



Cirilium Blend Portfolios

Monthly commentary – Review of January 2024



Marcus Brookes
Chief Investment Officer

Our market summary

The recent pace of equity market gains slowed in January as markets took stock after a very strong fourth quarter of 2023. Global equities delivered a modest 0.7% return, with **developed markets** outperforming **emerging markets**. Despite a major earthquake, Japan was the top-performing regional equity market. It jumped 4.7% amid strong investment inflows. Meanwhile, China's ongoing market rout helped pull emerging market equities down 4.5% with similar losses across Asian markets. Global bond markets gave up ground following a spectacular end to 2023, with **UK gilts** among the biggest casualties of the month.

Equity markets



The **US Federal Reserve** (Fed) kept interest rates on hold when it met at the end of a month spent attempting to cool expectations of imminent interest-rate cuts. Although US equities gained a modest 1.7%, this was sufficient for major indices to hit all-time highs following a nine-week winning spree that started in late October. The **Magnificent Seven mega-cap** tech stocks notably outperformed once more in January, accounting for the lion's share of US index gains.



Hopes of an early interest-rate cut from the European Central Bank (ECB) dissipated when European inflation jumped to 2.9% in December (from 2.4% in November) with the ECB keeping interest rates unchanged at its January meeting. Meanwhile, Europe's equities squeezed out a 0.4% return against a backdrop of contraction in its manufacturing sector. Tech and communication stocks led the field, while sectors such as utilities and real estate retreated.



The UK was the worst performing developed market in January. It declined 1.3%. A small uptick in UK inflation to 4% in December helped to cool the UK equity market, as did the Bank of England's messaging to dispel expectations of early interest-rate cuts. Tech, consumer, and healthcare stocks generally outperformed energy, materials, and financials. UK **large cap** stocks outperformed, despite a flurry of overseas bids for UK smaller companies.



China was unable to stem the losses arising from the collapse of its property sector and ongoing deflation. Global investors continued to sell-off Chinese equities with the local market down 10.5%. This dragged on **emerging market** equities which fell 4.5%. Elsewhere, Chile was the worst performer due to problems in the mining sector and a weak Chilean peso. The likes of Poland, Peru, Mexico, and Taiwan all outperformed the index, but still delivered losses.

Fixed income



Global bond markets gave back a little of the gains they delivered at the end of 2023, as investors re-calibrated the timing, but not the likely magnitude, of expected interest-rate cuts from central banks. Although **US Treasuries** held up relatively well with a modest decline of 0.2%, **UK gilts** lost 2.4% reflecting the less attractive economic backdrop in the UK, while UK **corporate bonds** also fell 1.1%.

Source: Quilter Investors as at 31 January 2024. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for global equities is represented by the MSCI AC World Index; developed market equities by the MSCI 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; UK smaller companies by the MSCI United Kingdom Small Cap Index; emerging markets by the MSCI Emerging Markets Index; US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; UK government bonds by the ICE BofA UK Gilt Index; and UK corporate bonds by the ICE BofA Sterling Corporate Index.



Performance review

Returns from the Cirilium Blend Portfolios ranged from a modest loss of 0.6% for the Cirilium Conservative Blend Portfolio, to a modest gain of 0.2% for the Cirilium Adventurous Blend Portfolio. Within the equity market, larger companies outperformed smaller companies, while **high-growth companies** fared better than cheaper **value** companies. Japan was the best-performing region followed by the US, while **emerging markets**, particularly China, struggled.



Ian Jensen-Humphreys
Portfolio Manager

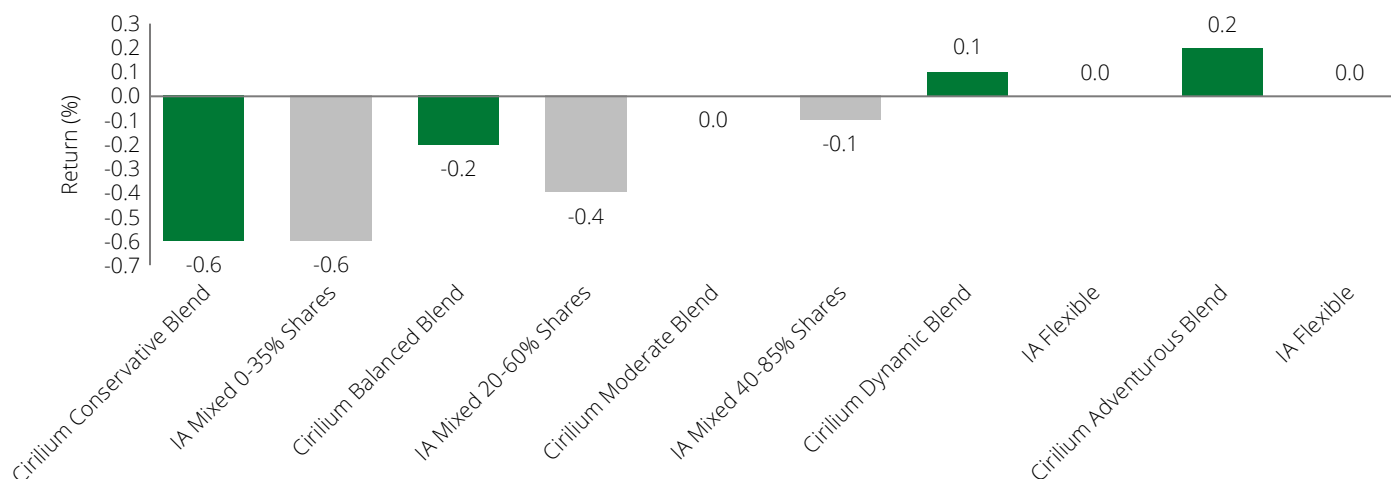


Sacha Chorley
Portfolio Manager



CJ Cowan
Portfolio Manager

Monthly performance (%)



Performance summary (%)

	Cumulative performance						Discrete annual performance to end of January				
	1 month	YTD	1 year	3 year	5 year	Since launch	2023 - 2024	2022 - 2023	2021 - 2022	2020 - 2021	2019 - 2020
Cirilium Conservative Blend	-0.6	-0.6	1.8	-2.5	-	4.8	1.8	-3.2	-1.1	5.2	-
IA Mixed 0-35% Shares	-0.6	-0.6	2.8	-2.5	-	2.2	2.8	-5.4	0.3	2.8	-
Cirilium Balanced Blend	-0.2	-0.2	3.6	5.8	-	13.7	3.6	0.0	2.1	4.8	-
IA Mixed 20-60% Shares	-0.4	-0.4	3.3	2.6	-	8.0	3.3	-3.9	3.3	3.1	-
Cirilium Moderate Blend	0.0	0.0	4.5	11.9	-	21.5	4.5	2.3	4.7	5.9	-
IA Mixed 40-85% Shares	-0.1	-0.1	4.4	8.2	-	16.4	4.4	-2.5	6.2	5.5	-
Cirilium Dynamic Blend	0.1	0.1	5.2	15.9	-	25.8	5.2	3.1	6.8	6.3	-
IA Flexible	0.0	0.0	3.7	8.7	-	18.9	3.7	-1.3	6.2	7.4	-
Cirilium Adventurous Blend	0.2	0.2	5.7	16.8	-	26.7	5.7	3.0	7.3	6.4	-
IA Flexible	0.0	0.0	3.7	8.7	-	18.9	3.7	-1.3	6.2	7.4	-

Source: Quilter Investors as at 31 January 2024. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Cirilium Blend Portfolios launched on 26 July 2019.

Portfolio activity

There were no changes to asset allocation in January. We commenced building a position in the Schroders Alternative Secured Income Fund, chosen for its ability to generate strong, stable income in all types of interest-rate environments. This holding was added to all Cirilium Blend risk profiles, with the exception of the Cirilium Blend Adventurous Portfolio, and was funded from cash, with no positions being sold.

Investment outlook

We believe the global economy is still on course to experience a **soft landing** as inflation trends back down towards more manageable levels, for both central bankers and consumers, and employment levels and wage growth remain, if anything, more robust than anticipated. The ongoing divergence between a US economy that's motoring ahead, while Europe and, most notably, China, sputter due to underwhelming growth, is broadly priced into equity markets. This makes US equities look expensive in comparison to cheap, but unpopular, European, and Chinese shares.

1. What if we're too optimistic?

If the current benign outlook declines as the delayed effects of last year's interest-rate rises begin to bite, for both consumers and companies, this would result in lower corporate earnings. This could ultimately lead to fast, and deep, central bank rate cuts to stave off recessions. This would be good for **government bonds** but challenging for equities and other risky assets.

2. What if we're not optimistic enough?

Earnings announcements showed signs of earnings growth in January. This, along with continued wage growth, supports another year of reasonable economic growth. If this scenario results in central banks keeping interest rates higher than expected, for longer than expected, it will undermine **government bonds**, but equities should still push further ahead supported by their strong earnings.

3. Higher inflation would be the greatest surprise

Currently, the most troubling scenario for the portfolios would be a surprise escalation in inflation, perhaps due to supply-chain disruptions, higher energy prices, or heightened demand from consumers enjoying real (meaning post-inflation) wage growth. This would mean 'higher for longer' interest rates, which would hurt bond markets and possibly undermine equities, if corporate costs start to rise steeply.





Thank you for investing with us

Keep an eye out for your next Cirilium Blend Portfolios monthly commentary available in March.

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 3600, email us at enquiries@quilter.com, or visit our website at www.quilter.com.

Need additional help reading documents?

More and more of our investors are using screen reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

Find out more about screen readers, accessing your documents online, and our alternative format options at www.quilter.com/document-help.

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 Cirilium Adventurous Blend Portfolio, Quilter Investors Cirilium Balanced Blend Portfolio, Quilter Investors Cirilium Conservative Blend Portfolio, Quilter Investors Cirilium Dynamic Blend Portfolio, and Quilter Investors Cirilium Moderate Blend Portfolio (the "Funds") are sub-funds of Quilter Investors Cirilium OEIC, an investment company with variable capital incorporated in England and Wales.

Quilter Investors Cirilium 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 Cirilium 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 26561/29/6172/February 2024/SK20795