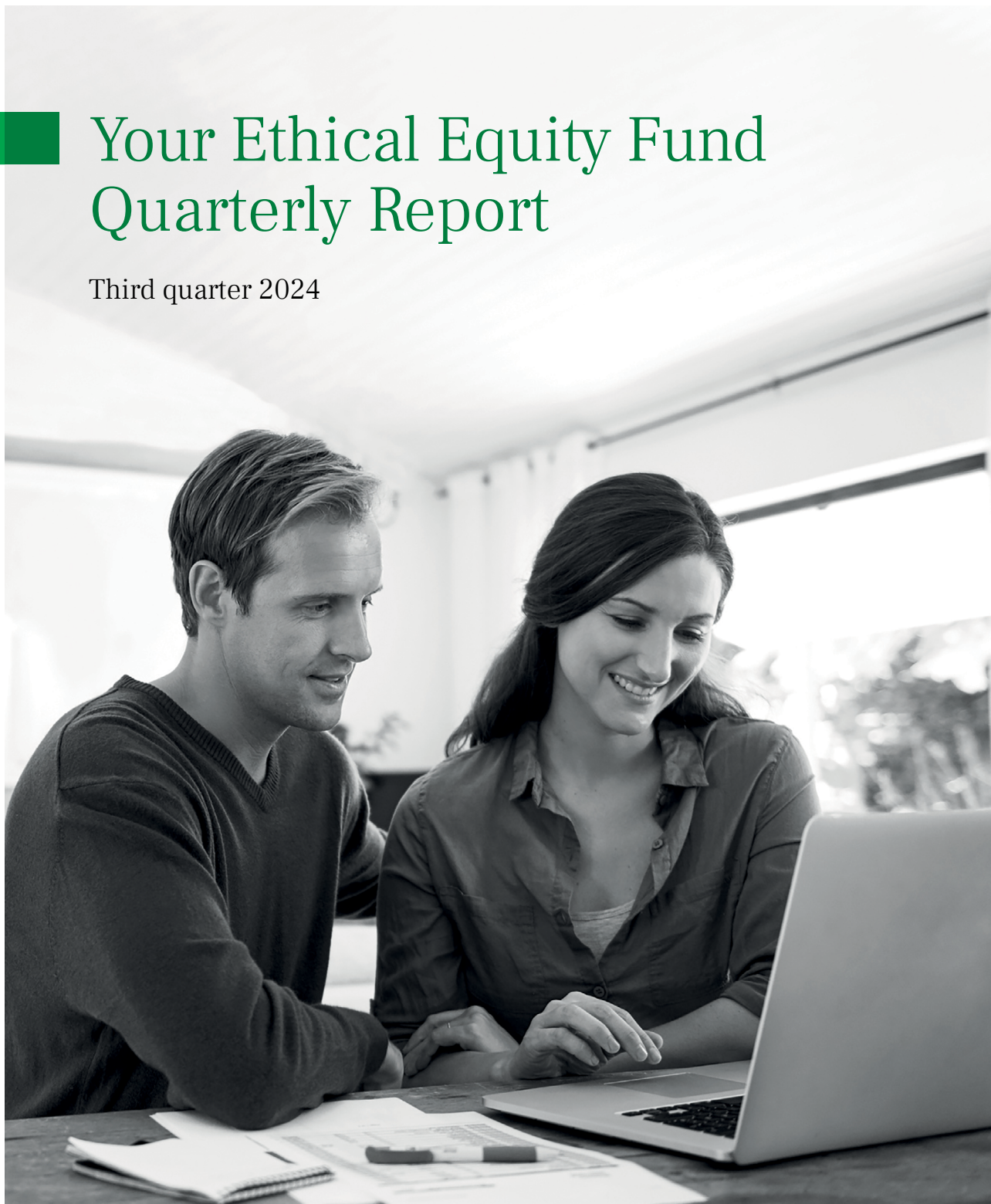


UK: Suitable for retail and professional clients.

Quilter  
Investors

# Your Ethical Equity Fund Quarterly Report

Third quarter 2024



# What your report covers

- ▶ Our market summary
- ▶ 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

The third quarter of 2024 ended with most asset classes in positive territory, but the headline figures don't tell the story of the market volatility experienced in the quarter. In early August disappointing US economic data, an interest-rate hike from the Bank of Japan, and questions about tech valuations all led to a significant sell-off in global equity markets. However, this increased volatility in markets ended up being short-lived. The long-anticipated interest rate cut by the US Federal Reserve (Fed) in September, stronger US economic data, and fresh stimulus in China helped to ease concerns supporting a strong rally at the end of the quarter.

## Equity markets



US equities advanced over the quarter, but the performance across different sectors was mixed. The quarter saw a broadening of returns away from the big tech names with the utilities and real estate sectors the best performing. Overall, US equities rose 5.9% in dollar terms, but due to the dollar's weakness against the pound, sterling-based investors saw a loss of 0.2%.



European equities were more muted in Q3 delivering returns of 1.6% in local currency terms. However, returns were again impacted by the strength of the pound and translated into a 0.1% return for sterling-based investors. Economic data highlighted the sluggish eurozone recovery this year, with Germany disproportionately affected by the ongoing global manufacturing downturn, in addition to increased competition from cheaper Chinese imports.



UK equities were up 2.2% over the quarter as the landslide Labour victory in the general election raised hopes of a more stable political backdrop and the beginnings of an economic recovery. This coincided with building expectations of a rate cut by the Bank of England (BoE), which they duly provided in August. The consumer discretionary, consumer staples, and financial sectors were the top performers over the quarter, whilst energy was a significant detractor.



Emerging markets performed well over the quarter returning 2.6%. This was largely due to the raft of new stimulus measures from Chinese policymakers that saw a surge by Chinese equities in late-September, ending the quarter 16.5% up. Elsewhere, Thailand was the top performer with South Africa also notably strong, whilst India, Brazil, and Korea all underperformed.

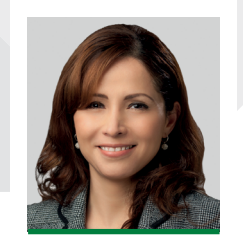
## Fixed-income



Fixed income markets were buoyed by the prospect of lower interest rates with global bonds up 4.1% and global corporate bonds returning 4.9%. Government bonds performed well due to changing investor expectations on interest rates. US Treasuries gained 4.7%, while UK gilts trailed with a return of 2.4%.

Source: Quilter Investors as at 30 September 2024. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for global equities 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 Emerging Markets Index; Chinese equities by the MSCI China Index, global bonds by the Bloomberg Global Aggregate Index; global corporate bonds by the Bloomberg Global Aggregate Corporate Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; and UK gilts by the ICE BofA UK Gilt Index.





Claudia Quiroz  
Fund Manager

# Your performance review

The fund had a strong third quarter of 2024 and was ahead of its comparator benchmark, the MSCI World Index. This performance was mostly driven by good stock selection across European and US equities. During the period we were beneficiaries of interest rates cuts as the current value of future cash flows, of the growth stocks we invest in, are valued more highly as interest rates fall. This is supported across our exposure to the energy transition and resource efficiency themes.

Our sector allocation was positive, driven by our overweight to industrials and utilities overweight. The largest contributors to returns were United Rentals, a US industrial and construction equipment rental company, Waters, a US scientific instrument and software manufacturer, and EDPR, a Portuguese renewable energy company.

# Portfolio changes

After a strong rally, we rebalanced the fund by locking in profits from Nvidia and Taiwan Semiconductor Manufacturing. We took the opportunity to add to our holding in Microsoft, as in our view, it is the most defensive way to have long-term exposure to the growth in artificial intelligence, as manufacturing efficiencies start to be deployed across industrial sectors.

## New and increased holdings

### S&P Global

#### S&P Global

We like that S&P is an AI winner in the financial services space and enjoys high operating margins supported by strong market shares. Also, it is a beneficiary of key growth drivers, including the ongoing active to passive shift in asset management, increasing debt that needs to be rated by its ratings' division.

## Removed and reduced holdings

### Alphabet

#### Alphabet

We sold our holding based on a breach of the fund's animal testing criteria. We uncovered that its subsidiary Calico is involved in drug development programmes in partnership with pharmaceutical companies.



# Your performance summary

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

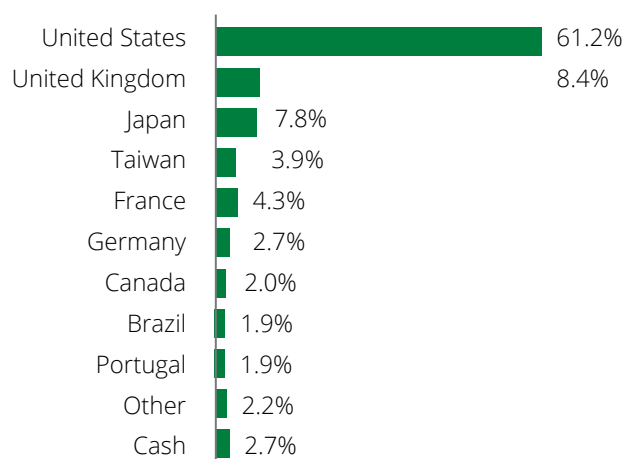
	2023 - 2024	2022 - 2023	2021 - 2022	2020 - 2021	2019 - 2020
<b>Ethical Equity Fund</b>	<b>19.2</b>	<b>14.4</b>	<b>-9.5</b>	<b>30.9</b>	<b>6.5</b>
Benchmark	20.5	12.2	-3.0	24.0	5.2

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

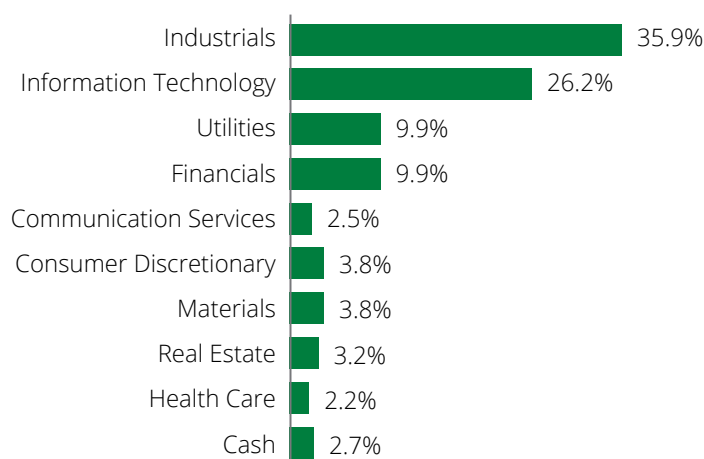
	3 months	6 months	1 year	3 year	5 year	Since launch
<b>Ethical Equity Fund</b>	<b>0.8</b>	<b>0.9</b>	<b>19.2</b>	<b>23.4</b>	<b>71.9</b>	<b>232.2</b>
Benchmark	0.2	2.8	20.5	31.1	71.1	282.7

Source: Quilter Investors as at 30 September 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 29 June 2024, and the MSCI World Index from 30 June 2024 to 30 September 2024.

### Country allocation



### Sector allocation



# Investment outlook

Stock markets remain on track for another good year despite the usual summer bout of volatility. Corporate earnings continue to grow across most sectors and regions, underpinning our positive outlook for equities.

The boost given to Bond markets by central bank actions, and inflation falling back closer to target, are also supportive of our positive outlook. The Fed is expected to lower rates faster than their European peers, maintaining downward pressure on the US dollar. Markets are pricing in another 0.5% of cuts before the end of the year and a Fed funds rate below 3% by the end of 2025.

## Glossary

### Central banks

Central banks are the financial institutions typically tasked with managing a country's financial stability, by implementing monetary policy. This will involve setting interest rates, watching price stability, and regulating other financial institutions or organisations.

### Consumer discretionary

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

### Consumer staples

Consumer staples are goods and services that are always in demand. Consequently, consumer staples companies are referred to as being non-cyclical or defensive companies and are favoured by investors when economic growth declines.

### Corporate bonds

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

### Currency weakness

Currency weakness is when a currency, such as sterling, falls compared to another currency. For example, if a sterling investor holds a US dollar investment, and sterling falls compared to the US dollar, the return from the investment will increase.

### Gilts

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

### Growth stocks

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

### 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 is benchmarked. Underweight 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.

### US Treasuries

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

### Volatility

Volatility is the extent and speed of change in the value of a financial security such as a bond or equity. The greater the movements in the price of a security, and the shorter the period of such changes, the higher its volatility. The higher the volatility of an asset, the more unpredictable and extreme its price movements.



## 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 fund?

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 contact one of our [investment directors](#) or visit our website at [www.quilter.com](http://www.quilter.com).



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## 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.

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