Quilter Investors

Cirilium Blend Portfolios

Monthly commentary – Review of January 2025

Marcus Brookes
Chief Investment Officer

Our market summary

It was a strong start to 2025, with both equities and fixed income delivering broadly positive returns. We saw a change from the recent norm in equity markets with Europe outperforming the US and value stocks beating their growth counterparts. The 'America First' policies of President Trump helped US equities, but the emergence of DeepSeek, a new Chinese artificial intelligence (AI) model, impacted US tech stocks.

Fixed income markets experienced increased volatility in January due to Trump's proposed mix of tariffs and tax cuts. These fuelled expectations of higher inflation, leading to rising bond yields globally. The UK also faced challenges of its own. Indications of slower economic growth raised worries about public finances, which caused significant volatility in gilt yields.

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

Equity markets

Trump's promise of deregulation and tax cuts fuelled optimism over the US economy with the IMF raising its GDP growth forecast from 2.2% to 2.7%. However, news of potential tariffs rattled markets at the end of the month. The emergence of DeepSeek and its challenge to the US leadership in AI, also weighed on sentiment. Whilst the tech sector fell, communication services, healthcare, and financials were among the top gainers. Overall, US equities were up 3.9%.

Europe was the best performing developed equity market in January returning 8.3% despite mixed economic data. The performance was supported by the consumer discretionary and financials sectors, with banks delivering particularly robust returns. European equities also benefited from a low weighting to technology stocks following the DeepSeek breakthrough, while signs of a long-awaited improvement in the luxury goods sector were welcomed.

UK equities also outperformed as they were up 5.5% in January. This was primarily driven by the large financial, industrial, and energy names. Sterling weakness also provided a tailwind for these UK large-cap names as much of their revenue is generated overseas. January's performance contrasted with the outlook for the domestic economy, which remained difficult with business confidence weakening.

Overall, emerging markets equities were up 2.6% in January. Chinese equities, the largest component of the index, were up 1.8% over the month. This was driven by encouraging domestic economic data and the possibility of less severe US tariffs compared to those mentioned during Trump's campaign. Elsewhere, Colombia was the top-performing region, followed by Poland and Brazil, with Malaysia and the Philippines posting the largest losses.

Fixed income

January was a mixed month for global government bonds. A weak start was followed by a rebound due to positive inflation news. Overall, global government bonds returned 0.3% and US Treasuries were up 0.6%. In the UK, concerns around the nation's fiscal health saw a sharp rise in gilt yields. However, as the focus shifted back to inflation, with core inflation surprisingly going down, yields fell back towards month end. Against this backdrop, UK gilts returned 0.8%.

Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested. *Source: Quilter Investors as at 31 January 2025. Total return, percentage growth, rounded to one decimal place. The performance shown for each equity market is represented by the appropriate MSCI index, global government bonds by the Bloomberg Global Aggregate Government Treasuries (GBP Hedged) Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; and UK gilts by the ICE BofA UK Gilt Index.*

Performance review

The Cirilium Blend Portfolios all delivered positive returns in January as equity markets moved higher despite a few hiccups. We saw performance improve as you move up the risk scale, in line with the increased equity exposure of each portfolio, with returns ranging from 1.4% for the Conservative Portfolio up to 4.2% for the Adventurous Portfolio. US, UK, and European equities were the main drivers of returns.

Over the month, our fixed-income holdings 'round tripped' – selling off sharply before rallying in the second half of the month to deliver modest positive returns. Meanwhile, our alternatives exposure added to returns, with commodities leading the way.

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Portfolio Manager

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Portfolio Manager

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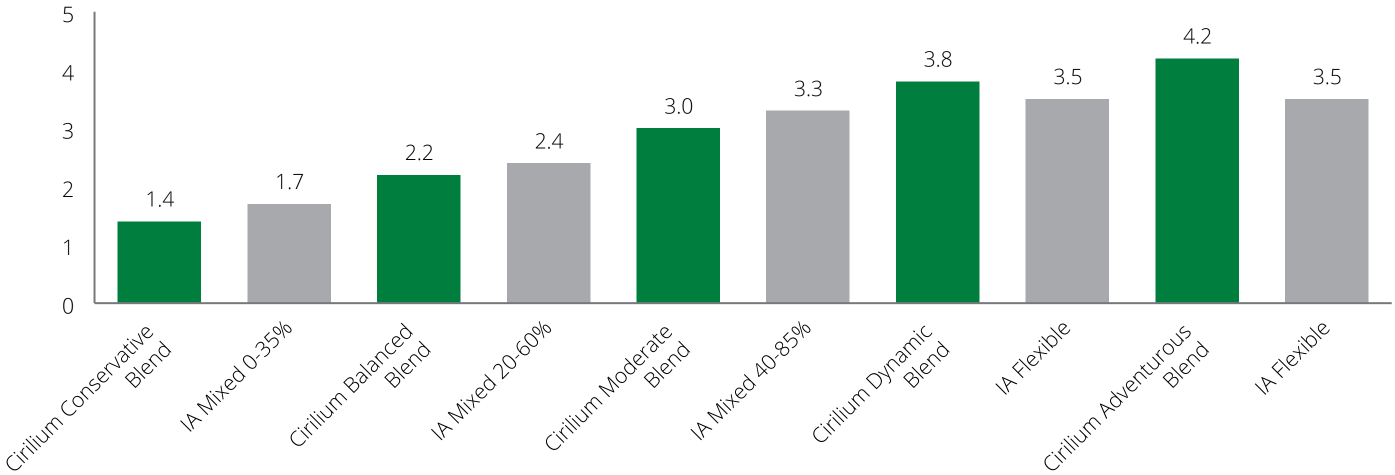
Portfolio Manager

Monthly performance (%)



Performance summary (%)

	Cumulative performance						*Discrete annual performance to end of January*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*2024 - 2025*	*2023 - 2024*	*2022 - 2023*	*2021 - 2022*	*2020 - 2021*
Cirilium Conservative Blend	**1.4**	**1.4**	**4.7**	**3.1**	**7.3**	**9.7**	**4.7**	**1.8**	**-3.2**	**-1.1**	**5.2**
IA Mixed 0-35%	1.7	1.7	6.8	3.8	7.1	9.1	6.8	2.8	-5.4	0.3	2.8
Cirilium Balanced Blend	**2.2**	**2.2**	**7.9**	**11.8**	**19.6**	**22.7**	**7.9**	**3.6**	**0.0**	**2.1**	**4.8**
IA Mixed 20-60%	2.4	2.4	9.1	8.3	15.4	17.8	9.1	3.3	-3.9	3.3	3.1
Cirilium Moderate Blend	**3.0**	**3.0**	**10.9**	**18.5**	**31.3**	**34.7**	**10.9**	**4.5**	**2.3**	**4.7**	**5.9**
IA Mixed 40-85%	3.3	3.3	12.6	14.7	28.5	31.0	12.6	4.4	-2.5	6.2	5.5
Cirilium Dynamic Blend	**3.8**	**3.8**	**13.6**	**23.3**	**40.0**	**43.0**	**13.6**	**5.2**	**3.1**	**6.8**	**6.3**
IA Flexible	3.5	3.5	13.0	15.7	31.9	34.4	13.0	3.7	-1.3	6.2	7.4
Cirilium Adventurous Blend	**4.2**	**4.2**	**15.2**	**25.4**	**43.1**	**46.0**	**15.2**	**5.7**	**3.0**	**7.3**	**6.4**
IA Flexible	3.5	3.5	13.0	15.7	31.9	34.4	13.0	3.7	-1.3	6.2	7.4

Past performance is not a guide to future performance and may not be repeated. Source: Quilter Investors as at 31 January 2025. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Cirilium Blend Portfolios launched on 26 July 2019.

Portfolio activity

The portfolios have had an overweight to high-yield bonds for some time and this has been a notable contributor to returns. However, high-yield bonds are now expensive. This means that in a positive economic scenario there is little scope for further outsized returns compared to equities, but similar downside potential. This is not the sort of risk versus reward skew we want in the portfolios, so we closed our position for a profit in January. This involved selling out of the Federated Hermes Unconstrained Credit Fund and buying equities.

We also removed our overweight to clean energy by selling our holding in the Schroder Global Energy Transition Fund and buying regional equities. We still believe in the long-term thesis of the energy transition trade, but market momentum is heavily against this position, and we see little scope of this improving soon given the political noise coming from the US.

Investment outlook

We are cautiously optimistic as we move forward in 2025. We think global growth will remain positive, with the US economy continuing to outperform. This should be supportive for broad equity earnings, although valuations look stretched in some areas, particularly in tech stocks. Government bond yields at near 5% make them an interesting asset class, particularly with central banks tending towards cut rates. However, persistent above target inflation could pose challenges.

1. You can't ignore the politicians

President Trump's second term in the White House is likely to lead to tailwinds of deregulation and tax cuts, which should be beneficial for the US corporate sector. Against this, the proposed tariffs and immigration curbs could prove inflationary. Elsewhere, equities face political headwinds, particularly in Europe and Germany. Finally, the Chinese authorities need to decide if they are serious about stimulating consumer spending to support their somewhat stagnant economy.

2. What might make us more optimistic?

We are likely to see robust returns if the global economy can remain in a 'Goldilocks' state – decent growth but not so much that inflationary pressures bubble up to the surface. This would allow central banks to further cut rates. A key marker will be whether US and UK inflation can continue its path down to target levels. There could be other catalysts such as a Ukraine ceasefire, meaningful China stimulus, and French and German governments that prioritise growth and consumption.

3. What might make us more pessimistic?

The key risk for us is US inflation if it were to start to increase again. Trump's policies might be a catalyst for this with tariffs a potential culprit. The result would likely force the Fed to raise rates rather than cut, which would be bad for bond prices and borrowers everywhere. The resulting shock to growth from these tighter financial conditions could lead to poor corporate returns. Separately, a tit-for-tat tariff war could be at the least distracting, and at worst, destructive to growth.

Thank you for investing with us

Keep an eye out for your Cirilium Blend Portfolios monthly commentary available in March.

Want more updates about your portfolio?

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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.

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Published: February 2025

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