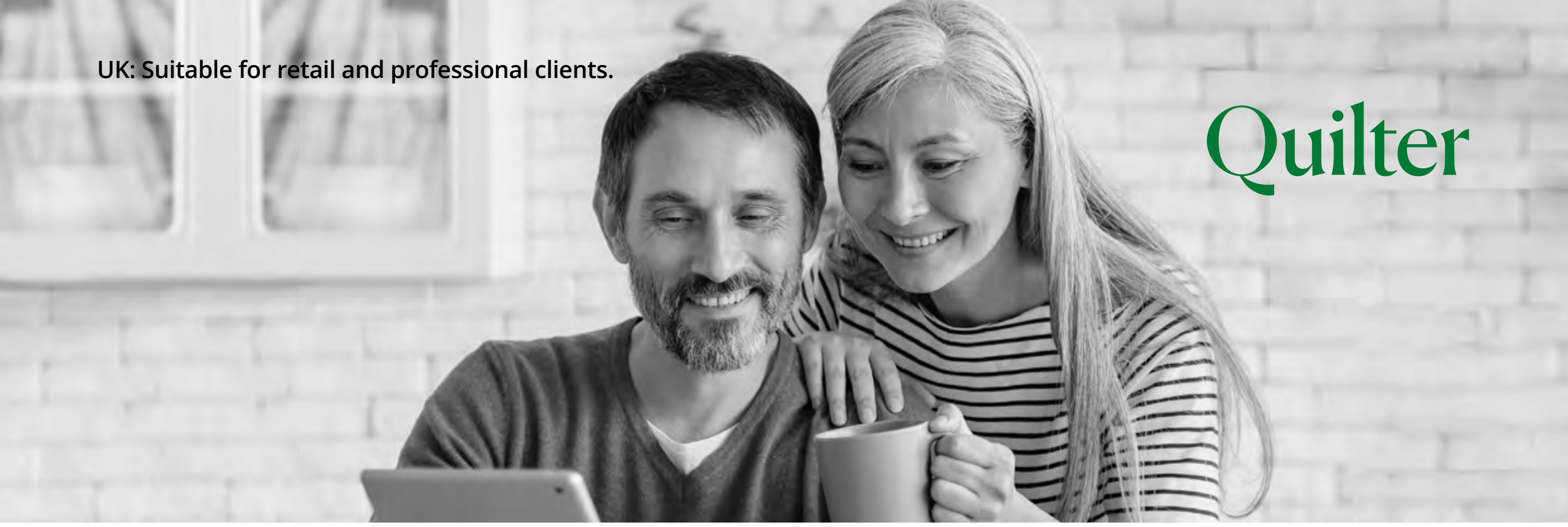
UK: Suitable for retail and professional clients.



WealthSelect Managed Blend Portfolios

Monthly commentary – Review of May 2023

Marcus Brookes
Chief Investment Officer

Our market summary

Global equities posted a gain of just 0.2% in May. An impasse over the mounting US debt-ceiling crisis fuelled investor concerns as the deadline approached, although optimism returned towards the end of the month as an agreement was finally reached. Equity markets in the UK, Europe, and China declined while the US and Japan made gains, chiefly due to semiconductor and other technology stocks, which boomed thanks to the sudden appetite for artificial intelligence companies.

Equity markets

In May, the US news cycle was dominated by the prospect of a debt default as the deadline to raise the nation's borrowing threshold loomed large. Investor jitters were eventually allayed as President Biden reached a consensus with the Republican-controlled House of Representatives to raise the debt ceiling in time for the next round of repayments. US equities ultimately gained 1.5%, powered in the main by surging technology stocks.

After strong progress in the first four months of the year, European equities fell by 2.9% in May. Investor sentiment was soured by negative economic data, which included news that Germany had entered recession over the winter period. Even so, inflation fell in both Germany and France. Technology stocks were the one positive area as semiconductor manufacturers rallied on the sudden appetite for stocks exposed to artificial intelligence.

The UK also declined in May, with UK equities sinking 2.9%. Much like in the US and Europe, technology stocks were the only notable positives, although the UK's extensive financials sector was relatively flat for the month. While inflation fears eased elsewhere, the Bank of England continued to grapple with higher-than-expected inflation in the UK, and subsequently raised interest rates to 4.5%.

Emerging markets equities declined very modestly in May, with a fall of 0.2%. Greece was the top-performing emerging market due to a decisive vote for the New Democracy Party in the national election, easing concerns over a coalition government. South Africa was the worst-performing market, dogged by a tumbling currency and accusations of supplying weapons to Russia. China and the Czech Republic also declined notably.

Fixed income

Global bond markets were a mixed bag as investors responded to a raft of economic data from the various central banks and processed the continued rise in interest rates across developed economies. This resulted in modest 0.3% gain for US Treasuries (US government bonds), a 3.3% loss for gilts (UK government bonds), and a 0.6% fall in global corporate bonds. European bond markets generally outperformed, while the UK struggled as inflation proved more resilient than elsewhere.

Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. Global equities are represented by the Investment Association (IA) Global sector; US equities by the Investment Association (IA) North America sector; European (excluding UK) equities by the Investment Association (IA) Europe ex UK sector; UK equities by the Investment Association (IA) UK All companies sector; emerging market equities by the Investment Association (IA) Global Emerging Market sector; Chinese equities by the Investment Association (IA) China/Greater China sector; UK corporate bonds by the Investment Association (IA) £ Corporate Bond sector; gilts by the Investment Association (IA) UK gilts sector; and US Treasuries by the Investment Association (IA) US$ Government Bond sector.

Stuart Clark
Portfolio Manager

Performance review

May saw varied returns from different regions and asset classes, against a backdrop of market volatility that was driven by the failure of another regional US bank and the brinkmanship of a US debt-ceiling negotiation. Against this backdrop, the WealthSelect Managed Portfolios were able to defend well, outperforming their strategic asset allocation (SAA) models to deliver returns that were broadly in line with their respective Investment Association (IA) peer groups for the month.

Performance summary (%)

	Cumulative performance						*Discrete annual performance to end of May*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*2022 - 2023*	*2021 - 2022*	*2020 - 2021*	*2019 - 2020*	*2018 - 2019*
Managed Blend 3	**-0.8**	**1.8**	**-0.9**	**4.9**	**11.1**	**37.1**	**-0.9**	**-2.9**	**9.1**	**4.9**	**0.9**
IA Mixed 0-35% Shares	-1.1	0.9	-4.1	-1.2	1.8	22.4	-4.1	-3.9	7.2	1.6	1.4
Managed Blend 4	**-0.7**	**2.1**	**-0.3**	**8.7**	**14.8**	**47.9**	**-0.3**	**-2.2**	**11.5**	**4.8**	**0.8**
Managed Blend 5	**-0.7**	**2.4**	**0.1**	**11.9**	**17.8**	**58.2**	**0.1**	**-1.8**	**14.0**	**4.6**	**0.6**
IA Mixed 20-60% Shares	-1.0	1.2	-3.1	6.4	7.0	34.2	-3.1	-2.7	12.9	0.0	0.6
Managed Blend 6	**-0.7**	**2.6**	**0.8**	**16.1**	**21.2**	**67.5**	**0.8**	**-0.9**	**16.3**	**4.1**	**0.3**
Managed Blend 7	**-0.8**	**2.9**	**1.4**	**20.1**	**24.5**	**77.5**	**1.4**	**-0.3**	**18.8**	**3.6**	**0.1**
IA Mixed 40-85% Shares	-0.8	2.1	-1.6	14.1	16.2	56.8	-1.6	-0.9	17.1	1.4	0.5
Managed Blend 8	**-0.8**	**3.3**	**2.1**	**24.5**	**29.1**	**89.0**	**2.1**	**0.5**	**21.4**	**3.6**	**0.1**
Managed Blend 9	**-0.5**	**3.9**	**2.6**	**28.8**	**35.0**	**108.8**	**2.6**	**0.7**	**24.6**	**4.4**	**0.3**
IA Flexible	-0.6	1.8	-1.0	17.0	18.2	61.9	-1.0	-1.3	19.8	1.5	-0.4
Managed Blend 10	**-0.1**	**4.4**	**3.2**	**31.4**	**38.7**	**129.4**	**3.2**	**0.5**	**26.7**	**5.1**	**0.4**
IA Global	0.2	4.1	2.3	26.9	39.8	123.5	2.3	-0.4	24.5	7.4	2.6

Source: Quilter Investors as at 31 May 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

Clamour for AI stocks boosts US markets

US equity markets were boosted by the US mega-cap tech stocks, which welcomed the chip-maker Nvidia into the exclusive $1 trillion club after its shares surged by more than 25%, thanks to interest in artificial intelligence (AI). The Quilter Investor US Equity Growth Fund, managed by JP Morgan, was well positioned to benefit from this, taking the honours as our best-performing holding in the month by a considerable margin. It returned 8.3% in May.

Nvidia is now the world's most valuable chip (or semi-conductor) maker. Its shares gained more than 160% in the first five months of 2023 due to interest in its high-end chips which power the datacentres supporting the latest generation of artificial intelligence (AI) products.

Commodities and gold tumble

Commodity markets were hit hard in May, which resulted in our allocation to the Quilter Investors Natural Resources Equity Fund, managed by Janus Henderson, underperforming broader equity markets. While oil was down over 8.5% there were also declines in metals and agricultural stock names. Meanwhile, gold also declined back below the $2,000 per ounce mark, which impacted our holding in the Quilter Investors Precious Metals Fund (BlackRock).

Commodities are raw materials or primary agricultural products that are traded on an exchange. The term can also be used to describe energy supplies.

Tech stocks rally in the gloom

Developed Asian, European and UK markets were all down in May. Although our underlying managers were able to beat these returns, they still delivered losses as broader markets sold off. As in the US, the more 'growth' oriented portfolios, especially those with technology stock holdings, did well. This included the Quilter Investors European ex UK Equity Growth (Allianz) and the Quilter Investors UK Equity Growth funds (BlackRock).

'Growth' stocks derive their value from the rate at which they're expected to grow their future earnings.

How our fixed-income holdings performed

UK government bonds plummet

Central banks continued to raise interest rates in May as inflation remained stubbornly 'sticky' albeit still in a downward trend. Conflicting economic indicators and concerns, then relief, over the US debt ceiling agreement led to a sell-off in government bonds. Unfortunately, UK government bonds (gilts) suffered more than most; they declined by more than 3.5%. Corporate bonds (issued by companies) faired a bit better with our managers in this space, such as Fidelity and TwentyFour, able to outperform their benchmarks due to strong stock selection.

Bonds are long-term loans taken out by governments, companies and large institutions. In principle, bond investors are lending money to the bond issuers for a fixed period. In return, they receive a fixed rate of interest in the form of 'coupon' payments, and the return of their initial investment when the bond reaches 'maturity'.

How our alternative holdings performed

Alternatives hold up well

Our alternatives holdings helped to protect investor capital in May with modest gains from the Quilter Investors Global Equity Absolute Return (Jupiter), the Quilter Investors Absolute Return Bond (Janus Henderson) and the Pictet Dynamic Multi-Asset funds, all highlighting the importance of diversifying the defensive strata of the portfolios.

Investment outlook

With the US debt-ceiling issue once more kicked further down the road and stability returning to the banking sector, markets should now return to assessing the outlook for corporate revenues, margins, inflation, employment, central bank interest-rate moves, the threat of quantitative tightening and the impact of likely government policy.

Quantitative tightening (QT), also known as 'balance sheet normalisation', is the process by which central banks shrink their monetary reserves, either by selling government bonds or letting them mature and removing them from their cash balances. This causes a contraction in the amount of money, or 'liquidity', in financial markets.

1. Mixed signals

At present there's lots of 'noise' in markets with conflicting economic indicators making it difficult to update our core views. We feel that the impact of ongoing, 'sticky', albeit lower, inflation will continue to impact markets, economies and policies. As such, we are sticking to our existing portfolio positioning until we have a clearer feel for the direction of markets later in the year.

2. Biding our time

We retain a cautious stance with respect to our equity allocation and a preference for managers who, we believe, can offer defensive characteristics when markets encounter more choppy periods. Within fixed income we're continuing the gradual process of building our exposure as today's higher yields (meaning prices are lower) offer a more attractive entry point than in recent times and, consequently, the prospect of greater diversification potential.

Thank you for investing with us

Keep an eye out for your next WealthSelect Portfolios quarterly report available in July.

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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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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