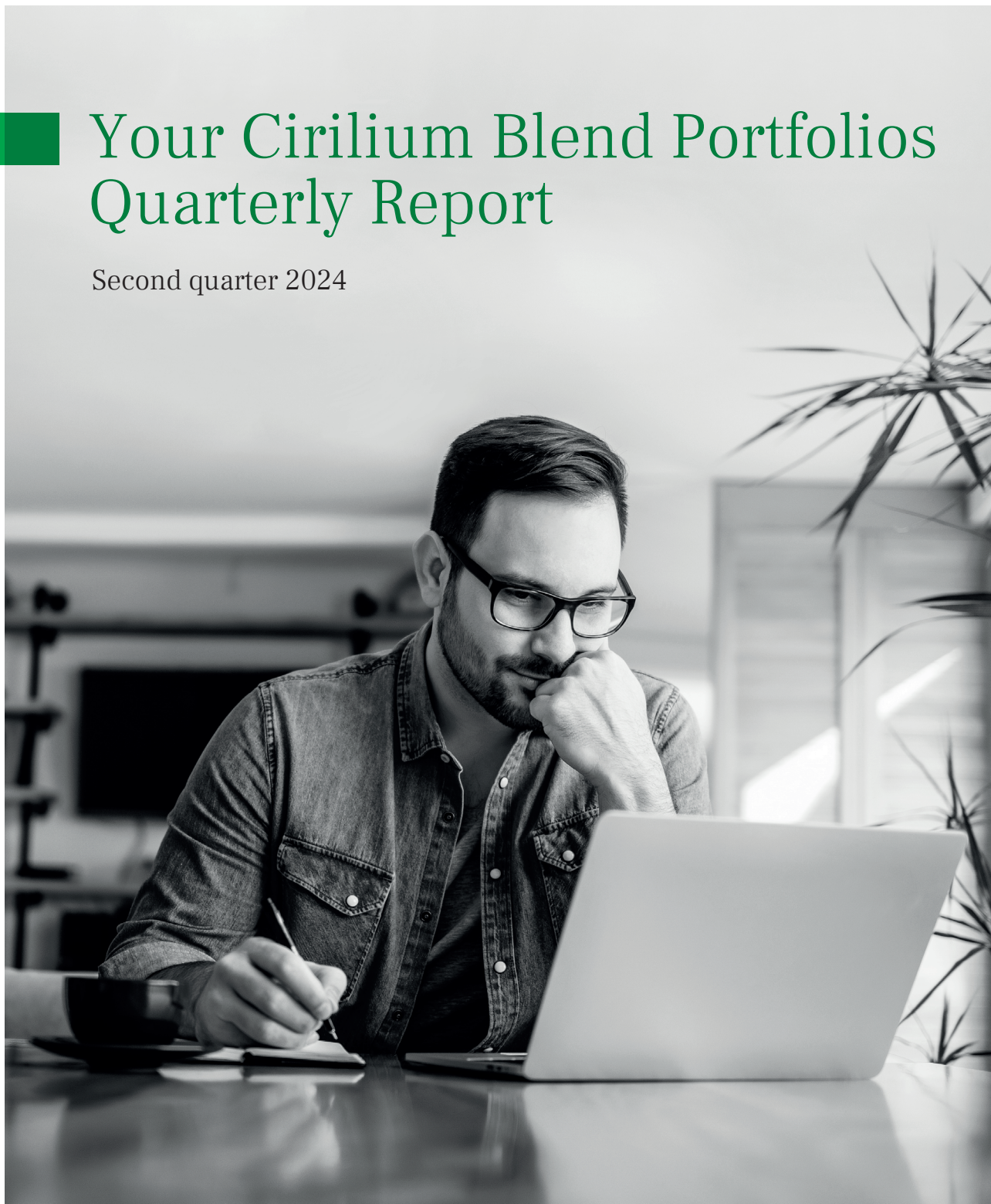


UK: Suitable for retail and professional clients.

Quilter
Investors

Your Cirilium Blend Portfolios Quarterly Report

Second 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

Global equities gained 2.9% in the second quarter of 2024. China was the top performing market with a return of 7.1%. This boosted Asian and emerging markets, which outperformed developed markets. Despite the European Central Bank (ECB) becoming the first major central bank to cut interest rates in June, European equities were flat over the quarter. Meanwhile, UK gilts were down again while US Treasuries were mostly flat, and sterling corporate bonds suffered slight losses.

Equity markets



Although stubborn inflation continued to push back the expected date of a first US interest-rate cut, US equities gained 4% over the quarter. The relentless enthusiasm for companies exposed to the artificial intelligence (AI) market narrative saw information technology and communication services stocks outperforming amid a flurry of robust earnings numbers and a more bullish tone in corporate messaging. Meanwhile, materials and industrial sector stocks trailed.



Despite Europe being the top performing regional market in May, as investors speculated on the subsequent June interest-rate cut, losses in April and June left European equities up just 0.1%. European equities struggled in June with snap parliamentary elections in France and dwindling expectations of greater interest-rate cuts. As elsewhere, technology-related stocks prospered while Europe's prominent automotive and luxury goods stocks trailed.



UK equities delivered 3.5%. This brought returns for the first half of 2024 to 7.3%, almost exactly in line with returns from both European and Japanese equities at the half-way point. Encouraging progress on UK inflation (CPI), which fell back to the 2% target in May, was sufficient cause for Prime Minister Rishi Sunak to call a July general election, but not sufficient for the Bank of England to cut UK interest rates at its June meeting.



Emerging markets delivered a gain of 5.1% thanks mostly to a strong bounce in China on the back of policy support for its beleaguered housing sector. Turkey was the top performer, closely followed by Taiwan, due to its profusion of major tech companies. South Africa also performed well following its general elections, as did India. Brazil and Mexico suffered the biggest losses. Korea also trailed, as did energy-related emerging markets as oil prices fell.

Fixed-income

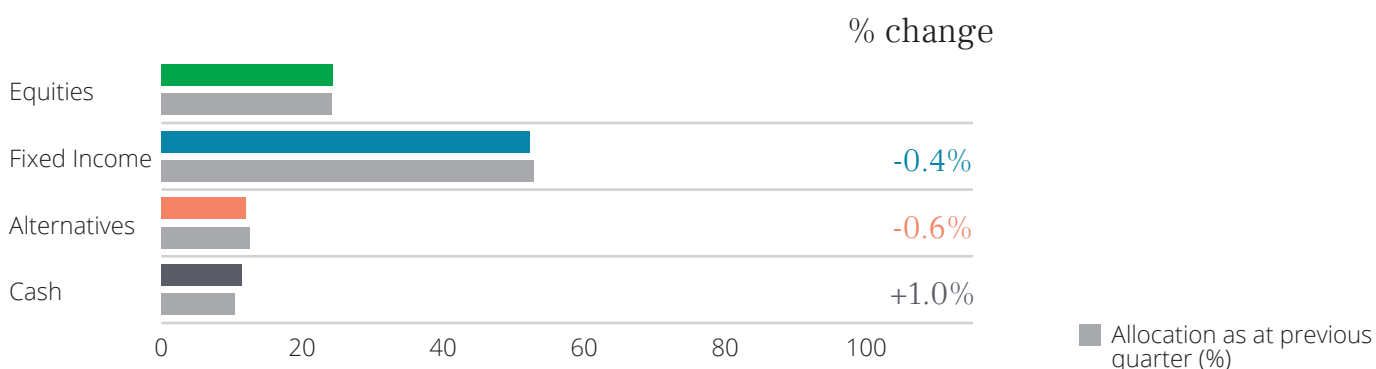


UK gilts trailed other government bonds as they declined 1.1%. US Treasuries were essentially flat after a less hawkish tone from US Federal Reserve (Fed) chairman, Jerome Powell, in June, helped to right losses from earlier in the period. The latest Fed dot-plot now shows just one rate cut in the rest of 2024, a decrease from three anticipated in March. Meanwhile, sterling corporate bonds declined by a modest 0.2%.

Source: Quilter Investors as at 30 June 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; 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 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 June

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Conservative Blend Portfolio - U1 (GBP) Accumulation Shares	4.9%	0.5%	-6.6%	5.1%	
IA Mixed Investment 0-35% Shares sector average	7.6%	-0.7%	-7.9%	6.6%	

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	0.2%	1.3%	4.9%	-1.6%		6.9%	26/07/19
IA Mixed Investment 0-35% Shares sector average	0.7%	2.1%	7.6%	-1.6%		5.0%	

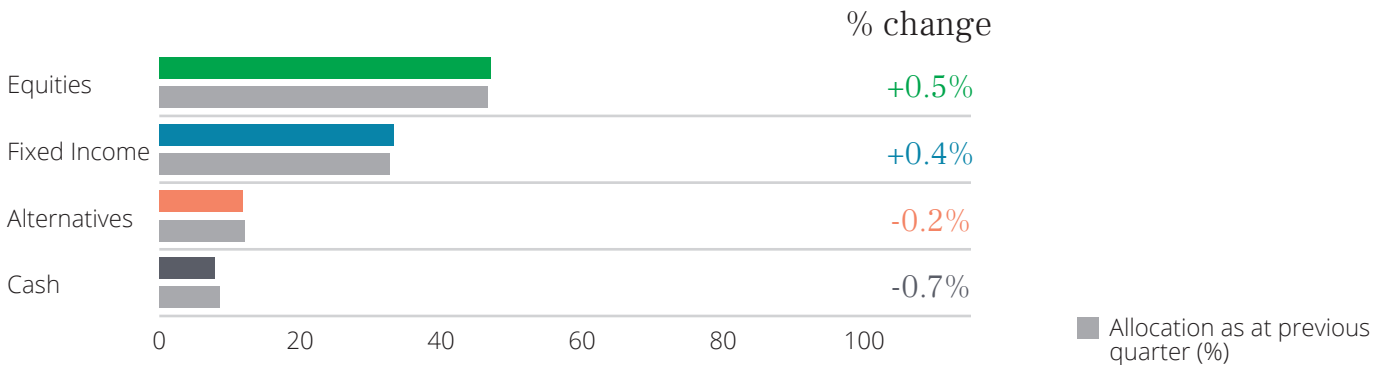
*Since launch performance figures are from the launch date of the respective share class.

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 28 June 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 June

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Balanced Blend Portfolio - U1 (GBP) Accumulation Shares	7.8%	3.4%	-5.3%	10.8%	
IA Mixed Investment 20-60% Shares sector average	9.5%	1.2%	-7.1%	11.8%	

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	0.5%	3.4%	7.8%	5.6%		17.9%	26/07/19
IA Mixed Investment 20-60% Shares sector average	1.2%	3.7%	9.5%	2.8%		12.4%	

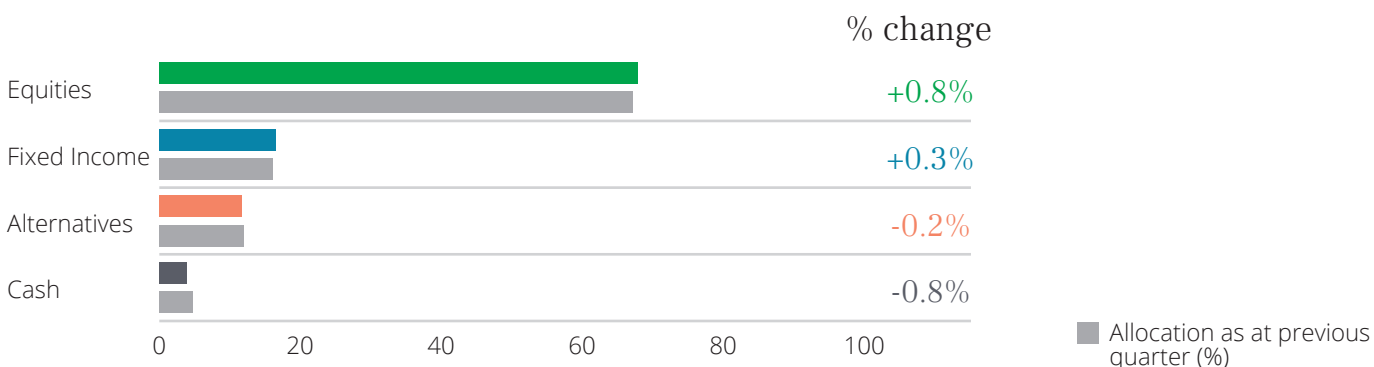
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Your investment summary: Cirilium Moderate Blend Portfolio

Cirilium Moderate Blend Portfolio asset allocation breakdown



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

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Moderate Blend Portfolio - U1 (GBP) Accumulation Shares	10.3%	5.5%	-4.6%	16.8%	
IA Mixed Investment 40-85% Shares sector average	11.8%	3.3%	-7.2%	17.4%	

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	0.8%	5.1%	10.3%	11.0%		27.8%	26/07/19
IA Mixed Investment 40-85% Shares sector average	1.7%	5.9%	11.8%	7.2%		23.3%	

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

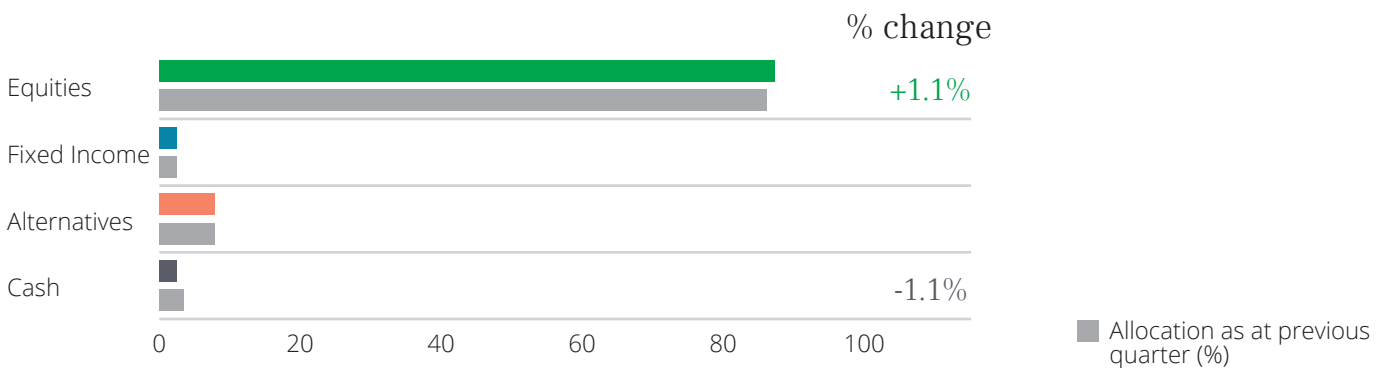
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Your investment summary: Cirilium Dynamic Blend Portfolio

Cirilium Dynamic Blend Portfolio asset allocation breakdown



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

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Dynamic Blend Portfolio - U1 (GBP) Accumulation Shares	12.3%	7.2%	-5.2%	22.1%	
IA Flexible Investment sector average	11.6%	3.7%	-7.2%	19.8%	

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	1.1%	6.6%	12.3%	14.0%		33.9%	26/07/19
IA Flexible Investment sector average	1.7%	6.2%	11.6%	7.3%		26.3%	

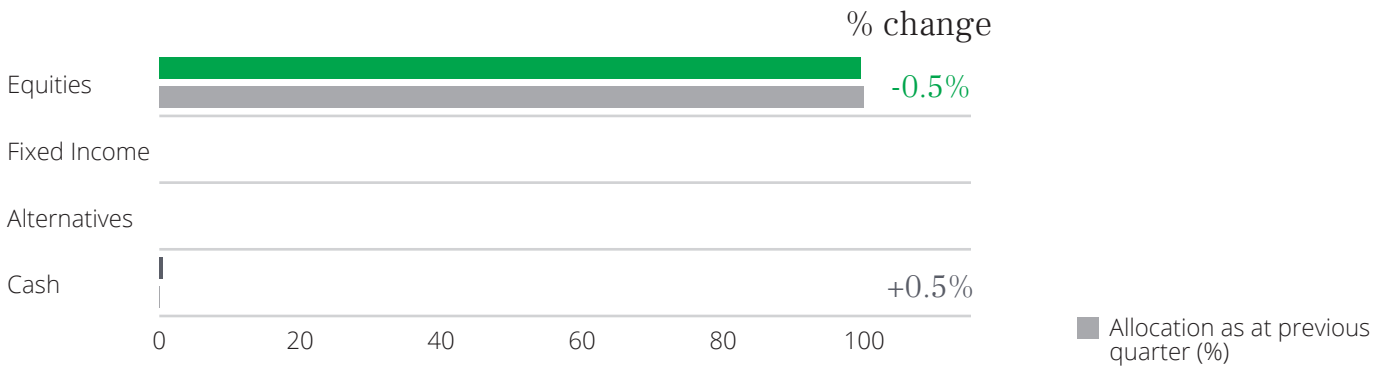
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Source: Quilter Investors as at 28 June 2024 unless otherwise stated. Total return, percentage growth, net of fees in pounds sterling. We have shown the performance of the portfolio against a performance comparator that is considered appropriate on 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 Adventurous Blend Portfolio

Cirilium Adventurous Blend Portfolio asset allocation breakdown



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

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Adventurous Blend Portfolio - U1 (GBP) Accumulation Shares	13.3%	8.1%	-6.4%	24.0%	
IA Flexible Investment sector average	11.6%	3.7%	-7.2%	19.8%	

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	1.1%	7.1%	13.3%	14.6%		35.4%	26/07/19
IA Flexible Investment sector average	1.7%	6.2%	11.6%	7.3%		26.3%	

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

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Source: Quilter Investors as at 28 June 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
EQUITY			24.28%	47.08%	67.92%	87.31%	99.50%
ASIA PACIFIC EQUITY			4.50	7.80	10.55	13.51	14.53
BAILLIE GIFFORD JAPANESE INCOME GROWTH	BAILLIE GIFFORD	COLLECTIVE	0.60	0.70	1.09	1.60	1.99
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	1.06	1.65	2.41	3.36	3.43
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	1.55	3.26	4.20	5.00	4.90
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.40	1.05	1.24	1.53	1.51
M&G JAPAN FUND	M&G	COLLECTIVE	0.90	1.13	1.61	2.02	2.69
EMERGING MARKETS EQUITY			0.91	2.41	4.13	5.29	6.77
FIDELITY CHINA CONSUMER FUND	FIDELITY	COLLECTIVE	0.00	0.20	0.30	0.41	0.45
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.08	0.81	1.80	2.30	2.83
PACIFIC NORTH OF SOUTH EM ALL CAP EQUITY	PACIFIC CAPITAL PARTNERS	COLLECTIVE	0.39	0.79	1.10	1.38	1.83
QUILTER INV EM EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.44	0.61	0.93	1.21	1.66
EUROPEAN EQUITY			4.27	9.42	13.87	18.06	20.83
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	2.13	6.04	9.18	12.18	13.12
M&G EUROPEAN STRATEGIC VALUE FUND	M&G	COLLECTIVE	0.87	1.30	1.75	2.09	2.78
MONTANARO EUROPEAN INCOME FUND	MONTANARO	COLLECTIVE	0.39	0.69	0.98	1.24	1.69
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.47	0.76	1.06	1.36	1.67
QUILTER INV EUR (EX UK) EQ (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	0.41	0.62	0.90	1.19	1.58
GLOBAL EQUITY			4.70	4.97	5.40	5.57	6.09
AB INTERNATIONAL HEALTH CARE PORTFOLIO	ALLIANCE BERNSTEIN	COLLECTIVE	0.52	0.63	0.70	1.00	1.43
ISHARES MSCI WORLD HEALTH CARE UCITS ETF	BLACKROCK	COLLECTIVE	1.00	0.90	0.81	0.50	0.10
NINETY ONE GLOBAL SPECIAL SITUATIONS FUND	NINETY ONE	COLLECTIVE	1.10	1.09	1.34	1.40	1.62
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	1.20	1.43	1.59	1.76	2.01
SCHRODER GLOBAL ENERGY TRANSITION FUND	SCHRODERS	COLLECTIVE	0.89	0.91	0.96	0.91	0.94
NORTH AMERICAN EQUITY			3.22	9.08	14.48	19.55	22.62
BERKSHIRE HATHAWAY B SHARES		DIRECT EQUITY	0.23	0.60	0.82	0.99	1.29
BRANDES U.S. VALUE	BRANDES	COLLECTIVE	0.46	1.22	1.42	1.67	2.22
GRANAHAN US SMID SELECT FUND	GRANAHAN	COLLECTIVE	0.29	0.68	0.99	1.30	1.54
ISHARES EDGE MSCI USA VALUE UCITS ETF	BLACKROCK	COLLECTIVE	0.30	0.81	1.02	1.22	1.52
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	1.19	4.02	7.75	11.21	12.00

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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
EQUITY (CONTINUED)							
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.29	0.68	1.07	1.51	1.91
SANDS CAPITAL US SELECT GROWTH FUND	SANDS CAPITAL	COLLECTIVE	0.45	1.07	1.41	1.66	2.14
UK EQUITY			6.68	13.41	19.49	25.33	28.66
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	3.84	9.33	13.62	16.68	17.31
J O HAMBRO UK DYNAMIC FUND	J O HAMBRO	COLLECTIVE	0.60	0.91	1.30	2.00	2.71
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.45	0.62	1.01	1.59	2.01
MONTANARO UK INCOME FUND	MONTANARO	COLLECTIVE	0.59	0.89	1.14	1.72	2.19
PREMIER MITON UK VALUE OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.60	0.68	1.12	1.52	2.02
QUILTER INV UK EQUITY 2 (NINETY ONE)	NINETY ONE	COLLECTIVE	0.60	0.98	1.29	1.81	2.42
FIXED INCOME			52.33%	33.20%	16.48%	2.45%	0.00%
CORPORATE BONDS			10.69	9.61	5.10	1.54	0.00
FEDERATED HERMES UNCONSTRAINED CREDIT	HERMES	COLLECTIVE	1.38	1.40	1.37	0.67	0.00
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	0.71	0.72	0.70	0.39	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.00	0.01	0.00	0.00	0.00
VANGUARD GLOBAL CORPORATE BOND INDEX FUND	VANGUARD	COLLECTIVE	5.90	5.24	2.53	0.48	0.00
WELLINGTON GLOBAL CREDIT ESG FUND	WELLINGTON	COLLECTIVE	2.71	2.24	0.50	0.00	0.00
EMERGING MARKET DEBT			4.18	3.41	1.16	0.06	0.00
ISHARES CHINA CNY BOND UCITS ETF	BLACKROCK	COLLECTIVE	4.18	3.41	1.16	0.06	0.00
GOVERNMENT BONDS			21.42	13.88	3.97	-0.04	0.00
10Y AUSTRALIA T-BOND (SFE) SEP 24		DERIVATIVE	0.32	0.29	0.09	0.00	0.00
10Y T-NOTE (CBT) SEP 24		DERIVATIVE	0.00	0.00	0.00	-0.45	0.00
10Y ULTRA T-NOTE (CBT) SEP 24		DERIVATIVE	3.30	3.19	1.82	0.00	0.00
ALLIANZ STRATEGIC BOND FUND	ALLIANZ	COLLECTIVE	4.89	0.00	0.00	0.00	0.00
EURO BUND GERMANY (EUR) SEP 24		DERIVATIVE	-0.59	0.06	0.50	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	0.79	0.88	0.92	0.37	0.00
LONG GILT (IFEU) SEP 24		DERIVATIVE	0.51	0.44	0.00	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	2.28	1.92	0.65	0.04	0.00
VANGUARD U.S. GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	9.90	7.11	0.00	0.00	0.00
OTHER FIXED INCOME			16.05	6.30	6.25	0.89	0.00
JANUS HENDERSON ASSET-BACKED SECURITIES	JANUS HENDERSON	COLLECTIVE	1.30	1.30	1.29	0.89	0.00
VANGUARD GLOBAL BOND INDEX FUND	VANGUARD	COLLECTIVE	14.74	4.99	4.95	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
ALTERNATIVES			11.92%	11.83%	11.71%	7.82%	0.00%
ALTERNATIVE EQUITY			3.39	3.49	3.38	2.28	0.00
COOPER CREEK NORTH AMERICA LNG SHRT EQ	COOPER CREEK PARTNERS	COLLECTIVE	1.02	1.06	1.02	0.71	0.00
FTF CLEARBRIDGE GLOBAL INFRASTRUCTURE INCOME FUND	CLEARBRIDGE	COLLECTIVE	1.07	1.12	1.08	0.70	0.00
MYGALE EVENT DRIVEN UCITS FUND	MYGALE	COLLECTIVE	0.64	0.66	0.64	0.44	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	0.65	0.66	0.64	0.43	0.00
ALTERNATIVE FIXED INCOME			5.65	5.54	5.47	3.69	0.00
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	1.31	1.26	1.29	0.88	0.00
BREVAN HOWARD ABSOLUTE RETURN GOV. BOND	BREVAN HOWARD	COLLECTIVE	0.72	0.70	0.68	0.39	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.70	0.70	0.69	0.49	0.00
SCHRODER ALTERNATIVE INCOME GBPH	SCHRODERS	COLLECTIVE	0.70	0.70	0.69	0.50	0.00
TAGES ECKHARDT SYSTEMATIC SHORTTERM UCITS	ECKHARDT	COLLECTIVE	1.00	0.97	0.94	0.66	0.00
WELLINGTON GLOBAL TOTAL RETURN	WELLINGTON	COLLECTIVE	1.23	1.21	1.17	0.78	0.00
ALTERNATIVE OTHER			1.06	1.06	1.10	0.70	0.00
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	1.06	1.06	1.10	0.70	0.00
COMMODITIES			1.82	1.75	1.76	1.15	0.00
L&G MULTI-STRATEGY ENHANCED COMMODITIES UCITS ETF	L&GIM LIMITED	COLLECTIVE	0.90	0.86	0.90	0.58	0.00
UBS CMCI COMMODITY CARRY SF UCITS ETF	UBS	COLLECTIVE	0.91	0.88	0.86	0.58	0.00
CASH			11.46%	7.88%	3.90%	2.41%	0.50%
CASH			11.46	7.88	3.90	2.41	0.50
TOTAL			100%	100%	100%	100%	100%

Source: Quilter Investors, as at 30 June 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 ranging from 0.2% to 1.1% over the second quarter of 2024. Equity market returns were the dominant driver of performance, although a strong showing from our alternatives holdings also contributed. In general, the portfolios were hindered by our exposures outside of the ever-dominant US tech sector as other market segments, such as US value or smaller companies, failed to keep up. Elsewhere, we increased our allocations to Japanese equities to benefit from improving corporate dynamics and more accommodative monetary policy, but we reduced our exposure to healthcare, where we are less positive in the near-term, despite the sector's structural tailwinds.



How our equity holdings performed

Resurgence in UK equities

The UK stock market was among the strongest developed markets over the quarter. Our significant allocation to UK equities, and strong returns from our active UK managers overall, also helped to boost returns over the period.

US 'exceptionalism' continues

Our allocations to value-oriented managers, such as Brandes US Value, or smaller company-focused managers, like Granahan US SMID Select, hindered performance as a small cohort of US technology stocks continued to dominate returns. Even allowing for investment style differences, most of our US managers failed to outperform their respective market segments, this impacted active fund returns meaning our passive US exposure did most to generate returns.

Yen weakness hinders Japanese holdings

A strong rebound in the Chinese stock market helped to drive Asian and emerging market indices to be the strongest performers over the quarter. However, our manager selection was generally negative for Asian and emerging markets given the broad underweight to China from key holdings such as the Fidelity Asia Pacific Fund and the Pacific North of South Emerging Markets Fund.



How our fixed-income holdings performed

High-yield bonds add value

Bond yields rose (meaning their prices fell), which delivered losses to our fixed-income allocations over the period. That said, investor risk appetite was generally positive, which meant our credit-focused allocations benefitted from some modest price gains. Consequently, our allocation to high-yield bonds via the Federated Hermes Unconstrained Credit Fund was a positive as high-yield bonds enjoyed the best gains. Even so, the gains from high-yield bonds were broadly offset by losses elsewhere, meaning aggregate returns from our bond holdings were mostly negligible.



How our alternative holdings performed

Real-return assets drive performance

Our alternatives holdings added value over the quarter, in aggregate outperforming cash thanks to both a positive strategy mix and outperformance of some of our underlying managers. The infrastructure holding, FTF ClearBridge Global Infrastructure Income Fund, and the commodity strategy, L&G Multi-Strategy Enhanced Commodities ETF, were the standout performers.

Portfolio changes

There were two asset allocation changes to our equity holdings. From a regional perspective, we increased our exposure to Japanese equity. The Japanese stock market has consistently delivered earnings growth in recent years, helped by progress in corporate governance and a more shareholder-friendly environment. We think this trend will continue and lead to above average earnings per share (EPS) growth over time. Conversely, we reviewed our healthcare position and decided to halve it. Although we retain confidence in the structural dynamics of healthcare demand, we haven't seen positive near-term corporate results. We're now looking for a stabilisation in the earnings profile of the healthcare sector before we increase our position once more.

Removed holdings



Fidelity China Fund

We exited this small Chinese equity position as part of a review of the investment case for China, which led us to be concerned about the possibility of continued weakness from the market.



Investment outlook

The halfway point of the year is a good time to look ahead to where we think the key risks and opportunities lie for the remaining six months of 2024. Going into July, we retained a slightly pro-risk stance in the portfolios, reflecting an earnings and economic backdrop which remains favourable. However, we note that market volatility driven by politics is likely to increase; that earnings delivery remains important, especially where valuations are stretched, as in the US; and that current market pricing rests on the expectation of interest-rate cuts later this year. We unpack each of these factors below.

1. Election super-cycle

The third quarter of 2024 started with two elections in quick succession, in the UK and France. The immediate aftermath from both seems to have passed with relatively little excitement from financial markets (despite a French result which was not expected). Looking into the second half of the year, we expect more market volatility from the US presidential election as it has the potential to present more of an impact on markets, given the magnitude and reach that US policy can have.

2. Company earnings delivery

A key source of our confidence in maintaining (or increasing) our allocation to riskier assets is that corporate earnings delivery either continues its current course or improves. Mid-July sees the start of another earnings season for US-listed companies, and we expect to see continued revenue and profit growth. A round of reports that also sees increased breadth in corporate earnings would be welcome as delivery so far has remained dominated by large technology companies.

3. Interest-rate expectations

Markets are currently expecting a modest level of interest-rate cuts later this year, alongside further falls in inflation and softening economic activity. While the change in employment indicators suggests weakening labour markets, these indicators remain at healthy levels meaning there's some risk that rate cuts in the US and UK don't materialise. Given the lag with which policy changes impact the economy, further delay from central banks increases the risk of recession later on.



Glossary

Active management

Active management is a traditional investment approach where the manager actively trades the holdings in their fund or portfolio to take advantage of investment opportunities or to minimise potential losses. It is the opposite of passive management.

Central bank

A central bank is the institution tasked with managing a country's currency on behalf of the government. It enforces monetary policy by setting interest rates that are appropriate for its economy and its mandate as a central bank.

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.

Credit

Credit is the generic term for bonds that are issued by companies (corporate bonds), not governments or government-backed institutions.

Earnings seasons

Earnings seasons take place quarterly. They are the periods when listed companies release their financial data, including information on company revenues, sales, profits, and margins as well as more granular details of the underlying business, its liabilities, and its forecasts for future revenue growth.

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.

Fed dot-plot

The Fed dot-plot is a chart that records each US Federal Reserve (Fed) official's projection for the central bank's key short-term interest rate, known as the federal funds rate. The dot-plot provides a de facto US monetary policy forecast as each member of the rate-setting Federal Open Market Committee (FOMC) assigns a dot to represent what they think will be the appropriate mid-point of the federal funds rate range at the end of each of the next three years, and over the longer run.

Gilts

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

Hawkish

Hawkish describes when central bankers lean towards increasing interest rates. It is the opposite of dovish.

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.

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.

Passive funds

Passive funds, also known as index or tracker funds, aim to mirror or track the performance of a given benchmark or index.

Treasuries

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

Underweight

Underweight is when a fund or portfolio holds a smaller position in a particular stock (equity), sector, region, or strategy than the index or model against its benchmark. Overweight means the opposite.

US Federal Reserve

The US Federal Reserve, commonly known as the Fed, is the central bank of the United States of America, it operates in a similar way to the Bank of England in the UK.

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.

Yield

Yield is a measure of the income an investment delivers. It is calculated as a percentage of either the original purchase price or the current market value of the asset in question.



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