UK: Suitable for retail and professional clients.

Quilter

WealthSelect Responsible Active Portfolios

Monthly commentary – Review of July 2024

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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

In a show of support for the new government the UK market was strong this month, as was the pound. Conversely, European and US markets were weaker. The former suffering as the inconclusive elections in France left a potentially fractious coalition as the leading group in a hung parliament. In the US, the mixed response to earnings season meant significant rotations in market leadership.

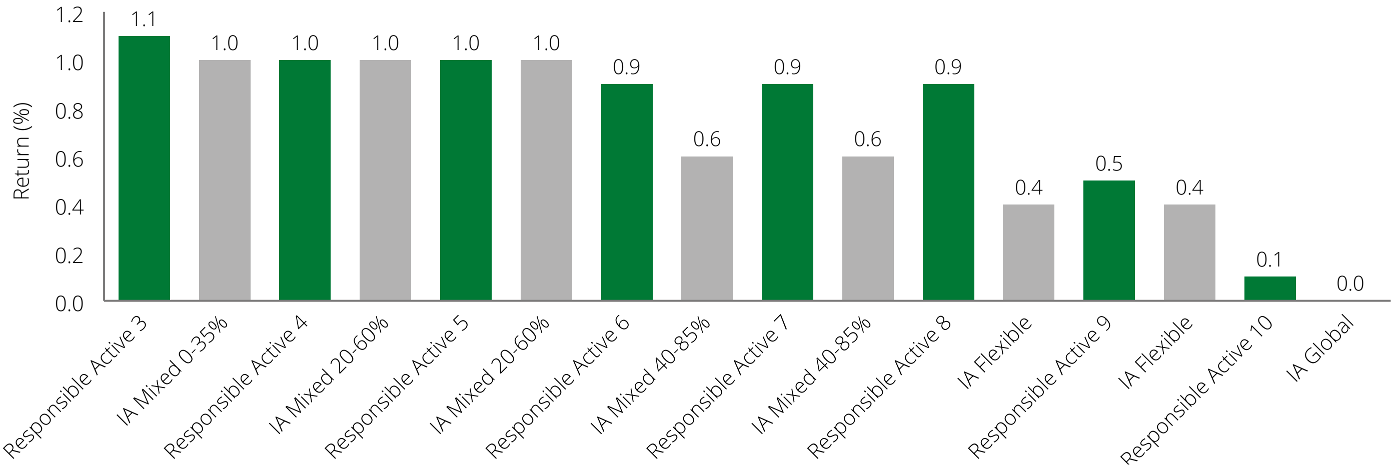
Against this backdrop, most of the portfolios outperformed their performance comparators with returns ranging from 1.1% for Responsible Active 3 to 0.1% for Responsible Active 10.

Stuart Clark
Portfolio Manager

Helen Bradshaw
Portfolio Manager

Bethan Dixon
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*
Responsible Active 3	**1.1**	**3.4**	**7.1**	**-**	**-**	**6.5**	**7.1**	**0.1**	**-**	**-**	**-**
IA Mixed 0-35% Shares	1.0	3.2	7.6	-	-	2.6	7.6	-2.0	-	-	-
Responsible Active 4	**1.0**	**4.0**	**7.6**	**-**	**-**	**8.8**	**7.6**	**1.0**	**-**	**-**	**-**
IA Mixed 20-60% Shares	1.0	4.8	9.1	-	-	8.0	9.1	0.0	-	-	-
Responsible Active 5	**1.0**	**4.7**	**8.1**	**-**	**-**	**11.2**	**8.1**	**1.9**	**-**	**-**	**-**
IA Mixed 20-60% Shares	1.0	4.8	9.1	-	-	8.0	9.1	0.0	-	-	-
Responsible Active 6	**0.9**	**5.4**	**8.8**	**-**	**-**	**13.8**	**8.8**	**2.7**	**-**	**-**	**-**
IA Mixed 40-85% Shares	0.6	6.6	10.5	-	-	13.2	10.5	1.5	-	-	-
Responsible Active 7	**0.9**	**6.3**	**9.6**	**-**	**-**	**16.8**	**9.6**	**3.8**	**-**	**-**	**-**
IA Mixed 40-85% Shares	0.6	6.6	10.5	-	-	13.2	10.5	1.5	-	-	-
Responsible Active 8	**0.9**	**7.2**	**10.4**	**-**	**-**	**19.8**	**10.4**	**4.9**	**-**	**-**	**-**
IA Flexible	0.4	6.6	10.0	-	-	14.0	10.0	2.2	-	-	-
Responsible Active 9	**0.5**	**8.2**	**11.2**	**-**	**-**	**22.1**	**11.2**	**6.0**	**-**	**-**	**-**
IA Flexible	0.4	6.6	10.0	-	-	14.0	10.0	2.2	-	-	-
Responsible Active 10	**0.1**	**8.6**	**11.5**	**-**	**-**	**23.3**	**11.5**	**6.9**	**-**	**-**	**-**
IA Global	0.0	8.7	12.7	-	-	23.4	12.7	5.3	-	-	-

Source: Quilter Investors as at 31 July 2024. 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 Active Portfolios launched on 8 March 2022.

Investment outlook

The end of July and the start of August saw volatility return to stock markets with bond yields and equity markets falling. Below we explore some of the underlying causes of the recent market wobbles along with some thoughts on possible future developments.

1. What caused the wobble?

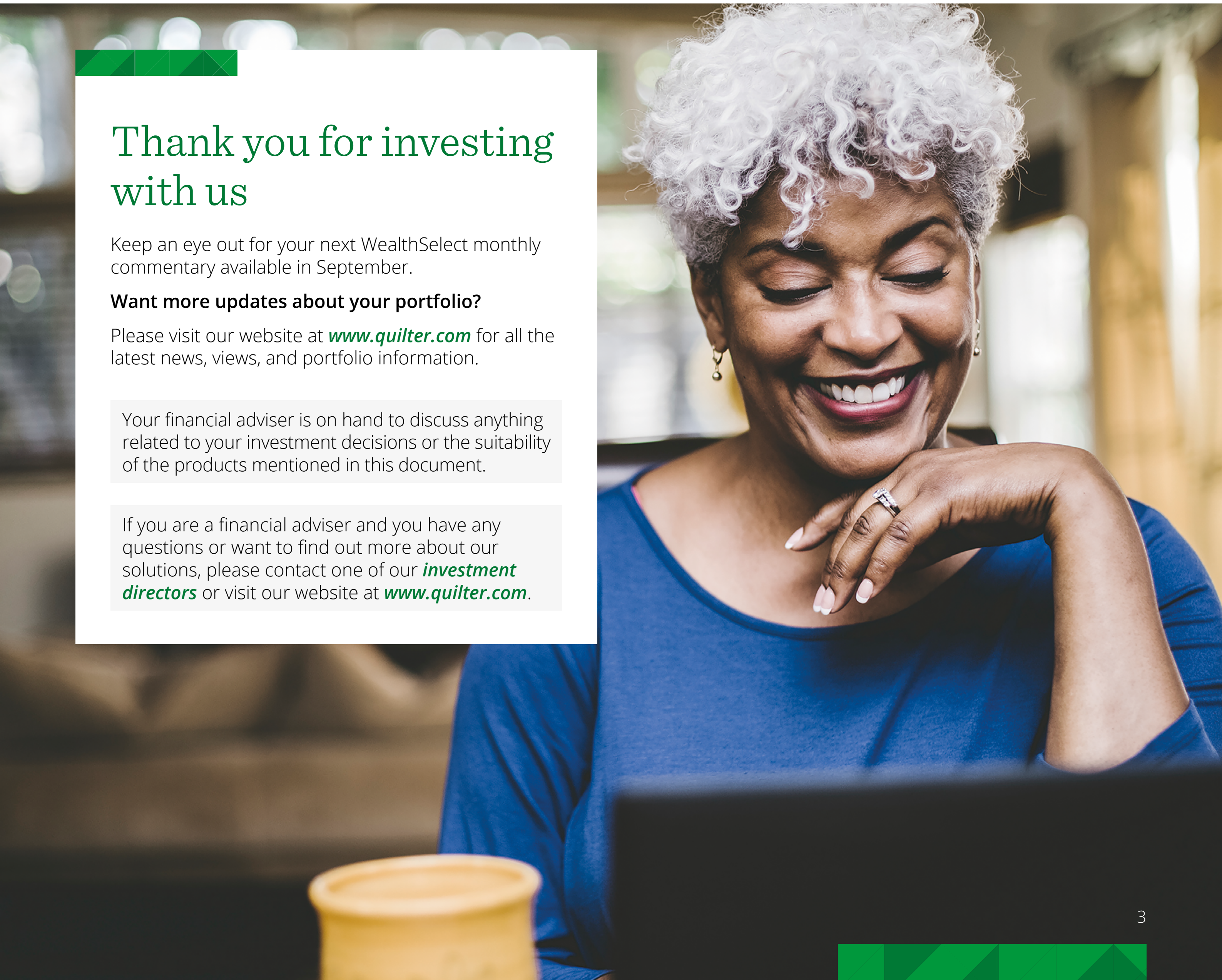
While recent corporate earnings results in the US have generally been OK, weaker than expected results from some major tech companies led to outsized falls in share prices. Elsewhere, a strengthening yen saw international investors rush to exit the Japanese market. These events were compounded by a handful of weaker US economic data releases that led to concerns that the economy is losing momentum faster than previously thought and a pick-up in geopolitical tensions in the Middle East.

2. When will the Fed cut rates?

Bond market pricing suggests the Fed will cut interest rates in September after they opted to stay on hold in July. However, there has been some concern that these cuts may come too late as the lagged effects of the higher interest rates regime are starting to show. If rates are cut gradually due to falling inflation this should provide a tailwind for equities but cutting rapidly due to weak economic growth is unlikely to be so well received.

3. What sort of landing can we expect?

Trends in economic data have indicated a cooling of the US economy for some time. It is difficult to tell whether this is just normalisation or the start of something worse. At this point, our base case is still for a 'soft landing' but we continue to monitor changes in the data closely, alert to any further developments.



Thank you for investing with us

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

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.

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***.

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Important information

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. Exchange rates may cause the value of overseas investments to rise or fall.

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