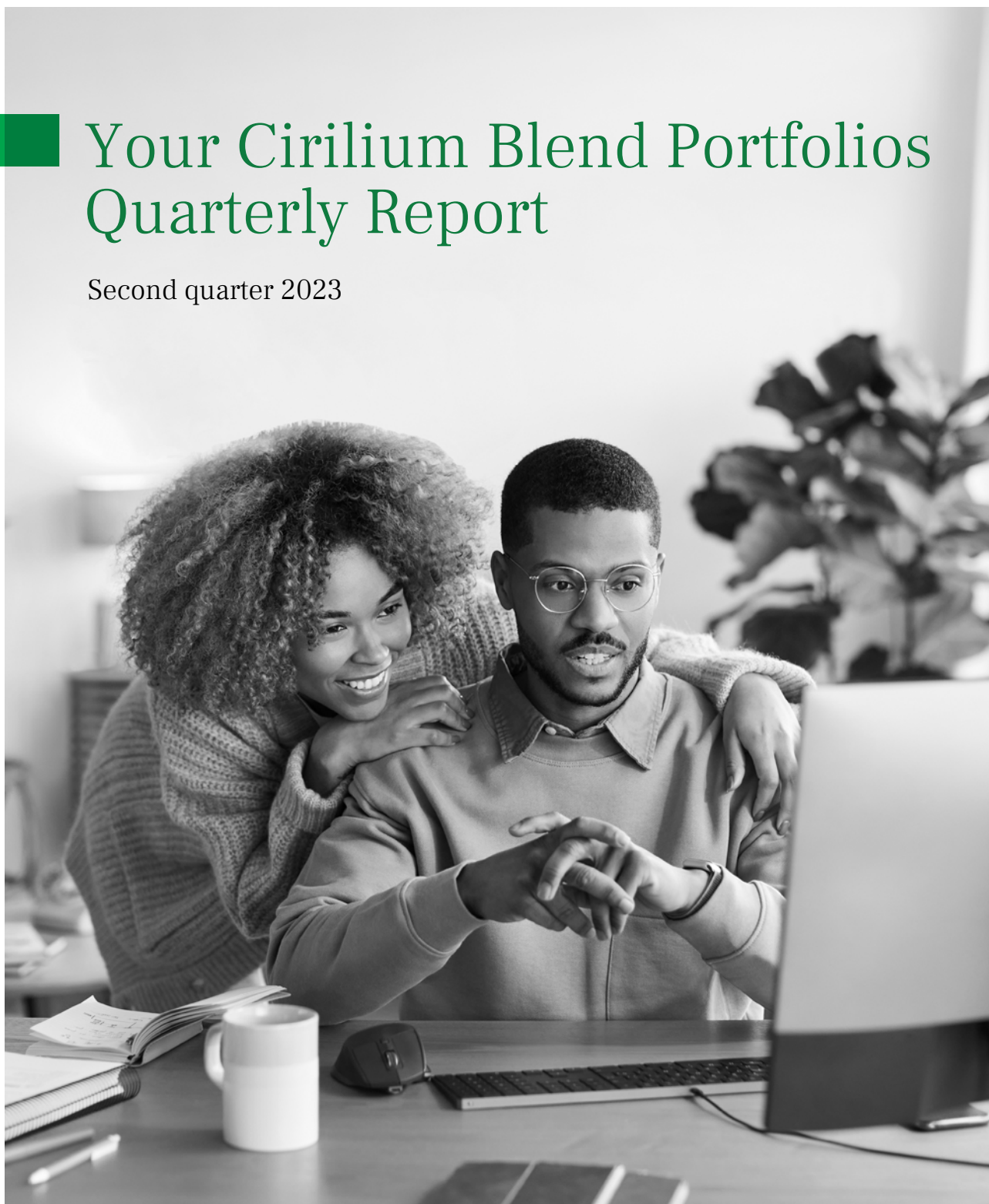


UK: Suitable for retail and professional clients.

Quilter
Investors

Your Cirilium Blend Portfolios Quarterly Report

Second quarter 2023



What your report covers

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





Marcus Brookes
Chief Investment Officer

Our market summary

Global equities were largely positive in the second quarter of the year, rising by 4.1%, with performance spearheaded by US tech companies. Developed market economies generally outperformed their emerging market equivalents, with China struggling over the period. The Bank of England (BoE) and the European Central Bank (ECB) continued to raise interest rates, as inflation proved stickier than originally forecast, but the US Federal Reserve (Fed) elected to hold rates at their June meeting.

Equity markets



US equities enjoyed a positive second quarter, up 5.7%, with much of this gain due to the technology sector and, in particular, the so-called 'Magnificent Seven' stocks (Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, NVIDIA, and Tesla), each of which benefitted from the enthusiasm surrounding artificial intelligence (AI) and the perceived easing of inflation in the US.



Technology stocks were also market leaders in Europe, which delivered a more modest 0.6% gain in the second quarter, with much of the positivity centred around semiconductor stocks. This was in response to US chipmakers' sales projections exceeding expectations, which added to the growth outlook of their European counterparts.



The momentum in developed markets did not extend to the UK, where equities fell by 0.6% overall (although the market was positive in June). The large energy names were some of the most significant detractors as commodity price weakness and concerns over the outlook for the Chinese economy weighed on sentiment. High inflation also continued to negatively impact many areas of the economy.



Emerging market equities lagged developed markets, delivering a negative return of 1.7%. Concerns surrounding China's economic recovery, paired with ongoing US-Sino tensions over Taiwan, saw Chinese equities fall by 12.1% over the quarter. South Africa, Qatar, and Turkey were also negative contributors with Hungary, Poland, and Greece among the top performers, alongside Brazil, which rebounded following positive economic data.

Fixed-income

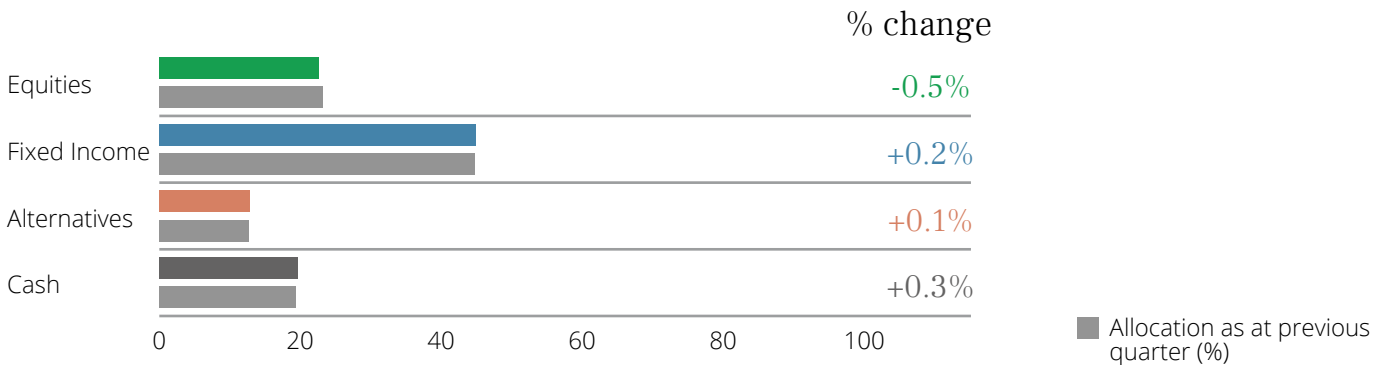


Bond markets were troubled in Q2, despite a markedly less volatile economic backdrop than in previous quarters. Inflation in Europe and the UK were among the key causes, as central banks continued to raise interest rates in a bid to stem the tide. As a result, UK gilts (UK government bonds) fell by 6.0% and US Treasuries (US government bonds) were down by 1.6%. More generally, global corporate bonds (issued by companies) were broadly flat.

Total return, percentage growth in pounds sterling, rounded to one decimal place over time period 31 March 2023 to 30 June 2023. Global equities are represented by the MSCI World Index; US equities by the MSCI USA Index; European (excluding UK) equities by the MSCI Europe ex UK Index; UK equities by the MSCI United Kingdom Index; emerging market equities by the MSCI EM (Emerging Markets) Index; Chinese equities by the MSCI China Index; UK gilts by the ICE BofA UK Gilt Index; US Treasuries by the ICE BofA US Treasury (GBP hedged) Index, and global corporate bonds by the Bloomberg Global Aggregate (GBP Hedged) 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 June

Holding	2022	2021	2020	2019	2018
Quilter Investors Cirilium Conservative Blend Portfolio - U1 (GBP) Accumulation Shares	-7.1%	0.6%	6.1%		
IA Mixed Investment 0-35% Shares sector average	-10.2%	2.6%	4.0%		

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	-0.8%	1.1%	0.5%	-1.3%		1.9%	26/07/19
IA Mixed Investment 0-35% Shares sector average	-1.0%	0.7%	-0.7%	-2.6%		-2.4%	

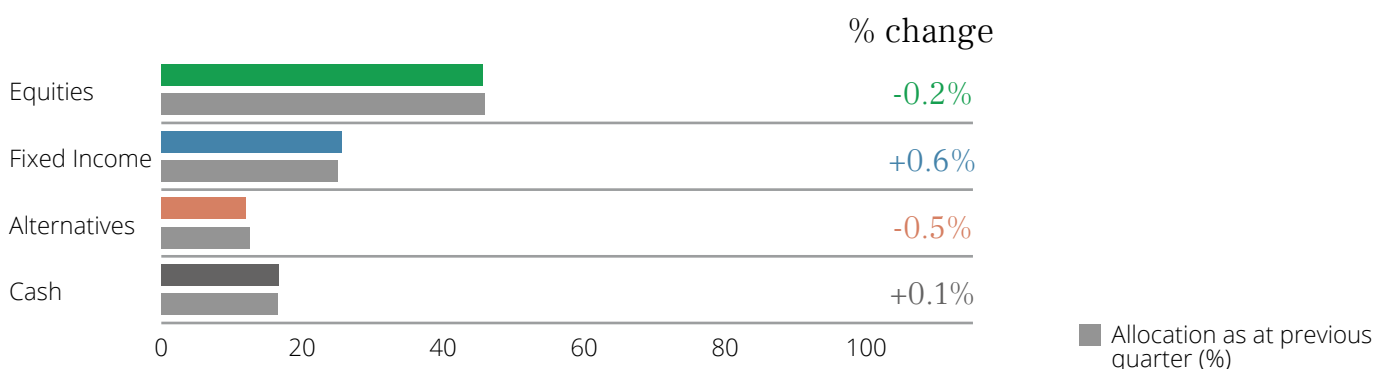
*Since launch performance figures are from the launch date of the respective share class.

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 30 June 2023 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 June

Holding	2022	2021	2020	2019	2018
Quilter Investors Cirilium Balanced Blend Portfolio - U1 (GBP) Accumulation Shares	-5.7%	4.9%	5.1%		
IA Mixed Investment 20-60% Shares sector average	-9.7%	6.3%	3.5%		

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	0.0%	2.4%	3.4%	8.5%		9.3%	26/07/19
IA Mixed Investment 20-60% Shares sector average	-0.4%	1.2%	1.2%	5.0%		2.7%	

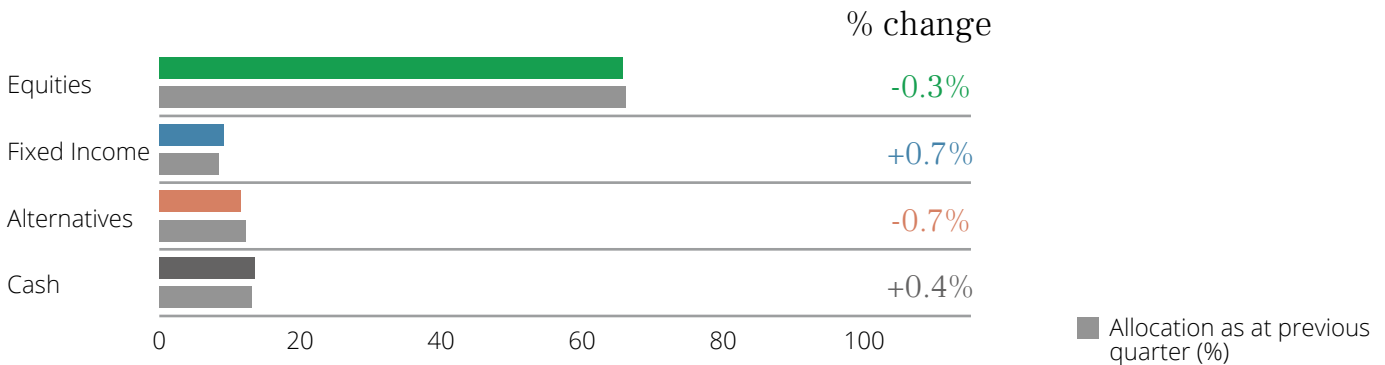
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Your investment summary: Cirilium Moderate Blend Portfolio

Cirilium Moderate Blend Portfolio asset allocation breakdown



Cirilium Moderate Blend Portfolio growth year by year to end of June

Holding	2022	2021	2020	2019	2018
Quilter Investors Cirilium Moderate Blend Portfolio - U1 (GBP) Accumulation Shares	-5.0%	8.6%	5.4%		
IA Mixed Investment 40-85% Shares sector average	-10.2%	11.2%	5.5%		

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	0.4%	3.2%	5.5%	17.5%		15.9%	26/07/19
IA Mixed Investment 40-85% Shares sector average	0.2%	2.4%	3.3%	12.6%		10.3%	

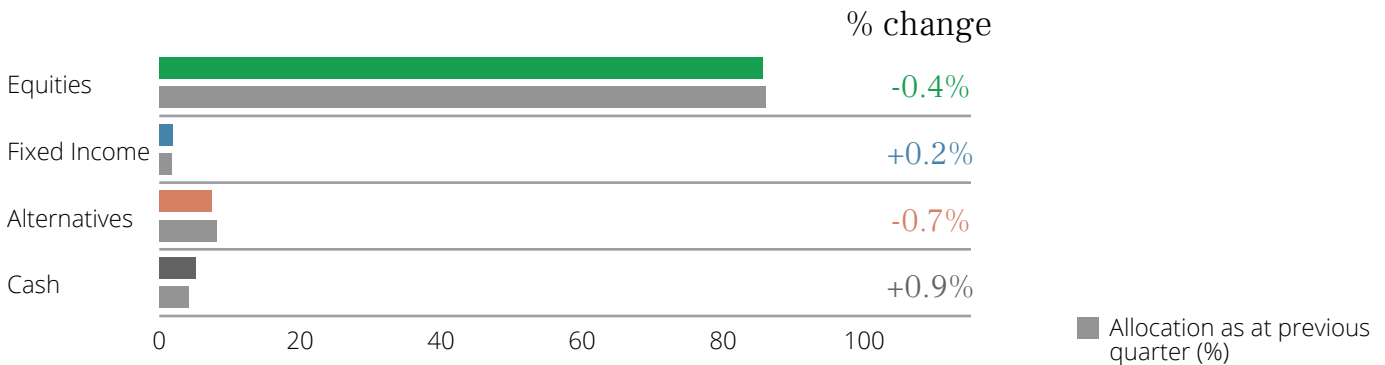
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Your investment summary: Cirilium Dynamic Blend Portfolio

Cirilium Dynamic Blend Portfolio asset allocation breakdown



Cirilium Dynamic Blend Portfolio growth year by year to end of June

Holding	2022	2021	2020	2019	2018
Quilter Investors Cirilium Dynamic Blend Portfolio - U1 (GBP) Accumulation Shares	-5.8%	11.9%	5.3%		
IA Flexible Investment sector average	-9.1%	11.4%	7.0%		

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	0.7%	4.0%	7.2%	24.0%		19.3%	26/07/19
IA Flexible Investment sector average	0.3%	2.2%	3.7%	15.2%		13.2%	

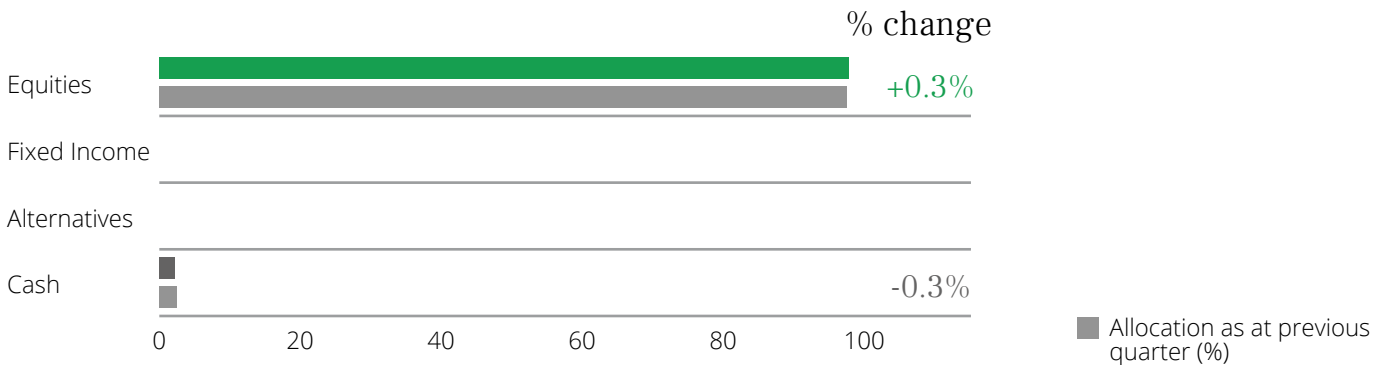
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Your investment summary: Cirilium Adventurous Blend Portfolio

Cirilium Adventurous Blend Portfolio asset allocation breakdown



Cirilium Adventurous Blend Portfolio growth year by year to end of June

Holding	2022	2021	2020	2019	2018
Quilter Investors Cirilium Adventurous Blend Portfolio - U1 (GBP) Accumulation Shares	-7.2%	13.3%	5.1%		
IA Flexible Investment sector average	-9.1%	11.4%	7.0%		

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	0.9%	4.5%	8.1%	25.5%		19.6%	26/07/19
IA Flexible Investment sector average	0.3%	2.2%	3.7%	15.2%		13.2%	

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Source: Quilter Investors as at 30 June 2023 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
EQUITY			22.66%	45.68%	65.81%	85.60%	97.84%
ASIA PACIFIC (INC JAPAN) EQUITY			2.88	5.89	8.52	11.27	12.26
BAILLIE GIFFORD JAPANESE INCOME GROWTH	BAILLIE GIFFORD	COLLECTIVE	0.78	0.99	1.45	1.74	2.16
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	0.99	1.28	1.89	2.38	2.77
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.10	1.60	2.28	3.37	3.41
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.00	0.69	1.09	1.58	1.15
M&G JAPAN FUND	M&G	COLLECTIVE	1.01	1.32	1.81	2.20	2.77
EMERGING MARKETS EQUITY			1.57	3.43	5.04	6.34	7.99
FIDELITY CHINA CONSUMER FUND	FIDELITY	COLLECTIVE	0.36	0.81	0.98	1.35	1.66
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.00	0.57	1.29	1.89	2.35
PACIFIC NORTH OF SOUTH EM ALL CAP EQUITY	PACIFIC CAPITAL PARTNERS	COLLECTIVE	0.69	1.14	1.50	1.64	2.14
QUILTER INV EM EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.52	0.90	1.26	1.46	1.84
EUROPEAN EQUITY			4.21	9.40	13.94	18.25	20.98
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	1.50	4.97	7.56	10.66	11.18
ISHARES EDGE MSCI EURO VALUE UCITS ETF	BLACKROCK	COLLECTIVE	0.79	1.22	1.80	2.12	2.79
MONTANARO EUROPEAN INCOME FUND	MONTANARO	COLLECTIVE	0.60	0.99	1.40	1.70	2.18
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.61	1.01	1.50	1.80	2.24
QUILTER INV EUR (EX UK) EQ (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	0.70	1.20	1.68	1.98	2.60
GLOBAL EQUITY			4.60	4.61	5.07	5.21	5.63
AB INTERNATIONAL HEALTH CARE PORTFOLIO	ALLIANCE BERNSTEIN	COLLECTIVE	0.98	1.01	1.20	1.26	1.57
ISHARES MSCI WORLD HEALTH CARE UCITS ETF	BLACKROCK	COLLECTIVE	0.96	0.98	0.77	0.69	0.38
NINETY ONE GLOBAL SPECIAL SITUATIONS FUND	NINETY ONE	COLLECTIVE	1.16	1.12	1.33	1.39	1.62
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	1.49	1.51	1.77	1.86	2.06
NORTH AMERICAN EQUITY			3.07	9.09	14.11	19.49	22.56
BERKSHIRE HATHAWAY B SHARES		DIRECT EQUITY	0.21	0.62	0.80	0.97	1.27
BRANDES U.S. VALUE	BRANDES	COLLECTIVE	0.32	1.14	1.40	1.71	2.30
GRANAHAN US SMID SELECT FUND	GRANAHAN	COLLECTIVE	0.53	0.72	1.02	1.27	1.54
ISHARES CORE S&P 500 UCITS ETF	BLACKROCK	COLLECTIVE	0.00	0.00	0.00	1.58	0.00
ISHARES EDGE MSCI USA VALUE UCITS ETF	BLACKROCK	COLLECTIVE	0.62	0.82	1.00	1.18	1.46
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.11	3.82	7.23	9.46	11.80

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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
EQUITY (CONTINUED)							
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.64	1.05	1.32	1.70	2.15
SANDS CAPITAL US SELECT GROWTH FUND	SANDS CAPITAL	COLLECTIVE	0.65	0.91	1.34	1.64	2.03
UK EQUITY			6.33	13.26	19.14	25.03	28.42
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	2.09	8.57	12.88	16.14	17.02
J O HAMBRO CAPITAL MANAGEMENT UK DYNAMIC	J O HAMBRO	COLLECTIVE	1.06	1.11	1.57	2.07	2.65
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.88	0.90	1.25	1.76	2.25
MONTANARO UK INCOME FUND	MONTANARO	COLLECTIVE	0.77	0.88	1.15	1.68	2.14
PREMIER MITON UK VALUE OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.76	0.80	1.19	1.59	2.01
QUILTER INV UK EQUITY 2 (NINETY ONE)	NINETY ONE	COLLECTIVE	0.77	1.00	1.09	1.78	2.35
FIXED INCOME			44.86%	25.64%	9.15%	1.89%	0.00%
CORPORATE BONDS			10.09	9.32	6.17	1.92	0.00
FEDERATED HERMES UNCONSTRAINED CREDIT	HERMES	COLLECTIVE	2.39	2.40	2.38	1.18	0.00
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	1.09	1.10	1.08	0.47	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.00	0.05	0.00	0.00	0.00
VANGUARD GLOBAL CORPORATE BOND INDEX FUND	VANGUARD	COLLECTIVE	3.34	2.89	1.36	0.27	0.00
WELLINGTON GLOBAL CREDIT PLUS FUND	WELLINGTON	COLLECTIVE	3.28	2.88	1.35	0.00	0.00
EMERGING MARKET DEBT			3.56	2.97	0.85	0.08	0.00
ISHARES CHINA CNY BOND UCITS ETF	BLACKROCK	COLLECTIVE	3.56	2.97	0.85	0.08	0.00
GOVERNMENT BONDS			21.20	13.35	2.13	-0.11	0.00
10Y AUSTRALIA T-BOND (SFE) SEP 23		DERIVATIVE	0.26	0.22	0.05	0.00	0.00
10Y T-NOTE (CBT) SEP 23		DERIVATIVE	0.00	0.00	0.00	-0.51	0.00
ALLIANZ STRATEGIC BOND FUND	ALLIANZ	COLLECTIVE	4.89	0.00	0.00	0.00	0.00
EURO BUND GERMANY (EUR) SEP 23		DERIVATIVE	-1.49	-0.79	0.00	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	0.92	0.92	0.90	0.32	0.00
LONG GILT (IFEU) SEP 23		DERIVATIVE	0.74	0.58	0.00	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	2.39	2.02	0.58	0.07	0.00
VANGUARD U.S. GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	13.49	10.40	0.60	0.00	0.00
OTHER FIXED INCOME			10.00	0.00	0.00	0.00	0.00
VANGUARD GLOBAL BOND INDEX FUND	VANGUARD	COLLECTIVE	10.00	0.00	0.00	0.00	0.00
ALTERNATIVES			12.84%	12.05%	11.50%	7.40%	0.00%
ALTERNATIVE EQUITY			5.05	4.80	4.67	3.07	0.00

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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
ALTERNATIVES (CONTINUED)							
COOPER CREEK NORTH AMERICA LNG SHRT EQ	COOPER CREEK PARTNERS	COLLECTIVE	1.24	1.16	1.08	0.73	0.00
MYGALE EVENT DRIVEN UCITS FUND	MYGALE	COLLECTIVE	0.90	0.85	0.85	0.55	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	0.89	0.86	0.86	0.52	0.00
SANDBAR GLOBAL EQUITY MARKET NEUTRAL	SANDBAR ASSET MANAGEMENT	COLLECTIVE	2.01	1.94	1.88	1.28	0.00
ALTERNATIVE FIXED INCOME			5.98	5.54	5.16	3.24	0.00
ALLIANZ FIXED INCOME MACRO FUND	ALLIANZ	COLLECTIVE	0.93	0.89	0.82	0.46	0.00
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	2.04	1.91	1.79	1.13	0.00
BREVAN HOWARD ABSOLUTE RETURN GOV. BOND	BREVAN HOWARD	COLLECTIVE	1.21	1.13	1.09	0.69	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.10	0.10	0.09	0.04	0.00
LYXOR US\$ 10Y INFLATION EXPECT UCITS ETF	LYXOR	COLLECTIVE	0.91	0.84	0.78	0.50	0.00
TAGES ECKHARDT SYSTEMATIC SHORTTERM UCITS	ECKHARDT	COLLECTIVE	0.78	0.68	0.59	0.42	0.00
ALTERNATIVE OTHER			0.01	0.01	0.01	0.01	0.00
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	0.01	0.01	0.01	0.01	0.00
COMMODITIES			1.80	1.70	1.66	1.07	0.00
UBS CMCI COMMODITY CARRY SF UCITS ETF	UBS	COLLECTIVE	0.90	0.83	0.83	0.54	0.00
WISDOMTREE ENHANCED COMMODITY UCITS ETF	WISDOM TREE	COLLECTIVE	0.90	0.87	0.84	0.54	0.00
CASH			19.63%	16.63%	13.53%	5.12%	2.17%
CASH			19.63	16.63	13.53	5.12	2.17
TOTAL			100%	100%	100%	100%	100%

Source: Quilter Investors, as at 30 June 2023. 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

The Cirilium Blend Portfolios mostly delivered small positive returns over the quarter, ranging from 0.4% for the Cirilium Moderate Blend Portfolio to 0.9% for the Cirilium Adventurous Blend Portfolio. The exceptions were the Cirilium Balanced Blend Portfolio that was flat over the quarter and the Cirilium Conservative Blend, which fell by 0.8%. The quarter was characterised by an environment of range-bound global equity markets and broadly flat fixed-income markets. The main exception to this underwhelming performance was the US equity market and in particular the US mega-cap technology companies that continued to rally strongly. This rally reflected continuing euphoric sentiment about the emerging opportunities for AI to revolutionise large swathes of the corporate landscape.



A range-bound market is one in which price moves between a specific high price and a low price. The high price acts as a resistance level at which price can't seem to break through, and the low-price acts as a support level which the price doesn't fall below.



How our equity holdings performed

US Equity holdings delivered strong returns

The US was the strongest performing region in the quarter, buoyed by the technology sector. This was reflected in a strong performance from some of our active US equity holdings, with the Sands US Equity Select Growth fund gaining 10.3% due to its focus on higher growth areas of the market, whilst the Premier Miton US Opportunities Fund rallied 7.6%. This performance was particularly strong given the backdrop of a weaker US Dollar, which fell against the pound over the period.



Currency exchange rates impact investments in other countries. If the currency of the investment rises compared to sterling, this adds to returns; if it falls, this reduces returns.

Tepid China re—opening hinders emerging market holdings

Chinese equities rallied strongly in the last quarter of 2022 on hopes of increased economic activity as the country finally rolled back its zero-covid regime after three years. However, this rally fizzled out early in the year as the reality of somewhat cautious behaviour by the Chinese population failed to live up to investor expectations. This continued in the second quarter and resulted in poor equity returns for the region, evidenced by the 13% decline for the Fidelity China Consumer Fund.

Japanese equities rally on yen weakness

Japanese equity markets enjoyed a strong quarter, with the MSCI Japan Index rallying 15.6% in its local currency, the Japanese yen. This gain was fuelled by renewed hope of corporate governance reform alongside weakness in the Japanese yen aiding exporters, whose revenues are in US dollars and euros, but whose costs are in yen. This meant the equity index performance in pounds sterling was a less exciting 3.5% gain. Within this context, the 6.7% return from the M&G Japan Fund stood out as a strong performer.



How our fixed-income holdings performed

Interest rates drifted higher as manager positioning diverged

Over the quarter the broad fixed-income market delivered muted returns. The gilt market was the worst performing major bond market with 10yr yields rising 0.9%, reflecting the UK's higher inflation levels and weaker public finances. The performance of our active holdings was largely a function of the views of the underlying managers on the likelihood of a recession in the near future. The funds managed by those with particularly cautious views, such as the Allianz Strategic Bond Fund, tended to underperform, in this period falling by 7.5%, whilst funds with riskier exposure delivered better performance amid resilient growth data, particularly from the US. The Premier Miton Financials Capital Securities Fund rallied 4.3% as it continued to recover from losses incurred in March.



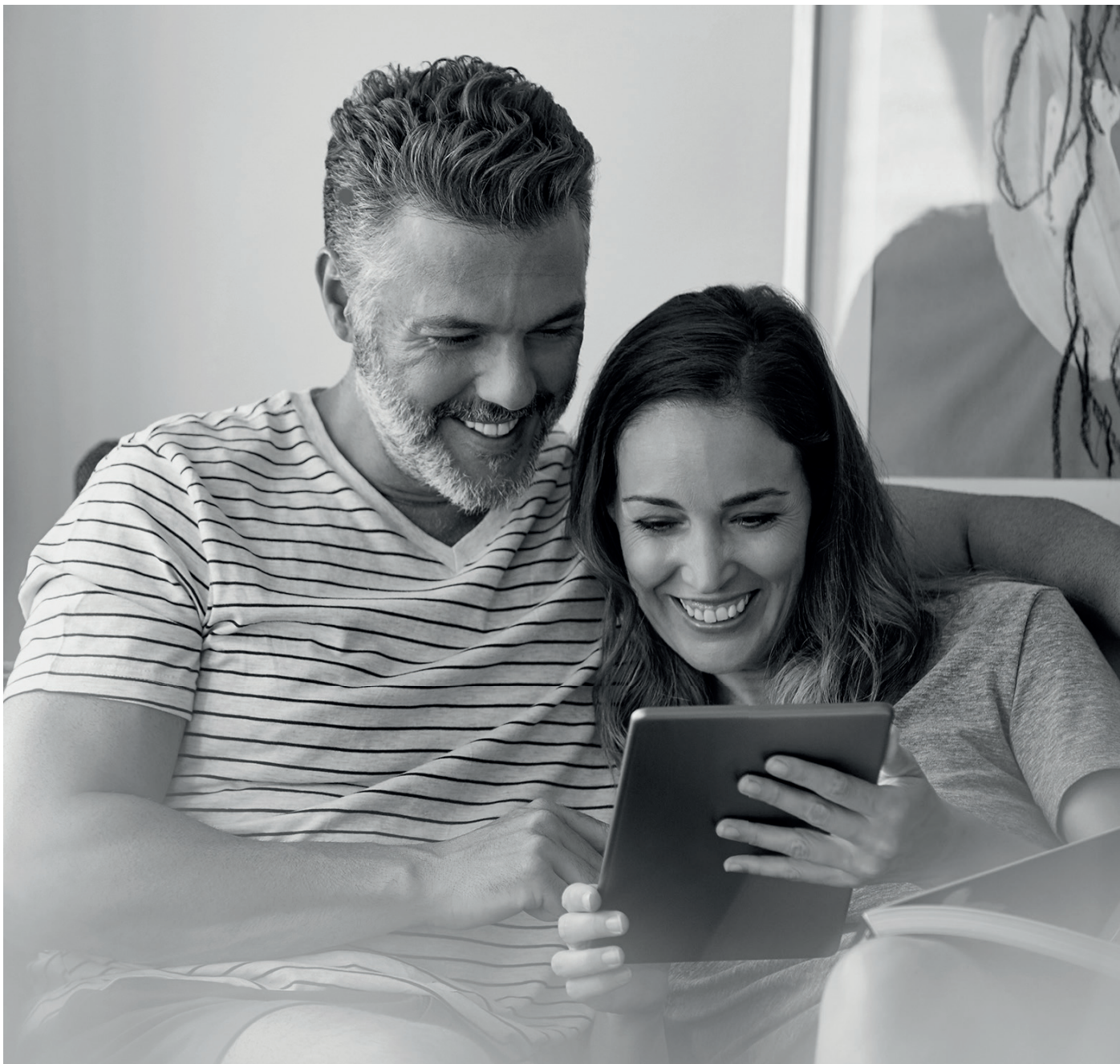
How our alternative holdings performed

Negative returns from alternatives

The alternatives holdings in the portfolios struggled to make much headway during the quarter, as lower volatility restricted opportunities. Trend-following managers showed strong performance as bond yields resumed their march higher, but this was more than offset by negative performance from our long/short equity holdings, the Cooper Creek Partners North America Long Short Equity and Sandbar Global Equity Market Neutral funds.



Long/short funds are an investment strategy based on buying, or going 'long', on stocks or bonds that are expected to rise in value and 'selling short' stocks or bonds that are expected to fall in value.



Portfolio changes

The portfolios entered the second quarter with overweight positions in high yield bonds and healthcare companies offset by a broad underweight to government bond exposure. These positions were all maintained during the quarter following review, given the managers' continued expectation for a "muddle-through" environment which will make it hard to companies to materially grow their earnings, but should be good enough to avoid large increases in corporate defaults. The healthcare exposure has struggled to keep pace with technology companies during the year, but we remain of the view that these companies can provide stability if the economy weakens and corporates start to underperform our expectations.

New and increased holdings



Brandes US Value Fund

We started to add this portfolio at the end of the first quarter and gradually increased the position up to our target weights by the end of June. This manager focuses on undervalued large-cap US companies rather than those with aggressive earnings or revenue growth assumptions, and as such offers a good counterweight to the more "growth" oriented US managers in the portfolio. We trimmed the Berkshire Hathaway and iShares Edge MSCI USA Value Factor ETF positions to accommodate this holding.



Wellington Global Credit ESG Fund

This has been a long-standing holding in the Cirilium Conservative Blend and Balanced Blend portfolios but during the quarter we broadened out our position to also include the Cirilium Moderate Blend Portfolio. We like the deep level of resource at Wellington to enable them to spot good opportunities amongst the large universe of eligible global corporate bonds. We funded this addition by reducing the allocation to passive corporate bonds.



AQR Managed Futures UCITS fund

This fund was introduced to the portfolios at the end of the quarter and sits within our alternatives holdings. It aims to take advantage of both rising and falling trends in financial markets. It invests across equities, bonds, currencies, and commodities and we believe it offers good diversification characteristics as the process allows it to potentially deliver positive returns in falling markets, as evidenced by its strong performance in 2022.

Removed and reduced holdings



Berkshire Hathaway

We sold down approximately 35% the holding to raise cash to invest in the Brandes US Value Fund (see above). This was somewhat of a like-for-like switch given that the shares of Warren Buffett's investment vehicle tend to outperform the broader market during periods where value investing delivers strong relative performance.



iShares Edge MSCI USA Value Factor ETF

We sold down approximately 35% the holding to raise cash to invest in the Brandes US Value Fund (see above). This was also somewhat of a like-for-like switch given that, as the name suggests, this ETF (exchange traded fund) also tends to perform well in periods that favour value investing, albeit by tracking a systematic "smart beta" index rather than due to a manager's fundamental analysis.



Smart-beta is a passive investing approach to track unconventional indices. Smart-beta gets its name because they can create their own indices that rank companies (or other assets) by factors other than just their size.

Investment outlook

The global economy feels delicately poised at the time of writing. Economic growth has moved past the post-covid reopening boost and is predicted to decline to low levels of growth at best or into recession at worst; inflation looks to have peaked and is starting to fall, but the worry is that high “core” inflation remains entrenched; and policy rates have been raised rapidly, so we wait to see where lagged stresses might emerge. However, employment and wage growth remain resilient and that leads us to believe that the coming months will see the global economy “muddle through”, with activity continuing to weaken, but strong employment supporting consumption and resulting in corporate profits avoiding large declines. This view supports our broadly neutral equity exposure and overweight position in high yield bonds, which deliver high levels of income but are sensitive to company defaults.

1. What are we looking at in the near term?

From our perspective the key actors are the central banks and how they react to incremental new data around employment, wages, and inflation. Interest rate hikes are clearly slowing from the pace of the last 18 months but whether these current levels are the peak is still up for debate. Investment markets clearly prefer lower interest rates, so, perversely, at the present time bad news (for example an increase in unemployment) is often taken positively.

2. What might a worse outcome look like?

A negative outcome would be if the pain from the cumulative interest rate hikes has been merely deferred rather than avoided. In this case we might see higher mortgage rates leading to a slowdown in the housing market and lower disposable income for consumers, whilst companies would struggle with the higher costs of servicing their debt. This would damage spending, which could result in lower corporate profits and headwinds for equity markets. In this case the risk would be that central banks have already tightened too much and have inflicted unnecessary damage on the economy.

3. What might a better outcome look like?

A positive scenario would be the global economy delivering a “very soft landing” whereby inflation gracefully declines back to target levels, whilst unemployment ticks up just enough to calm central bankers, but not enough to damage broad consumer confidence. This would encourage company CEOs to increase productivity-boosting capital expenditure, which should lead to a subsequent improvement to corporate earnings. This would likely help support equity prices and would halt the declines in bond yields, allowing for positive fixed income returns.





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

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

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