UK: Suitable for retail and professional clients.

Quilter

WealthSelect Responsible 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

Despite a volatile start to the year, global equity markets ended up higher over the month, retracing December's losses. Portfolio returns improved as you move up the risk scale, in line with the increased equity content of the portfolios, ranging from a return of 1.7% for Responsible Blend 3 to 5.0% for Responsible Blend 10. Within our equity exposure, UK and Europe outperformed.

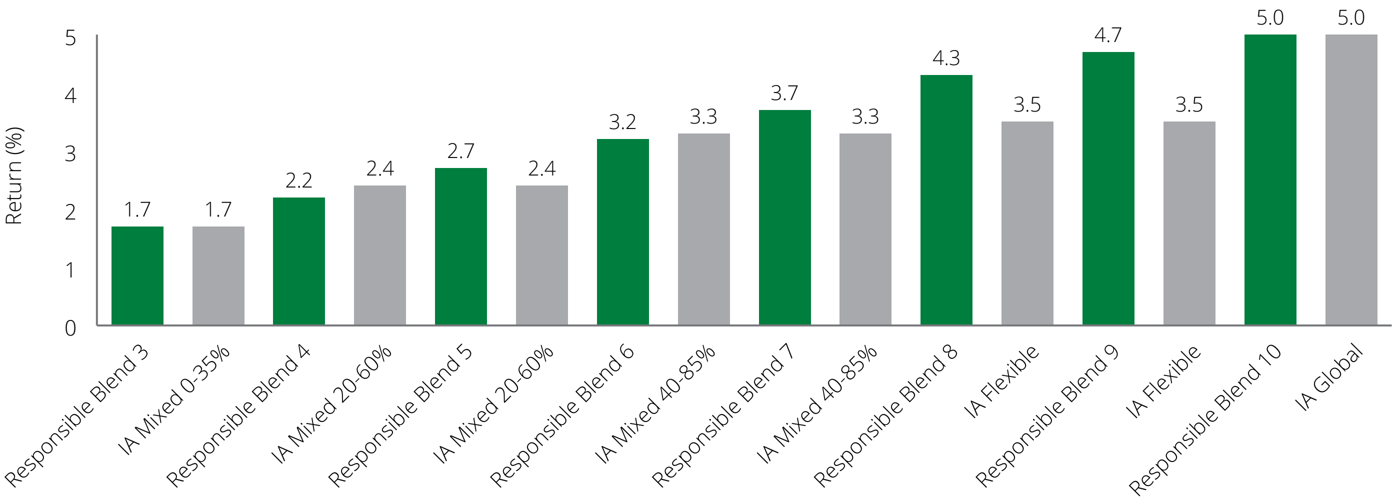
Fixed interest also had a volatile month, first selling off sharply before rallying in the second half of the month to deliver modest positive returns.

Stuart Clark
Portfolio Manager

Helen Bradshaw
Portfolio Manager

Bethan Dixon
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*	*2023 - 2024*	*2022 - 2023*	*2021 - 2022*	*2020 - 2021*	*2019 - 2020*
Responsible Blend 3	**1.7**	**1.7**	**7.1**	**-**	**-**	**10.4**	**7.1**	**3.6**	**-**	**-**	**-**
IA Mixed 0-35% Shares	1.7	1.7	6.8	-	-	5.5	6.8	2.8	-	-	-
Responsible Blend 4	**2.2**	**2.2**	**8.4**	**-**	**-**	**13.7**	**8.4**	**4.0**	**-**	**-**	**-**
IA Mixed 20-60% Shares	2.4	2.4	9.1	-	-	12.1	9.1	3.3	-	-	-
Responsible Blend 5	**2.7**	**2.7**	**9.8**	**-**	**-**	**17.0**	**9.8**	**4.3**	**-**	**-**	**-**
IA Mixed 20-60% Shares	2.4	2.4	9.1	-	-	12.1	9.1	3.3	-	-	-
Responsible Blend 6	**3.2**	**3.2**	**11.2**	**-**	**-**	**20.7**	**11.2**	**4.5**	**-**	**-**	**-**
IA Mixed 40-85% Shares	3.3	3.3	12.6	-	-	19.5	12.6	4.4	-	-	-
Responsible Blend 7	**3.7**	**3.7**	**12.7**	**-**	**-**	**24.9**	**12.7**	**5.1**	**-**	**-**	**-**
IA Mixed 40-85% Shares	3.3	3.3	12.6	-	-	19.5	12.6	4.4	-	-	-
Responsible Blend 8	**4.3**	**4.3**	**14.3**	**-**	**-**	**29.1**	**14.3**	**5.6**	**-**	**-**	**-**
IA Flexible	3.5	3.5	13.0	-	-	20.8	13.0	3.7	-	-	-
Responsible Blend 9	**4.7**	**4.7**	**16.3**	**-**	**-**	**33.5**	**16.3**	**6.8**	**-**	**-**	**-**
IA Flexible	3.5	3.5	13.0	-	-	20.8	13.0	3.7	-	-	-
Responsible Blend 10	**5.0**	**5.0**	**17.7**	**-**	**-**	**36.9**	**17.7**	**7.8**	**-**	**-**	**-**
IA Global	5.0	5.0	18.0	-	-	34.5	18.0	8.3	-	-	-

Past performance is not a guide to future performance and may not be repeated. Source: Quilter and FactSet as at 31 January 2025. 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 Blend Portfolios launched on 8 March 2022.

Investment outlook

President Trump is in the (White) house and has been flexing his presidential powers in line with the areas he campaigned upon. It will be interesting to see how many of his executive orders survive legal challenge. If you are interested in trying to keep up, then CNN has a page – search for 'CNN tracking Trump's executive actions' – that lists everything so far with links to the appropriate White House webpage.

1. The unpredictability of Trump

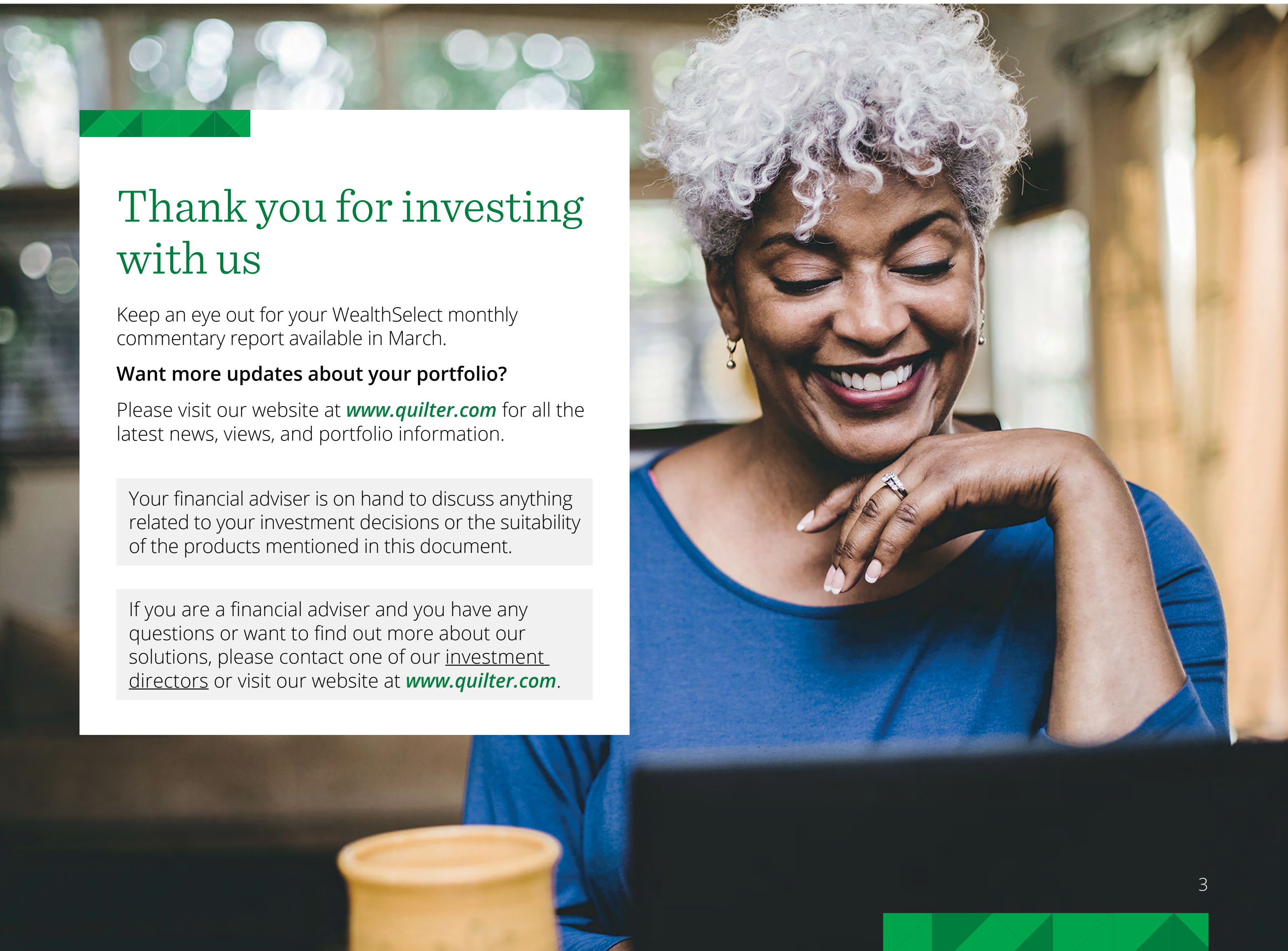
The volatility of policy and atypical delivery methods, alongside the difficulty of how other entities will respond makes it difficult to incorporate effectively into an investment thesis. What we can do is consider various scenarios and the fundamental analysis of valuations, earnings, and business quality to allow the drivers of returns to be the underlying managers stock-picking rather than significant macro calls.

2. Staying active

A scenario that would support this active approach to stock-picking would be a broadening of the bull market away from the Magnificent Seven. There is some evidence of this in 2025, although this was predominantly driven by the shift in sentiment towards US dominance in AI following the release of an updated DeepSeek model. Another, albeit quite different, scenario that would typically help active management would be a recession scenario.

3. Remaining vigilant

In January, we saw the volatility in the government bond market as an opportunity to increase exposure to the asset class as the volatility associated with change of leadership and policy led to an attractive valuation. Looking forward, the outcome of ongoing trade negotiations and changes in global interest rate policies will likely dominate market sentiment, contributing to fluctuating asset prices and as investors we need to be prepared for both.



Thank you for investing with us

Keep an eye out for your WealthSelect monthly commentary report available in March.

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