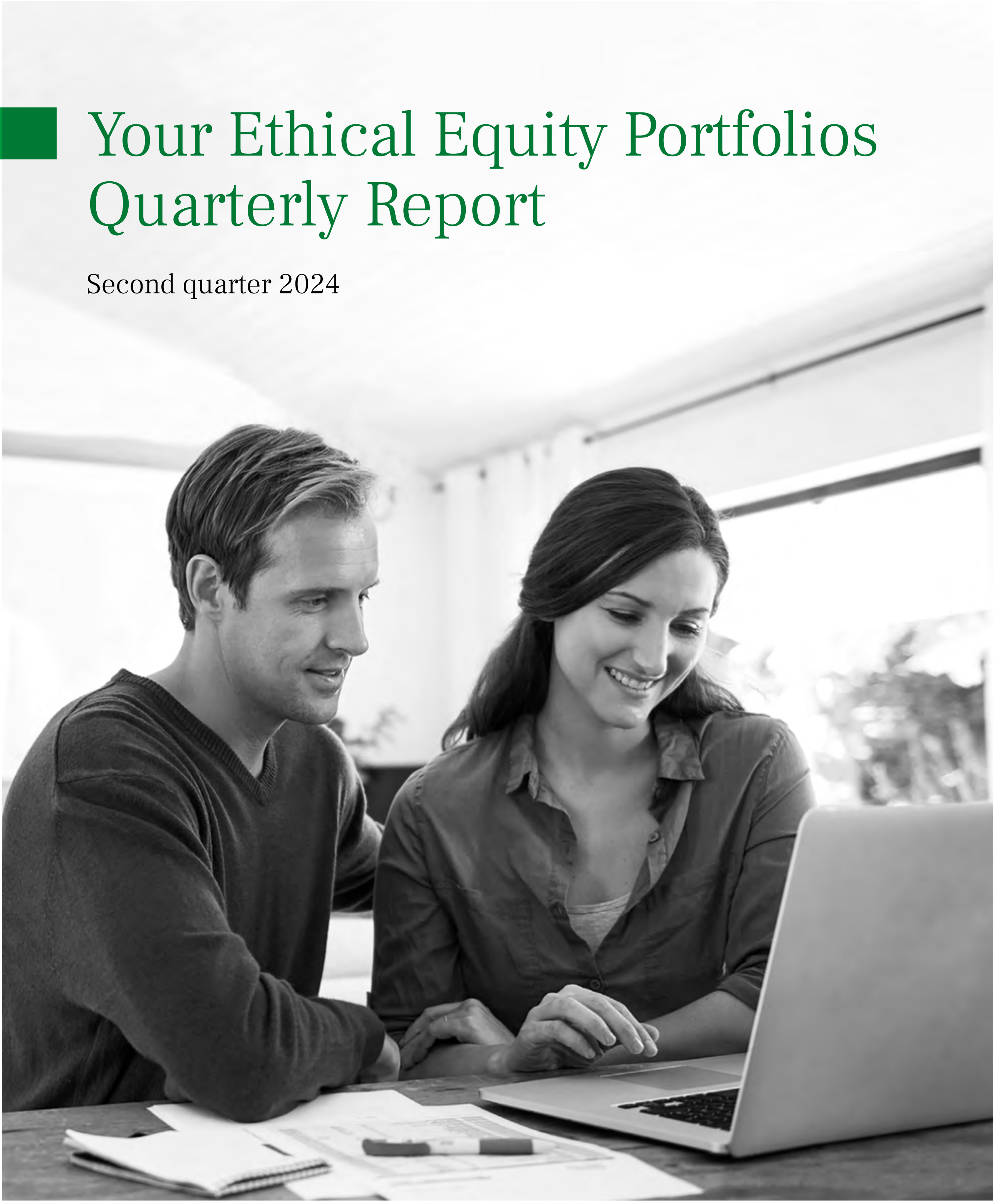
UK: Suitable for retail and professional clients.



# Your Ethical Equity Portfolios Quarterly Report

Second quarter 2024

# What your report covers

- Our market summary
- Your performance review
- Your performance summary
- 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.*

Claudia Quiroz
Fund Manager

# Your performance review

The fund returned a modest 0.1% over the quarter, underperforming its benchmark, the MSCI World Index, which gained 2.6%. This was driven by weak stock selection across Japan and emerging markets, as well as an underweight to the technology sector.

## Worst detractors

The largest detractors from performance were Horiba and SABESP. The former, a Japanese instrumentation company, was penalised by the market after reporting soft year-on-year numbers as cost-of-living concerns weighed on the automotive sector, one of its key end markets. The latter, a Brazilian water and sewage operator, saw its actions to reduce foreign debt and prepare for a privatisation create significant price volatility.

## Best contributors

The top contributor to returns was the US-based AI chip manufacturer Nvidia, it gained around 155% in the first six months of the year. The stock represents an increasingly large proportion of North American and world indices. Other top contributors included Taiwan Semiconductor Manufacturing Company (TSMC), the largest independent manufacturer of microchips, and Palo Alto, the largest company in the cyber security market.

# Your performance summary

## The Quilter Investors Ethical Equity Fund's growth over year to end of June

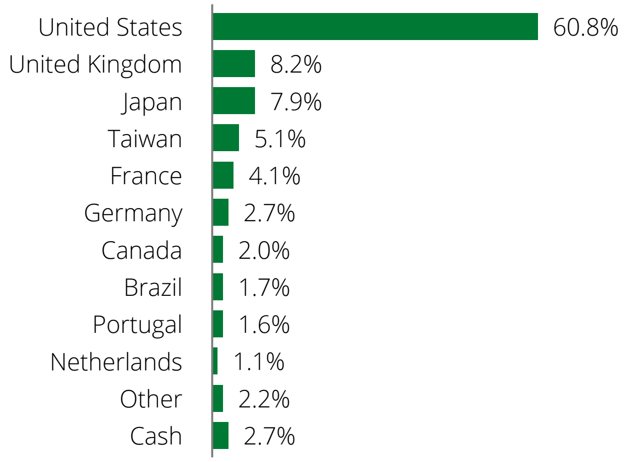
| | 2023 - 2024 | 2022 - 2023 | 2021 - 2022 | 2020 - 2021 | 2019 - 2020 |
|---|---|---|---|---|---|
| **Ethical Equity Fund** | **17.1** | **18.5** | **-7.2** | **33.0** | **3.2** |
| Benchmark | 20.9 | 13.6 | -2.8 | 25.5 | 5.8 |

## The Quilter Investors Ethical Equity Fund's growth to end of June

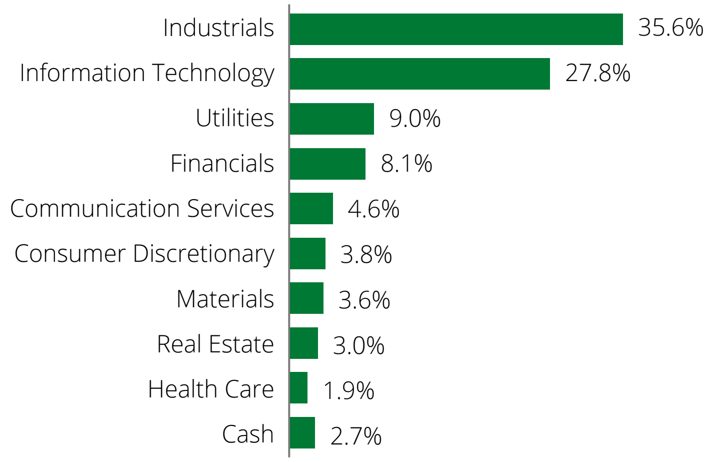
| | 3 months | 6 months | 1 year | 3 year | 5 year | Since launch |
|---|---|---|---|---|---|---|
| **Ethical Equity Fund** | **0.1** | **6.9** | **17.1** | **28.8** | **76.9** | **229.4** |
| Benchmark | 2.6 | 12.7 | 20.9 | 33.4 | 77.1 | 281.8 |

*Source: Quilter Investors as at 28 June 2024. Total return, percentage growth, net of fees, rounded to once decimal place of the R (GBP) accumulation units. The fund launched on 18 February 2013. The benchmark was the FTSE Environmental Opportunities All Share index from 18 February 2013 to 30 November 2015, the FTSE World index from 1 December 2015 to 30 March 2024, and the MSCI World Index from 31 March 2024 to 28 June 2024.*

## Country allocation




## Sector allocation



# Portfolio changes

The main changes made to your portfolio over the last quarter are shown below.

## New and increased holdings

**Microsoft**
We added to our existing position in Microsoft after it reported impressive revenue growth in recent months due to its continued execution and acceleration of 'cloud' and AI technologies.

**Salesforce**
We increased our exposure here as Salesforce is well positioned to include generative AI into its product suite, which is core to most of its customer base. We like its resilient sales growth and improving margins as well as a decent buyback and dividend.

## Removed and reduced holdings

**Tesla**
After a lengthy period of underperformance, we divested of our holding in Tesla as we lost conviction on electric vehicle penetration in the developed world.

**United Utilities**
We reduced exposure to the UK by selling the position in United Utilities and locking-in some profits from our position in Relx (see below).

**Nvidia**
We re-balanced position sizes and locked in some profits by selling down our Nvidia holding and adding to our existing positions in Microsoft and Salesforce.

**Relx**
We took some profits from our position in Relx, the information and analytics provider for the professional and business markets, and redeployed the proceeds into stocks such as Salesforce and Microsoft.

# Investment outlook

The first half of 2024 saw a favourable market environment for investors, with stock benchmarks hitting record highs. The fixed-income space also continues to offer relatively attractive yields compared to much of the past decade.

Looking ahead, equity valuations are still reasonable, although there is a concern that markets are still quite optimistic on earnings. Even so, we are guarded against complacency and stand ready to act should any attractive investment opportunities arise.

## US election jitters

In our view, the US election in November poses a significant risk to global markets, particularly regarding the treatment of the burgeoning US budget deficit. The American political divide has become increasingly fractured in recent years and as the world's largest economy, the outcome will likely have far-reaching consequences across the global economy.

## Subdued interest-rate expectations

Recent economic data hints at a softening of consumer strength while unemployment has ticked higher, but overall, it continues to fare well. The era of zero interest-rate policy is firmly behind us. We're now in a new environment of higher-for-longer interest rates, and the expected rate cuts have failed to materialise. The base case is now for one or two 0.25% cuts thanks to the ongoing resilience of leading economies and inflation not being sufficiently squashed.

## Central bankers take caution amid economic uncertainty

Economic data continues to paint a mixed picture, leaving central bankers more reluctant to loosen monetary policy than was widely assumed at the start of the year. Although inflation is back at far more palatable levels in year-on-year terms, rate-setters remain concerned that the fight is not over, and that a significant reduction in interest rates could cause another push higher in price pressures.

# Glossary

### 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.

### 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.

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

### 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.

# Thank you for investing with us

Keep an eye out for your next Quilter Investors Ethical Equity Fund quarterly report.

**Want more updates about your portfolio?**

Please visit our website at ***www.quilter.com***
for all the latest news, views, and portfolio information.

Your financial adviser is on hand to discuss anything related to your investment decisions or the suitability of the products mentioned in this document.

If you are a financial adviser and you have any questions or want to find out more about our solutions, please contact one of our ***investment directors*** or visit our website at ***www.quilter.com***.

## *Need additional help reading documents?*

More and more of our investors are using screen reading software as a quick and easy way to read their documentation if they are blind, partially sighted, or dyslexic. Alternatively, we can write to you in several alternative formats, such as large print, braille, audio, and OpenDyslexic font.

Find out more about screen readers, accessing your documents online, and our alternative format options at ***www.quilter.com/document-help***.

## Important information

***Past performance is not a guide to future performance and may not be repeated. Investment involves risk. The value of investments may go down as well as up and investors may not get back the amount originally invested.***

*There are also other risks shown below of which investors should be aware. For more information on these risks, investors should read the key investor information document (KIID).*

*The fund is denominated in one currency, but may hold assets denominated in other currencies, which means exchange rate changes may cause the value of investments to rise or fall. The fund may have exposure (either directly or indirectly) to a wide range of different investments, which means the fund will be subject to the collective risks of those investments. The fund deducts the charges from the income of the fund, which means there is the potential for capital erosion if insufficient income is achieved to cover the charges. The fund may use derivatives, which means there may be a higher level of risk. The fund invests in sectors and companies using an ethical investment strategy, which means the range of the investments may be more restrictive and the fund may be less diversified.*

*This communication is issued by Quilter Investors, a trading name of Quilter Investors Limited. Quilter Investors is registered in England and Wales under number 04227837 and is authorised and regulated by the Financial Conduct Authority (FCA) under number 208543. Registered office: Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB.*

*Quilter Investors Ethical Equity Fund is a sub-fund of Quilter Investors Trust, an authorised unit trust.*

*Quilter Investors uses all reasonable skill and care in compiling the information in this communication and in ensuring its accuracy, but no assurances or warranties are given. Investors should not rely on the information in this communication when making investment decisions. Nothing in this communication constitutes advice or a personal recommendation. This communication is for information purposes only and is not an offer or solicitation to buy or sell any Quilter Investors fund. Investors should read the KIID before investing in any sub-fund of Quilter Investors Trust. The KIID and the prospectus can be obtained from www.quilter.com in English.*

*Data from third parties is included in this communication and those third parties do not accept any liability for errors and omissions. Investors should read the important information provided by the third parties, which can be found at www.quilter.com/third-party-data. Where this communication contains data from third parties, Quilter Investors cannot guarantee the accuracy, reliability or completeness of the third-party data and accepts no responsibility or liability whatsoever in respect of such data.*

*Published: July 2024*

*QI 26715/25/7821/SK20732*