

# WealthSelect Responsible Passive Portfolios

## Monthly commentary – Review of April 2024



### 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.

*Marcus Brookes*  
Chief Investment Officer



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 and UK gilts sank, while sterling-denominated corporate bonds suffered similar losses.

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.



## Performance review

April was a more challenging month for financial markets as US data fuelled inflation concerns and questions as to central banks' ability to ease monetary policy in 2024. This was a headwind for equities, especially interest-rate sensitive areas of the market such as smaller companies. The prospect of interest rates staying higher for longer undermined government bonds. Corporate bonds fared better, but still delivered losses. The WealthSelect Managed Responsible Passive Portfolios delivered muted losses ranging from 0.9% for the risk-level 3 portfolio, to 1.6% for the risk-level 10 portfolio.



**Stuart  
Clark**

Portfolio Manager



**Helen  
Bradshaw**

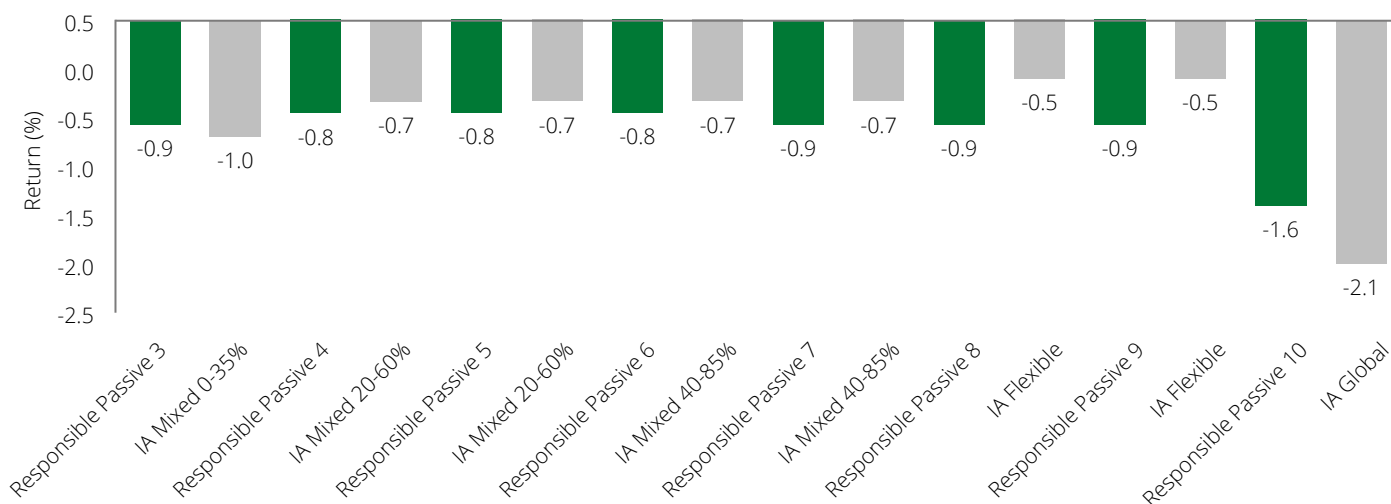
Portfolio Manager



**Bethan  
Dixon**

Portfolio Manager

## Monthly performance (%)



## 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>Responsible Passive 3</b>	<b>-0.9</b>	<b>0.9</b>	<b>6.0</b>	-	-	<b>3.4</b>	<b>6.0</b>	<b>-1.8</b>	-	-	-
IA Mixed 0-35% Shares	-1.0	0.4	4.4	-	-	-0.2	4.4	-3.7	-	-	-
<b>Responsible Passive 4</b>	<b>-0.8</b>	<b>2.0</b>	<b>8.0</b>	-	-	<b>7.8</b>	<b>8.0</b>	<b>-1.0</b>	-	-	-
IA Mixed 20-60% Shares	-0.7	1.8	6.4	-	-	5.0	6.4	-2.6	-	-	-
<b>Responsible Passive 5</b>	<b>-0.8</b>	<b>2.8</b>	<b>9.7</b>	-	-	<b>11.1</b>	<b>9.7</b>	<b>-0.6</b>	-	-	-
IA Mixed 20-60% Shares	-0.7	1.8	6.4	-	-	5.0	6.4	-2.6	-	-	-
<b>Responsible Passive 6</b>	<b>-0.8</b>	<b>3.6</b>	<b>11.1</b>	-	-	<b>14.4</b>	<b>11.1</b>	<b>-0.1</b>	-	-	-
IA Mixed 40-85% Shares	-0.7	3.4	8.7	-	-	9.8	8.7	-1.8	-	-	-
<b>Responsible Passive 7</b>	<b>-0.9</b>	<b>4.4</b>	<b>12.5</b>	-	-	<b>16.7</b>	<b>12.5</b>	<b>-0.1</b>	-	-	-
IA Mixed 40-85% Shares	-0.7	3.4	8.7	-	-	9.8	8.7	-1.8	-	-	-
<b>Responsible Passive 8</b>	<b>-0.9</b>	<b>5.1</b>	<b>13.9</b>	-	-	<b>19.9</b>	<b>13.9</b>	<b>0.3</b>	-	-	-
IA Flexible	-0.5	4.0	9.0	-	-	11.1	9.0	-1.4	-	-	-
<b>Responsible Passive 9</b>	<b>-0.9</b>	<b>6.2</b>	<b>15.6</b>	-	-	<b>24.5</b>	<b>15.6</b>	<b>1.4</b>	-	-	-
IA Flexible	-0.5	4.0	9.0	-	-	11.1	9.0	-1.4	-	-	-
<b>Responsible Passive 10</b>	<b>-1.6</b>	<b>7.0</b>	<b>19.0</b>	-	-	<b>27.5</b>	<b>19.0</b>	<b>1.3</b>	-	-	-
IA Global	-2.1	5.6	14.5	-	-	19.6	14.5	0.6	-	-	-

Source: Quilter Investors as at 30 April 2024. Total return, percentage growth, rounded to one decimal place. All performance figures are shown after the deduction of the charges of the underlying funds, but before the deduction of the Managed Portfolio Service charge. The deduction of this charge will impact on the performance shown. The WealthSelect Responsible Passive Portfolios launched on 8 March 2022.

## Investment outlook

Over the past year or so, global inflation has fallen faster than wage growth, which is improving real incomes (income after inflation). This is gradually restoring household purchasing power and helping to insulate economies from more material economic slowdowns. But stronger demand fuels inflation, which is why we've seen expectations for interest-rate cuts being dialled back.

### *1. Diverging narratives*

With the US economy remaining robust while Europe and the UK struggle with the anaemic growth that's persisted for over a year, the divergence between regions is becoming ever more apparent. This presents the prospect of a divergence in monetary policy. 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.

### *2. Inflation still lurking*

We continue to be mindful of the risk that inflation, especially in the US, could still spike higher in the short term, given today's robust demand, elevated geopolitical risks, and the easing in financial conditions that the recent extended rally in equity markets has delivered.

### *3. Locking-in gains*

We believe the current environment requires a heightened level of scrutiny and a willingness to adapt our positions quickly. Recently, we have taken the opportunity to lock-in gains from outperforming positions, with the proceeds used to reinforce holdings in assets that have trailed up until now.

## Thank you for investing with us

Keep an eye out for your next WealthSelect 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 3700, 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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### ***Past performance is not a guide to future performance and may not be repeated.***

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