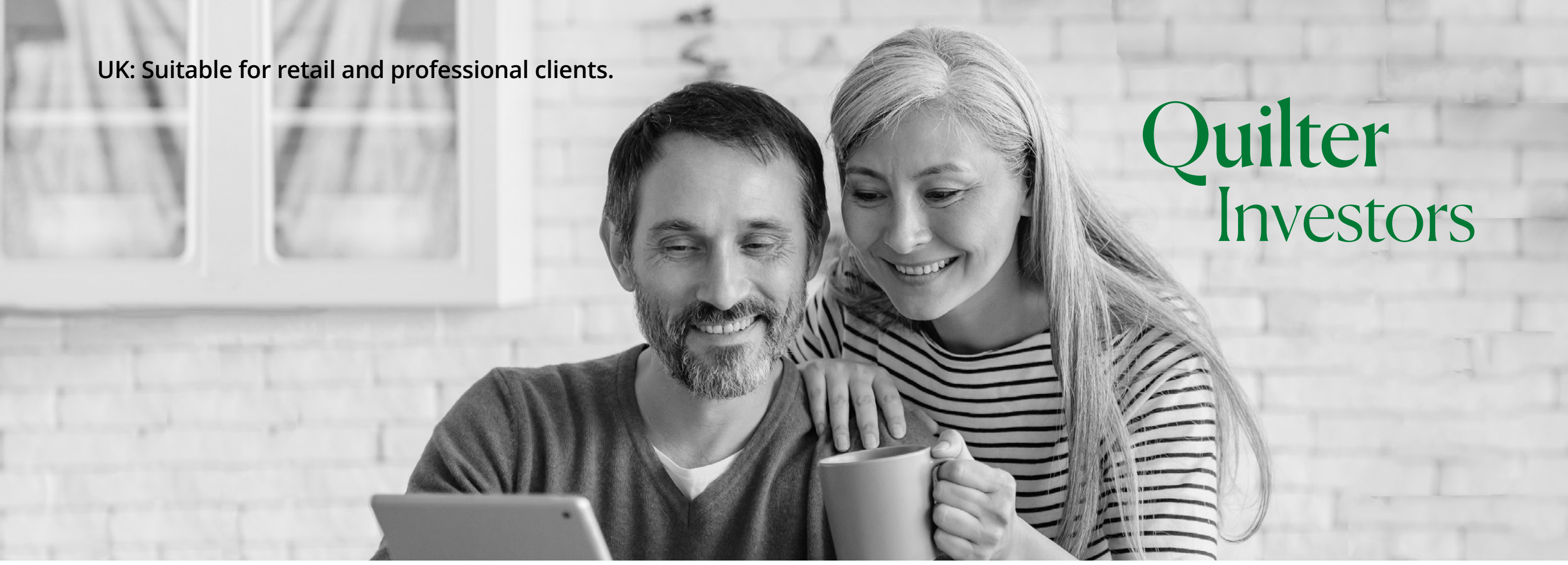
UK: Suitable for retail and professional clients.



Quilter Investors

Cirilium Blend Portfolios

Monthly commentary – Review of November 2022

Marcus Brookes
Chief Investment Officer

Our market summary

Global equity markets continued to rise in November, clawing back some of the losses incurred earlier in the year. The MSCI World Index rose 3.5% during the month with Asian and emerging markets racing ahead of their developed market peers. The view that inflation has peaked in the US, and that, consequently, the pace of US interest-rate rises would slow, paired with China's modest relaxation of its 'zero-covid' policy, provided a significant boost to investor sentiment in the month.

Equity markets

US equity markets rose in November with materials and industrials stocks enjoying a particularly strong month. Data suggesting US inflation had retreated injected some much-needed optimism into markets, with investors anticipating that the US Federal Reserve (Fed) would slow the pace of its interest-rate rises. Comments from Fed chair, Jerome Powell, late in the month supported this, helping the MSCI USA Index to rise by 1.9% while weakening the US dollar.

European equity markets enjoyed their second consecutive month of gains, with the MSCI Europe ex UK Index up 7.9%. The positive news on US inflation helped bolster investor sentiment, while eurozone inflation figures were down from October. Similarly, China's decision to soften its 'zero-covid' policy provided a boost to European equities, especially luxury goods stocks that had suffered due to bottlenecks in the global supply chain.

UK equity markets rose in November, as data suggested the UK economy had proven more resilient than originally forecast. The new Chancellor, Jeremy Hunt, used his Autumn Statement to offer near-term support measures amid a likely recession, while reassuring markets with promises of tighter spending and borrowing going forward. The FTSE All-Share Index gained 7.1% during the month, with healthcare and financials stocks leading the charge.

Emerging market equities made robust gains thanks to the prospect of softening US monetary policy, the promise it brings of a weaker US dollar and the huge bounce in Chinese equities brought about by the relaxation of China's 'zero-covid' policy. The meeting between US President Biden and Chinese President Xi also helped to soothe short-term geopolitical tensions with the MSCI Emerging Markets Index rising 11% in November.

Fixed income

Having endured a difficult year thus far, global bond markets were more settled in November as investors reacted to the prospect of inflation peaking in the US. In the UK, the ICE BofA UK Gilt Index rose by 3%, with markets reacting positively to the new government's more fiscally cautious approach, while in the US, the ICE BofA US Treasury (sterling hedged) Index was up 2.6%.

Sacha Chorley
Portfolio Manager

Ian Jensen-Humphreys
Portfolio Manager

Performance review

All of the Cirilium Blend Portfolios delivered attractive positive returns in November which rose in line with their respective risk levels. This was against a backdrop of strong equity and bond market returns.

Performance summary (%)

	Cumulative performance					*Discrete calendar year performance*	
	1 month	*YTD*	*1 year*	*3 year*	*Since launch*	*2021*	*2020*
Cirilium Conservative Blend	**2.3**	**-6.6**	**-6.0**	**0.4**	**1.3**	**0.6**	**6.1**
IA Mixed 0-35% Shares	2.8	-9.3	-8.8	-2.6	-2.0	2.6	4.0
Cirilium Balanced Blend	**3.1**	**-5.2**	**-4.1**	**5.8**	**7.4**	**4.9**	**5.1**
IA Mixed 20-60% Shares	3.4	-8.8	-7.7	1.6	2.5	6.3	3.5
Cirilium Moderate Blend	**4.1**	**-4.3**	**-2.7**	**11.4**	**13.1**	**8.6**	**5.4**
IA Mixed 40-85% Shares	3.8	-8.9	-7.5	8.5	9.4	11.2	5.5
Cirilium Dynamic Blend	**5.0**	**-4.9**	**-2.9**	**14.2**	**15.9**	**11.9**	**5.3**
IA Flexible	3.6	-8.1	-6.8	11.5	12.2	11.4	7.0
Cirilium Adventurous Blend	**5.8**	**-6.1**	**-3.9**	**14.3**	**15.7**	**13.3**	**5.1**
IA Flexible	3.6	-8.1	-6.8	11.5	12.2	11.4	7.0

Source: Quilter Investors as at 30 November 2022. Total return, percentage growth, net of fees of the U1 Acc share class rounded to one decimal place. The Cirilium Blend Portfolios launched on 26 July 2019.

How our equity holdings performed

China exposure delivers exceptional returns

With the MSCI China Index surging 25.4% in November, all of our top-performing holdings were those with some degree of exposure to Chinese equities, which bounced massively when China's government signalled an easing of its 'zero-covid' regime. This raised hopes of an end to lockdowns and greatly increased economic growth. The Fidelity China Consumer Fund gained almost 25% while the Fidelity Asia Pacific Opportunities Fund rose nearly 15%.

UK small and mid-cap companies outperform

Smaller, more domestically-focused, UK companies have been under severe pressure for most of 2022, but they showed some signs of recovery during November. This led to especially strong returns for the Montanaro UK Income Fund and the Premier Miton UK Value Opportunities Fund, which both added over 9% in the month.

US dollar drags on US equity returns

A combination of reduced US interest-rate expectations and the UK's Autumn Statement, which offered some calm to jittery markets, helped the value of sterling rise significantly against a retreating US dollar. However, this impacted the value of our US equity holdings, which are denominated in US dollars. Consequently, while returns from our US equity holdings were modestly positive, they lagged those from other regions.

Currency exchange rates impact investments in other countries. If the currency of the investment rises compared to sterling, this adds to returns; if it falls, this reduces returns.

How our fixed-income holdings performed

Bond markets reward in November

The majority of our fixed-income holdings rallied in November as government bond yields fell (meaning their prices rose). The top performers were those with allocations to corporate bonds (issued by companies) which outperformed as investor risk appetite revived. The Wellington Global Credit ESG Fund rallied 3.8% while the Vanguard Global Corporate Bond Index Fund, was up 4.5%. Only the iShares China CNY Bond ETF lost ground as Chinese government bond prices fell on news of an easing in China's strict covid restrictions.

How our alternative holdings performed

Alternatives mostly positive in November

Within the alternatives allocation, seven holdings delivered positive returns while five lost value. The best performers were the two commodity-related holdings, the UBS CMCI Commodity Carry ETF and the WisdomTree Enhanced Commodity ETF, which both gained a little over 3% on the month. On the downside, the Sandbar Global Equity Market Neutral Fund continued to struggle; it fell 6.7%, primarily as a result of the strong performance from several companies it was betting against within its 'short' portfolio.

'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.

Portfolio activity

The main change to the portfolios during the month was a reduction in our healthcare sector exposure. Following a review of the position, we concluded that although the core investment case was still in place and that potential long-term returns were still attractive, the sector's outperformance in recent months had impacted the short-term 'risk versus reward' trade-off as stocks in the sector were now more expensive. As a result, the position size was trimmed from 3% to 2% across all the Cirilium Blend Portfolios. This allowed us to take some profits as the MSCI World Health Care Sector Index had outperformed the broader MSCI World Index by nearly 10% in the 12 months since we last changed this position.

Investment outlook

Equity markets have rallied sharply since mid-October. At one point in late November, they were up over 9% from their early October lows. This seems to have been driven by some encouraging data from America showing US inflation levels had eased and were slightly lower than had been feared. This fuelled hopes that the Fed could slow the pace of US interest-rate rises, which would reduce the risk of harming growth in the US – and by implication, the global – economy.

1. Market rally driven by sentiment not fundamentals

Heading into November, a number of indicators still suggested that major institutions had low equity exposure and had hoarded large quantities of cash. The US inflation data gave many such investors a good excuse to deploy their capital by looking for bargains in the market. This helped drive the rally we've seen, however, it should be noted that the rally hasn't been accompanied by better company fundamentals; profit growth has been slowing (but still remains just positive).

2. The US remains on path for a soft landing, for now

The Federal Reserve's desire is to reduce inflation back down to a more comfortable level by raising interest rates and withdrawing excess money from the financial system via quantitative tightening. The risk is that it 'over-tightens' and tips the US economy into a recession. There is a narrow path to success whereby the economy slows just enough to reduce inflation pressures but, so far, it seems the Fed is just about managing this tricky task.

3. Cash is still a valuable asset for portfolios

The Cirilium Blend Portfolios have reasonably high levels of cash. We remain ready to deploy that cash into attractive investment opportunities as they emerge meaning that such cash allows us to 'buy the dips'. As benchmark interest rates start to rise, the 'opportunity cost' of holding cash is starting to fall – it's almost the case that portfolio managers are being 'paid to wait'. This suits our approach as we remain patient and disciplined with our investors' money.

'Opportunity costs' represent the potential benefits that an investor misses out on when they choose to hold one asset class over another. Holding cash usually offers little potential upside compared to other, more risky, asset classes.

Thank you for investing with us

Keep an eye out for your Cirilium Blend Portfolios Q4 2022 quarterly report available early next year.

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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