

WealthSelect Responsible Passive 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 portfolios delivered mixed returns in October, ranging from a loss of 0.5% at risk level 3 to gain of 1.3% at risk level 10. Market volatility saw both our equity and bond holdings coming under pressure.

Within equities, the US market was a bright spot although positive returns were driven by a strong US dollar rather than stock prices. The iShares US Equity ESG Index Fund was the standout performer overall, up 3.9%.



**Stuart
Clark**

Portfolio Manager



**Helen
Bradshaw**

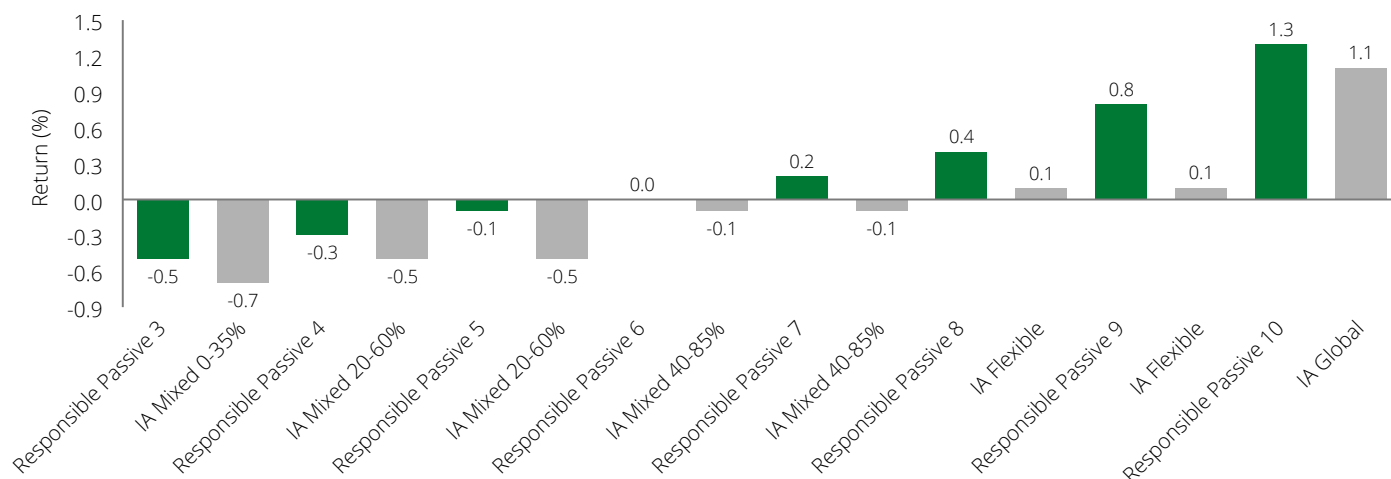
Portfolio Manager



**Bethan
Dixon**

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
Responsible Passive 3	-0.5	4.6	11.0	-	-	7.2	11.0	2.6	-	-	-
IA Mixed 0-35% Shares	-0.7	4.0	11.2	-	-	3.4	11.2	0.9	-	-	-
Responsible Passive 4	-0.3	6.0	12.8	-	-	11.9	12.8	3.5	-	-	-
IA Mixed 20-60% Shares	-0.5	5.6	13.6	-	-	8.9	13.6	1.7	-	-	-
Responsible Passive 5	-0.1	6.9	14.6	-	-	15.6	14.6	4.1	-	-	-
IA Mixed 20-60% Shares	-0.5	5.6	13.6	-	-	8.9	13.6	1.7	-	-	-
Responsible Passive 6	0.0	8.0	16.3	-	-	19.2	16.3	4.6	-	-	-
IA Mixed 40-85% Shares	-0.1	7.5	16.7	-	-	14.2	16.7	2.0	-	-	-
Responsible Passive 7	0.2	9.0	18.0	-	-	21.8	18.0	5.0	-	-	-
IA Mixed 40-85% Shares	-0.1	7.5	16.7	-	-	14.2	16.7	2.0	-	-	-
Responsible Passive 8	0.4	10.0	19.9	-	-	25.4	19.9	5.1	-	-	-
IA Flexible	0.1	7.4	16.1	-	-	14.9	16.1	1.8	-	-	-
Responsible Passive 9	0.8	12.3	22.8	-	-	31.6	22.8	5.5	-	-	-
IA Flexible	0.1	7.4	16.1	-	-	14.9	16.1	1.8	-	-	-
Responsible Passive 10	1.3	14.1	25.5	-	-	36.0	25.5	6.1	-	-	-
IA Global	1.1	10.1	22.1	-	-	25.1	22.1	1.7	-	-	-

Source: Quilter Investors as at 31 October 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 Passive Portfolios launched on 8 March 2022.

Investment outlook

In the UK we received the new government's first budget, and they made sure that no-one could be surprised about the announcements that were made on the day. Upon review we feel there is little new incentive for growth, certainly not in the short term, and some risk to corporate margins, employment, and wages because of the changes announced.

1. A clean sweep

One of the apparently tightest races in US election history turned out to be more one-sided than most had predicted. The Republicans also won the Senate and the House of Representatives. Whilst the clean sweep gives considerable flexibility to President-elect Trump, the closer result in the House will lead to deals being made to ensure support.

2. What happens next?

With the US election outcome now known we must introduce expectations for President Trump's return to the White House – the potential for tax cuts, spending, tight controls on immigration, tariffs, and so on. In the short term, we expect there to be a boost to economic activity and ultimately upward pressure on inflation which may force the Fed, assuming they can maintain their independence, to adjust policy accordingly.

3. The cost of the deal

As we look forward, but also think back to 2016 when Trump last assumed the Presidency, we envisage a shift higher in both bond and equity market volatility reflecting the abrupt changes and unconventional methods of policy communication. While President Trump has been vocal in his ability to resolve the Russia/Ukraine war and the Middle East crisis, we need to be aware of the potential future cost of any deals that are struck.

Thank you for investing with us

Keep an eye out for your WealthSelect monthly commentary report available in December.

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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.

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