

European equities outperformed other developed markets in Q1, up by 7.6%, driven by robust performance in the financials, industrials, and energy sectors. Germany's fiscal policy changes and increased defence spending also boosted market sentiment with German equities recording their strongest first quarter since 2023. However, concerns about US tariffs on imports, particularly in the automotive sector, caused markets to pull back in March and cap gains.

## UK equity

UK equities rose by 4.9% over the quarter, led by large-cap financials and the energy and healthcare sectors. Sentiment towards small and mid-sized companies remained weaker due to ongoing concerns about the domestic outlook. This challenging environment saw consumer-facing sectors such as housebuilders, retailers, and travel and leisure suffer. Technology and basic materials were also detractors.

## Emerging markets equity

Emerging markets equities were broadly flat in the first quarter. This was despite impressive performance from Chinese equities, which were up 11.7%, driven by technology companies and supportive measures from the policymakers in Beijing. Indian stocks struggled, while Brazil and South Africa fared better. Elsewhere, Indonesia, Thailand, and Korea all posted double-digit losses as uncertainty relating to growth and US trade tariffs weighed on sentiment.

## Fixed interest

Fixed interest markets saw gains in Q1, with US Treasuries returning 3.0% amid rising recession risks. Elsewhere, sterling corporate bonds were up 0.4%, gilts were up 0.5%, and global corporate bonds saw a rise of 1.8%.

Past performance is not a guide to future performance and may not be repeated. Source: Quilter Investors and Factset as at 31 March 2025. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for each equity market is represented by the appropriate MSCI Index. Global bonds are represented by the Bloomberg Global Aggregate (GBP Hedged) Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; and UK gilts by the ICE BofA UK Gilt Index.

# Portfolio summary

## Portfolio name

Managed Blend 5

## Portfolio objective

The WealthSelect Managed Blend 5 portfolio aims to achieve capital growth over a period of five years or more through a diversified range of investments in the UK and globally.

The portfolio is matched to a risk profile that targets a specific range of volatility of between 45% and 55% of the expected annualised volatility of global equities over the next 10 years and is managed to stay within this range most of the time.

## Growth to last quarter end

Cumulative performance

| Holding | 3 months | 6 months | 1 year | 3 years | 5 years | Since launch* |
|---|---|---|---|---|---|---|
| Managed Blend 5 | 0.70% | 1.71% | 5.43% | 13.30% | 41.01% | 82.71% |
| IA Mixed Investment 20-60% Shares | 0.18% | 0.25% | 3.77% | 6.28% | 29.88% | 50.76% |

## Growth year by year

Discrete annual performance over one year to March

| Holding | 2025 | 2024 | 2023 | 2022 | 2021 |
|---|---|---|---|---|---|
| Managed Blend 5 | 5.43% | 9.32% | -1.69% | 2.55% | 21.36% |
| IA Mixed Investment 20-60% Shares | 3.77% | 7.80% | -5.00% | 1.79% | 20.05% |

Source: Quilter. Calculated by FactSet. Total return, percentage growth, rounded to one decimal place. All performance shown is based on an illustrative model of the WealthSelect Managed Blend 5 Portfolio held via the Quilter platform, 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 WealthSelect Managed Blend 5 launched on 24 February 2014. The performance of the portfolio on other platforms may not be the same due to various factors including the availability of funds and share classes, the timing of trades within the portfolio, and the impact of costs and charges. Investors can obtain a performance summary of their individual portfolio from their financial adviser.

The performance comparator is an index or similar factor against which the portfolio manager invites investors to compare the performance of the portfolio. The IA Mixed Investment 20-60% Shares sector is representative of funds with exposure to a broad mix of asset types. The portfolio's allocations to these asset types may be different to the average sector allocation and therefore the performance of the portfolio and the performance comparator may differ.

# Portfolio commentary

## Portfolio name
Managed Blend 5


Stuart Clark
Portfolio Manager


Helen Bradshaw
Portfolio Manager


Bethan Dixon
Portfolio Manager

It was another eventful quarter for markets as tariff uncertainty led to some large market moves. Against this backdrop the lower-risk portfolios delivered positive absolute returns with returns declining as you moved up the risk levels. All the portfolios outperformed their Investment Association (IA) sector performance comparators with our allocation to precious metals equity and our underweight to mega-cap tech names in the US helping to drive positive relative performance. Our alternatives holdings contributed particularly positively, while fixed interest also aided overall returns.

## UK equity

### UK outperforms
UK equities posted their best quarterly return for a couple of years, benefitting from a broadening of performance as the theme of US exceptionalism came under question. Large companies outperformed their smaller counterparts, which lagged due to concerns over the domestic outlook.

### Large-cap income strong
The Quilter Investors UK Equity Large-Cap Income Fund was the strongest performer over the period rising 2.6%. The fund's larger-cap positioning was a positive driver of performance, as too was its overweight to financials, with many seeing share price gains as bond yields fell.

### Challenging domestic outlook
Elsewhere, the Quilter investors UK Equity Income Fund struggled, declining 2.3%. The challenging domestic outlook saw the fund's consumer-related names come under pressure, and its position in diversified energy also detracted.

## Developed markets (ex UK)

### Gold shines
Elevated uncertainty and worries over tariffs and their potential impact on both economic growth and inflation saw investors turn to perceived safe havens such as gold. The gold price reached a new all-time high over the quarter boosting returns for the Quilter Investors Precious Metals Equity Fund, which rose 25.7% and once again proved its value as a diversifier within the portfolios.

### Europe strong
European equities posted strong gains as investors reassessed concentrated US positioning and well as the prospect of significant fiscal stimulus in the region. The Quilter Investors Europe (ex UK) Equity Income Fund was the best performer in both an absolute and relative sense, returning 12.0%. Bank stocks like Societe Generale and BNP Paribas were the real stand outs as bond yields increased.

### Mega-cap declines
Meanwhile, mega-cap tech led declines in US equities in a sharp reversal of fortunes of recent years. We had been reducing exposure to these names in recent months and as such the general mix of our managers fared better than the overall market. The Quilter Investors US Equity Income Fund had a better time than most, declining 0.7%, as the manager's value investing style, which focuses on buying companies at cheap prices, was rewarded.

# Portfolio commentary (cont.)

## Portfolio name

Managed Blend 5

## Emerging markets equity

**China rises**

Emerging markets outperformed their developed market counterparts, although there was wide dispersion across the different countries. Chinese stocks performed particularly well thanks to a combination of improving sentiment towards Chinese technology companies following DeepSeek's AI breakthrough in January as well as hopes of a more supportive policy stance from Beijing. The Quilter Investors China Equity Fund was the standout, rising 10.9%.

## Fixed interest

**Fixed interest delivers**

Our fixed interest exposure contributed positively to returns over the quarter as the initial sell-off in the first few weeks of January proved short lived, giving way to a rally later in the quarter. Our ad hoc rebalance in January proved to be very well timed as we were able to take advantage of this sell-off and capture the subsequent rally. Active and timely duration management also benefitted the Quilter Investors Diversified Bond Fund, which rose 2.2%. The fund also benefitted from a short German government bond position that aided performance as increased defence and infrastructure spending was announced in March.

## Alternatives

**Positive alternatives**

Overall, alternatives were a positive contributor to performance with our allocation outperforming our cash, fixed interest, and equity allocations. The Quilter Investors Global Equity Absolute Return Fund was the standout performer rising 4.8% with both the long and short book adding to performance. The PIMCO Strategic Income Fund also had a strong quarter returning 4.1% with the fund's equity allocation doing particularly well.

## Investment outlook

By the end of Q1 2025, the US economy was still in good shape. Consumer and business confidence was weaker, but there is good reason to be sceptical of these surveys. Meanwhile, economic activity and labour market data stayed solid. So, while a slowdown was coming, we didn't expect anything more serious. Over in Europe, the promise of more government spending has notably improved the long-run economic outlook. Closer to home, the UK enjoyed a small bounce in growth, but wage gains, without any productivity growth, means higher inflation remains a concern.

**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.

**How it is going**

'Liberation Day' was worse than anyone foresaw, and its chaotic aftermath left investors with serious doubts over the competency of US policy making. Trump backtracked in a matter of days once US Treasury yields jumped, but the cat is out of the bag, and it is unlikely we will revisit recent highs in equity markets for the time being. There is now a reluctance to hold US assets and we have seen the peak in the US's share of global equity markets unless policy drastically changes course.

**What does it all mean?**

As a result of recent events, the probability of a more significant global slowdown has increased. 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 can be (partly) unwound with a single tweet. With heightened uncertainty, diversification across regions and asset classes is the name of the game.

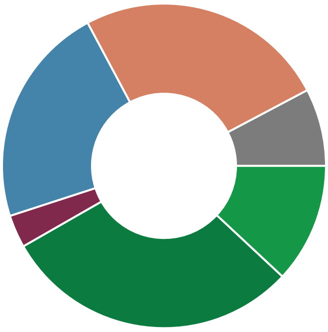
# Portfolio holdings

## Portfolio name

Managed Blend 5

## Asset allocation

As at 31 March 2025



| | Percentage | Quarterly change |
|---|---|---|
| **UK equity** | 11.90% | ▼ -0.17% |
| **Developed markets (ex UK) equity** | 29.81% | ▼ -0.55% |
| **Emerging markets equity** | 3.37% | ▲ 0.37% |
| **Fixed interest** | 22.11% | ▼ -0.28% |
| **Alternatives** | 25.08% | ▲ 1.33% |
| **Cash/Money markets** | 7.73% | ▼ -0.70% |

## Portfolio changes

Your portfolio is constantly monitored and reviewed by our portfolio management team. As part of our active management of your portfolio, we will make changes to the funds in which we invest where we believe it's in your best interest.

**In**

**Out**

## Portfolio holdings

**UK equity** **11.90%**

| Fund | |
|---|---|
| iShares UK Equity Index | 4.86% |
| Quilter Investors UK Equity Large-Cap Income | 2.19% |
| Quilter Investors UK Equity Opportunities | 1.76% |
| Quilter Investors UK Equity | 1.64% |
| Quilter Investors UK Equity Growth | 1.21% |
| Quilter Investors UK Equity Income | 0.24% |

Source: Quilter. Calculated by Factset. Please note that due to rounding the portfolio holdings may not add up to 100%.

The portfolio holdings shown are based on an illustrative model of the WealthSelect Managed Blend 5 Portfolio held via the Quilter platform. The portfolio holdings on other platforms may not be the same due to various factors including the availability of funds and share classes.

# Portfolio holdings (cont.)

## Portfolio name

Managed Blend 5

**Developed markets (ex UK) equity** **29.81%**

| Fund | |
|---|---|
| iShares North American Equity Index | 9.68% |
| iShares Continental European Equity Index | 2.98% |
| Quilter Investors Precious Metals Equity | 1.91% |
| Quilter Investors Europe (ex UK) Equity | 1.73% |
| Quilter Investors Japanese Equity | 1.73% |
| Quilter Investors Europe (ex UK) Equity Income | 1.39% |
| Quilter Investors Europe (ex UK) Equity Growth | 1.20% |
| iShares Japan Equity Index | 1.19% |
| iShares Pacific ex Japan Equity Index | 1.18% |
| Quilter Investors US Equity Income | 1.04% |
| Quilter Investors North American Equity | 1.02% |
| Quilter Investors Global Equity Value | 0.84% |
| Quilter Investors Asia Pacific (ex Japan) Equity | 0.83% |
| Quilter Investors Asia Pacific (ex Japan) Large-Cap Equity | 0.78% |
| Quilter Investors Natural Resources Equity | 0.73% |
| Quilter Investors Timber Equity | 0.67% |
| Quilter Investors US Equity Small/Mid-Cap | 0.43% |
| Quilter Investors US Equity Growth | 0.30% |
| Quilter Investors Asia Pacific | 0.18% |

Source: Quilter. Calculated by Factset. Please note that due to rounding the portfolio holdings may not add up to 100%.

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# Portfolio holdings (cont.)

## Portfolio name

Managed Blend 5

**Emerging markets equity** **3.37%**

| Fund | |
|---|---|
| Quilter Investors Emerging Markets Equity Income | 1.12% |
| Quilter Investors Emerging Markets Equity Growth | 1.08% |
| Quilter Investors Emerging Markets Equity | 0.84% |
| Quilter Investors China Equity | 0.33% |

Source: Quilter. Calculated by Factset. Please note that due to rounding the portfolio holdings may not add up to 100%.

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# Portfolio holdings (cont.)

## Portfolio name

Managed Blend 5

### Fixed interest 22.11%

| Fund | |
|---|---|
| iShares UK Gilts All Stocks Index | 4.84% |
| Aviva Investors Global Sovereign Bond | 4.04% |
| Quilter Investors Corporate Bond | 3.44% |
| Quilter Investors Diversified Bond | 2.65% |
| Quilter Investors Sterling Diversified Bond | 2.65% |
| Quilter Investors Investment Grade Corporate Bond | 1.84% |
| Quilter Investors Sterling Corporate Bond | 1.50% |
| Quilter Investors Dynamic Bond | 1.15% |

### Alternatives 25.08%

| Fund | |
|---|---|
| PIMCO Dynamic Bond | 7.71% |
| Quilter Investors Absolute Return Bond | 7.51% |
| Quilter Investors Global Equity Absolute Return | 6.63% |
| Trium ESG Emissions Improvers | 1.98% |
| PIMCO Strategic Income | 1.25% |

### Cash/Money markets 7.73%

| Fund | |
|---|---|
| BlackRock ICS Sterling Liquid Environmentally Aware | 7.73% |

Source: Quilter. Calculated by Factset. Please note that due to rounding the portfolio holdings may not add up to 100%.

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# Glossary

### Bond yield
A bond yield is the return an investor expects to receive each year over its term to maturity. It is calculated by dividing a bond's value by the amount of interest it pays. When a bond's price goes down, it's yield will go up, and vice versa.

### Consumer discretionary
Consumer discretionary describes goods and services that consumers consider non-essential, but highly desirable if their income allows. Consequently, companies that sell consumer discretionary products tend to be the most sensitive to economic cycles.

### Currency weakness
Currency weakness is when a currency falls compared to another currency. For example, if a sterling investor holds a US dollar investment, and sterling falls compared to the US dollar, the return from the investment will increase.

### Cyclical companies
Cyclical companies are those whose fortunes are linked to the economic cycle. This means their revenues generally rise during periods of economic growth and fall during recession.

### Diversification
Diversification is the process of investing in a range of different assets or asset classes with the aim of improving performance and/or reducing the overall volatility, or the investment risk, of a fund or portfolio.

### Duration
Duration is a measure of the sensitivity of a bond's price to changes in interest rates. It is measured in years, so the longer the duration in years, the more sensitive the underlying asset is to changes in interest rates. Low, or short, duration assets are less sensitive to rate changes.

### Fiscal policy
Fiscal policy refers to governments influencing the economy through their decisions on the levels of taxation and spending.

### Gilts
Gilts is the name given to bonds issued by the UK government.

### Growth stocks
Growth stocks tend to be younger companies that derive their value from the rate at which they are expected to grow their future earnings. Generally, they pay limited dividends as they reinvest their profits to grow their businesses.

### Magnificent Seven
Magnificent Seven is a term used to describe Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia, and Tesla. They are also referred to as mega-caps.

### Short investing
Short investing is when an investor sells a security with the intention of repurchasing it later, also referred to as covering, at a lower price. Investors decide to short a security when they believe the price is likely to fall.

### Treasuries
Treasuries are US government bonds. They are issued by the US Treasury.

### Underweight
Underweight is when a fund or portfolio holds a smaller position in a particular stock (equity), sector, region, or strategy than the index, model, or strategic asset allocation against which it is benchmarked. Overweight means the opposite.

### Value stocks
Value stocks tend to be well-established, mature businesses. They are companies whose share price is low relative to their value. Consequently, value stocks are among those with the highest dividend yields.

## Important information

Source: Quilter Investors and FactSet. Based on the latest data and portfolio holdings available as at 31 March 2025.

Further information on the WealthSelect Managed Portfolio Service can be found at **quilter.com/wealthselect**

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