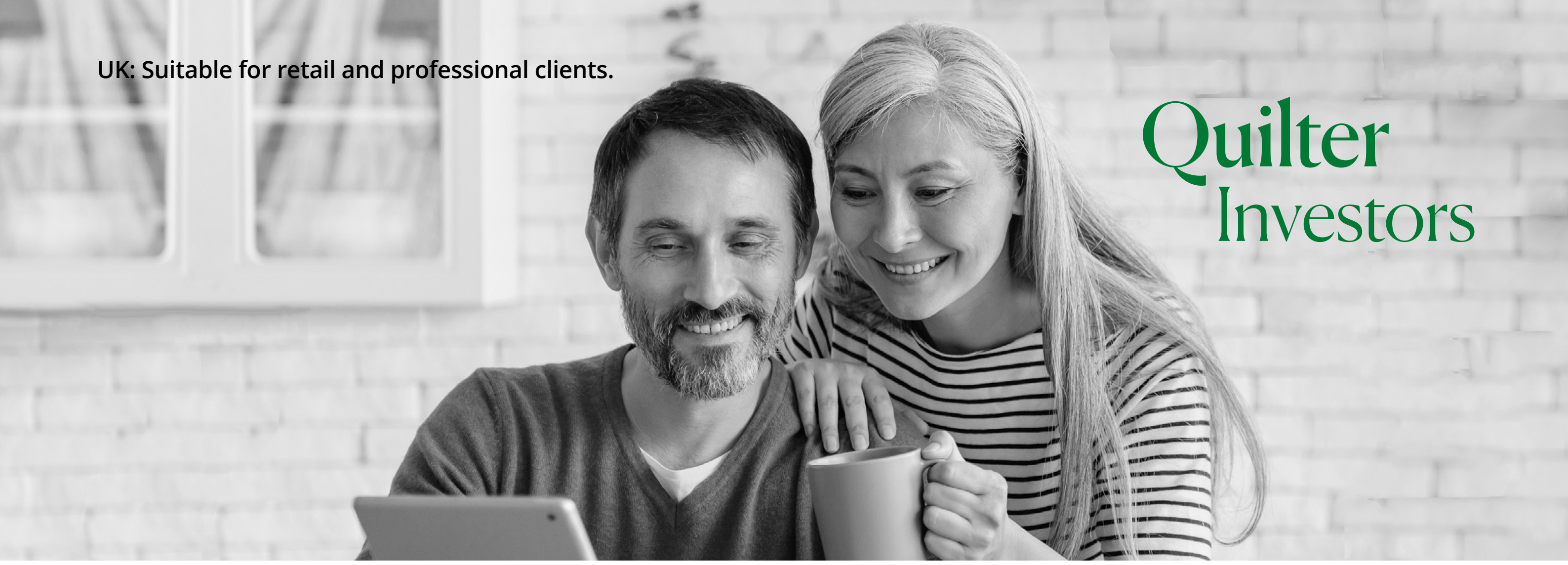
UK: Suitable for retail and professional clients.



Quilter Investors

Monthly Income Portfolios

Monthly commentary – Review of February 2023

Marcus Brookes
Chief Investment Officer

Our market summary

Although all asset classes made gains in January, it was a different story in February with only UK and European equities making progress. All other regional equity markets declined as did government and corporate (issued by companies) bonds. While the latest data showed inflation to be slowing, any hopes of a swift easing in interest rates were dashed by the central banks. Despite headline inflation visibly waning, central bank policymakers cautioned that interest rates are likely to head higher than expected.

Equity markets

US equities (company shares) were down 0.7% over the month. The US Federal Reserve (Fed) raised interest rates by 0.25% while acknowledging that inflation appeared to be slowing. The Fed also indicated that rate rises would continue in the short term and that its 'terminal rate' (the peak in US rates) may be higher than originally hoped. At a sector level, technology stocks were more resilient than of late, while energy stocks were weaker.

European stock markets were once again positive with European equities up 0.8% in February. The European Central Bank (ECB) raised interest rates by 0.5% as inflation remained high in certain parts of the bloc. Even so, economic data for the continent continued to deliver positive surprises with most commentators expecting less encouraging numbers due to the region's proximity to the Ukraine war and its reliance on Russian oil and gas.

The UK was the top performing regional market gaining 1.5%. News that the UK had narrowly avoided recession in the last quarter of 2022 helped the FTSE 100 Index to a new all-time high. Energy, healthcare, and telecoms companies outperformed, partly due to the strength of the US dollar, while some more domestically-focused stocks also benefited. Meanwhile, the Bank of England raised interest rates by 0.25%.

After a positive start to the year, emerging market equities fell 4.9% in February. This was in large part due to negative investor sentiment surrounding China, following its 'spy balloon' debacle which, once again, raised tensions with the US. Chinese equities fell by 8.9% during the month. India and Poland were two of the stronger performers, while Brazil continued to stall.

Fixed income

Global bond prices fell (meaning their yields rose) in February as markets re-evaluated the outlook for interest rates. Following more interest-rate hikes and guidance from central banks, markets grappled with the prospect of interest rates remaining higher for longer. This saw US Treasuries (US government bonds) fall by 1.3% while gilts (UK government bonds) lost 3.4%. European bond markets performed better on the back of improving economic data.

Total return, percentage growth in pounds sterling. Each return figure is represented by an appropriate market index.

Helen Bradshaw
Portfolio Manager

CJ Cowan
Portfolio Manager

Performance review

In February, the Monthly Income Portfolio fell 0.5% while the Monthly Income and Growth Portfolio fell 0.1%, with both ahead of their respective Investment Association (IA) sector performance comparators.

Performance summary (%)

	Cumulative performance					*Discrete annual performance*		
	1 month	*YTD*	*1 year*	*3 year*	*Since launch*	*28 Feb 22 - 28 Feb 23*	*28 Feb 21 - 28 Feb 22*	*28 Feb 20 - 28 Feb 21*
Monthly Income	**-0.5**	**2.3**	**-1.9**	**4.7**	**5.7**	**-1.9**	**3.1**	**3.6**
IA Mixed 20-60% Shares	-0.8	2.2	-3.0	5.0	5.3	-3.0	1.6	6.6
Monthly Income and Growth	**-0.1**	**2.9**	**0.9**	**13.0**	**13.5**	**0.9**	**5.2**	**6.5**
IA Mixed 40-85% Shares	-0.3	3.1	-1.1	14.3	13.5	-1.1	4.2	10.9

Source: Quilter Investors as at 28 February 2023. Total return, percentage growth, net of fees of the U1 GBP Acc share class rounded to one decimal place. The Monthly Income Portfolios launched on 26 June 2019.

How our equity holdings performed

UK holdings drive portfolio returns

Once again, our UK equity allocation was the top contributor to returns, partly due to its weight in the portfolios, but also thanks to some strong performance from the UK equity market overall. The JO Hambro UK Dynamic Fund rose nearly 3%, driven by strong stock selection among energy and industrial sector companies. Meanwhile, the Quilter Investors UK Equity Large Cap Income Fund, managed by Artemis, also posted notable performance.

Europe rebound continues

The strong performance of European equities continued into February, with the region leading developed markets in returns for 2023. Smaller companies continued to outperform the market, which saw the Montanaro European Income Fund deliver the strongest returns. Elsewhere, the SPDR Euro Dividend Aristocrats ETF had another good month, thanks in part to some robust performance from its consumer staples holdings.

Consumer staples are goods and services that are considered non-discretionary such as food and beverages. They typically relate to items that individuals are either unwilling or unable to eliminate from their budgets even in times of financial trouble and consequently are referred to as being 'non-cyclical'.

Emerging markets can't keep up

Despite very strong performance in January, February was a disappointing month for emerging market equities which saw them underperform global markets. China lagged the broad global index by some margin, as tensions with the US intensified and investors sought to take profit following the market's rally in recent months.

How our fixed income holdings performed

Bonds take another bath

The prospect that interest rates may increase to higher peaks in both the US and eurozone saw global government bonds struggle over the month. Meanwhile, riskier fixed-income assets underperformed as credit spreads increased. This can in part be attributed to fears that persistently higher interest rates will increase the chance of company defaults in the future. Consequently, our fixed-income allocation lost more than our equity and alternatives holdings. However, there were some bright spots within our alternative fixed-income holdings; with Fair Oaks Income, Blackstone Loan Financing, and CVC Income and Growth seeing modest share price gains over the period.

The credit spread is the additional yield offered by a corporate bond (issued by companies) versus a government bond of the same maturity and currency. This compensates the holder for the added risk that the company may default on its debt obligations.

How our alternative holdings performed

Real asset strategies lose ground

The performance of the alternatives allocation was almost the opposite of January. February saw both our real-estate investment trust (REIT) holding, Assura, and our renewable energy infrastructure holdings suffer losses. One bright spot, however, was the Hipgnosis Songs Fund, which experienced a small recovery in its share price following a period of underperformance. Even so, in aggregate, our alternatives allocation lost ground.

The Hipgnosis Songs Fund is a UK investment trust which pays investors an income derived from the licensing of musical intellectual property rights.

Portfolio activity

There were no significant changes to the portfolios over the month. We reduced our exposure to traditional fixed-income holdings at the end of January, which provided a boost to relative performance in February.

More broadly, we believe that high quality, less cyclical, value stocks are best placed to outperform going forward. Consequently, we increased the exposure here throughout 2022 and are happy with current position sizes.

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

Investment outlook

Interest-rate increases have slowed economic activity and dented consumer confidence but while many goods prices are now falling, services inflation remains stubbornly high. Additionally, there have been signs that the US economy is re-accelerating, which would make the Fed's fight against inflation more difficult. The spread of possible outcomes remains high and several of 2022's key questions remain unanswered, namely the likely path for corporate earnings, inflation, and monetary policy.

1. How fast is inflation falling?

Annual inflation measures in the US, eurozone, and UK are all down from their peaks and energy prices have moderated. However, recent positive surprises in US consumer price inflation (CPI) and a bumper employment report have led to suggestions that the Fed will have to increase interest rates higher than previously planned to return inflation to target.

2. So what happens next?

We expect inflation will likely remain above central bank targets in the near term, however, monetary policy famously acts with "long and variable lags" so it's likely that we've yet to feel the full effect of the interest-rate increases already delivered. Political pressure to quell inflation more quickly could induce central banks to raise interest rates higher than really warranted, increasing the chance of a bad economic outcome further down the line.

3. What's hot and what's not?

The interest rates paid on UK cash deposits are now the highest they've been since 2008, so it may be tempting for embattled investors to take the 'risk-free' option, but this still guarantees a loss of spending power. High interest-rate environments typically favour dividend-paying stocks while bond markets also now offer more attractive income levels. Meanwhile, the yields on inflation-linked bonds have also turned positive, so it quite literally 'pays' to be diversified.

Thank you for investing with us

Keep an eye out for your next Monthly Income Portfolios quarterly reports 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.

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*.

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 rate changes may cause the value of overseas investments to rise or fall.

This communication is issued by Quilter Investors Limited ("Quilter Investors"), Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB. Quilter Investors is registered in England and Wales (number: 04227837) and is authorised and regulated by the Financial Conduct Authority (FRN: 208543).

Quilter Investors Monthly Income Portfolio and Quilter Investors Monthly Income and Growth Portfolio (the "Funds") are sub-funds of Quilter Investors Multi-Asset OEIC, an investment company with variable capital incorporated in England and Wales.

Quilter Investors Multi-Asset OEIC is authorised by the Financial Conduct Authority as a non-UCITS retail scheme and can be distributed to the public in the United Kingdom.

Quilter Investors uses all reasonable skill and care in compiling the information in this communication and in ensuring its accuracy, but no assurances or warranties are given. You should not rely on the information in this communication in making investment decisions. Nothing in this communication constitutes advice or personal recommendation. An investor should read the Key Investor Information Document(s) ("KIID") before investing in any sub-fund of Quilter Investors Multi-Asset OEIC. The KIID and the prospectus can be obtained from www.quilter.com in English.

The Funds invest principally in other collective investment schemes. Your attention is drawn to the stated investment policy which is set out in the prospectus.

Data from third parties ("Third-Party Data") may be included in this communication and those third parties do not accept any liability for errors and omissions. Therefore, you should make sure you understand certain important information, which can be found at www.quilter.com/third-party-data/. Where this communication contains Third-Party Data, Quilter Investors cannot guarantee the accuracy, reliability or completeness of such Third-Party Data and accepts no responsibility or liability whatsoever in respect of such Third-Party Data.

QI 26176/29/3019/March 2023/SK19958