

Creation Portfolios

Monthly commentary – Review of October 2024



Marcus Brookes
Chief Investment Officer

Our market summary

It was a disappointing month for equities and bonds across the board. In local currency terms, Japanese equities were the only positive developed market returning 2.3%. Uncertainty around future growth is still the main concern for investors, whilst the US election added further uncertainty about potential policy shifts affecting taxation, inflation, and interest rates.

However, it was not all gloom for sterling-based investors as the relative weakness of the pound against the US dollar over the month saw US and global equities deliver positive returns of 3.6% and 2.0%, respectively.



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

Equity markets



The uncertainty ahead of the US Presidential election and ongoing doubts about the future path of interest rates saw US equities end the month down by 0.7% (before the impact of currency movements). Weaker than expected earnings updates from some of the largest US companies also weighed on investor sentiment. At a sector level, healthcare, materials, and real estate saw the most significant declines whilst financials and communications performed well.



European ex UK equities fell by 1.9% in October due to concerns around growth and weakening economic momentum, particularly in the manufacturing sector. The real estate, information technology, and consumer staples sectors were the weakest sectors with industrials and communication services the only sectors to register a positive return. In line with expectations, the European Central Bank (ECB) announced a third 0.25% rate cut of the year.



UK equities were down 1.7% in October amid concerns that the recently announced budget has worsened the longer-term economic and interest rate outlook for the UK. The market sell-off at the end of the month was particularly felt by UK small-cap companies as the index ended the month down by 3.5%. This change in market sentiment occurred despite positive news that headline inflation was back below the Bank of England's 2.0% target.



Emerging markets equities fell by 2.7% in local currency terms over the month with notable headwinds including rising US bond yields and the stronger US dollar. Chinese equities were also down 5.6% in local currency terms due to doubts about the effectiveness of the stimulus measures announced in September. Elsewhere, India, Korea, and Brazil underperformed whilst Taiwan was the only emerging market to deliver positive returns in October.

Fixed income



October was a challenging month for fixed income as the resilience of the US economy and uncertainty about potential post-election policy changes prompted a re-pricing of future US Federal Reserve (Fed) rate cuts. Global bonds were down 1.4% overall with UK gilts and US Treasuries down 2.8% and 2.6%, respectively.

Source: Quilter Investors as at 31 October 2024. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for Japanese equities is represented by the MSCI Japan Index, US equities by the MSCI USA Index, global equities by the MSCI AC World Index, European ex UK 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, Chinese equities by the MSCI China Index, global bonds by the Bloomberg Global Aggregate (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

The Creation Portfolios delivered mixed returns in October, ranging from a loss of 0.8% for the Conservative Portfolio to 0.3% gain for the Adventurous Portfolio. Our bond holdings, and particularly gilts, were the main drag on returns, explaining weaker performance from the lower-risk portfolios.

Equity markets generally lost ground. The US was an exception, although returns mainly came from US dollar strength rather than stock price gains. Elsewhere, our alternatives holdings made a small loss.



Ian Jensen-Humphreys
Portfolio Manager

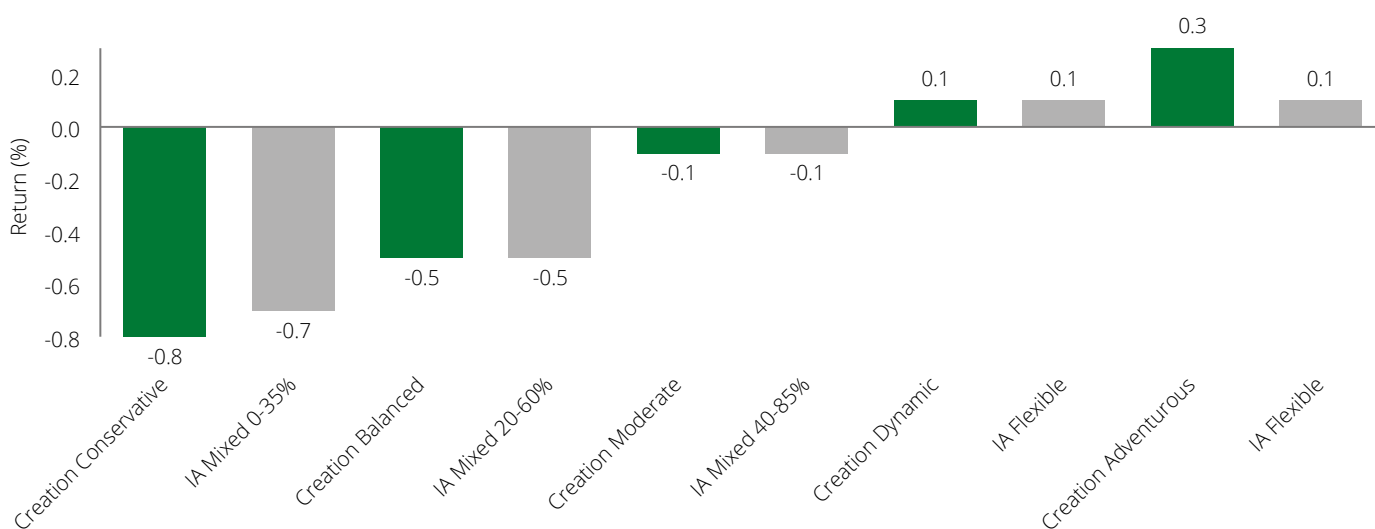


Sacha Chorley
Portfolio Manager



CJ Cowan
Portfolio Manager

Monthly performance (%)



Performance summary (%)

	Cumulative performance						Discrete annual performance to end of October				
	1 month	YTD	1 year	3 year	5 year	Since launch	2023 - 2024	2022 - 2023	2021 - 2022	2020 - 2021	2019 - 2020
Creation Conservative	-0.8	3.2	8.5	-0.1	4.0	20.8	8.5	1.2	-9.0	5.3	-1.1
IA Mixed 0-35%	-0.7	4.0	11.2	-0.2	7.0	31.5	11.2	0.9	-11.1	6.8	0.4
Creation Balanced	-0.5	5.1	11.2	4.8	14.9	38.9	11.2	3.2	-8.7	11.3	-1.6
IA Mixed 20-60%	-0.5	5.6	13.6	3.2	14.9	49.2	13.6	1.7	-10.7	13.3	-1.7
Creation Moderate	-0.1	6.9	14.3	9.0	25.2	57.1	14.3	4.6	-8.8	17.2	-2.0
IA Mixed 40-85%	-0.1	7.5	16.7	6.3	26.7	78.3	16.7	2.0	-10.6	20.0	-0.7
Creation Dynamic	0.1	8.6	17.2	12.9	35.4	73.3	17.2	5.6	-8.8	24.1	-3.4
IA Flexible	0.1	7.4	16.1	6.3	29.5	80.1	16.1	1.8	-10.1	21.1	0.7
Creation Adventurous	0.3	9.6	18.9	14.9	39.2	51.9	18.9	6.2	-9.1	25.8	-3.7
IA Flexible	0.1	7.4	16.1	6.3	29.5	41.5	16.1	1.8	-10.1	21.1	0.7

Source: Quilter Investors as at 31 October 2024. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Creation Conservative Portfolio launched on 6 June 2014, the Creation Balanced Portfolio launched on 28 April 2014, the Creation Moderate Portfolio launched on 16 May 2014, the Creation Dynamic Portfolio launched on 5 June 2014, and the Creation Adventurous Portfolio launched on 3 July 2017.

Portfolio activity

Our activity was limited to managing cashflows and rebalancing the portfolios following market drift.

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, giving 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, since the start of September, bond markets have dialled back expectations for interest rate cuts partly due to worries over the inflationary implications of a Trump presidency. Now he has won the race, deregulation and his 'Make America Great Again' 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?*

The Trump presidency presents both upside and downside risks to growth, but we lean towards him being positive for risk assets. Consequently, we remain overweight to equities and high-yield bonds. The giveaways from both the US and UK governments may put further upward pressure on bond yields and limit the number of cuts central banks can deliver, but the extent of the recent selloff gives us pause and 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, 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 ready to act as required.

Thank you for investing with us

Keep an eye out for your Creation Portfolios quarterly report available in October.

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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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.

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)).

The portfolios are denominated in one currency, but may hold assets denominated in other currencies, which means exchange rate changes may cause the value of investments to rise or fall. The portfolios may invest in a range of assets such as bonds, equities (company shares), and other investment funds. This means the portfolios will be subject to the collective risks of those investments and, in the case of other investment funds, the collective risks of those investment funds as well as their underlying investments. The portfolios deduct the charges from the capital of the portfolios, which means there is the potential for capital erosion if insufficient capital growth achieved to cover the charges. The portfolios may use derivatives, which means there may be a higher level of risk. The portfolios may hold investments that may be more difficult to sell, which may affect the ability of investors to withdraw their money. The portfolios invest in emerging markets, which may be more volatile than investments in developed markets.

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Published date: November 2024

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