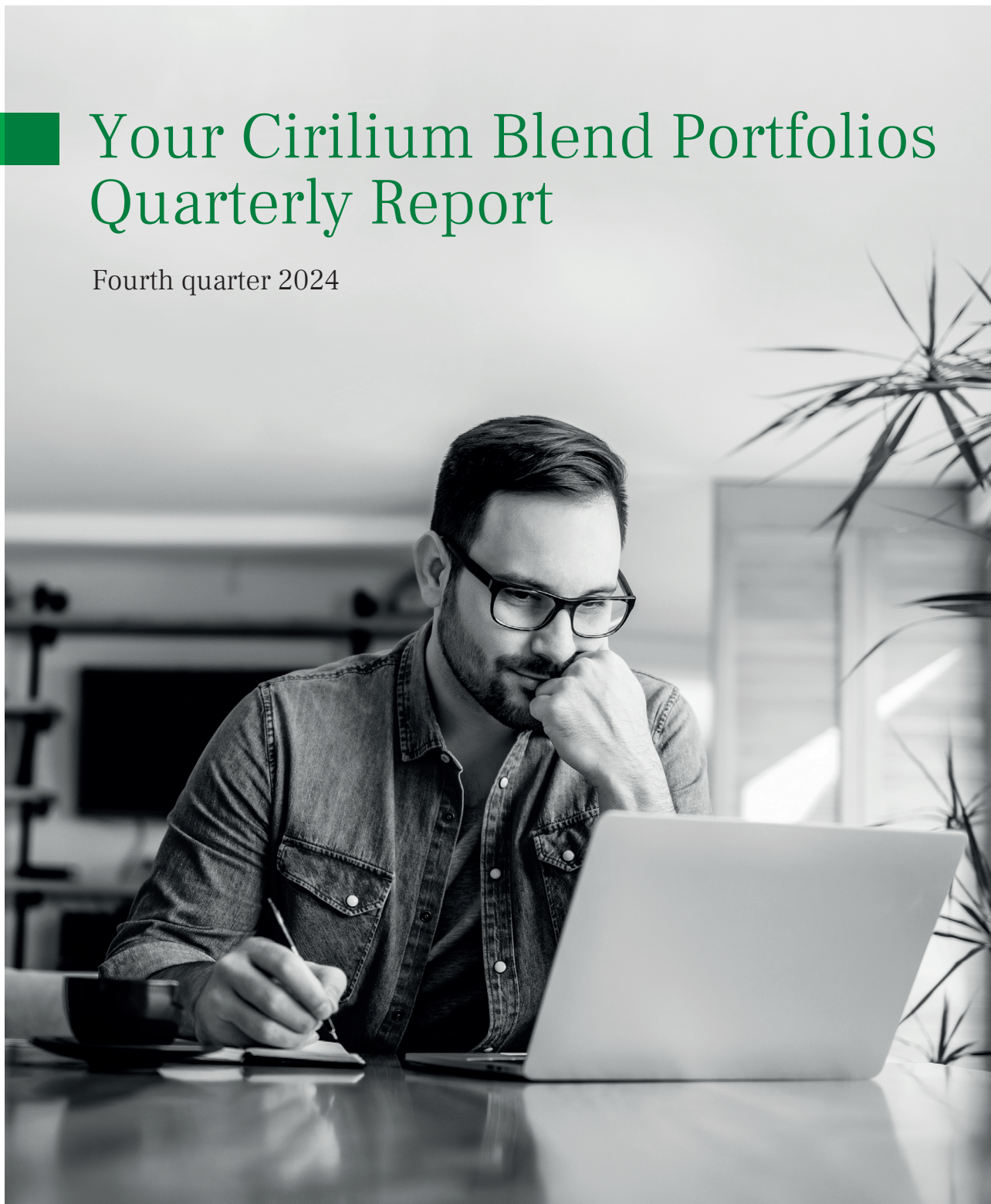


UK: Suitable for retail and professional clients.

Quilter  
Investors

# Your Cirilium Blend Portfolios Quarterly Report

Fourth 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 were up 1.4% in US dollar terms in the fourth quarter of 2024. However, the currency weakness of sterling saw returns boosted to 6.1% for sterling-based investors. At a regional equity level, the US and Japan were the only developed markets that saw positive returns over the quarter. The US stock market advanced following Donald's Trump's victory in the Presidential election, but other regional markets came under pressure amid worries over the impact of tariffs.

Fixed income markets were highly volatile in the last quarter of 2024 due to geopolitical tensions, the decisions of central banks, and persistent inflation.

## Equity markets



US equities rose by 2.8% in US dollar terms, translating to a 10.1% return for sterling investors due to the strong dollar. Markets were buoyed by Trump's clean sweep of the presidency, Senate, and House, with expectations of lower taxes and reduced regulation. The best-performing sectors were consumer discretionary, communication services, and tech, while materials was the weakest.



European equities end the final quarter of the year with a decline of 4.2%, driven by concerns over a potential recession in the eurozone. Political instability was also prevalent during Q4, notably marked by the collapse of the German coalition government in November and the resignation of the French Prime Minister in December following a vote of no confidence. The weakest performing sectors for the quarter were materials, real estate, and consumer staples.



UK equities ended the quarter 0.6% lower as several domestically-focused sectors declined due to an increase in long-term bond yields and concerns about the outlook for the UK economy. Additionally, there were indications that cost increases mentioned in the Budget could be affecting the jobs market. Industry hiring data for November indicated weak demand for UK staff leading up to the Christmas period.



Overall, emerging markets were down 1.3% for sterling-based investors (down 4.2% in US dollars). Chinese equities saw a 7.0% loss in local currency, but the renminbi's strength against the pound saw this soften to a 1.1% decline. Trump's victory acted as a headwind for emerging markets with concerns about the impact of tariffs weighing heavy on China. Only four emerging markets recorded positive returns over the quarter – the Czech Republic, Kuwait, Taiwan, and the UAE.

## Fixed-income

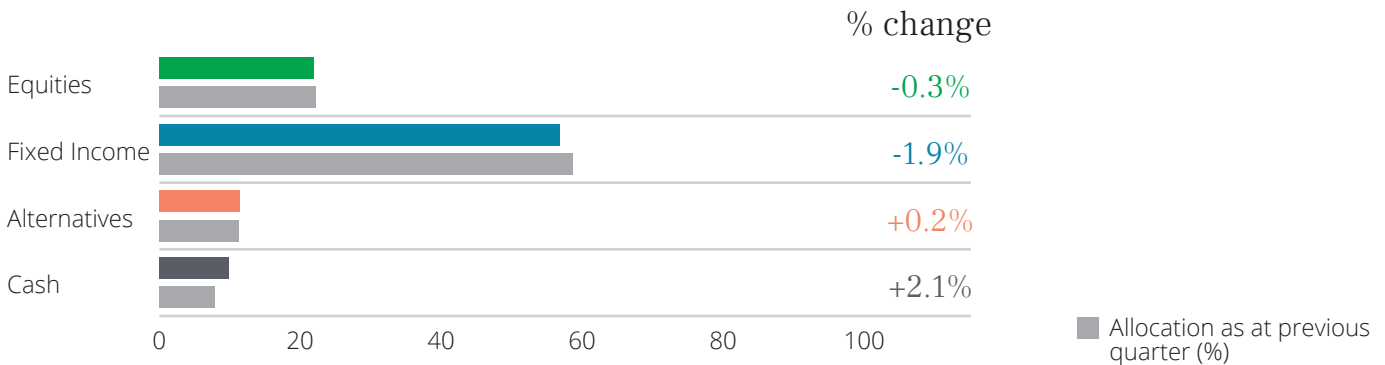


Robust US economic data and higher inflation caused considerable volatility in fixed-income markets, pushing up yields and strengthening the US dollar. The quarter was also marked by notable selloffs in government bond markets. UK gilts were down 3.6%, US Treasuries down 3.5%, and global bonds overall were down 1.0%. In corporate bonds, high-yield bonds outperformed investment-grade bonds, driven by expectations of a pro-business Trump administration.

Source: Quilter Investors and FactSet as at 31 December 2024. Total return, percentage growth in pounds sterling except where shown, rounded to one decimal place. The performance shown for each equity market is represented by the appropriate MSCI Index. Global bonds are represented by the Bloomberg Global Aggregate (GBP Hedged) Index, US Treasuries by the ICE BofA US Treasury (GBP Hedged) Index; and UK gilts by the ICE BofA UK Gilt 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 December

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Conservative Blend Portfolio - U1 (GBP) Accumulation Shares	2.6%	4.6%	-7.1%	0.6%	6.1%
IA Mixed Investment 0-35% Shares sector average	4.4%	6.1%	-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%	1.3%	2.6%	-0.3%	6.4%	8.2%	26/07/19
IA Mixed Investment 0-35% Shares sector average	-0.4%	2.2%	4.4%	-0.6%	6.0%	7.3%	

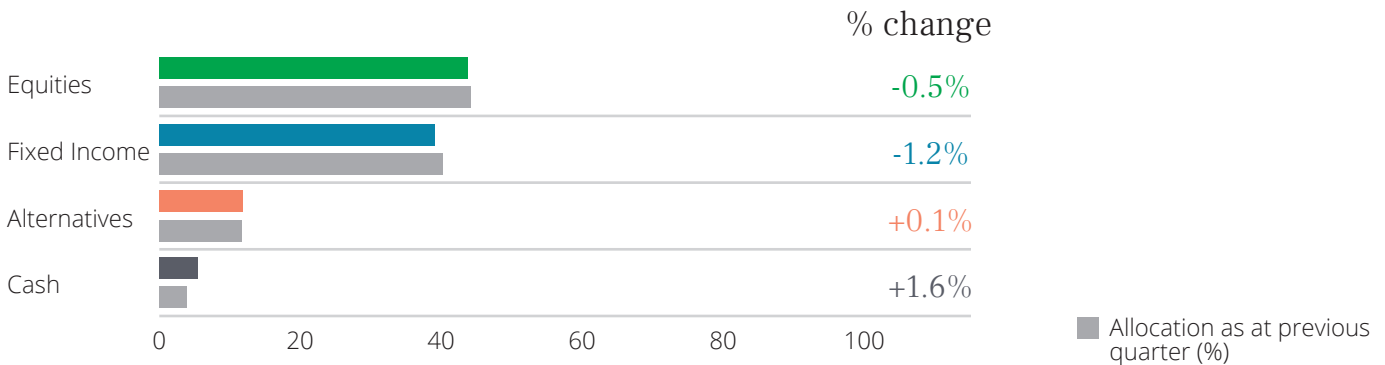
\*Since launch performance figures are from the launch date of the respective share class.

**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 31 December 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 December

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Balanced Blend Portfolio - U1 (GBP) Accumulation Shares	5.3%	6.7%	-5.7%	4.9%	5.1%
IA Mixed Investment 20-60% Shares sector average	6.2%	6.9%	-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	0.1%	1.8%	5.3%	6.0%	16.9%	20.0%	26/07/19
IA Mixed Investment 20-60% Shares sector average	0.1%	2.4%	6.2%	2.5%	12.8%	15.1%	

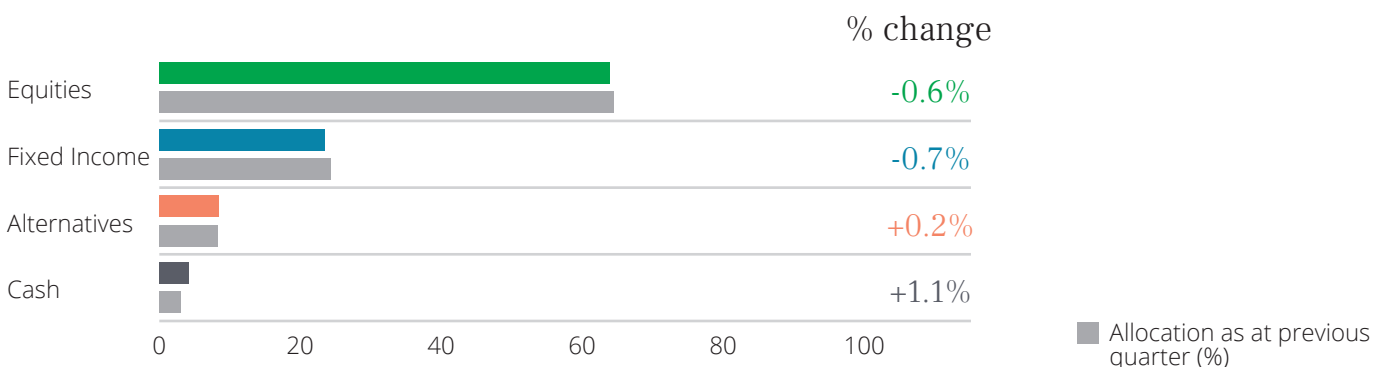
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# Your investment summary: Cirilium Moderate Blend Portfolio

## Cirilium Moderate Blend Portfolio asset allocation breakdown



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

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Moderate Blend Portfolio - U1 (GBP) Accumulation Shares	7.6%	8.3%	-5.0%	8.6%	5.4%
IA Mixed Investment 40-85% Shares sector average	8.9%	8.1%	-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	0.8%	2.4%	7.6%	10.7%	26.7%	30.9%	26/07/19
IA Mixed Investment 40-85% Shares sector average	1.2%	2.8%	8.9%	5.7%	24.0%	26.8%	

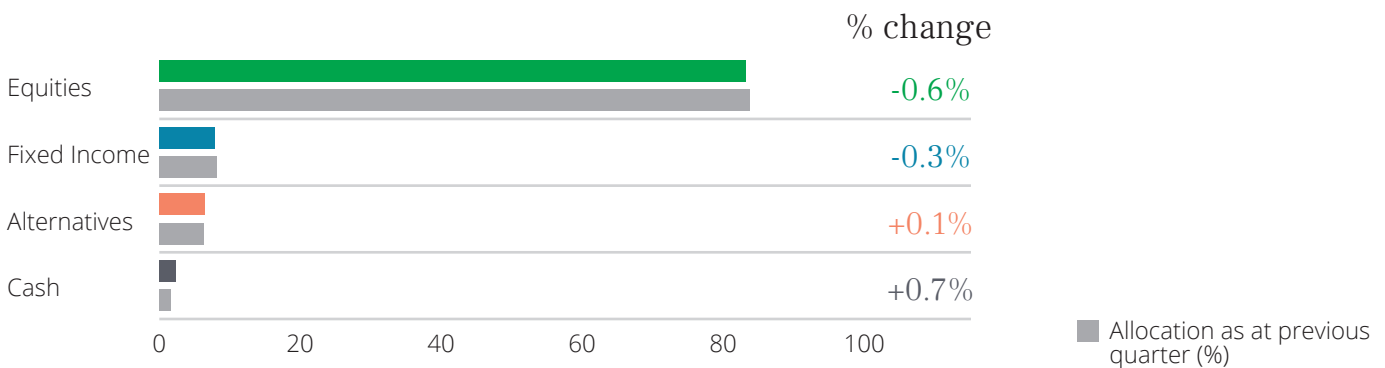
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# Your investment summary: Cirilium Dynamic Blend Portfolio

## Cirilium Dynamic Blend Portfolio asset allocation breakdown



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

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Dynamic Blend Portfolio - U1 (GBP) Accumulation Shares	9.7%	9.5%	-5.8%	11.9%	5.3%
IA Flexible Investment sector average	9.2%	7.3%	-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	1.5%	2.9%	9.7%	13.1%	33.3%	37.8%	26/07/19
IA Flexible Investment sector average	1.7%	2.8%	9.2%	6.4%	26.9%	29.8%	

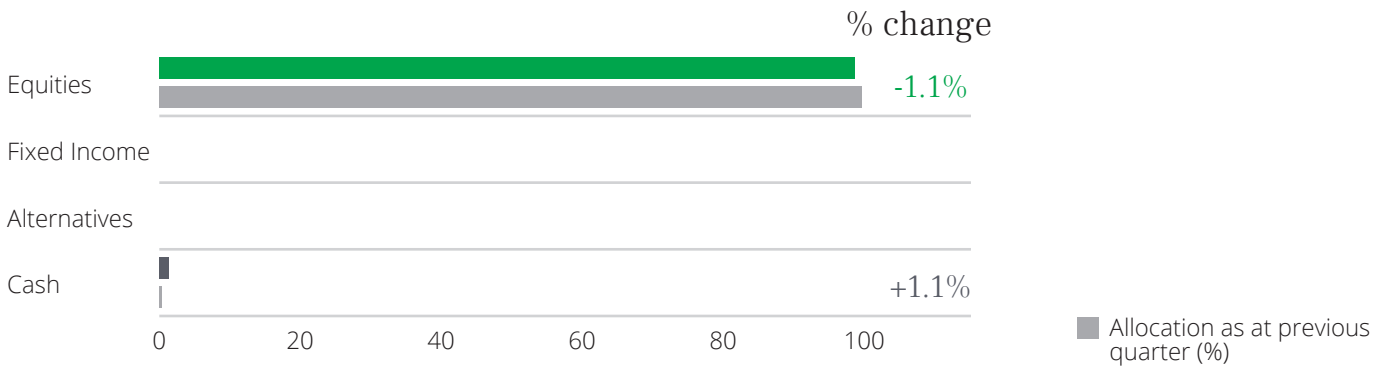
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# Your investment summary: Cirilium Adventurous Blend Portfolio

## Cirilium Adventurous Blend Portfolio asset allocation breakdown



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

Holding	2024	2023	2022	2021	2020
Quilter Investors Cirilium Adventurous Blend Portfolio - U1 (GBP) Accumulation Shares	10.8%	10.5%	-7.2%	13.3%	5.1%
IA Flexible Investment sector average	9.2%	7.3%	-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	1.9%	3.4%	10.8%	13.6%	35.4%	40.0%	26/07/19
IA Flexible Investment sector average	1.7%	2.8%	9.2%	6.4%	26.9%	29.8%	

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# 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>21.91%</b>	<b>43.70%</b>	<b>63.90%</b>	<b>83.22%</b>	<b>98.61%</b>
<b>ASIA PACIFIC EQUITY</b>			<b>3.46</b>	<b>5.12</b>	<b>6.73</b>	<b>8.84</b>	<b>10.11</b>
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	0.58	1.00	1.53	2.10	2.50
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	1.61	1.83	1.70	1.95	1.90
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.29	0.25	0.34	0.69	0.78
M&G JAPAN FUND	M&G	COLLECTIVE	0.58	1.04	1.89	2.41	2.79
MSCI PACIFIC EX JP NTR (EUR) MAR 25		DERIVATIVE	0.39	1.00	1.28	1.68	2.14
<b>EMERGING MARKETS EQUITY</b>			<b>1.94</b>	<b>4.22</b>	<b>6.38</b>	<b>8.12</b>	<b>9.49</b>
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.83	2.24	3.32	4.08	4.56
PACIFIC NORTH OF SOUTH EM ALL CAP EQUITY	PACIFIC CAPITAL PARTNERS	COLLECTIVE	0.56	1.00	1.58	2.05	2.47
QI EMERGING MARKETS EQUITY FUND		COLLECTIVE	0.54	0.97	1.48	1.99	2.45
<b>EUROPEAN EQUITY</b>			<b>0.16</b>	<b>4.07</b>	<b>7.52</b>	<b>10.72</b>	<b>13.46</b>
EURO STOXX 50 (EUR) MAR 25		DERIVATIVE	-0.99	0.46	0.46	0.46	0.50
INVESCO EUROPEAN EQUITY INCOME FUND	INVESCO	COLLECTIVE	0.39	0.66	0.96	1.22	1.51
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.00	1.21	2.94	5.01	6.05
M&G EUROPEAN STRATEGIC VALUE FUND	M&G	COLLECTIVE	0.64	1.28	2.17	2.65	3.56
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.56	0.90	1.42	1.82	2.30
SX5E 06/20/25 P3950		DERIVATIVE	0.10	0.10	0.10	0.10	0.10
SX5E 06/20/25 P4950		DERIVATIVE	-0.54	-0.54	-0.54	-0.54	-0.55
<b>GLOBAL EQUITY</b>			<b>3.37</b>	<b>4.06</b>	<b>5.17</b>	<b>6.29</b>	<b>6.98</b>
AB INTERNATIONAL HEALTH CARE PORTFOLIO	ALLIANCE BERNSTEIN	COLLECTIVE	0.49	0.56	0.69	0.98	1.38
NINETY ONE GLOBAL SPECIAL SITUATIONS FUND	NINETY ONE	COLLECTIVE	0.53	0.82	1.33	1.91	2.21
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	0.57	1.01	1.54	2.11	2.48
SCHRODER GLOBAL ENERGY TRANSITION FUND	SCHRODERS	COLLECTIVE	0.79	0.79	0.82	0.82	0.82
XTRACKERS MSCI WORLD HEALTHCARE UCITS ETF	DWS	COLLECTIVE	0.99	0.87	0.79	0.47	0.09
<b>NORTH AMERICAN EQUITY</b>			<b>7.96</b>	<b>15.70</b>	<b>22.88</b>	<b>29.44</b>	<b>35.03</b>
BERKSHIRE HATHAWAY B SHARES		DIRECT EQUITY	0.75	1.30	1.99	2.60	2.97
BRANDES U.S. VALUE	BRANDES	COLLECTIVE	0.74	1.34	1.96	2.55	2.98
E-MINI S&P 500 EQUAL WEIGHT (CME) MAR 25		DERIVATIVE	2.10	1.93	1.91	1.97	2.00
EMINI S&P 500 (CME) MAR 25		DERIVATIVE	0.73	0.82	0.81	0.83	0.83
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	3.13	7.99	12.32	16.09	19.62
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.50	0.87	1.28	1.61	1.99

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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>							
QUILTER INV US EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.97	1.86	2.58	3.41	3.95
SANDS CAPITAL US SELECT GROWTH FUND	SANDS CAPITAL	COLLECTIVE	0.52	0.92	1.33	1.70	1.95
SPX US 06/20/25 P4850		DERIVATIVE	0.25	0.22	0.22	0.22	0.22
SPX US 06/20/25 P6050		DERIVATIVE	-1.72	-1.54	-1.52	-1.55	-1.48
<b>UK EQUITY</b>			<b>5.03</b>	<b>10.53</b>	<b>15.22</b>	<b>19.82</b>	<b>23.55</b>
FTSE 100 (IFEU) MAR 25		DERIVATIVE	0.75	0.68	0.68	0.68	0.72
INVESCO UK OPPORTUNITIES FUND	INVESCO	COLLECTIVE	0.62	1.10	1.59	2.10	2.53
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	2.37	5.70	7.76	10.13	11.96
J O HAMBRO UK DYNAMIC FUND	J O HAMBRO	COLLECTIVE	0.47	0.83	1.24	1.58	1.88
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.52	1.09	1.92	2.40	2.85
MONTANARO UK INCOME FUND	MONTANARO	COLLECTIVE	0.45	0.78	1.17	1.54	1.83
QUILTER INV UK EQUITY 2 (NINETY ONE)	NINETY ONE	COLLECTIVE	0.62	1.09	1.60	2.12	2.54
UKX 06/20/25 P6500		DERIVATIVE	0.09	0.08	0.08	0.08	0.08
UKX 06/20/25 P8275		DERIVATIVE	-0.85	-0.82	-0.81	-0.82	-0.84
<b>FIXED INCOME</b>			<b>56.76%</b>	<b>39.03%</b>	<b>23.55%</b>	<b>7.88%</b>	<b>0.00%</b>
<b>CORPORATE BONDS</b>			<b>28.21</b>	<b>20.28</b>	<b>13.75</b>	<b>5.42</b>	<b>0.00</b>
FEDERATED HERMES UNCONSTRAINED CREDIT	HERMES	COLLECTIVE	1.98	1.93	1.89	1.01	0.00
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	0.90	0.89	0.86	0.46	0.00
QI CORPORATE BOND FUND	PREMIER MITON	COLLECTIVE	4.02	2.84	1.70	0.66	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.00	0.01	0.00	0.00	0.00
QUILTER INV STERLING CORP BOND FUND	FIDELITY	COLLECTIVE	4.00	2.84	1.71	0.64	0.00
VANGUARD GLOBAL CORPORATE BOND INDEX FUND	VANGUARD	COLLECTIVE	5.01	3.50	2.50	1.01	0.00
VANGUARD UK INVESTMENT GRADE BOND INDEX FUND	VANGUARD	COLLECTIVE	7.36	5.02	3.12	0.96	0.00
WELLINGTON GLOBAL CREDIT ESG FUND	WELLINGTON	COLLECTIVE	4.94	3.26	1.97	0.68	0.00
<b>GOVERNMENT BONDS</b>			<b>19.22</b>	<b>11.80</b>	<b>7.29</b>	<b>1.73</b>	<b>0.00</b>
10Y AUSTRALIA T-BOND (SFE) MAR 25		DERIVATIVE	0.00	0.10	0.00	0.00	0.00
10Y ULTRA T-NOTE (CBT) MAR 25		DERIVATIVE	0.00	0.00	-0.70	-0.56	0.00
BLACKROCK ISHARES UK GILTS ALL SHARES	BLACKROCK	COLLECTIVE	13.16	9.16	5.32	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	1.02	0.99	0.97	1.10	0.00
LONG GILT (IFEU) MAR 25		DERIVATIVE	0.00	0.00	0.90	1.04	0.00
VANGUARD EUR EUROZONE GOVERNMENT BOND	VANGUARD	COLLECTIVE	1.72	0.71	0.30	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	1.50	0.84	0.50	0.15	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
<b>FIXED INCOME (CONTINUED)</b>							
VANGUARD U.S. GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	1.82	0.00	0.00	0.00	0.00
<b>OTHER FIXED INCOME</b>			<b>9.33</b>	<b>6.94</b>	<b>2.50</b>	<b>0.73</b>	<b>0.00</b>
JANUS HENDERSON ASSET-BACKED SECURITIES	JANUS HENDERSON	COLLECTIVE	1.32	1.42	1.01	0.73	0.00
VANGUARD GLOBAL BOND INDEX FUND	VANGUARD	COLLECTIVE	8.01	5.52	1.50	0.00	0.00
<b>ALTERNATIVES</b>			<b>11.45%</b>	<b>11.78%</b>	<b>8.44%</b>	<b>6.51%</b>	<b>0.00%</b>
<b>ALTERNATIVE EQUITY</b>			<b>3.44</b>	<b>3.45</b>	<b>2.50</b>	<b>2.00</b>	<b>0.00</b>
COOPER CREEK NORTH AMERICA LNG SHRT EQ	COOPER CREEK PARTNERS	COLLECTIVE	1.06	1.05	0.77	0.57	0.00
FTF CLEARBRIDGE GLOBAL INFRASTRUCTURE INCOME FUND	CLEARBRIDGE	COLLECTIVE	1.04	1.07	0.71	0.60	0.00
MYGALE EVENT DRIVEN UCITS FUND	MYGALE	COLLECTIVE	0.66	0.67	0.52	0.42	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	0.68	0.66	0.50	0.41	0.00
<b>ALTERNATIVE FIXED INCOME</b>			<b>4.66</b>	<b>4.87</b>	<b>3.41</b>	<b>2.61</b>	<b>0.00</b>
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	1.26	1.31	0.91	0.70	0.00
BREVAN HOWARD ABSOLUTE RETURN GOV. BOND	BREVAN HOWARD	COLLECTIVE	0.74	0.74	0.53	0.43	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.73	0.73	0.50	0.40	0.00
SCHRODER ALTERNATIVE INCOME GBPH	SCHRODERS	COLLECTIVE	0.71	0.75	0.51	0.42	0.00
WELLINGTON GLOBAL TOTAL RETURN	WELLINGTON	COLLECTIVE	1.22	1.34	0.96	0.66	0.00
<b>ALTERNATIVE OTHER</b>			<b>1.52</b>	<b>1.60</b>	<b>1.16</b>	<b>0.84</b>	<b>0.00</b>
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	1.52	1.60	1.16	0.84	0.00
<b>COMMODITIES</b>			<b>1.83</b>	<b>1.86</b>	<b>1.37</b>	<b>1.06</b>	<b>0.00</b>
L&G MULTI-STRATEGY ENHANCED COMMODITIES UCITS ETF	L&GIM LIMITED	COLLECTIVE	0.90	0.97	0.68	0.53	0.00
UBS CMCI COMMODITY CARRY SF UCITS ETF	UBS	COLLECTIVE	0.93	0.89	0.69	0.53	0.00
<b>CASH</b>			<b>9.88%</b>	<b>5.50%</b>	<b>4.12%</b>	<b>2.40%</b>	<b>1.39%</b>
<b>CASH</b>			<b>9.88</b>	<b>5.50</b>	<b>4.12</b>	<b>2.40</b>	<b>1.39</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 December 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

Over the quarter, the Cirilium Blend Portfolios delivered mixed returns, from a loss of 0.8% for the Conservative Portfolio up to a gain of 1.9% for the Adventurous Portfolio. Within the portfolios, our US equity holdings delivered the strongest performance, predominantly in anticipation of deregulation and lower taxation following Donald Trump's victory in the US presidential election. In contrast, our European equity holdings struggled amid political uncertainty in France and Germany.



## How our equity holdings performed

### Impressive performance from US growth holdings

The two strongest performers in the portfolios were the Sands Capital US Select Growth Fund (up 16.2%) and the Quilter Investors US Equity Growth Fund managed by J. P. Morgan (up 14.2%). These growth holdings both benefitted from renewed optimism for the future growth of the large US tech companies. In the case of the Sands fund, their best performing holding was Atlassian, which develops software to improve project management efficiency and collaboration.

### Emerging market managers outperform

Our active holdings in emerging markets holdings were the best performers relative to their benchmarks, adding an average excess return of 3.5%. The standout was the Pacific North of South EM All Cap Fund, which outperformed the broad emerging markets benchmark by 7.1% over the quarter. This was despite its tilt towards value companies in an environment that favoured high growth stocks. A key contributor was the UAE-based Emaar Properties.

### Thematic tilts struggle due to political concerns

Donald Trump's victory in the November US presidential election impacted our tactical tilts to both healthcare (due to the nomination of Robert F. Kennedy Jr. as Secretary of Health) and energy transition (due to Donald Trump's vocal attack on the Inflation Reduction Act that had supported renewables at the expense of fossil fuels). As a result, the AB International Health Care Portfolio fell 5.7% whilst the Schroder Global Energy Transition Fund fell 16.5%.



## How our fixed-income holdings performed

### Negative returns amid rising interest rates

The fourth quarter was tough for fixed-income managers as the headwind of rising interest rates led to falling bond prices. The standout performance came from the Premier Miton Financials Capital Securities Fund, which gained 2.2% despite these headwinds. This was due to strong bank performance which improved their balance sheet resilience. We also saw good outperformance from the Wellington Global Credit ESG Fund and the Quilter Investors Corporate Bond Fund (managed by Premier Miton).



## How our alternative holdings performed

### Mixed alternatives performance

The performance of our alternatives holdings was mixed during the fourth quarter, but provided a marginally positive return overall. The best performing holding was the Brevan Howard Absolute Return Government Bond Fund. The fund gained 4.5%, taking advantage of higher bond volatility despite the downward price trends. Conversely, our holdings in infrastructure funds suffered in the higher yield environment, with the Clearbridge Global Infrastructure Income Fund falling 4.8%.



# Portfolio changes

We made several changes to our tactical tilts during the quarter. Firstly, we added a US equity overweight via S&P 500 Equal Weight Index futures (see below) to take advantage of the region's higher growth trajectory and superior equity market profit outlook. This was offset by an underweight to European equities, which are exposed to the threat of tariffs by the new Trump administration and the political uncertainty in France and Germany, which is detrimental to both consumer and corporate confidence.

We also removed our US vs European government bond position. We think the weaker European growth outlook is more supportive of interest rate cuts and lower bond yields.

## New holdings



### S&P 500 Equal Weight Index futures contract

We added this in November to take exposure to an index comprised of equally weighted US larger companies (where all 500 companies in the index are weighted evenly at 0.2% as opposed to being weighted by their size). This is designed to benefit from an expectation that US corporate earnings growth will be broad based, and less concentrated within mega-cap tech companies. It also has an increased exposure to industrial companies that should benefit from Donald Trump's agenda and policies.



### Invesco UK Opportunities

We initiated a position in this strategy during November, having previously held exposure via FTSE 100 Index futures. We were attracted to this fund as we believe it offers diversification to the existing manager lineup, both through its value footprint (although it is not a 'deep value' strategy) as well as through its substantial exposure to larger cap stocks



### Vanguard Eurozone Government Bond ETF (Conservative, Balanced, and Moderate portfolio only)

We added this position in November to increase the exposure to European government bonds as part of the unwinding of the US vs European government bond tactical tilt.



### Xtrackers MSCI World Health Care UCITS ETF (All risk profiles)

This position replaced the iShares MSCI World Health Care Sector ESG ETF to give the portfolios pure passive exposure to the health care tactical theme.

## Removed holdings



### iShares Continental European Tracker fund (Conservative and Balanced portfolios only)

We made the decision to remove this position to reduce our European equity exposure from a tactical perspective.



### Vanguard US Government Bond Index fund (Balanced and Moderate portfolios only)

This position was removed in November to reduce our overall exposure to US government bonds as part of the unwinding of the US vs European government bond tactical tilt.



### iShares MSCI World Health Care Sector ESG UCITS ETF (All risk profiles)

We removed this position in favour of the Xtrackers MSCI World Health Care ETF due to concerns about the unwanted tilts from the ESG screening methodology.



# Investment outlook

We are cautiously optimistic heading into 2025. We think global growth will remain positive, with the US economy continuing to outperform. This should be supportive for broad equity earnings, although valuations look stretched in some areas, particularly in tech stocks. Government bond yields near 5% make them an interesting asset class, particularly with central banks biased to cut rates. However, persistent above target inflation could pose challenges.

## 1. You can't ignore the politicians

President Trump's second term in the White House is likely to lead to tailwinds of deregulation and tax cuts, which should be beneficial for the US corporate sector. Against this, the proposed tariffs and immigration curbs could prove inflationary. Elsewhere, equities face political headwinds, particularly in Europe and Germany. Finally, the Chinese authorities need to decide if they are serious about stimulating consumer spending to support their somewhat stagnant economy.

## 2. What might make us more optimistic?

Markets are likely to deliver robust returns if the global economy can remain in a 'Goldilocks' state – decent growth but not so much that inflationary pressures bubble up to the surface, allowing central banks to further cut rates. A key marker for us will be observing inflation in the US and UK to see if it can continue its glidepath down to target levels. There could be several additional catalysts that are worth monitoring, such as a potential Ukraine ceasefire, meaningful China stimulus, and governments in France and Germany that prioritise growth and consumption.

## 3. What might make us more pessimistic?

The key risk for us for 2025 is US inflation and the risk that it starts to increase again. Trump's policies might be a catalyst for this with tariffs a potential culprit. The result would likely force the Fed to raise rates rather than cut, which would be bad for bond prices and borrowers everywhere. The resulting shock to growth from these tighter financial conditions could lead to poor corporate returns. Separately, a tit-for-tat tariff war could be at the least distracting, and at worst, destructive to growth.



# Glossary

## Active management

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

## Bonds

Bonds are fixed-income investments that represent a loan made by an investor to a borrower such as a government, company, or large institution. In principle, bond investors are lending money (the principal) to the bond issuer in return for a fixed or variable rate of interest (coupon) during the term of the bond. When the term ends (maturity), the issuer repays the principal to the investor.

## 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.

## 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.

## Equities

Equities are company shares. In most instances, except for private equity, they describe shares in listed companies that are traded on recognised stock markets.

## Fixed income

Fixed income is the general term used to describe bonds and bond-like financial instruments. In most instances, the terms fixed-income, fixed-interest, and bonds are interchangeable.

## Futures

Futures are a type of derivative contract agreement to buy or sell a specific commodity asset or shares at a set future date for a set price.

## 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 are expected to grow their future earnings. Generally, they pay limited dividends as they reinvest their profits to grow their businesses.

## 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 of default.

## Index

An index is a hypothetical portfolio of investment holdings that can be used to gauge the movement and performance of a regional market or market sector. The calculation of its value comes from the prices of the underlying holdings. For example, the MSCI UK Index represents the performance of UK companies.

## Inflation

Inflation is the rate of increase in the price of goods and services. For most countries, it is based on a basket of goods and services that are representative of the cost of living. Inflation increases the cost of goods and services but decreases the real value of cash savings and future bond payments.

## Investment-grade bonds

Investment-grade bonds are considered to signify a relatively low risk of default. Bonds rated from 'AAA' to 'BBB' are investment grade. They are assigned these credit ratings by agencies such as Standard & Poor's, Moody's and Fitch.

## Large-cap

Large-cap describes larger-sized companies as measured by market capitalisation (market cap). While the exact thresholds change with market conditions, large-cap refers to companies with a market capitalisation of \$10bn to \$200bn.

## 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.

## Passive management

Passive management is an investment approach that aims to mirror or track the performance of a given index. Unlike active management, there is no one making decisions as to what happens in a passive fund or portfolio – it is designed to follow its target index regardless of events.

## Recession

Recession is a significant, widespread, and prolonged downturn in economic activity. Recessions often last six months or more and one popular definition is that two consecutive quarters of economic decline or contraction constitutes a recession.

## 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.

## 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.

## 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.

## 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.





# Thank you for investing with us

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

## 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.

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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(s) (KIID(s)).

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