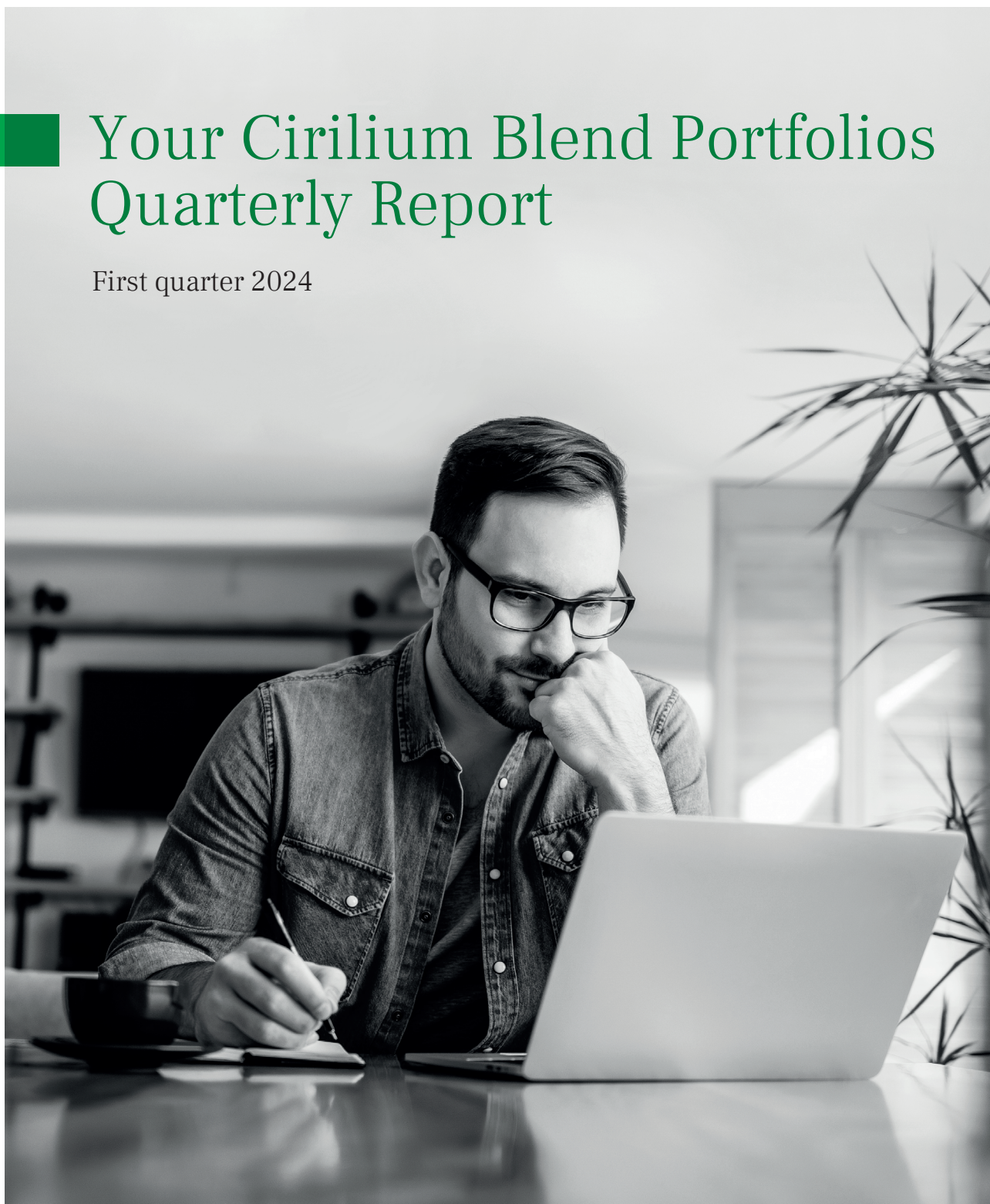


UK: Suitable for retail and professional clients.

Quilter  
Investors

# Your Cirilium Blend Portfolios Quarterly Report

First quarter 2024



# What your report covers

- ▶ Our market summary
- ▶ Your investment summary
- ▶ Your portfolio holdings
- ▶ Your performance review
- ▶ Portfolio changes
- ▶ Investment outlook
- ▶ Important information



In order to aid your understanding, definitions of the underlined terms are provided in the investment glossary at the end of this document.





Marcus Brookes  
Chief Investment Officer

# Our market summary

Strong company earnings, improving economic data and broadly easing inflation, saw global equities leap 9.3%. Developed markets notably outperformed emerging markets with AI-related stocks continuing to generate great interest, especially in the US. Even so, Japan was the top-performing regional equity market. Against a backdrop of robust economic gains and changing expectations as to the timing of interest-rate cuts, government bonds declined while corporate bonds were mostly flat.

## Equity markets



Despite downward revisions to the expected pace of US interest-rate cuts, US equities surged 11.4% over the quarter on the back of robust corporate earnings and resilient economic numbers. The Magnificent Seven were especially prominent. The best returns came from the communication services, energy, technology, and financials sectors. Meanwhile, more interest-rate sensitive sectors, such as real estate and utilities, struggled.



European equities trailed those in the US and Japan but still delivered a 7% gain. As in the US, tech stocks led the field thanks to the ongoing exuberance for all things AI. Stocks in the financials, consumer discretionary and industrials sectors also prospered against a backdrop of steadily improving economic data and declining inflation, which boosted cyclical stocks. Stocks in the utilities, consumer staples and real-estate sectors trailed.



The UK equity market trailed once more. It returned 3.7%, partly due to its high weighting to value stocks during an ongoing rally in growth stocks. The mood was further spoiled by data showing the UK economy fell into a technical recession in the second half of 2023 as consumer spending struggled in the face of higher inflation and interest rates. Cyclical stocks, such as financial, industrial and energy companies, generally outperformed.



Emerging markets gained 3.4%. Despite leaping 9% in February, Chinese equities finished the quarter down 1.3%. Peru was the top performer. Like Columbia, it benefited from interest-rate cuts. Conversely, Turkey performed well after recent rate hikes, which were welcomed by investors as a return to conventional monetary policy. Taiwan and India also outperformed. While Korea, South Africa and Brazil all trailed, Egypt was the worst performer.

## Fixed-income

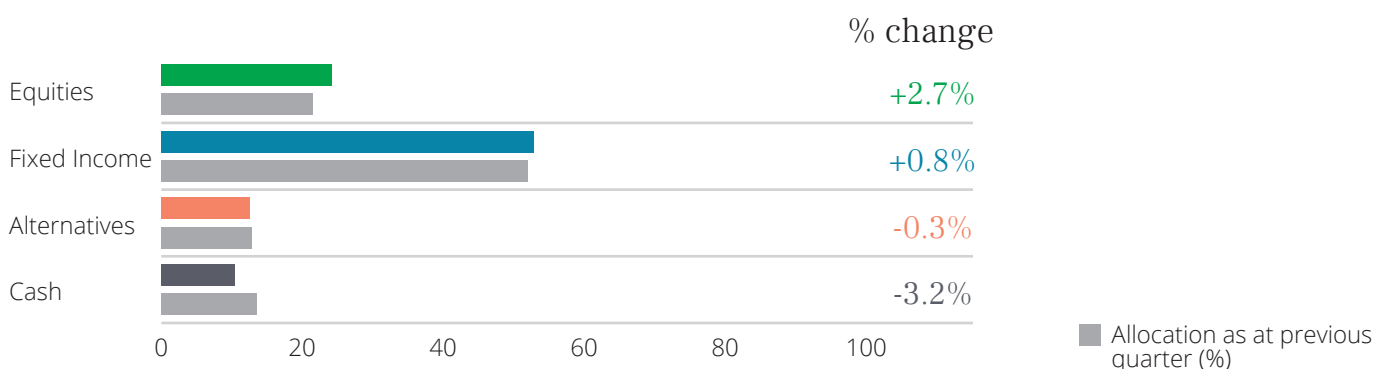


UK gilts trailed other government bonds. They declined 1.9% in the face of elevated UK service inflation and wage growth, and the Bank of England reiterating that UK rates would need to remain restrictive until inflation returned to target. US Treasuries fell 1%. The US Federal Reserve (Fed) kept rates on hold but, by the end of the quarter, markets were pricing-in just three US rate cuts in 2024, down from a forecast six rate cuts at the start of January.

Source: Quilter Investors as at 31 March 2024. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for global equity markets is represented by the MSCI AC World Index; developed markets 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 EM (Emerging Markets) Index; Chinese 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; and sterling corporate bonds by the ICE BofA Sterling Corporate Index.

# Your investment summary: Cirilium Conservative Blend Portfolio

## Cirilium Conservative Blend Portfolio asset allocation breakdown



## Cirilium Conservative Blend Portfolio growth year by year to end of March

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Conservative Blend Portfolio - U1 (GBP) Accumulation Shares	3.8%	-2.8%	-1.2%	12.6%	
IA Mixed Investment 0-35% Shares sector average	5.8%	-5.8%	0.2%	12.2%	

## Cirilium Conservative Blend Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Cirilium Conservative Blend Portfolio - U1 (GBP) Accumulation Shares	1.1%	5.3%	3.8%	-0.3%		6.6%	26/07/19
IA Mixed Investment 0-35% Shares sector average	1.4%	7.2%	5.8%	-0.1%		4.3%	

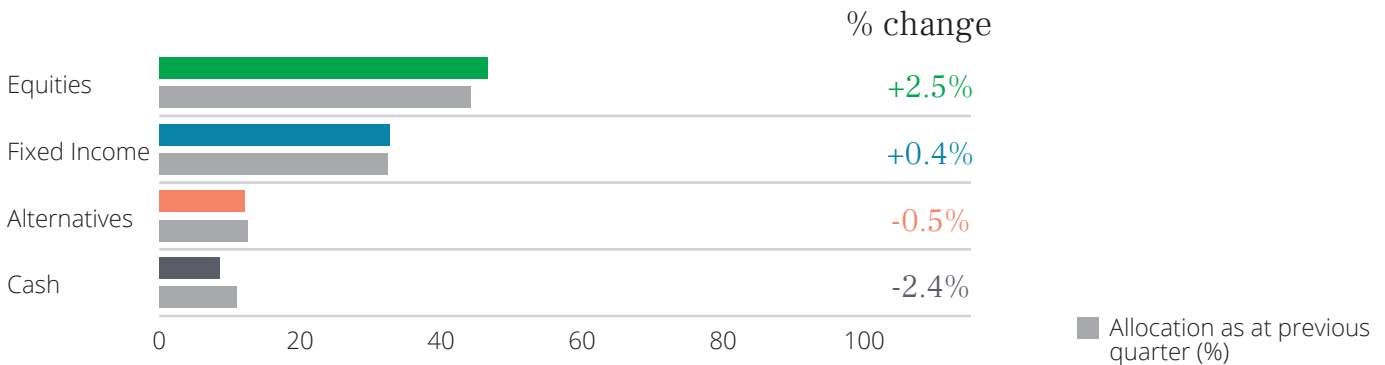
\*Since launch performance figures are from the launch date of the respective share class.

**Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Because of this, an investor is not certain to make a profit on an investment and may lose money. Exchange rates may cause the value of overseas investments to rise or fall.**

Source: Quilter Investors as at 29 March 2024 unless otherwise stated. Total return, percentage growth, net of fees in pounds sterling. We have shown the performance of the portfolio against a performance comparator that is considered appropriate on the basis that the portfolio's equity exposure over time is expected to be similar to that of the average fund in this sector. Due to rounding and the use of derivatives (financial instruments that derive their values from underlying assets) the allocations may not add up to 100%.

# Your investment summary: Cirilium Balanced Blend Portfolio

## Cirilium Balanced Blend Portfolio asset allocation breakdown



## Cirilium Balanced Blend Portfolio growth year by year to end of March

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Balanced Blend Portfolio - U1 (GBP) Accumulation Shares	7.3%	-1.6%	2.4%	18.9%	
IA Mixed Investment 20-60% Shares sector average	7.8%	-5.0%	1.8%	20.1%	

## Cirilium Balanced Blend Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Cirilium Balanced Blend Portfolio - U1 (GBP) Accumulation Shares	2.9%	7.3%	7.3%	8.1%		17.3%	26/07/19
IA Mixed Investment 20-60% Shares sector average	2.5%	8.3%	7.8%	4.2%		11.1%	

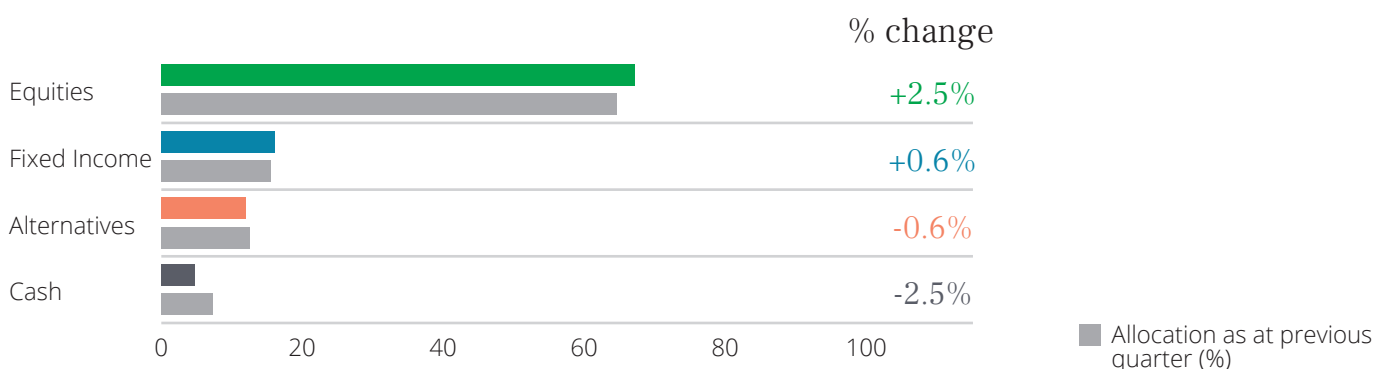
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# Your investment summary: Cirilium Moderate Blend Portfolio

## Cirilium Moderate Blend Portfolio asset allocation breakdown



## Cirilium Moderate Blend Portfolio growth year by year to end of March

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Moderate Blend Portfolio - U1 (GBP) Accumulation Shares	9.9%	-0.8%	4.9%	26.4%	
IA Mixed Investment 40-85% Shares sector average	10.1%	-4.6%	5.4%	26.5%	

## Cirilium Moderate Blend Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Cirilium Moderate Blend Portfolio - U1 (GBP) Accumulation Shares	4.3%	9.0%	9.9%	14.4%		26.8%	26/07/19
IA Mixed Investment 40-85% Shares sector average	4.1%	10.1%	10.1%	10.7%		21.3%	

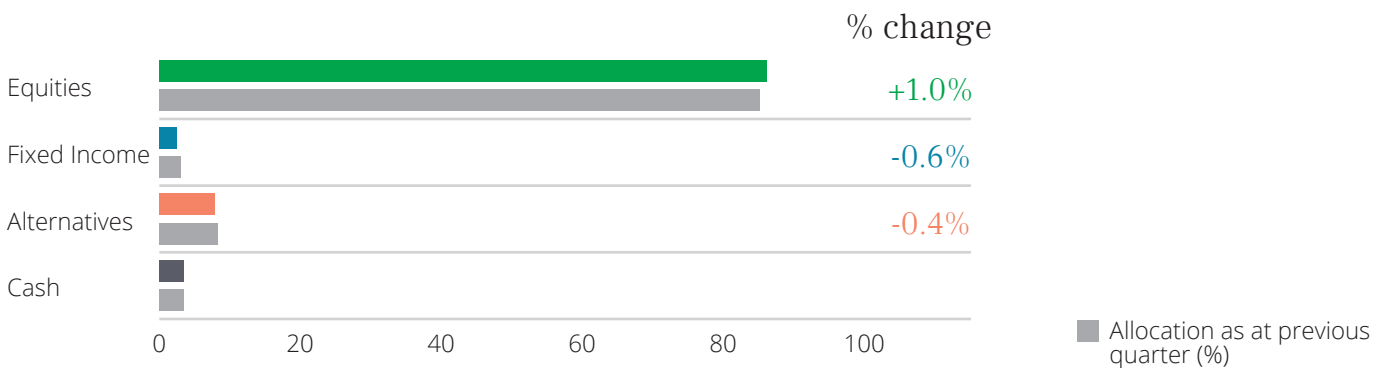
\*Since launch performance figures are from the launch date of the respective share class.

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# Your investment summary: Cirilium Dynamic Blend Portfolio

## Cirilium Dynamic Blend Portfolio asset allocation breakdown



## Cirilium Dynamic Blend Portfolio growth year by year to end of March

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Dynamic Blend Portfolio - U1 (GBP) Accumulation Shares	11.8%	-0.7%	6.6%	32.4%	
IA Flexible Investment sector average	10.1%	-4.0%	5.0%	29.4%	

## Cirilium Dynamic Blend Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Cirilium Dynamic Blend Portfolio - U1 (GBP) Accumulation Shares	5.4%	10.7%	11.8%	18.4%		32.5%	26/07/19
IA Flexible Investment sector average	4.5%	10.0%	10.1%	11.0%		24.3%	

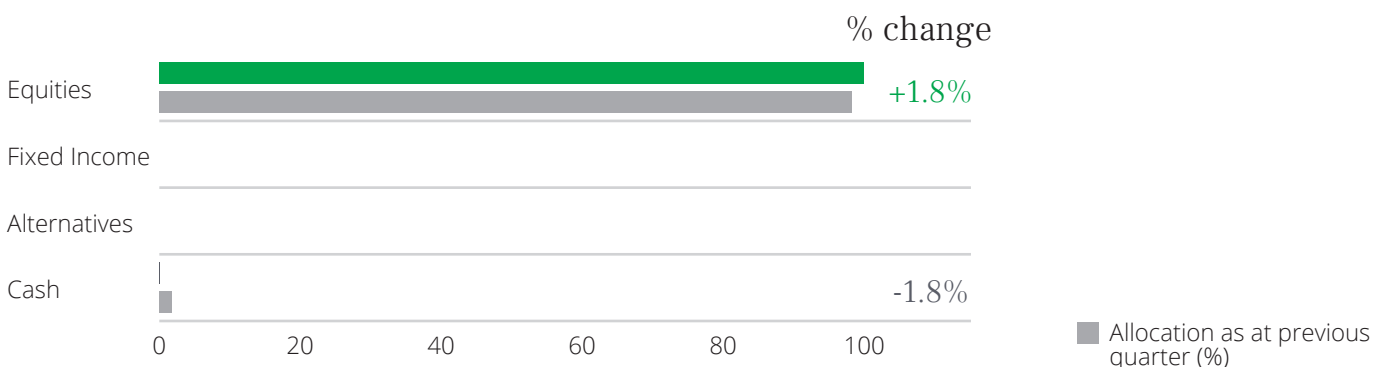
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# Your investment summary: Cirilium Adventurous Blend Portfolio

## Cirilium Adventurous Blend Portfolio asset allocation breakdown



## Cirilium Adventurous Blend Portfolio growth year by year to end of March

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Adventurous Blend Portfolio - U1 (GBP) Accumulation Shares	13.1%	-1.0%	6.8%	36.3%	
IA Flexible Investment sector average	10.1%	-4.0%	5.0%	29.4%	

## Cirilium Adventurous Blend Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Cirilium Adventurous Blend Portfolio - U1 (GBP) Accumulation Shares	6.0%	11.9%	13.1%	19.6%		34.0%	26/07/19
IA Flexible Investment sector average	4.5%	10.0%	10.1%	11.0%		24.3%	

\*Since launch performance figures are from the launch date of the respective share class.

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Source: Quilter Investors as at 29 March 2024 unless otherwise stated. Total return, percentage growth, net of fees in pounds sterling. We have shown the performance of the portfolio against a performance comparator that is considered appropriate on the basis that the portfolio's equity exposure over time is expected to be similar to that of the average fund in this sector. Due to rounding and the use of derivatives (financial instruments that derive their values from underlying assets) the allocations may not add up to 100%.



# Your portfolio holdings

Holding Name	Fund manager (where applicable)	Asset type	Cirilium Conservative Blend Portfolio	Cirilium Balanced Blend Portfolio	Cirilium Moderate Blend Portfolio	Cirilium Dynamic Blend Portfolio	Cirilium Adventurous Blend Portfolio
<b>EQUITY</b>			<b>24.24%</b>	<b>46.58%</b>	<b>67.15%</b>	<b>86.21%</b>	<b>99.98%</b>
<b>ASIA PACIFIC EQUITY</b>			<b>3.06</b>	<b>6.10</b>	<b>8.65</b>	<b>11.23</b>	<b>12.48</b>
BAILLIE GIFFORD JAPANESE INCOME GROWTH	BAILLIE GIFFORD	COLLECTIVE	0.64	0.72	1.09	1.58	2.03
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	1.05	1.00	1.60	2.04	2.51
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.35	2.05	2.90	3.70	3.83
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.03	1.20	1.45	1.92	1.50
M&G JAPAN FUND	M&G	COLLECTIVE	1.00	1.12	1.62	1.98	2.61
<b>EMERGING MARKETS EQUITY</b>			<b>1.32</b>	<b>2.90</b>	<b>4.67</b>	<b>6.04</b>	<b>7.81</b>
FIDELITY CHINA CONSUMER FUND	FIDELITY	COLLECTIVE	0.40	0.67	0.91	1.26	1.52
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.07	0.80	1.73	2.17	2.76
PACIFIC NORTH OF SOUTH EM ALL CAP EQUITY	PACIFIC CAPITAL PARTNERS	COLLECTIVE	0.44	0.82	1.11	1.40	1.84
QUILTER INV EM EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.41	0.62	0.92	1.21	1.69
<b>EUROPEAN EQUITY</b>			<b>4.15</b>	<b>9.24</b>	<b>13.72</b>	<b>17.93</b>	<b>20.94</b>
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	1.88	5.78	8.90	11.88	13.10
M&G EUROPEAN STRATEGIC VALUE FUND	M&G	COLLECTIVE	0.91	1.34	1.84	2.15	2.82
MONTANARO EUROPEAN INCOME FUND	MONTANARO	COLLECTIVE	0.42	0.74	1.00	1.28	1.70
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.50	0.76	1.07	1.39	1.72
QUILTER INV EUR (EX UK) EQ (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	0.44	0.62	0.92	1.23	1.60
<b>GLOBAL EQUITY</b>			<b>6.54</b>	<b>6.56</b>	<b>6.92</b>	<b>7.12</b>	<b>7.72</b>
AB INTERNATIONAL HEALTH CARE PORTFOLIO	ALLIANCE BERNSTEIN	COLLECTIVE	0.53	0.63	0.70	0.99	1.41
ISHARES MSCI WORLD HEALTH CARE UCITS ETF	BLACKROCK	COLLECTIVE	2.58	2.37	2.26	1.96	1.63
NINETY ONE GLOBAL SPECIAL SITUATIONS FUND	NINETY ONE	COLLECTIVE	1.14	1.15	1.37	1.40	1.62
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	1.22	1.43	1.62	1.78	2.05
SCHRODER GLOBAL ENERGY TRANSITION FUND	SCHRODERS	COLLECTIVE	1.07	0.98	0.96	0.98	1.00
<b>NORTH AMERICAN EQUITY</b>			<b>2.30</b>	<b>8.31</b>	<b>13.63</b>	<b>18.73</b>	<b>21.98</b>
BERKSHIRE HATHAWAY B SHARES		DIRECT EQUITY	0.23	0.62	0.78	0.98	1.36
BRANDES U.S. VALUE	BRANDES	COLLECTIVE	0.46	1.26	1.45	1.66	2.23
GRANAHAN US SMID SELECT FUND	GRANAHAN	COLLECTIVE	0.34	0.77	1.08	1.27	1.69
ISHARES EDGE MSCI USA VALUE UCITS ETF	BLACKROCK	COLLECTIVE	0.35	0.86	1.04	1.21	1.56
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.16	3.13	6.74	10.38	11.26

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# Your portfolio holdings (cont'd)

Holding Name	Fund manager (where applicable)	Asset type	Cirilium Conservative Blend Portfolio	Cirilium Balanced Blend Portfolio	Cirilium Moderate Blend Portfolio	Cirilium Dynamic Blend Portfolio	Cirilium Adventurous Blend Portfolio
<b>EQUITY (CONTINUED)</b>							
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.34	0.73	1.16	1.56	1.90
SANDS CAPITAL US SELECT GROWTH FUND	SANDS CAPITAL	COLLECTIVE	0.43	0.96	1.38	1.68	1.99
<b>UK EQUITY</b>			<b>6.87</b>	<b>13.48</b>	<b>19.55</b>	<b>25.17</b>	<b>29.05</b>
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	3.94	9.37	13.75	16.71	17.64
J O HAMBRO CAPITAL MANAGEMENT UK DYNAMIC	J O HAMBRO	COLLECTIVE	0.67	0.92	1.31	2.00	2.74
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.42	0.61	1.00	1.60	2.01
MONTANARO UK INCOME FUND	MONTANARO	COLLECTIVE	0.63	0.89	1.10	1.69	2.21
PREMIER MITON UK VALUE OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.60	0.69	1.09	1.42	2.03
QUILTER INV UK EQUITY 2 (NINETY ONE)	NINETY ONE	COLLECTIVE	0.61	1.00	1.29	1.74	2.41
<b>FIXED INCOME</b>			<b>52.77%</b>	<b>32.76%</b>	<b>16.17%</b>	<b>2.45%</b>	<b>0.00%</b>
<b>CORPORATE BONDS</b>			<b>10.48</b>	<b>9.23</b>	<b>4.90</b>	<b>1.56</b>	<b>0.00</b>
FEDERATED HERMES UNCONSTRAINED CREDIT	HERMES	COLLECTIVE	1.42	1.39	1.38	0.68	0.00
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	0.71	0.70	0.69	0.39	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.00	0.04	0.00	0.00	0.00
VANGUARD GLOBAL CORPORATE BOND INDEX FUND	VANGUARD	COLLECTIVE	5.68	4.95	2.36	0.49	0.00
WELLINGTON GLOBAL CREDIT PLUS FUND	WELLINGTON	COLLECTIVE	2.67	2.16	0.47	0.00	0.00
<b>EMERGING MARKET DEBT</b>			<b>4.10</b>	<b>3.36</b>	<b>1.17</b>	<b>0.06</b>	<b>0.00</b>
ISHARES CHINA CNY BOND UCITS ETF	BLACKROCK	COLLECTIVE	4.10	3.36	1.17	0.06	0.00
<b>GOVERNMENT BONDS</b>			<b>21.88</b>	<b>13.98</b>	<b>3.90</b>	<b>-0.02</b>	<b>0.00</b>
10Y AUSTRALIA T-BOND (SFE) JUN 24		DERIVATIVE	0.30	0.29	0.09	0.00	0.00
10Y T-NOTE (CBT) JUN 24		DERIVATIVE	0.00	0.00	0.00	-0.46	0.00
10Y ULTRA T-NOTE (CBT) JUN 24		DERIVATIVE	3.41	3.29	1.72	0.00	0.00
ALLIANZ STRATEGIC BOND FUND	ALLIANZ	COLLECTIVE	4.99	0.00	0.00	0.00	0.00
EURO BUND GERMANY (EUR) JUN 24		DERIVATIVE	-0.57	0.06	0.48	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	0.95	0.91	0.88	0.39	0.00
LONG GILT (IFEU) JUN 24		DERIVATIVE	0.50	0.46	0.00	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	2.41	2.00	0.73	0.05	0.00
VANGUARD U.S. GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	9.90	6.97	0.00	0.00	0.00
<b>OTHER FIXED INCOME</b>			<b>16.32</b>	<b>6.20</b>	<b>6.20</b>	<b>0.85</b>	<b>0.00</b>
JANUS HENDERSON ASSET-BACKED SECURITIES	JANUS HENDERSON	COLLECTIVE	1.34	1.27	1.23	0.85	0.00
VANGUARD GLOBAL BOND INDEX FUND	VANGUARD	COLLECTIVE	14.98	4.93	4.97	0.00	0.00

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# Your portfolio holdings (cont'd)

Holding Name	Fund manager (where applicable)	Asset type	Cirium Conservative Blend Portfolio	Cirium Balanced Blend Portfolio	Cirium Moderate Blend Portfolio	Cirium Dynamic Blend Portfolio	Cirium Adventurous Blend Portfolio
<b>ALTERNATIVES</b>			<b>12.56%</b>	<b>12.06%</b>	<b>11.96%</b>	<b>7.87%</b>	<b>0.00%</b>
<b>ALTERNATIVE EQUITY</b>			<b>3.75</b>	<b>3.63</b>	<b>3.64</b>	<b>2.40</b>	<b>0.00</b>
COOPER CREEK NORTH AMERICA LNG SHRT EQ	COOPER CREEK PARTNERS	COLLECTIVE	1.03	1.00	0.99	0.68	0.00
FTF CLEARBRIDGE GLOBAL INFRASTRUCTURE INCOME FUND	CLEARBRIDGE	COLLECTIVE	1.09	1.05	1.08	0.66	0.00
MYGALE EVENT DRIVEN UCITS FUND	MYGALE	COLLECTIVE	0.66	0.64	0.64	0.44	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	0.67	0.64	0.64	0.44	0.00
SANDBAR GLOBAL EQUITY MARKET NEUTRAL	SANDBAR ASSET MANAGEMENT	COLLECTIVE	0.30	0.29	0.29	0.19	0.00
<b>ALTERNATIVE FIXED INCOME</b>			<b>5.70</b>	<b>5.42</b>	<b>5.36</b>	<b>3.58</b>	<b>0.00</b>
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	1.31	1.25	1.23	0.84	0.00
BREVAN HOWARD ABSOLUTE RETURN GOV. BOND	BREVAN HOWARD	COLLECTIVE	0.74	0.67	0.67	0.38	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.71	0.65	0.66	0.47	0.00
SCHRODER ALTERNATIVE INCOME GBPH	SCHRODERS	COLLECTIVE	0.71	0.69	0.68	0.48	0.00
TAGES ECKHARDT SYSTEMATIC SHORTTERM UCITS	ECKHARDT	COLLECTIVE	1.00	0.98	0.96	0.66	0.00
WELLINGTON GLOBAL TOTAL RETURN	WELLINGTON	COLLECTIVE	1.23	1.18	1.16	0.76	0.00
<b>ALTERNATIVE OTHER</b>			<b>1.22</b>	<b>1.18</b>	<b>1.16</b>	<b>0.73</b>	<b>0.00</b>
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	1.22	1.18	1.16	0.73	0.00
<b>COMMODITIES</b>			<b>1.89</b>	<b>1.82</b>	<b>1.79</b>	<b>1.16</b>	<b>0.00</b>
L&G MULTI-STRATEGY ENHANCED COMMODITIES UCITS ETF	L&GIM LIMITED	COLLECTIVE	0.96	0.93	0.91	0.59	0.00
UBS CMC COMMODITY CARRY SF UCITS ETF	UBS	COLLECTIVE	0.94	0.89	0.87	0.57	0.00
<b>CASH</b>			<b>10.42%</b>	<b>8.59%</b>	<b>4.72%</b>	<b>3.47%</b>	<b>0.02%</b>
<b>CASH</b>			<b>10.42</b>	<b>8.59</b>	<b>4.72</b>	<b>3.47</b>	<b>0.02</b>
<b>TOTAL</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Quilter Investors, as at 31 March 2024. Due to rounding and use of derivatives the allocations may not add up to 100%.

# Your performance review



**Ian Jensen-Humphreys**  
Portfolio Manager



**Sacha Chorley**  
Portfolio Manager



**CJ Cowan**  
Portfolio Manager

The Cirilium Blend Portfolios delivered returns of between 1.1% for the Cirilium Conservative Blend Portfolio, and 6% for the Cirilium Adventurous Blend Portfolio. Thanks to the strength of equity markets during the period, the higher-risk portfolios outperformed, in line with their higher respective allocations to stock markets. With the exception of the Cirilium Conservative Blend Portfolio, all the Cirilium Blend portfolios outperformed their respective Investment Association (IA) comparators thanks to a combination of strong manager selection among our equity holdings and robust performance from our alternatives holdings.



## How our equity holdings performed

### Japanese holdings lead the way

Japan was the top-performing equity market with the MSCI Japan Index returning 12.2%. Our holdings in funds such as Baillie Gifford Japanese Income Growth and M&G Japan were the key beneficiaries here. Our manager selection was also positive with the M&G fund benefitting from stronger performance than its peers thanks to its more value-oriented investment style, which prospered during the quarter.

### Market breadth increases in US

2024 started with a broader range of stocks driving returns in the US than the narrow market leadership of 2023, which was dominated by the Magnificent Seven. Growth funds delivered the best returns, but value-tilted fund holdings such as Brandes US Value, were also top performers among our equity holdings, with a high degree of benchmark outperformance among our US equity holdings.

### China continues to trail

The weakest performers among our equity holdings were in China. The Fidelity China Consumer Fund declined 4.8% to underperform broader Chinese equities by 3.5%. Slow economic growth, a lacklustre policy response and poor corporate earnings have all contributed to the underperformance of the Chinese market, which was down more than 1%, while developed equity markets leapt 10% over the quarter.



## How our fixed-income holdings performed

### Yields up, prices down

Our fixed-income holdings delivered a small loss as global bond yields rose, meaning their prices fell. Government bonds were most impacted but corporate and high-yield bonds eked out small gains. The Blend portfolios held an overweight exposure to high-yield bonds via funds like Premier Miton Strategic Monthly Income and the Blackstone Loan Financing trust, which helped offset losses elsewhere among our fixed-income holdings. Among the most notable underperformers was the Allianz Strategic Bond Fund. It was positioned for meaningfully lower bond yields at a time when bond yields rose, meaning their prices fell.



## How our alternative holdings performed

### Positive contribution from diversifiers

Our alternatives holdings added to returns over the quarter, with a number of different strategies performing well. Within the convexity strategy sleeve, we saw strong returns from the AQR Managed Futures Fund. Within the alpha strategy sleeve there were gains for our long/short equity hedge funds and our absolute-return fixed-income managers. Our carry strategy holdings, such as the Neuberger Berman Event Driven and the Schroder Alternative Securitised Income Fund also delivered gains. Our inflation-linked holdings were more mixed. While rising commodity prices helped the L&G Multi Strategy Enhanced Commodity Fund, rising bonds yields proved to be a challenge for Clearbridge Infrastructure.

# Portfolio changes

There were two changes to our asset allocation over the period. In February, we decreased our high-yield bond exposure and reallocated the proceeds into global equities and government bonds. With valuations for high-yield bonds now looking stretched, we see relatively little potential upside remaining in the asset class compared to the risk of potential losses should the economic backdrop deteriorate. Elsewhere, we completed building our initial thematic position in the Schroder Global Energy Transition Fund. This investment theme is all about the structural shift towards lower carbon-emitting energy products and, after struggling in 2022 and 2023, valuations in the sector now look more attractive.

## Schroders

### New holdings

#### Schroder Alternative Securitised Income Fund

The fund invests in securitised credit, a part of the fixed-income market with low interest-rate sensitivity. It diversifies through exposure to consumer borrowing, rather than to traditional corporate borrowing, that's backed by tangible assets. The fund is managed by some of the most experienced people in this part of the fixed-income market and complements the other positions in the carry strategy sleeve of our alternatives holdings.

### Removed holdings



#### Sandbar Global Equity Market Neutral Fund

Following our research review, we decided to remove this holding from the alpha sleeve of our alternatives holdings due to a loss of conviction in the manager and its approach.



# Investment outlook

Although we believe the global economy remains on course for a soft landing, the economic divergence between regions is becoming ever more apparent. US economic growth remains strong, whereas Europe and the UK have struggled with anaemic growth for over a year. The US is seeing a potential reacceleration in inflation that's less apparent in European and UK data (although much of this difference is down to peculiarities in housing cost measures rather than real world differences). Even so, this presents the prospect of a divergence in monetary policy. While the European Central Bank (ECB) is clearly signalling a June interest-rate cut, it's looking increasingly likely that the Fed will need to wait a little longer. In the meantime, the solid economic growth in the US should provide a significant tailwind for its equity market.

## 1. Real incomes improving

Over the past year or so, inflation has fallen faster than wage growth, which is improving real incomes ie income after inflation. This is gradually restoring household purchasing power and helping to insulate economies from more material economic slowdowns. But stronger demand fuels inflation, which means expectations for interest-rate cuts have been dialled back. This makes the outlook for bonds more difficult to forecast and we retain a neutral weighting here.

## 2. A positive backdrop for risk

We think the path of least resistance in the coming months is for equity markets to continue moving higher. Corporate earnings have remained solid and while interest-rate cuts would be an additional positive, the reason we have yet to see them is the more robust than expected growth in the US economy, which should be good for equity markets. This leads us to running a modest equity overweight in the portfolios.

## 3. What if we're wrong?

The biggest risk to a soft landing is that it develops into a hard landing. This would hurt equity markets, but provided we avoid stagflation, where ailing growth is accompanied by elevated inflation, bonds should perform well. However, recent economic data has raised the prospect of a re-acceleration in growth and inflation. While we think a continuation of this is unlikely, due to the delayed effects of the interest-rate rises, it's a risk that we remain aware of nonetheless.



# Glossary

## Alpha-strategies

Alpha strategies target returns above an index or benchmark. They should deliver positive returns regardless of market direction, but they require markets to be moving.

## Carry-strategies

Carry trades try to exploit differences in future pricing points, interest rates, or currencies. Carry strategies seek regular, low-risk returns regardless of market direction.

## Consumer-discretionary

Consumer discretionary companies provide goods and services that consumers consider non-essential, but highly desirable if their income allows. Consequently, consumer discretionary companies tend to be the most sensitive to economic cycles.

## Convexity-strategies

Convexity strategies are investment strategies that create positions where the payoff is greater than the potential loss, or that available from its benchmark. They can outperform in rising and falling markets but tend to lag when markets are flat.

## Corporate-bonds

Corporate bonds are bonds issued by companies. They are generally riskier than government bonds, so corporate bonds normally offer higher interest rates (or yields) to compensate for the additional risk.

## Cyclical-companies

Cyclical companies are those whose fortunes are closely linked to the economic cycle. This means their revenues generally rise during periods of economic growth and fall during recession.

## Emerging-markets

Emerging markets are developing economies that are in the process of transitioning into becoming developed markets by evolving their industries, infrastructure, and political and legal systems.

## Gilts

Gilts is the name given to bonds issued by the UK government.

## Government-bonds

Government bonds, also known as sovereign bonds, are bonds issued by governments.

## Growth-stocks

Growth stocks tend to be younger companies that derive their value from the rate at which they're expected to grow their future earnings. Generally, they pay limited dividends as they reinvest their profits to grow their businesses.

## Hard-landing

A hard landing is when a central bank, such as the Bank of England, raises interest rates to slow an economy resulting in a recession. Raising rates without causing a recession is called a soft landing.

## High-yield-bonds

High-yield bonds are bonds issued by countries, companies, or institutions with lower creditworthiness who must pay greater rates of interest to compensate their bondholders for the increased risk.

## Inflation-linked-strategies

Inflation-linked strategies aim to deliver returns that rise in line with inflation. Such strategies include commodities-based approaches as well as real assets such as infrastructure or property strategies.

## Magnificent-seven

Magnificent Seven is a term used to describe Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia and Tesla. They are also referred to as mega-caps.

## Monetary-policy

Monetary policy refers to the tools and actions, such as interest rate changes, that a central bank can take to influence borrowing costs and money supply in its economy.

## Overweight

Overweight is when a fund or portfolio holds a larger position in a particular stock, sector, region, or strategy than the index or model against which it's benchmarked. Underweight means the opposite.

## Soft-landing

A soft landing is when a central bank, such as the Bank of England, can successfully slow down inflation, by raising interest rates, without causing a recession. When a central bank raises rates too quickly or by too much, it can cause a recession. This is known as a hard landing.

## Treasuries

Treasuries are US government bonds. They are issued by the US Treasury.

## Value-stocks

Value stocks tend to be well-established, mature businesses. They are companies whose share price is low relative to their value. Consequently, value stocks are among those with the highest dividend yields.



## Thank you for investing with us

Keep an eye out for your next Cirilium Blend Portfolios monthly commentary available in May.

### Want more updates about your portfolio?

Please visit our website at [www.quilter.com](http://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 speak to one of our investment directors on +44 (0)207 167 3700, email us at [enquiries@quilter.com](mailto:enquiries@quilter.com), or visit our website at [www.quilter.com](http://www.quilter.com).



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