

# Cirilium Portfolios

## Monthly commentary – Review of July 2024



**Marcus Brookes**  
Chief Investment Officer

### Our market summary

Global equities markets were broadly flat in July, but it was a month of two halves, with the first half seeing a succession of record highs. Fixed income also rallied as speculation mounted that the US Federal Reserve (the Fed) will cut interest rates in September, particularly after positive US inflation data was released. However, equities began to turn halfway through the month, and growth stocks were particularly weak, falling by 2.5%, as investors grew more sceptical about the potential for future returns from investment in artificial intelligence (AI). At the same time, investors became more optimistic about prospects for interest-rate sensitive small-cap companies.



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

### Equity markets



US earnings season continued with four of the magnificent seven reporting results. Investors appeared underwhelmed by the releases and the tech sector came under pressure before a rebound into month end. Growing expectations for interest rate cuts and Trump moving ahead in the polls saw smaller companies perform better. In US dollar terms, US equities were up 1.3%, but the currency strength of the pound resulted in a loss of 0.3% for sterling investors.



European equities lagged their US and UK counterparts in July and returned 0.6% in euro terms. However, the strength of the pound again saw broadly flat returns for sterling investors. Disappointing economic data that indicated a slight calming of eurozone economic growth over the summer and uncertainties around the French election likely contributed to the weakness.



UK equities were up 3.2% over the month. Robust service sector (e.g. hotels, restaurants, transport) data in July and stronger than expected economic growth for the second quarter pointed to improving economic momentum. The landslide Labour victory in the election did not materially impact UK markets as a Labour victory had already been assumed. However, with political instability in Europe and the US, investors welcomed the clear result.



Emerging markets fell by 1.2% in July as they were dragged down by Chinese equities that saw losses of 2.8% over the month. The continued challenges in the real estate sector and the spillover effects on the broader economy contributed to these losses. In July, the Chinese authorities implemented various measures to provide liquidity support to the financial system with the aim to stimulate lending and support economic growth.

### Fixed income



Heightened investor expectations for further central bank interest rate cuts in 2024 and 2025 saw fixed income markets deliver positive returns over the month with sterling corporate bonds and global bonds both returning 1.9%. UK gilts and US Treasuries were also both up over the quarter with returns of 1.9% and 2.2%, respectively.

Source: Quilter Investors as at 31 July 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; 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; emerging markets by the MSCI Emerging Markets Index; China equities by the MSCI China Index; US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; UK gilts by the ICE BofA UK Gilt Index; global bonds by the Bloomberg Global Aggregate (GBP Hedged) Index; and sterling corporate bonds by the ICE BofA Sterling Corporate Index.



## Performance review

The Cirilium Portfolios delivered positive returns during the month that were slightly ahead of their Investment Association (IA) performance comparators. Returns ranged from 1.1% for the Cirilium Conservative Portfolio to 1.7% for the Cirilium Adventurous Portfolio.

Equities and bonds rose slightly during the month, with UK and Japanese equities the best performing developed markets. Meanwhile, US markets underperformed, with AI-related stocks taking a breather following strong performance so far this year.



**Ian Jensen-Humphreys**  
Portfolio Manager

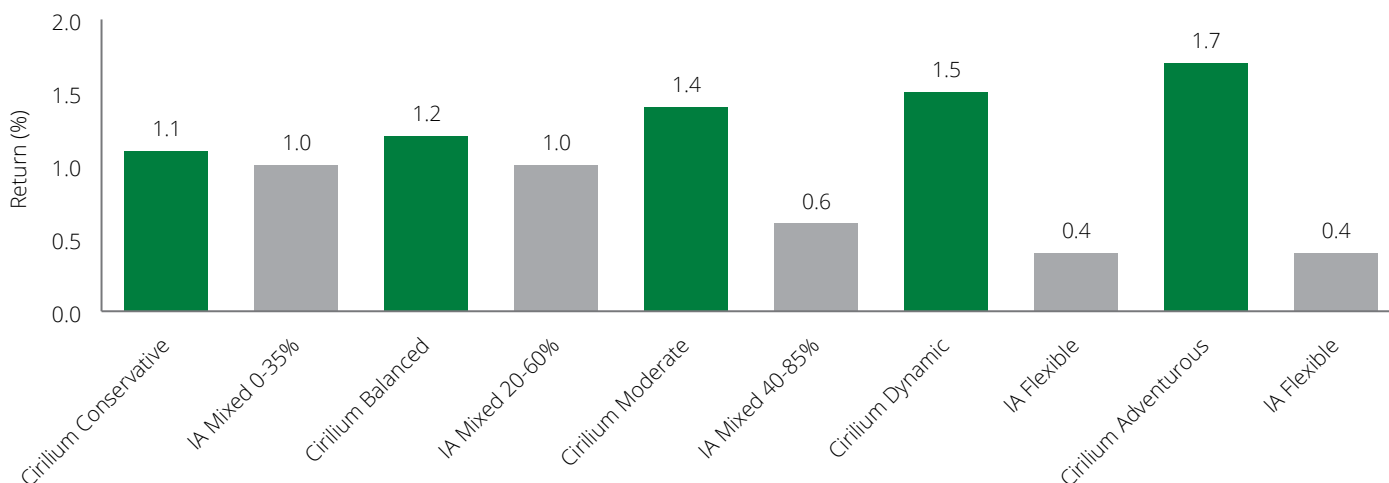


**Sacha Chorley**  
Portfolio Manager



**CJ Cowan**  
Portfolio Manager

## Monthly performance (%)



## Performance summary (%)

	Cumulative performance						Discrete annual performance to end of July				
	1 month	YTD	1 year	3 year	5 year	Since launch	2023 -2024	2022 -2023	2021 -2022	2020 -2021	2019 -2020
<b>Cirilium Conservative</b>	<b>1.1</b>	<b>2.0</b>	<b>5.0</b>	<b>-6.1</b>	<b>1.7</b>	<b>45.4</b>	<b>5.0</b>	<b>-3.2</b>	<b>-7.6</b>	<b>9.6</b>	<b>-1.1</b>
IA Mixed 0-35% Shares	1.0	3.2	7.6	-1.3	5.6	47.2	7.6	-2.0	-6.4	6.7	0.4
<b>Cirilium Balanced</b>	<b>1.2</b>	<b>3.7</b>	<b>7.1</b>	<b>-1.8</b>	<b>9.0</b>	<b>128.7</b>	<b>7.1</b>	<b>-0.8</b>	<b>-7.6</b>	<b>16.5</b>	<b>-4.7</b>
IA Mixed 20-60% Shares	1.0	4.8	9.1	3.3	13.0	92.0	9.1	0.0	-5.3	12.0	-2.3
<b>Cirilium Moderate</b>	<b>1.4</b>	<b>5.7</b>	<b>9.2</b>	<b>0.4</b>	<b>15.9</b>	<b>184.7</b>	<b>9.2</b>	<b>0.5</b>	<b>-8.5</b>	<b>22.9</b>	<b>-6.1</b>
IA Mixed 40-85% Shares	0.6	6.6	10.5	7.4	23.0	133.5	10.5	1.5	-4.3	18.0	-2.9
<b>Cirilium Dynamic</b>	<b>1.5</b>	<b>7.5</b>	<b>11.0</b>	<b>1.1</b>	<b>19.2</b>	<b>198.4</b>	<b>11.0</b>	<b>0.9</b>	<b>-9.7</b>	<b>28.6</b>	<b>-8.3</b>
IA Flexible	0.4	6.6	10.0	7.5	25.7	130.0	10.0	2.2	-4.4	19.7	-2.4
<b>Cirilium Adventurous</b>	<b>1.7</b>	<b>7.4</b>	<b>11.1</b>	<b>2.9</b>	<b>21.8</b>	<b>33.7</b>	<b>11.1</b>	<b>1.6</b>	<b>-8.8</b>	<b>31.1</b>	<b>-9.7</b>
IA Flexible	0.4	6.6	10.0	7.5	25.7	39.3	10.0	2.2	-4.4	19.7	-2.4

Source: Quilter Investors as at 31 July 2024. Total return, percentage growth, net of fees, rounded to one decimal place of the R (GBP) accumulation shares. The Cirilium Conservative Portfolio launched on 30 March 2012, the Cirilium Balanced Portfolio, the Cirilium Moderate Portfolio, and the Cirilium Dynamic Portfolio launched on 2 June 2008, and the Cirilium Adventurous Portfolio launched on 1 June 2017.

## Portfolio activity

We updated the strategic asset allocation of the portfolios at the end of June. This update resulted in an increased allocation to fixed income, which is now split into government and corporate bond components, at the expense of alternatives and cash. Meanwhile, our North American and emerging markets equity exposure was increased at the expense of our UK and European ex UK allocations. As a result of these changes, we initiated new holdings in the Quilter Investors US Equity Growth, Sands Capital US Select Growth, Quilter Investors Emerging Market Equity, iShares Gilts All Shares Index, Quilter Investors Corporate Bond, and the Quilter Investors Sterling Corporate Bond funds.

## Investment outlook

The end of July and the start of August have seen volatility return to stock markets with a bang. For example, Japanese equities fell 9.6% on Monday 5 August only to recover 8.6% the following day. Below we explore some of the underlying causes of recent market wobbles along with some thoughts on likely future developments.

### 1. *Is there too much complacency?*

Investors have become accustomed to waving away any weak economic data on the basis that central banks would cut interest rates in response, and everything would be fine. The recent weak jobs data in the US has forced investors to confront the risk that everything may not be fine if growth slows too much – casting doubt on expectations for a soft landing. We still have this as our central scenario and would need to see more weak data for our view to change.

### 2. *AI loses some of its lustre*

AI has been the investment theme of the past 18 months, with the winners in this space delivering handsome returns. However, the most recent earnings season has seen many CEOs admit they don't yet see large AI-related increases in revenue, despite the costly development. As a result, some investors have started to take profits in this area. We still think large-cap technology companies are expensive, but they continue to deliver strong earnings and are worth holding in the portfolios.

### 3. *Broad corporate earnings growth resumes*

Whilst we continue to acknowledge some signs of weakness, particularly relating to weaker consumer spending and bank loan loss provisions, the most encouraging aspect of the past month have been the releases as part of the recent earnings season. Whilst the overall growth has been good rather than great, we welcome that earnings growth has been broad across most sectors rather than concentrated in tech companies and CEOs have generally given positive, upbeat guidance.

## Thank you for investing with us

Keep an eye out for your next Cirilium Portfolios monthly commentary available in September.

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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)).

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