UK: Suitable for retail and professional clients.

Quilter

WealthSelect Responsible Blend Portfolios

Monthly commentary – Review of May 2024

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Chief Investment Officer

Our market summary

Global equities gained 2.4% in May. Growth stocks strongly outperformed value stocks over the period with developed markets well ahead of emerging markets. These delivered small losses, despite China making a modest gain. Although the likely timing of US interest-rate cuts was pushed back again, markets continued to anticipate rate cuts with Europe outperforming other regions thanks partly to expectations of a June rate cut. Meanwhile, US Treasuries and UK gilts delivered modest gains while corporate bonds outperformed.

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

Equity markets

US equities rebounded from April's losses to gain 3% in another strong month for growth stocks as better-than-expected first quarter earnings across a number of sectors boosted the market. The Magnificent Seven mega-cap stocks were also prominent amid ongoing investor appetite for AI-related stocks. The top sectors were information technology, utilities, and communication services while energy stocks trailed as oil prices weakened.

Europe was the top performing regional equity market. It gained 3.7% as corporate profits generally surprised, and the economy improved. Thanks to the widely-anticipated June rate cut from the European Central Bank (ECB), interest-rate sensitive areas such as real estate and utilities outperformed, as did financial stocks. As in the US, falling oil prices hit European energy stocks while several major luxury goods and automakers also struggled.

UK equities trailed those of other developed markets with a return of 2.4% but UK smaller companies jumped 5.7% due to record levels of bid activity from overseas investors. Amid news of positive GDP growth in the first quarter, UK financial and industrial stocks were the top performers despite UK CPI inflation disappointing. It declined to 2.3% in April, which further pushed out the expected timing for the first Bank of England rate cut.

Emerging markets declined 1.1%, despite Chinese equities making a modest 0.7% gain. Egypt was the top performer with the Czech Republic, Colombia, Chile, Peru, and Turkey all posting gains. Taiwan also outperformed thanks to its heavy tech sector weighting. Elections impacted South Africa, Mexico and India. Korea and Brazil also trailed while Greece and Thailand suffered losses alongside Middle East markets, which declined in line with the oil price.

Fixed income

Despite the lack of progress in containing US inflation to target levels, which pushed expectations of rate cuts further back into the year, the rejection of the need for further US rate hikes by Federal Reserve Chairman, Jay Powell, was sufficient for US Treasuries to rally modestly over the month. Meanwhile, UK gilts added smaller gains, despite selling-off late in the period as UK inflation numbers disappointed. Sterling corporate bonds modestly outperformed gilts.

Source: Quilter Investors as at 31 May 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; developed market equities by the MSCI 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; UK smaller companies by the MSCI United Kingdom Small Cap Index; emerging markets by the MSCI Emerging Markets Index.

Performance review

Equity markets were led by Europe, helped by improving economic data and anticipation of a June rate cut from the ECB. The US was close behind, thanks to both Nvidia's spectacular results and a less hawkish Fed, which boosted US smaller companies. The UK also performed well, particularly smaller, domestically-focused companies. It was a more challenging period for Japan, with yen weakness weighing on consumer sentiment, amid broader weakness in Asia and emerging markets. Fixed income generated positive returns, with our corporate bond holdings outperforming government bonds. Against this backdrop, portfolio returns rose in line with risk levels from the 0.6% delivered by the risk-level 3 portfolio to the 1.4% gain for the risk-level 10 portfolio.

Stuart Clark
Portfolio Manager

Helen Bradshaw
Portfolio Manager

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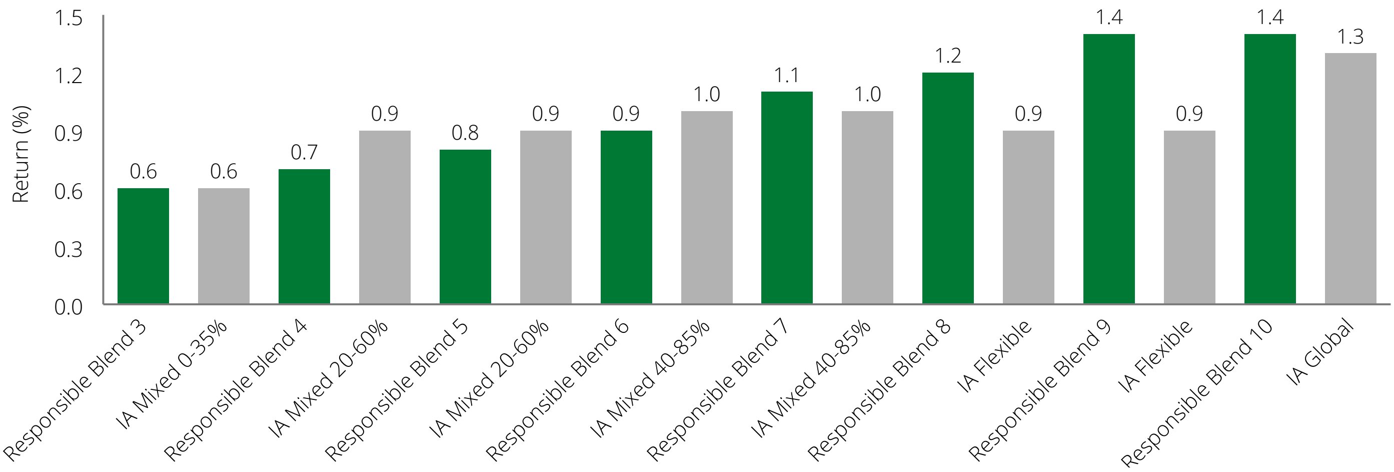
Portfolio Manager

Monthly performance (%)



Performance summary (%)

	Cumulative performance						*Discrete annual performance to end of May*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*2023 - 2024*	*2022 - 2023*	*2021 - 2022*	*2020 - 2021*	*2019 - 2020*
Responsible Blend 3	**0.6**	**1.4**	**6.1**	**-**	**-**	**4.8**	**6.1**	**-1.0**	**-**	**-**	**-**
IA Mixed 0-35% Shares	0.6	1.0	6.2	-	-	0.4	6.2	-4.1	-	-	-
Responsible Blend 4	**0.7**	**2.2**	**7.2**	**-**	**-**	**7.3**	**7.2**	**-0.5**	**-**	**-**	**-**
IA Mixed 20-60% Shares	0.9	2.7	8.5	-	-	5.9	8.5	-3.1	-	-	-
Responsible Blend 5	**0.8**	**2.9**	**8.2**	**-**	**-**	**9.8**	**8.2**	**-0.1**	**-**	**-**	**-**
IA Mixed 20-60% Shares	0.9	2.7	8.5	-	-	5.9	8.5	-3.1	-	-	-
Responsible Blend 6	**0.9**	**3.7**	**9.3**	**-**	**-**	**12.6**	**9.3**	**0.4**	**-**	**-**	**-**
IA Mixed 40-85% Shares	1.0	4.5	10.6	-	-	11.0	10.6	-1.6	-	-	-
Responsible Blend 7	**1.1**	**4.7**	**10.8**	**-**	**-**	**15.8**	**10.8**	**1.0**	**-**	**-**	**-**
IA Mixed 40-85% Shares	1.0	4.5	10.6	-	-	11.0	10.6	-1.6	-	-	-
Responsible Blend 8	**1.2**	**5.7**	**12.4**	**-**	**-**	**19.0**	**12.4**	**1.5**	**-**	**-**	**-**
IA Flexible	0.9	4.9	10.6	-	-	12.1	10.6	-1.0	-	-	-
Responsible Blend 9	**1.4**	**6.8**	**14.6**	**-**	**-**	**21.9**	**14.6**	**1.9**	**-**	**-**	**-**
IA Flexible	0.9	4.9	10.6	-	-	12.1	10.6	-1.0	-	-	-
Responsible Blend 10	**1.4**	**7.3**	**16.0**	**-**	**-**	**23.9**	**16.0**	**2.1**	**-**	**-**	**-**
IA Global	1.3	6.7	15.6	-	-	21.2	15.6	2.3	-	-	-

Source: Quilter Investors as at 31 May 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 Blend Portfolios launched on 8 March 2022.

Investment outlook

May was a better month for both equity and bond markets. This was driven by a combination of slowing economic data in the US, reducing the risk of overheating and further rate hikes, alongside improving data in Europe and Asia. Inflation in the major developed markets remains above 2% and has been fluctuating – highlighting the difficulty in attaining a soft landing.

1. UK politics takes centre stage

With the commencement of campaigning for the UK general election there will be undoubted noise but also the opportunity to see which policies each party wishes to prioritise. More important than this will be how they intend to fund those policies in the current environment while retaining market confidence and alignment with the UK's 'fiscal rules'.

2. Indictment no hindrance for Trump

Across the pond, the criminal conviction of former President Trump adds an interesting twist to the election campaign but is unlikely to change the name at the top of the ticket for the Republican party. As seen by the influx of funds to the election campaign, it may even bolster hardline support. However, in the aftermath of both elections are we likely to see an immediate change in economic activity? Probably not.

3. Diversification and adaption are key

We believe the current environment requires a balanced portfolio of equities, bonds, and alternatives to balance the risks and rewards on offer. Some of these opportunities will lie outside of the Magnificent Seven, and we are looking to increase exposure to the broader market. We retain a heightened focus on both geopolitical and economic developments and a willingness to change course accordingly.

Thank you for investing with us

Keep an eye out for your next WealthSelect quarterly commentary available in July.

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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