

# Creation Portfolios

## Monthly commentary – Review of April 2024



*Marcus Brookes*  
Chief Investment Officer

### Our market summary

Developed market equities retreated 2.8% in the face of persistently robust US inflation data that forced investors to reappraise the likelihood of near-term interest-rate cuts. Emerging markets delivered modest gains driven by a resurgent China, which was the top performing regional market. Thanks to its high weighting to buoyant energy and commodity companies, the UK was the second-best performing regional market. In fixed-income markets, government bonds retreated due to the prospect of interest rates staying higher for longer, while corporate bonds delivered more muted losses.



In order to aid your understanding, the underlined terms are hyperlinked to definitions in our online investment glossary.

### Equity markets



Despite US GDP growth more than halving to 1.6% in the first quarter, the news that US inflation (CPI) jumped to 3.5% in March, coupled with rising labour costs, saw hopes of US interest-rate cuts fade. US equities retreated 3.3% with those stocks that came up short in earnings season being severely punished by investors. Interest-rate sensitive areas, such as real estate and technology, were hard hit while utility stocks were the top performers.



Europe exited recession in the first quarter with a 0.3% gain in GDP while inflation remained flat at 2.4% in April. Added to this, markets now expect a June rate cut from the European Central Bank (ECB). Even so, European equities followed US markets down, declining by 1.9%. Technology and consumer discretionary stocks were the weakest sectors. In contrast, energy sector stocks outperformed, as energy prices rose, as did real-estate stocks.



UK equities rallied 2.4% as modest valuations were highlighted by the bid for the miner Anglo American. Rising commodity prices and a strong dollar also supported the UK index, with oil prices making highs for the year amid rising tensions in the Middle East. The UK's financial stocks made headway, as did healthcare and consumer staples stocks, due partly to their high levels of dollar revenues, while inflation continued to fall, supporting calls for rate cuts.



Chinese equities jumped 7.6% to help emerging markets gain 1.4%. Turkey outperformed China as promises of more orthodox monetary policy wooed overseas investors. Elsewhere, Hungary, Peru and South Africa beat the broader emerging market index while India's strong run continued. Middle Eastern markets declined as regional tensions rose, Chile and major Latin markets declined in the face of US dollar strength while Egypt was the worst performer again.

### Fixed income



With March's US inflation report showing a third consecutive above-consensus core CPI reading and another strong US labour market report, hopes of US interest-rate cuts faded. US Treasury yields hit a new high for the year as the 'higher-for-longer' narrative for interest rates hit home. US Treasuries declined 2.4%, UK gilts sank 3.2% while sterling-denominated corporate bonds declined 2%.

Source: Quilter Investors as at 30 April 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; Chinese equities by the MSCI China Index; US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; UK government bonds by the ICE BofA UK Gilt Index; and sterling-denominated corporate bonds by the ICE BofA Sterling Corporate Index.



## Performance review

The Creation Portfolios delivered modest losses but were all slightly ahead of their respective Investment Association (IA) performance comparators. Returns ranged from a 0.8% loss for the Creation Conservative Portfolio to a 0.3% decline for the Creation Dynamic Portfolio. Our bond exposure was the chief detractor from returns, particularly for the lower risk profiles. Alternatives added to returns, which meant the Creation Adventurous Portfolio, which holds no alternatives, trailed the Creation Dynamic Portfolio.



**Ian Jensen-Humphreys**  
Portfolio Manager

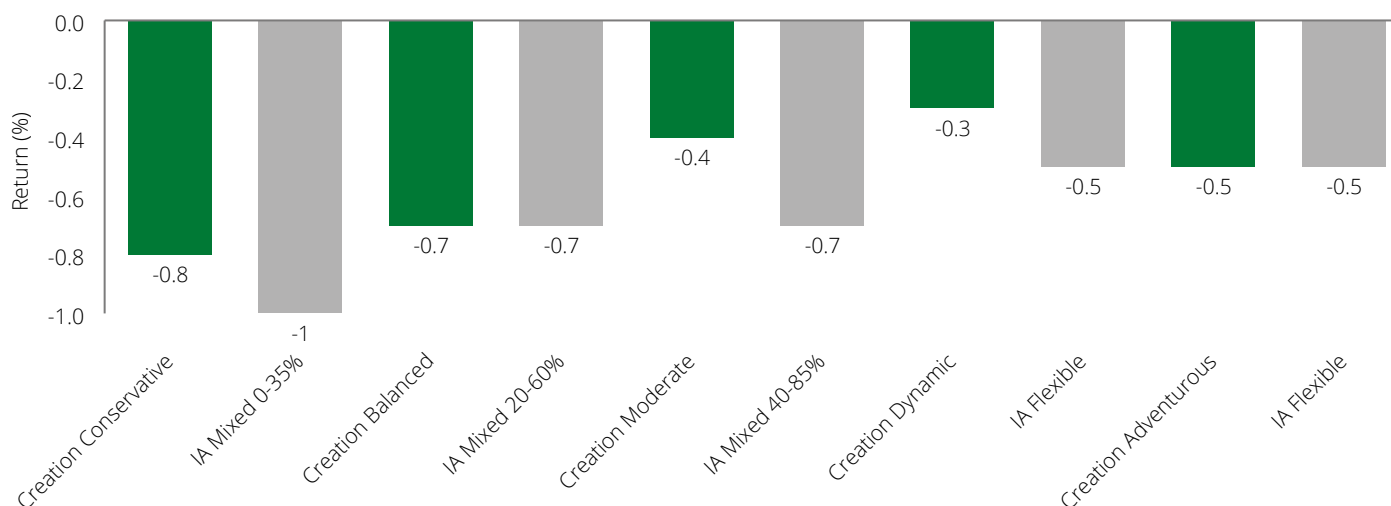


**Sacha Chorley**  
Portfolio Manager



**CJ Cowan**  
Portfolio Manager

## Monthly performance (%)



Source: Quilter Investors as at 30 April 2024. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares over period 31 March 2024 to 30 April 2024.

## Performance summary (%)

	Cumulative performance						Discrete annual performance to end of April				
	1 month	YTD	1 year	3 year	5 year	Since launch	2023 - 2024	2022 - 2023	2021 - 2022	2020 - 2021	2019 - 2020
<b>Creation Conservative</b>	<b>-0.8</b>	<b>0.6</b>	<b>3.4</b>	<b>-2.0</b>	<b>3.3</b>	<b>17.8</b>	<b>3.4</b>	<b>-1.3</b>	<b>-4.0</b>	<b>9.0</b>	<b>-3.2</b>
IA Mixed 0-35%	-1.0	0.4	4.4	-2.5	6.0	26.9	4.4	-3.7	-3.0	9.3	-0.5
<b>Creation Balanced</b>	<b>-0.7</b>	<b>2.3</b>	<b>6.1</b>	<b>3.4</b>	<b>14.1</b>	<b>35.3</b>	<b>6.1</b>	<b>0.5</b>	<b>-3.0</b>	<b>15.5</b>	<b>-4.6</b>
IA Mixed 20-60%	-0.7	1.8	6.4	1.3	13.3	43.9	6.4	-2.6	-2.2	16.0	-3.6
<b>Creation Moderate</b>	<b>-0.4</b>	<b>4.1</b>	<b>9.2</b>	<b>8.2</b>	<b>24.3</b>	<b>52.9</b>	<b>9.2</b>	<b>1.4</b>	<b>-2.3</b>	<b>21.6</b>	<b>-5.5</b>
IA Mixed 40-85%	-0.7	3.4	8.7	6.6	24.6	71.5	8.7	-1.8	-0.1	21.4	-3.8
<b>Creation Dynamic</b>	<b>-0.3</b>	<b>5.5</b>	<b>11.4</b>	<b>12.8</b>	<b>34.4</b>	<b>68.3</b>	<b>11.4</b>	<b>2.6</b>	<b>-1.3</b>	<b>28.6</b>	<b>-7.3</b>
IA Flexible	-0.5	4.0	9.0	7.0	27.8	74.2	9.0	-1.4	-0.6	24.7	-4.2
<b>Creation Adventurous</b>	<b>-0.5</b>	<b>6.1</b>	<b>12.3</b>	<b>15.0</b>	<b>38.0</b>	<b>47.0</b>	<b>12.3</b>	<b>2.8</b>	<b>-0.4</b>	<b>30.4</b>	<b>-7.9</b>
IA Flexible	-0.5	4.0	9.0	7.0	27.8	36.8	9.0	-1.4	-0.6	24.7	-4.2

Source: Quilter Investors as at 30 April 2024. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Creation Conservative Portfolio launched on 6 June 2014, the Creation Balanced Portfolio launched on 28 April 2014, the Creation Moderate Portfolio launched on 16 May 2014, the Creation Dynamic Portfolio launched on 5 June 2014, and the Creation Adventurous Portfolio launched on 3 July 2017.

## Portfolio activity

We increased our equity weighting and tilted the regional mix in favour of Japan. Despite recently increasing interest rates, monetary policy in Japan remains very accommodative, so we expect continued strength here. We also removed our Chinese equity overweight, favouring broader exposure to Asia. While there are some signs of a cyclical rebound in China after a disappointing post-covid recovery, consumer confidence remains weak and credit creation has not picked up materially. We also sold our position in the Hipgnosis Songs Fund following a bid to buy its entire music catalogue.

## Investment outlook

Although we believe the global economy is on course for a soft landing, economic divergence between regions has continued. US economic growth remains solid, whereas Europe and the UK have struggled with anaemic growth for over a year. Inflation in the US is sitting stubbornly above the Federal Reserve's (Fed) 2% target while inflation is waning in Europe and the UK. This presents the prospect of diverging monetary policy and while the European Central Bank (ECB) is clearly signalling a June interest-rate cut, it's looking increasingly likely that the Fed will need to wait a little longer. In the meantime, the solid economic growth in the US should provide a tailwind for its equity market.

### 1. Real incomes improving

Over the past year, inflation has fallen faster than wage growth, which is improving 'real' incomes (income after inflation). This is restoring household purchasing power and helping to insulate economies from more significant recessions, but hopes of rapid interest-rate cuts have been dialled back. This makes the outlook for bonds more difficult to forecast and we retain a neutral weighting, especially as government bonds still yield less than cash.

### 2. A positive backdrop for risk assets

We think the most likely path is for equity markets to move higher once more in the coming months. Corporate earnings have remained solid and while interest-rate cuts would be an additional positive, there are few immediate signs that US growth is about to stall. This backdrop should be good for equity markets and leads us to running a modest equity overweight in the portfolios.

### 3. What if we are wrong?

The biggest risk to our soft-landing view is that it develops into a hard landing. This would hurt equity markets, but provided we avoid stagflation, where ailing growth is accompanied by elevated inflation, bonds should perform well. In fact, recent economic data has raised the prospect of a re-acceleration in growth and inflation. While we think a continuation of this is unlikely, due to the delayed effects of the interest-rate rises, we remain aware of this risk.





## Thank you for investing with us

Keep an eye out for your next Creation Portfolios monthly commentary available in June.

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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](mailto:enquiries@quilter.com), or visit our website at [www.quilter.com](http://www.quilter.com).

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