UK: Suitable for retail and professional clients.

Monthly Income Portfolios

Monthly commentary – Review of November 2024

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Chief Investment Officer

Our market summary

The US election result was the main driver of market performance in November. Donald Trump regained the presidency, and the Republicans retained the Senate and won the House of Representatives. This clean sweep could make it easier for Trump to implement his campaign promises that include tax cuts, trade tariffs, and the deportation of illegal migrants.

Against this backdrop, global equities were up 5.0% in November. However, there remains a high degree of uncertainty about US domestic and foreign policy, and what the policy responses of other countries will be.

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

Equity markets

US equities significantly outperformed all other regions, returning 7.5% in November, buoyed by expectations that Trump's domestic policy will cut taxes and regulation. It was these expectations for de-regulation that boosted US financials and the energy sector, while the industrials sector was seen as one of the main beneficiaries from tax cuts and trade policy. The weakest sectors in the month included healthcare and materials.

European equities were down 1.4% over the month with concerns about US trade policy and earnings warnings from the automotive and consumer goods sectors weighing on sentiment. The IT and communication services sectors were among the top gainers while materials and consumer staples suffered some of the steepest declines. There was also political uncertainty as the German government collapsed and then the French government followed in December.

UK equities were up 2.4% in November. Strong performance from financials and domestically focused companies helped to recoup some of the losses suffered in the immediate wake of the October Budget. Sterling also weakened 1.1% against the dollar which boosted companies with significant US exposure. However, economic headwinds increased as GDP growth in Q3 2024 was reported to have slowed to 0.1% from 0.5% in Q2 2024.

Overall, emerging markets equities were down by 2.5% in November as they weakened in the face of a strengthening dollar and investor concerns about the impact of Trump's intended tariffs. The latter weighed particularly heavy on China, which was down 3.3%. Elsewhere, some of the smallest emerging markets, such as the Philippines and Indonesia, saw the biggest losses, whilst the European markets of Czech Republic, Hungary, and Turkey were the top performers.

Fixed income

Fixed income markets ended the month on a positive note, despite earlier volatility surrounding the US elections. Global bonds were up 1.2% and global corporate bonds returned 1.4%. In the UK, gilts rallied and ended the month up 1.8%, whilst US Treasuries were up 0.8%. Meanwhile, central banks continued to lower rates during November with both the US Federal Reserve (Fed) and the Bank of England cutting interest rates by 0.25%.

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 and Factset as at 30 November 2024. Total return, percentage growth, rounded to one decimal place over period 31 October 2024 to 30 November 2024. 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, Chinese equities by the MSCI China Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index, gilts by the ICE BofA UK Gilt Index, global corporate bonds by the Bloomberg Global Aggregate Corporate (GBP Hedged) Index, and global bonds by the Bloomberg Global Aggregate (GBP Hedged) Index.*

Performance review

Helen Bradshaw
Portfolio Manager

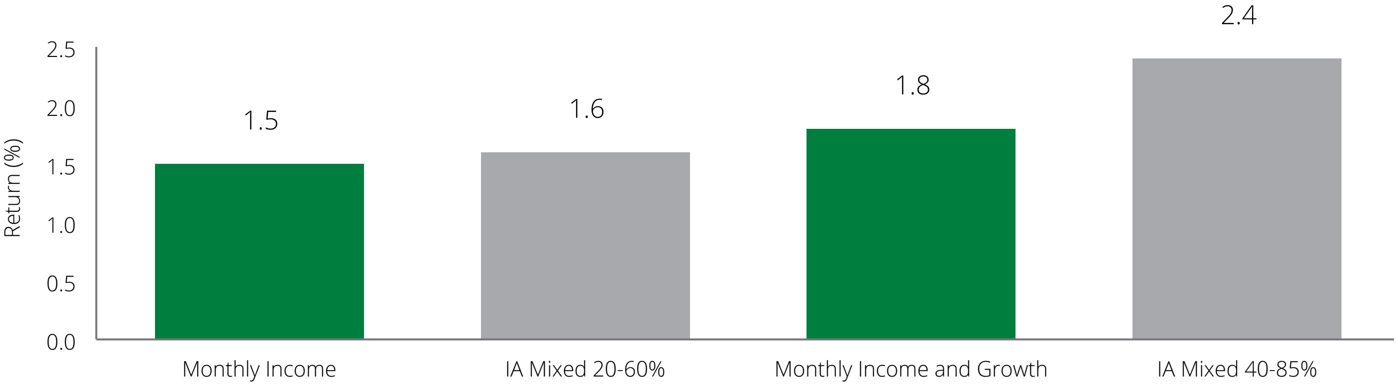
CJ Cowan
Portfolio Manager

In November, the Monthly Income and Monthly Income and Growth Portfolios returned 1.5% and 1.8%, respectively. Both the portfolios were a little behind their Investment Association (IA) comparators.

Equities were the primary driver of positive returns in the portfolios, with the strongest performance coming from our US equity holdings. President-elect Trump's 'America First' policies should be beneficial for domestic companies but import tariffs would be negative for export orientated economies such as Europe. Our European holdings all delivered negative returns as a result.

Our fixed income holdings performed better than expected as yields had already risen over the preceding month in anticipation of a Trump victory.

Monthly performance (%)



Performance summary (%)

	Cumulative performance						*Discrete annual performance to end of November*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*2023 - 2024*	*2022 - 2023*	*2021 - 2022*	*2020 - 2021*	*2019 - 2020*
Monthly Income	**1.5**	**7.2**	**11.2**	**5.4**	**12.9**	**16.7**	**11.2**	**1.1**	**-6.2**	**7.3**	**-0.2**
IA Mixed 20-60%	1.6	7.3	11.4	4.9	15.4	18.2	11.4	2.0	-7.7	7.0	2.8
Monthly Income and Growth	**1.8**	**9.1**	**13.7**	**10.2**	**22.1**	**27.8**	**13.7**	**1.4**	**-4.4**	**10.7**	**0.1**
IA Mixed 40-85%	2.4	10.1	14.8	8.6	27.4	31.2	14.8	2.3	-7.5	12.2	4.5

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 U1 (GBP) accumulation shares. The Monthly Income Portfolios launched on 26 June 2019.

Portfolio activity

Following Trump's election victory, we removed our small underweight to US equities. At the same time, we also made a small reduction to our UK equity exposure. This took our exposure to both regions to neutral.

Once the initial post-election exuberance had passed, and the market pulled back a little, we added further to our US equity allocation. Additionally, we changed our US manager mix by increasing our exposure to the BNY Mellon US Equity Income Fund and reducing our holding in the iShares Core S&P 500 ETF. This reduces our exposure to mega-cap tech companies in favour of smaller cap industrials and financials, which are sectors we expect will particularly benefit from Trump's policies.

Investment outlook

It's been another good year for equity markets as the US economy has defied predictions of recession. Despite generally weaker economic data, particularly from the manufacturing sector, growth has remained above historic trend rates, and the labour market is showing only tentative signs of weakness. Meanwhile, inflation appears to be under control, which has given central banks the green light to begin reducing interest rates.

1. What happens next?

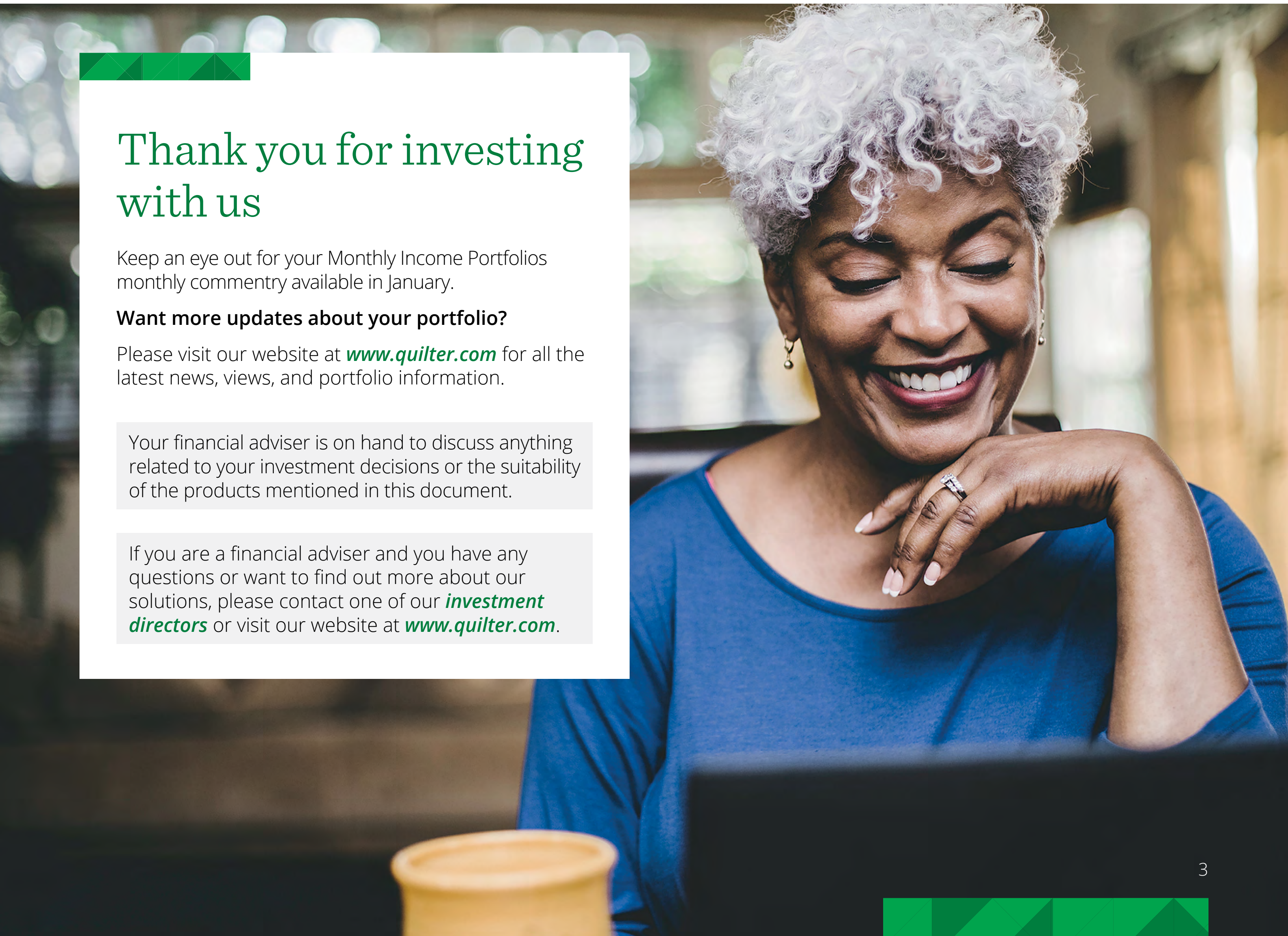
It is welcome news that central banks have pivoted to supporting growth rather than fighting inflation. However, bond markets have dialled back expectations for interest rate cuts partly due to worries over the potential for higher inflation under a Trump presidency. Now he has won the race, deregulation and his America First' stance is suggestive of US equity outperformance versus the rest of the world, higher bond yields, and a stronger US dollar.

2. How are we positioned?

Trump could be positive or negative for growth, but we lean towards him being positive for risk assets. Consequently, we remain overweight to risk assets through a position in high-yield bonds. The giveaways from the US and UK governments may put further upward pressure on bond yields and limit the number of cuts central banks can deliver, but following the pre-election bond selloff we are happy to keep our neutral positioning to government bonds.

3. What if we are wrong?

If inflation rebounds and fewer interest rate cuts are delivered, or we even see some hikes later in 2025, our alternatives diversifiers should help us to navigate trickier markets. A fall in growth could be a problem given our overweight to risk assets, but corporate balance sheets remain strong, so we think high-yield bonds would perform better than in past recessions. We remain vigilant for signs of a slowdown and are ready to act as required.



Thank you for investing with us

Keep an eye out for your Monthly Income Portfolios monthly commentry available in January.

Want more updates about your portfolio?

Please visit our website at ***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***.

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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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