

# Cirilium Passive 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 Passive 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 3.9% for the Adventurous Portfolio. Our European, UK, and US 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.



**Ian Jensen-Humphreys**  
Portfolio Manager

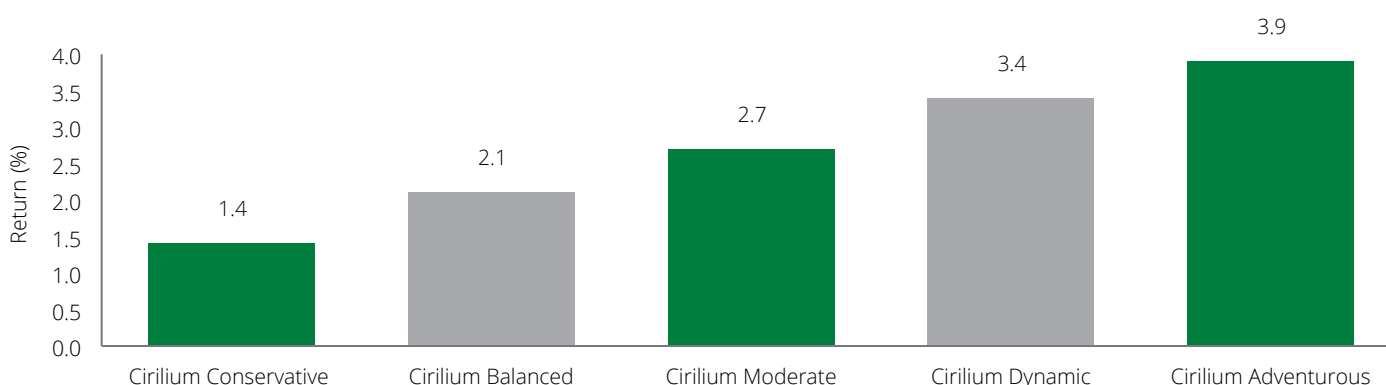


**Sacha Chorley**  
Portfolio Manager



**CJ Cowan**  
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
<b>Cirilium Conservative Passive</b>	1.4	1.4	6.2	4.8	9.3	52.4	6.2	4.7	-5.7	0.6	3.6
<b>Cirilium Balanced Passive</b>	2.1	2.1	9.0	9.7	18.5	90.6	9.0	5.6	-4.6	3.6	4.2
<b>Cirilium Moderate Passive</b>	2.7	2.7	12.5	18.8	33.8	130.8	12.5	7.1	-1.5	7.2	5.1
<b>Cirilium Dynamic Passive</b>	3.4	3.4	15.8	27.5	48.6	171.0	15.8	8.6	1.4	10.5	5.4
<b>Cirilium Adventurous Passive</b>	3.9	3.9	18.9	37.4	74.0	118.8	18.9	13.5	1.8	10.9	14.2

Past performance is not a guide to future performance and may not be repeated. Source: Quilter Investors as at 29 November 2024. Total return, percentage growth, net of fees, rounded to one decimal place of the R (GBP) accumulation shares. The Cirilium Conservative Passive Portfolio, the Cirilium Balanced Passive Portfolio, the Cirilium Moderate Passive Portfolio, and the Cirilium Dynamic Passive Portfolio launched on 8 February 2013 and the Cirilium Adventurous Passive Portfolio launched on 1 June 2017.

## Portfolio activity

Trading on the portfolios was limited to daily rebalancing towards target weights and managing cashflows.

## 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 Passive Portfolios monthly commentary available in March.

### **Want more updates about your portfolio?**

Please visit our website at [www.quilter.com](http://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 contact one of our **investment directors** or visit our website at [www.quilter.com](http://www.quilter.com).



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There are also other risks shown below of which investors should be aware. For more information on these risks, investors should read the key investor information document(s) (KIID(s)).

The portfolios are denominated in one currency, but may hold assets denominated in other currencies, which means exchange rate changes may cause the value of investments to rise or fall. The portfolios may invest in a range of assets such as bonds, equities (company shares), and other investment funds. This means the portfolios will be subject to the collective risks of those investments and, in the case of other investment funds, the collective risks of those investment funds as well as their underlying investments. The portfolios deduct the charges from the capital of the portfolios, which means there is the potential for capital erosion if insufficient capital growth achieved to cover the charges. The portfolios may use derivatives, which means there may be a higher level of risk. The portfolios may invest more than 15% in cash, which could reduce returns in rising markets and reduce losses in falling markets. The portfolios may hold investments that may be more difficult to sell, which may affect the ability of investors to withdraw their money. The portfolios invest in emerging markets, which may be more volatile than investments in developed markets.

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Published: February 2025

QI 26868/29/10119/SK20794