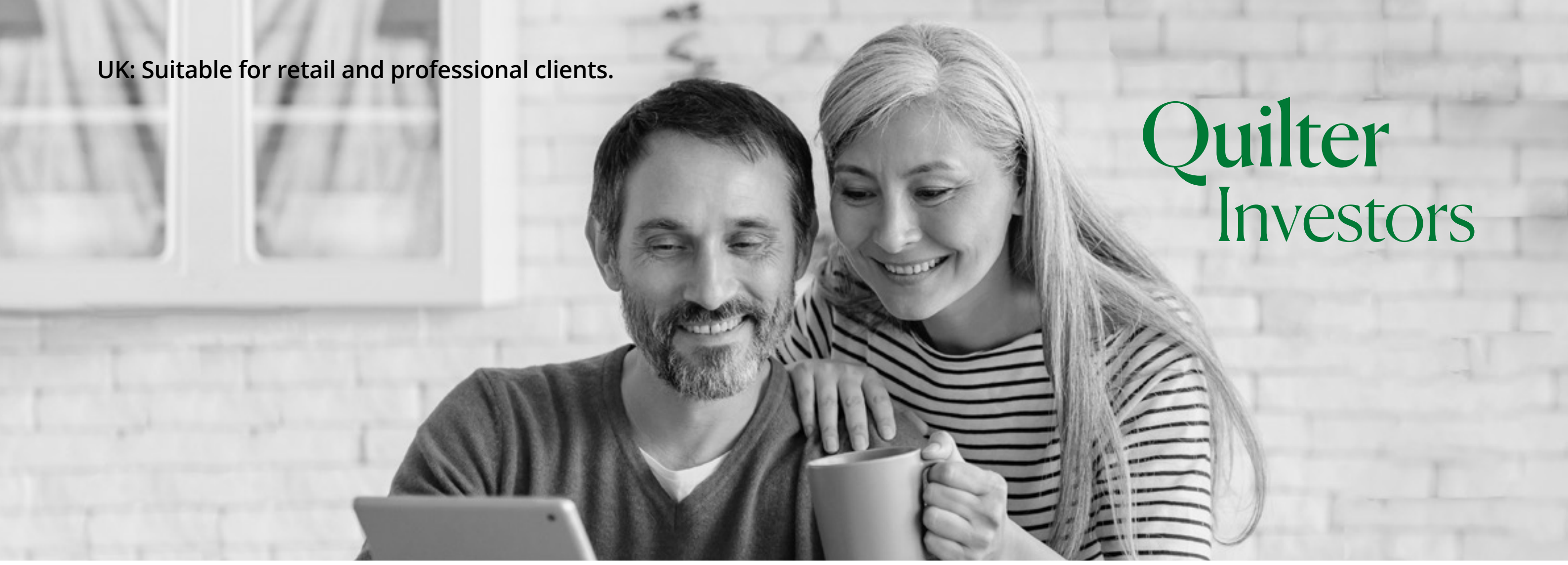
UK: Suitable for retail and professional clients.



Quilter Investors

Cirilium Portfolios

Monthly commentary review of January 2023

Marcus Brookes
Chief Investment Officer

Our market summary

Markets were upbeat in January due to improving inflation data in the US and expectations that the US Federal Reserve (Fed) may shift towards lowering interest rates later in 2023. Positive sentiment surrounding China's re-opening, following the end of its zero-covid policy, helped lead emerging market equities higher, while sectors within Europe and the UK also benefitted. Interest-rate rises from central banks remain on the cards, but at a much slower rate than witnessed throughout 2022.

Equity markets

January was a positive month for US stock markets with US equities rising by 4.1%. Improving investor sentiment continued from the last quarter of 2022, particularly regarding inflation, which continued to fall. This, paired with expectations of less aggressive interest-rate rises from the Fed, buoyed investor confidence, with growth sectors, such as technology, performing strongly during the month.

European stock markets continued their strong run with European (excluding UK) equities up by 6.9%. Europe was one of the top regional markets thanks to China's re-opening. Its luxury goods and consumer discretionary sectors (non-essential products and services that consumers tend to purchase when consumer confidence is positive) both added value. Meanwhile, inflation continued to fall, although further interest-rate rises are still expected.

The UK followed other regional stock markets higher, albeit to a lesser degree, with UK equities gaining 4.5% over the month. Better-than-expected economic data helped allay fears of a deeper recession, although growth remains muted relative to other developed economies. Domestically-focused companies were strong performers throughout January, while defensive sectors such as healthcare lagged the market.

China remained the big story for emerging markets, which continued to react positively to the former's re-opening. In January, Chinese equities rose by 9.2%, while emerging market equities gained 5.4%. Outside of China, the Czech Republic, Mexico, South Korea and Taiwan were among the top contributors to performance. Meanwhile, Brazil continued to drag on performance, due to political unrest and rising inflation.

Fixed income

Global bonds enjoyed a largely positive month in January due to improving inflation data coming out of the US and Europe, alongside expectations of less aggressive interest-rate rises from central banks. UK corporate bonds (issued by companies) rose by 4.1% and gilts (UK government bonds) climbed 2.8% during the month. Meanwhile, US Treasuries (US government bonds) gained 2.4%.

Total return, percentage growth in pounds sterling. Each return figure is represented by an appropriate market index.

Sacha Chorley
Portfolio Manager

Ian Jensen-Humphreys
Portfolio Manager

Performance review

The Cirilium Portfolios delivered positive returns over the month. The higher-risk portfolios fared best thanks to their greater exposure to equities, with returns ranging from 2.8% for the Cirilium Conservative Portfolio to 4.6% for the Cirilium Adventurous Portfolio.

Performance summary (%)

	Cumulative performance						*Discrete annual performance*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*31 Jan 22 - 31 Jan 23*	*31 Jan 21 - 31 Jan 22*	*31 Jan 20 - 31 Jan 21*	*31 Jan 19 - 31 Jan 20*	*31 Jan 18 - 31 Jan 19*
Cirilium Conservative	**2.8**	**2.8**	**-6.7**	**-1.7**	**0.8**	**41.9**	**-6.7**	**0.5**	**4.7**	**5.6**	**-2.8**
IA Mixed 0-35% Shares	2.6	2.6	-5.4	-2.4	3.6	37.9	-5.4	0.3	2.8	7.6	-1.3
Cirilium Balanced	**3.5**	**3.5**	**-4.6**	**2.7**	**5.7**	**116.4**	**-4.6**	**1.5**	**6.0**	**7.6**	**-4.3**
IA Mixed 20-60% Shares	3.0	3.0	-3.9	2.4	9.0	76.7	-3.9	3.3	3.1	9.2	-2.5
Cirilium Moderate	**3.8**	**3.8**	**-3.5**	**6.7**	**9.1**	**163.3**	**-3.5**	**2.0**	**8.4**	**8.8**	**-6.0**
IA Mixed 40-85% Shares	3.4	3.4	-2.5	9.3	18.7	109.6	-2.5	6.2	5.5	11.9	-3.0
Cirilium Dynamic	**4.2**	**4.2**	**-3.9**	**8.2**	**10.3**	**172.2**	**-3.9**	**3.2**	**9.1**	**10.1**	**-7.4**
IA Flexible	3.5	3.5	-1.3	12.6	20.4	108.0	-1.3	6.2	7.4	11.3	-3.9
Cirilium Adventurous	**4.6**	**4.6**	**-3.0**	**12.4**	**13.4**	**21.4**	**-3.0**	**4.5**	**10.9**	**7.1**	**-5.8**
IA Flexible	3.5	3.5	-1.3	12.6	20.4	26.1	-1.3	6.2	7.4	11.3	-3.9

Source: Quilter Investors as at 31 January 2023. Total return, percentage growth, net of fees of the R Acc share class rounded to one decimal place. The Cirilium Conservative Portfolio launched on 30 March 2012; the Cirilium Balanced Portfolio launched on 2 June 2008; the Cirilium Moderate Portfolio launched on 2 June 2008; the Cirilium Dynamic Portfolio launched on 2 June 2008; and the Cirilium Adventurous Portfolio launched on 1 June 2017.

How our equity holdings performed

China re-opening drives returns

In a continuation of the theme that's dominated index returns since early November, China's economic re-opening underpinned robust returns from both our emerging market and European equity allocations. The biggest beneficiaries in the Cirilium Portfolios included the Fidelity China Consumer Fund, which gained 8.6%, and the Pacific North of South EM All Cap Fund, which added 9.0%.

Earnings and growth in focus

Growth strategies significantly outperformed value in January as hopes of easing interest rates helped to restore valuations while investors were also cheered by better-than-expected earnings from companies like Meta. Hence, while Berkshire Hathaway declined 1.5% in January, more growth-oriented exposures such as the Granahan US SMID Fund jumped 12.3%.

Resurgence for UK domestic stocks

The rise in investor risk appetite helped smaller companies to outperform larger ones in January. This was especially notable in the UK where domestically focused mid-cap (medium-sized) companies were the strongest performers. This helped drive the Premier Miton UK Value Opportunities Fund to deliver a 7.1% gain.

'Growth' stocks derive their value from the rate at which they're expected to grow their future earnings. 'Value' stocks have low share prices relative to their intrinsic value and tend to pay more generous dividends than growth stocks.

How our fixed-income holdings performed

Credit drives fixed-income returns

In aggregate, the fixed-income portfolios delivered positive contributions in January. In particular, corporate bonds of all qualities performed well while there were some exceptional idiosyncratic returns from holdings such as Blackstone Loan Financing which was up 14% over the month.

Elsewhere, our more flexible exposures, such as the Wellington Opportunistic Fixed Income and Janus Henderson Strategic Bond funds, were also positive contributors, with both outperforming government bond markets.

Credit is a generic term that refers to corporate bonds (issued by companies). Because they're more risky than government bonds, they generally offer higher interest rates (or yields) to compensate for the additional risk.

How our alternative holdings performed

Real assets deliver

Given the relatively low weighting to alternatives across the portfolios, their contribution to total returns, was relatively modest in January. The best performances came from funds holding 'real' assets such as Ediston Property, held in the Cirilium Conservative and Balanced Portfolios, which jumped 10.5%. Elsewhere, Pantheon Infrastructure, held in the Cirilium Moderate Portfolio, gained 1.9%.

Meanwhile, the Cooper Creek North America Long Short Fund suffered a weak January; it declined 0.3% after a stellar 2022 in which it gained 35.5%.

'Real assets' are physical assets with intrinsic worth. They include things like real estate and infrastructure assets, land, natural resources, commodities and precious metals. They tend to be more stable, but less liquid, than financial assets such as stocks and bonds.

Portfolio activity

We have started the process of adjusting the positioning within the Cirilium Portfolios, gradually reducing our exposures to many of the higher growth and smaller company-focused managers. This led to the removal of the Allspring US Select Fund towards the end of the month. In order to build out the value and larger company exposures we require, we have also started to build new positions in funds like Liontrust UK Growth and the Quilter Investors Global Equity Value Fund, managed by Redwheel. We are also implementing a tactical position in the healthcare sector through the introduction of the AllianceBernstein Healthcare Fund.

Investment outlook

We ended 2022 with a view of cautious optimism. So far, we remain of that mind but are keenly awaiting some crucial datapoints to help us assess whether this position remains warranted. The likely paths of the labour market and inflation are key to understanding where we go from here.

As investors we also want to ensure company earnings growth continues to be delivered while interrogating the commentary from company management at such junctures can also be very helpful in gaining insight into the conditions on the ground in numerous industries.

1. Labour market remains robust

The labour market in the US remains remarkably robust with healthy wage growth supporting consumption. It's a similar picture in most major economies. However, too strong a labour market means that central banks will need to continue to raise interest rates, potentially more than the market is currently forecasting.

2. Inflation is falling, but how far will it go?

Many of the factors that drove inflation to the highs we saw in 2022 are unwinding. For example, freight costs and many commodity prices have fallen back to levels last seen prior to the Ukraine invasion. But 'stickier' (meaning more resilient) components of inflation such as housing and services costs are continuing to rise. This leads us to believe there's more 'upside risk' to interest rates from here ie interest rates may need to rise further than is currently forecast.

3. Are companies growing?

We closely monitor company earnings news and, so far, both company revenues and earnings have continued to surprise positively. Even so, earning levels have softened in aggregate versus previous quarters. Once the fourth quarter earnings season is complete we will come to some conclusions as to what's driving this and what impact it's likely to have on future returns.

Thank you for investing with us

Keep an eye out for your next Cirilium Portfolios monthly commentary 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 3700, email us at *enquiries@quilter.com*, or visit our website at *www.quilter.com*.

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