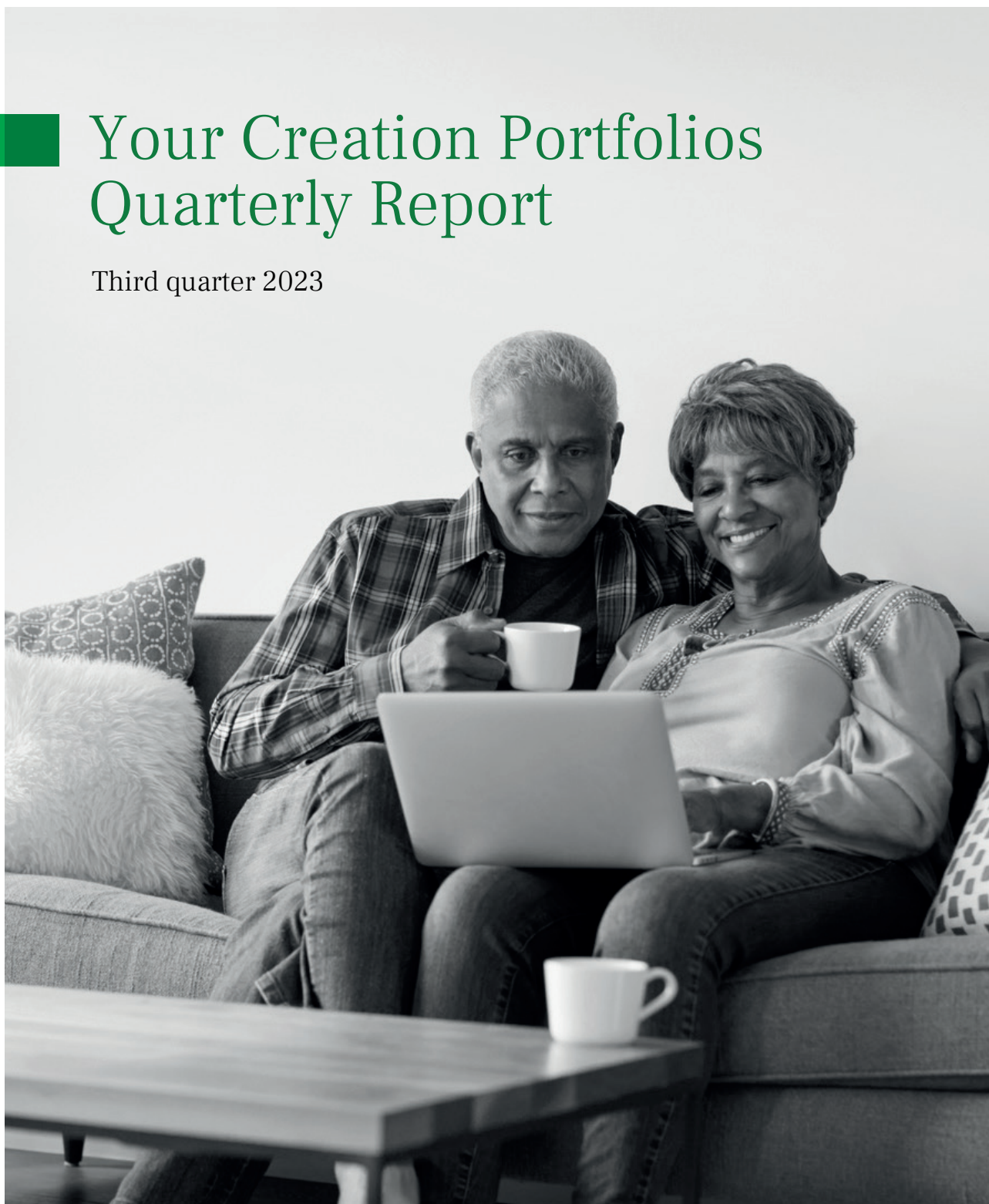


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Quilter  
Investors

# Your Creation Portfolios Quarterly Report

Third quarter 2023



# What your report covers

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





**Marcus Brookes**  
Chief Investment Officer

# Our market summary

Global equities finished a tumultuous third quarter in positive territory with a modest return of 0.7%. Japan, China, and the UK were the top-performing regional markets while the US gained 1% as European markets declined. At a sector level, commodity and energy stocks were among the top performers, as both Russia and Saudi Arabia announced cuts to oil production which drove prices higher. Meanwhile, bond markets sold-off with US Treasuries suffering the biggest losses.

## Equity markets



US equities gained a modest 1.0% following a largely disappointing quarter. Sentiment was upbeat at the start of July, with investors anticipating an end to US interest-rate hikes on the back of positive inflation news. However, a more cautious outlook from the US Federal Reserve (Fed) and the prospect of interest rates remaining higher for longer, weighed heavily, especially on technology stocks. Meanwhile, energy stocks were among the few positives.



European equities declined by 2.0% over the quarter, mostly due to interest-rate concerns. However, data released late in the period showed that inflation in the bloc had fallen to a two-year low, prompting speculation of near-term rate cuts from the European Central Bank (ECB) despite another European rate rise in September. Like the US, energy stocks were an outlier as the only positive sector.



It was a more positive period for UK equities, which gained 2.3%. Domestically-focused stocks, which had suffered throughout much of the year, rallied on the prospect of inflation having peaked. The news allowed sectors such as property and financials to recover some of their recent losses. Meanwhile, energy stocks were the main contributor to positive performance as they also benefited from sterling's weakness relative to the US dollar.



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.



Emerging markets outperformed global equities, rising by 1.3%. Turkey and Egypt were among the top-performing countries as markets reacted positively to announcements from their respective central banks. Despite continued scepticism regarding the nation's reopening, Chinese equities climbed by 2.3% following a release of better-than-expected economic data. Brazil, Poland, and Chile were among the worst performers of the quarter.

## Fixed-income

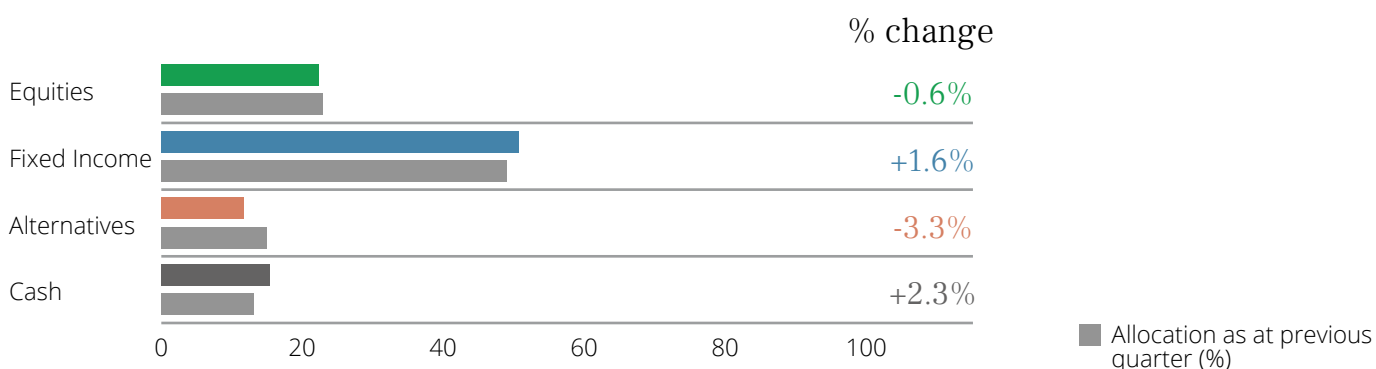


US Treasuries (US government bonds) fell 3.5% in the quarter, owing partly to a US credit-rating downgrade in August. More positively, peaking inflation led to a slowdown in interest-rate rises, with the Fed opting to hold rates in September. The Bank of England followed suit, as UK inflation finally appeared to be easing. Sterling corporate bonds (issued by companies) were positive as a result; they climbed 2.2% despite UK gilts (UK government bonds) falling another 0.8%.

*Source: Quilter Investors as at 30 September 2023. 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 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: Creation Conservative Portfolio

## Creation Conservative Portfolio asset allocation breakdown



## Creation Conservative Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Conservative Portfolio - A (GBP) Accumulation Shares	1.3%	-9.8%	4.5%	-1.6%	2.7%
Quilter Investors Creation Conservative Portfolio - R (GBP) Accumulation Shares	1.9%	-9.3%	5.1%	-1.0%	3.4%
Quilter Investors Creation Conservative Portfolio - U2 (GBP) Accumulation Shares	2.1%	-9.2%	5.2%	-0.9%	3.5%
IA Mixed Investment 0-35% Shares sector average	2.7%	-11.3%	5.7%	0.4%	4.9%

## Creation Conservative Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Conservative Portfolio - A (GBP) Accumulation Shares	-0.6%	-1.0%	1.3%	-4.5%	-3.5%	39.8%	28/04/08
IA Mixed Investment 0-35% Shares sector average	-0.3%	-1.3%	2.7%	-3.8%	1.3%	55.7%	
Quilter Investors Creation Conservative Portfolio - R (GBP) Accumulation Shares	-0.4%	-0.7%	1.9%	-2.8%	-0.5%	17.7%	25/02/13
IA Mixed Investment 0-35% Shares sector average	-0.3%	-1.3%	2.7%	-3.8%	1.3%	25.4%	
Quilter Investors Creation Conservative Portfolio - U2 (GBP) Accumulation Shares	-0.3%	-0.6%	2.1%	-2.4%	0.1%	15.4%	19/02/14
IA Mixed Investment 0-35% Shares sector average	-0.3%	-1.3%	2.7%	-3.8%	1.3%	21.8%	

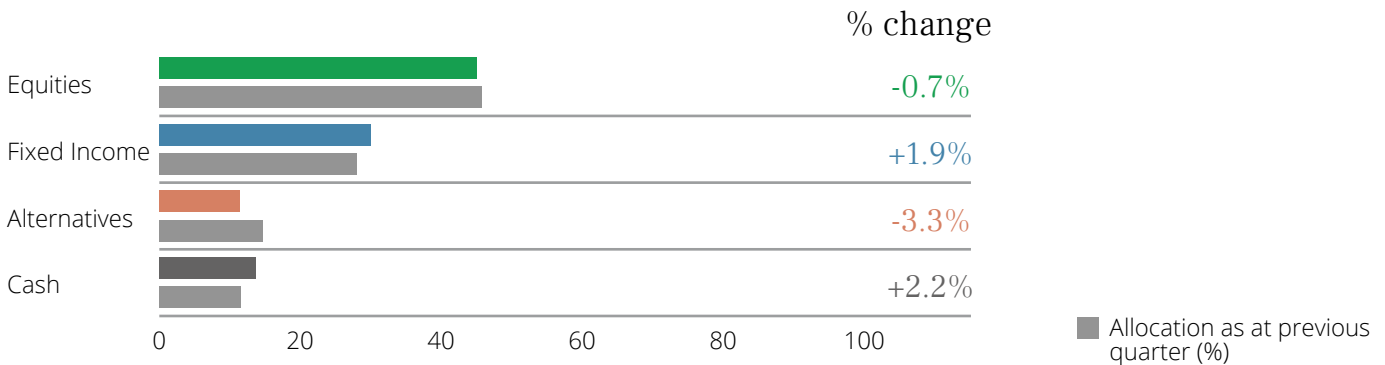
\*Since launch performance figures are from the launch date of the respective share class.

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# Your investment summary: Creation Balanced Portfolio

## Creation Balanced Portfolio asset allocation breakdown



## Creation Balanced Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Balanced Portfolio - A (GBP) Accumulation Shares	4.3%	-9.7%	9.8%	-1.8%	3.1%
Quilter Investors Creation Balanced Portfolio - R (GBP) Accumulation Shares	4.9%	-9.1%	10.5%	-1.2%	3.7%
Quilter Investors Creation Balanced Portfolio - U2 (GBP) Accumulation Shares	5.1%	-9.1%	10.6%	-1.1%	3.8%
IA Mixed Investment 20-60% Shares sector average	4.2%	-10.7%	11.3%	-1.2%	4.1%

## Creation Balanced Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Balanced Portfolio - A (GBP) Accumulation Shares	0.0%	-0.1%	4.3%	3.4%	4.7%	54.5%	28/04/08
IA Mixed Investment 20-60% Shares sector average	-0.1%	-0.5%	4.2%	3.6%	6.5%	74.6%	
Quilter Investors Creation Balanced Portfolio - R (GBP) Accumulation Shares	0.1%	0.2%	4.9%	5.3%	7.9%	31.6%	19/02/13
IA Mixed Investment 20-60% Shares sector average	-0.1%	-0.5%	4.2%	3.6%	6.5%	41.9%	
Quilter Investors Creation Balanced Portfolio - U2 (GBP) Accumulation Shares	0.2%	0.3%	5.1%	5.7%	8.6%	27.4%	19/02/14
IA Mixed Investment 20-60% Shares sector average	-0.1%	-0.5%	4.2%	3.6%	6.5%	34.2%	

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

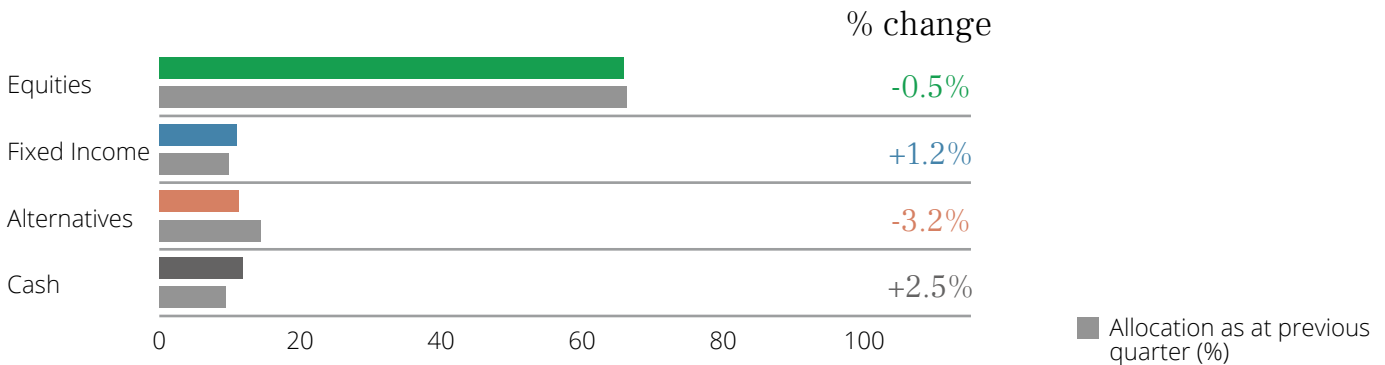
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# Your investment summary: Creation Moderate Portfolio

## Creation Moderate Portfolio asset allocation breakdown



## Creation Moderate Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Moderate Portfolio - A (GBP) Accumulation Shares	6.5%	-10.0%	15.0%	-2.1%	3.1%
Quilter Investors Creation Moderate Portfolio - R (GBP) Accumulation Shares	7.1%	-9.4%	15.7%	-1.5%	3.7%
Quilter Investors Creation Moderate Portfolio - U2 (GBP) Accumulation Shares	7.3%	-9.3%	15.9%	-1.4%	3.9%
IA Mixed Investment 40-85% Shares sector average	5.3%	-10.3%	16.8%	-0.1%	4.3%

## Creation Moderate Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Moderate Portfolio - A (GBP) Accumulation Shares	0.5%	0.9%	6.5%	10.3%	11.3%	68.5%	28/04/08
IA Mixed Investment 40-85% Shares sector average	-0.2%	0.0%	5.3%	10.3%	15.0%	109.8%	
Quilter Investors Creation Moderate Portfolio - R (GBP) Accumulation Shares	0.6%	1.1%	7.1%	12.3%	14.7%	47.1%	15/02/13
IA Mixed Investment 40-85% Shares sector average	-0.2%	0.0%	5.3%	10.3%	15.0%	70.8%	
Quilter Investors Creation Moderate Portfolio - U2 (GBP) Accumulation Shares	0.6%	1.2%	7.3%	12.8%	15.4%	40.5%	19/02/14
IA Mixed Investment 40-85% Shares sector average	-0.2%	0.0%	5.3%	10.3%	15.0%	57.2%	

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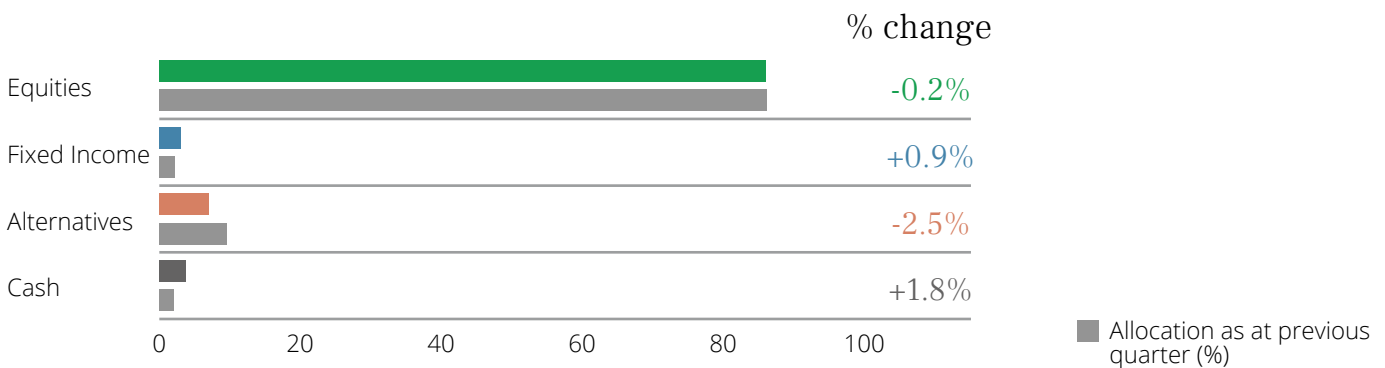
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# Your investment summary: Creation Dynamic Portfolio

## Creation Dynamic Portfolio asset allocation breakdown



## Creation Dynamic Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Dynamic Portfolio - A (GBP) Accumulation Shares	8.0%	-9.9%	20.5%	-3.2%	3.4%
Quilter Investors Creation Dynamic Portfolio - R (GBP) Accumulation Shares	8.8%	-9.2%	21.4%	-2.5%	4.1%
Quilter Investors Creation Dynamic Portfolio - U2 (GBP) Accumulation Shares	9.0%	-9.1%	21.5%	-2.4%	4.2%
IA Flexible Investment sector average	4.8%	-9.6%	18.5%	1.0%	3.2%

## Creation Dynamic Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Dynamic Portfolio - A (GBP) Accumulation Shares	0.4%	1.0%	8.0%	17.2%	17.3%	80.7%	28/04/08
IA Flexible Investment sector average	-0.2%	0.1%	4.8%	12.3%	17.1%	108.9%	
Quilter Investors Creation Dynamic Portfolio - R (GBP) Accumulation Shares	0.6%	1.4%	8.8%	19.8%	21.5%	62.0%	18/02/13
IA Flexible Investment sector average	-0.2%	0.1%	4.8%	12.3%	17.1%	73.7%	
Quilter Investors Creation Dynamic Portfolio - U2 (GBP) Accumulation Shares	0.7%	1.5%	9.0%	20.4%	22.4%	53.9%	19/02/14
IA Flexible Investment sector average	-0.2%	0.1%	4.8%	12.3%	17.1%	62.4%	

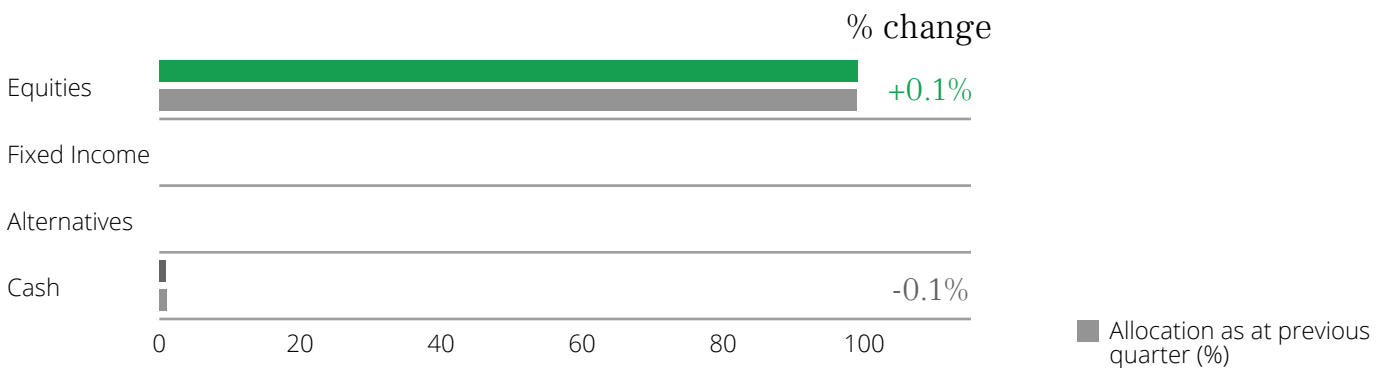
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# Your investment summary: Creation Adventurous Portfolio

## Creation Adventurous Portfolio asset allocation breakdown



## Creation Adventurous Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Creation Adventurous Portfolio - A (GBP) Accumulation Shares	8.9%	-9.3%	21.6%	-3.5%	2.6%
Quilter Investors Creation Adventurous Portfolio - R (GBP) Accumulation Shares	9.7%	-8.7%	22.6%	-2.9%	3.4%
Quilter Investors Creation Adventurous Portfolio - U2 (GBP) Accumulation Shares	9.8%	-8.5%	22.7%	-2.6%	3.6%
IA Flexible Investment sector average	4.8%	-9.6%	18.5%	1.0%	3.2%

## Creation Adventurous Portfolio growth to month end

Holding	3 months	6 months	1 year	3 years	5 years	Since launch*	Launch date
Quilter Investors Creation Adventurous Portfolio - A (GBP) Accumulation Shares	0.4%	1.3%	8.9%	20.1%	18.8%	25.7%	03/07/17
Quilter Investors Creation Adventurous Portfolio - R (GBP) Accumulation Shares	0.6%	1.7%	9.7%	22.9%	23.3%	31.7%	03/07/17
Quilter Investors Creation Adventurous Portfolio - U2 (GBP) Accumulation Shares	0.6%	1.8%	9.8%	23.3%	24.3%	32.9%	03/07/17
IA Flexible Investment sector average	-0.2%	0.1%	4.8%	12.3%	17.1%	25.1%	

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# Your portfolio holdings

Holding Name	Fund manager (where applicable)	Asset type	Creation Conservative Portfolio	Creation Balanced Portfolio	Creation Moderate Portfolio	Creation Dynamic Portfolio	Creation Adventurous Portfolio
<b>EQUITY</b>			<b>22.33%</b>	<b>44.98%</b>	<b>65.83%</b>	<b>86.07%</b>	<b>99.06%</b>
<b>ASIA PACIFIC EQUITY</b>			<b>2.91</b>	<b>5.87</b>	<b>8.35</b>	<b>10.80</b>	<b>12.15</b>
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	0.82	1.71	2.31	2.88	3.21
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.00	1.23	2.47	3.14	3.39
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.01	0.00	0.00	0.00	0.00
M&G JAPAN FUND	M&G	COLLECTIVE	1.78	2.40	2.77	3.68	4.54
SCHRODER ORIENTAL INCOME FUND LIMITED	SCHRODERS	COLLECTIVE	0.30	0.53	0.80	1.10	1.01
<b>EMERGING MARKETS EQUITY</b>			<b>1.40</b>	<b>2.64</b>	<b>4.24</b>	<b>5.57</b>	<b>6.73</b>
FIDELITY CHINA CONSUMER FUND	FIDELITY	COLLECTIVE	0.09	0.31	0.30	0.40	0.51
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.00	0.04	0.80	1.12	1.54
JUPITER GLOBAL EMERGING MARKETS FOCUS	JUPITER	COLLECTIVE	0.71	1.18	1.67	2.15	2.41
QUILTER INV EM EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.60	1.11	1.46	1.90	2.26
<b>EUROPEAN EQUITY</b>			<b>4.36</b>	<b>9.07</b>	<b>13.54</b>	<b>17.82</b>	<b>20.41</b>
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.82	4.05	6.71	9.49	10.94
M&G EUROPEAN STRATEGIC VALUE FUND	M&G	COLLECTIVE	1.22	1.83	2.37	2.87	3.23
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	1.09	1.46	2.13	2.66	3.08
QUILTER INV EUR (EX UK) EQ (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	1.23	1.72	2.33	2.80	3.16
<b>GLOBAL EQUITY</b>			<b>4.99</b>	<b>8.86</b>	<b>11.06</b>	<b>12.99</b>	<b>14.80</b>
ISHARES MSCI WORLD HEALTH CARE UCITS ETF	BLACKROCK	COLLECTIVE	1.99	2.00	2.03	2.03	1.98
QUILTER INV GBL EQUITY GROWTH (FIDELITY)	FIDELITY	COLLECTIVE	0.51	1.29	1.52	1.81	2.12
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	0.89	2.18	2.80	3.46	4.05
QUILTER INV GLOBAL DYNAMIC EQUITY	ROYAL LONDON	COLLECTIVE	0.00	0.00	0.00	0.00	0.00
QUILTER INV GLOBAL UNCONSTR. EQUITY (RLAM)	ROYAL LONDON	COLLECTIVE	0.90	1.71	2.50	3.03	3.51
WELLINGTON DURABLE ENTERPRISES FUND	WELLINGTON	COLLECTIVE	0.69	1.68	2.22	2.67	3.14
<b>NORTH AMERICAN EQUITY</b>			<b>2.40</b>	<b>5.90</b>	<b>9.96</b>	<b>14.19</b>	<b>16.50</b>
BNY MELLON US EQUITY INCOME FUND	BNY MELLON	COLLECTIVE	0.90	2.14	2.81	3.14	3.72
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.00	0.00	1.79	4.89	5.52
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.52	1.60	2.18	2.66	3.07
QUILTER INV US EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.98	2.15	3.17	3.50	4.19

Continued on next page

# Your portfolio holdings (cont'd)

Holding Name	Fund manager (where applicable)	Asset type	Creation Conservative Portfolio	Creation Balanced Portfolio	Creation Moderate Portfolio	Creation Dynamic Portfolio	Creation Adventurous Portfolio
<b>UK EQUITY</b>			<b>6.27</b>	<b>12.65</b>	<b>18.68</b>	<b>24.69</b>	<b>28.47</b>
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	1.82	5.40	10.64	13.44	15.29
J O HAMBRO CAPITAL MANAGEMENT UK DYNAMIC	J O HAMBRO	COLLECTIVE	1.20	2.03	2.22	3.12	3.60
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.81	1.71	1.94	2.61	3.13
QUILTER INV UK EQ LG-CAP INCOME (ARTEMIS)	ARTEMIS	COLLECTIVE	1.33	1.95	2.11	2.95	3.57
QUILTER INV UK EQ MID-CAP GROWTH (JUPITER)	JUPITER	COLLECTIVE	1.10	1.55	1.76	2.58	2.88
<b>FIXED INCOME</b>			<b>50.65%</b>	<b>29.93%</b>	<b>11.04%</b>	<b>3.06%</b>	<b>0.00%</b>
<b>CORPORATE BONDS</b>			<b>13.27</b>	<b>9.58</b>	<b>6.44</b>	<b>2.06</b>	<b>0.00</b>
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	1.13	1.14	1.10	0.54	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.30	0.15	0.06	0.03	0.00
QUILTER INV DYNAMIC BOND (TWENTY FOUR)	TWENTY-FOUR	COLLECTIVE	2.40	2.41	2.41	1.20	0.00
QUILTER INV STERLING CORP BOND FUND	FIDELITY	COLLECTIVE	3.01	2.30	1.40	0.00	0.00
WELLINGTON GLOBAL CREDIT PLUS FUND	WELLINGTON	COLLECTIVE	6.43	3.57	1.48	0.30	0.00
<b>EMERGING MARKET DEBT</b>			<b>5.70</b>	<b>3.10</b>	<b>0.92</b>	<b>0.11</b>	<b>0.00</b>
ISHARES CHINA CNY BOND UCITS ETF	BLACKROCK	COLLECTIVE	5.62	3.05	0.89	0.11	0.00
LEBANON 5.% 14/04/2020		BOND	0.08	0.05	0.03	0.00	0.00
<b>GOVERNMENT BONDS</b>			<b>30.36</b>	<b>15.93</b>	<b>2.36</b>	<b>-0.02</b>	<b>0.00</b>
10Y AUSTRALIA T-BOND (SFE) DEC 23		DERIVATIVE	0.54	0.32	0.10	0.00	0.00
10Y JAPAN GOVT BOND (OSE) DEC 23		DERIVATIVE	4.37	2.85	0.00	0.00	0.00
10Y T-NOTE (CBT) DEC 23		DERIVATIVE	0.00	0.00	0.00	-0.50	0.00
EURO BUND GERMANY (EUR) DEC 23		DERIVATIVE	1.02	-0.30	0.14	0.00	0.00
ISHARES \$ TREASURY BOND UCITS ETF	BLACKROCK	COLLECTIVE	18.50	12.44	1.72	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	0.89	0.89	0.89	0.39	0.00
ISHARES GLOBAL GOVT BOND UCITS ETF	BLACKROCK	COLLECTIVE	5.10	0.00	0.00	0.00	0.00
LONG GILT (IFEU) DEC 23		DERIVATIVE	-1.21	-1.18	-1.05	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	1.14	0.91	0.57	0.09	0.00
<b>OTHER FIXED INCOME</b>			<b>1.33</b>	<b>1.32</b>	<b>1.32</b>	<b>0.91</b>	<b>0.00</b>
ALLSPRING U.S. SHORT-TERM HIGH YIELD BOND	ALLSPRING	COLLECTIVE	0.00	0.00	0.00	0.00	0.00
JANUS HENDERSON ASSET-BACKED SECURITIES	JANUS HENDERSON	COLLECTIVE	1.33	1.32	1.32	0.91	0.00
<b>ALTERNATIVES</b>			<b>11.66%</b>	<b>11.40%</b>	<b>11.23%</b>	<b>7.05%</b>	<b>0.00%</b>
<b>ALTERNATIVE EQUITY</b>			<b>2.84</b>	<b>2.80</b>	<b>2.71</b>	<b>1.79</b>	<b>0.00</b>
HICL INFRASTRUCTURE PLC	HICL	COLLECTIVE	0.34	0.34	0.33	0.16	0.00

Continued on next page

# Your portfolio holdings (cont'd)

Holding Name	Fund manager (where applicable)	Asset type	Creation Conservative Portfolio	Creation Balanced Portfolio	Creation Moderate Portfolio	Creation Dynamic Portfolio	Creation Adventurous Portfolio
<b>ALTERNATIVES (CONTINUED)</b>							
INTERNATIONAL PUBLIC PARTNERSHIPS LIMITED	AMBER INFRASTRUCTURE	COLLECTIVE	0.32	0.29	0.26	0.17	0.00
JUPITER UK SPECIALIST EQUITY FUND	JUPITER	COLLECTIVE	1.12	1.11	1.08	0.73	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	1.07	1.05	1.04	0.73	0.00
<b>ALTERNATIVE FIXED INCOME</b>			<b>6.87</b>	<b>6.75</b>	<b>6.70</b>	<b>4.14</b>	<b>0.00</b>
ALLIANZ FIXED INCOME MACRO FUND	ALLIANZ	COLLECTIVE	2.92	2.88	2.84	1.89	0.00
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	1.08	1.06	1.05	0.74	0.00
BREVN HOWARD ABSOLUTE RETURN GOV. BOND	BREVN HOWARD	COLLECTIVE	0.75	0.75	0.74	0.52	0.00
HIPGNOSIS SONGS FUND LIMITED	HIPGNOSIS SONG MANAGEMENT	COLLECTIVE	0.56	0.50	0.54	0.26	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.85	0.84	0.82	0.51	0.00
QUILTER INV ABS RET BND (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	0.72	0.71	0.71	0.22	0.00
<b>ALTERNATIVE OTHER</b>			<b>0.97</b>	<b>0.95</b>	<b>0.94</b>	<b>0.63</b>	<b>0.00</b>
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	0.97	0.95	0.94	0.63	0.00
<b>COMMODITIES</b>			<b>0.98</b>	<b>0.90</b>	<b>0.89</b>	<b>0.50</b>	<b>0.00</b>
THE RENEWABLES INFRASTRUCTURE GROUP	INFRARED CAPITAL PARTNERS	COLLECTIVE	0.39	0.37	0.35	0.17	0.00
WISDOMTREE ENHANCED COMMODITY UCITS ETF	WISDOM TREE	COLLECTIVE	0.59	0.53	0.53	0.33	0.00
<b>CASH</b>			<b>15.36%</b>	<b>13.68%</b>	<b>11.91%</b>	<b>3.81%</b>	<b>0.94%</b>
<b>CASH</b>			<b>15.36</b>	<b>13.68</b>	<b>11.91</b>	<b>3.81</b>	<b>0.94</b>
<b>TOTAL</b>			<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Quilter Investors, as at 30 September 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



**CJ Cowan**  
Portfolio Manager

With the exception of the Creation Conservative Portfolio, which delivered a small loss of 0.4% as bonds sold-off in the latter part of the period, the remaining Creation Portfolios delivered modest gains in the third quarter. The Creation Balanced Portfolio delivered a return of 0.1%, whilst the Creation Moderate, Dynamic and Adventurous Portfolios all delivered a return of 0.6%.



## How our equity holdings performed

### Japan outshines other developed markets

Japan was the top-performing regional market as its comparatively loose monetary policy (low interest rates) helped support the local equity market. Despite our relatively small weighting, Japan was one of the top-contributing regions to portfolio returns. The M&G Japan Fund was the standout performer; it returned 2.9%, aided by the modest 'value' tilt in the portfolio, which is driven by a focus on active ownership and the potential for corporate change.



'Value' stocks have low share prices relative to their intrinsic value and tend to pay more generous dividends than growth stocks. 'Growth' stocks derive their value from the rate at which they're expected to grow their future earnings.

### Energy boost for UK equity market

The UK's outsized weighting to energy companies was a tailwind as the oil price surged over 30% higher during the quarter. The JO Hambro UK Dynamic Fund led the pack, returning over 5%. This was partly due to its substantial holding in Centrica, the parent company of British Gas, which reported very strong profits in the first half of 2023. Meanwhile, the Quilter Investors Equity 1 Fund fell 2.5% as its small and mid-cap bias fell out of favour with investors.

### Strong dollar lifts US equities

The so-called 'Magnificent Seven' mega-cap tech stocks, which drove the performance of the US market in the first half of the year, were flat in the third quarter as 'value' stocks outperformed 'growth' stocks. Meanwhile, the strength of the US dollar also provided a strong tailwind for sterling investors. This helped propel the BNY Mellon US Equity Income Fund up 5.4% over the quarter, with energy and financials exposures making strong contributors to returns.



The 'Magnificent Seven' consists of Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia and Tesla. They are referred to as 'mega-caps' and by mid-2023 they accounted for around 25% of the MSCI USA Index by market capitalisation.



## How our fixed-income holdings performed

### Government bonds sell-off

The significant move higher in long-dated government bond yields (meaning their prices fell) caught many investors off-guard at a time when central bank hiking cycles are in their latter stages. Consequently, our traditional bond exposures delivered losses, with the Wellington Global Credit ESG Fund down 3.4%. However, the portfolios were positioned for a move higher in yields with a tactical underweight to government bonds helping relative returns over the quarter. Meanwhile, the prices of corporate bonds (issued by companies) were largely unmoved until late September, meaning that high-yield bonds delivered small gains. This translated to a gain of 2.4% for the Premier Miton Financial Capital Securities Fund, which invests in subordinated bank credit (a form of high-yield loans).



Typically, bonds with 10 or more years until they repay their principal are called 'long maturity' or 'long-dated' bonds. As their prices are more sensitive to changes in interest rates, they are more volatile than shorter maturity bonds.



## How our alternative holdings performed

### Alternatives provide boost

Our alternatives holdings added to returns, helping diversify against the bond market sell-off. However, fortunes varied across our holdings. While the WisdomTree Enhanced Commodity ETF was the best performer, thanks to the rise in oil prices, our infrastructure investment trusts such as HICL and International Public Partnerships struggled as long-term gilt yields moved higher (reflecting the 'higher for longer' narrative for interest rates). Even so, the inflation-linked returns they offer mean their prospects remain strong, so we believe their share prices currently offer good value. Elsewhere, the AQR Managed Futures fund, which seeks to profit from trends in asset markets whether they are moving up or down, delivered mid-single-digit returns.



# Portfolio changes

There were no significant changes to the tactical positions in the portfolios over the quarter. A small overweight to risk assets, relative to our strategic asset allocation model (SAA), is expressed through our high-yield bond exposure while the portfolios retain their overweight to healthcare equity and their relative underweight to government bonds. There were some changes to the manager line-up, where we added an active European value manager (M&G) to the portfolios, as well as some new alternatives holdings.

## New and increased holdings



### M&G European Strategic Value Fund

We added this actively-managed holding in preference to the iShares Europe Value ETF. M&G has a consistent and well-proven process which focuses on the cheapest parts of each industry sector while also looking for 'quality' businesses in order to avoid stocks that are cheap for a reason. The large-cap bias of the strategy also appealed.



### AQR Managed Futures Fund

We introduced this fund to the portfolios at the end of the second quarter and gradually built the position up to its target weight during the summer. The strategy aims to take advantage of both rising and falling trends in equity, bond, currency and commodity markets. We believe it will offer good diversification to the portfolios by delivering positive returns when traditional asset classes are falling.

## Removed and reduced holdings



### JP Morgan US Opportunistic Long-Short Equity Fund

This fund was a long-short equity strategy with low exposure to the overall direction of the US stock market. It is being merged into a more typical US equity strategy and is no longer suitable as a diversifying alternatives holding, nor is the new strategy compelling enough to be included in our US equity allocation. We sold the position as a result.



### iShares Edge MSCI Europe Value Factor ETF

This passive holding was held to provide value exposure across the UK and continental Europe. The sale funded the addition of the M&G European Strategic Value Fund, which offers a similar factor exposure (ie value exposure) but with the added potential of manager alpha (ie index outperformance).



# Investment outlook

Economic data in the US have been more resilient than generally expected, despite a very aggressive interest-rate hiking cycle. Meanwhile, the strength in equity markets so far this year has recently dwindled, due to the dawning realisation that although interest-rate rises could be over, a stronger economy means that interest-rate cuts are unlikely any time soon. The economic growth picture remains uncertain. US consumers have continued spending despite tightening credit conditions, meaning the economy may be able to weather the higher rates and deliver a 'soft landing', where interest rates are raised just enough to stop the economy from overheating and experiencing high inflation, without causing a severe downturn. On the other hand, interest-rate increases are known to act with a lag while monetary policy will become more restrictive as inflation falls, even without further rate hikes.

## 1. Europe to struggle amid higher oil prices

A benign economic outcome seems less likely in Europe and the UK, where the growth picture is already weaker. Meanwhile, the recent rise in oil prices, if sustained, will have further negative implications for growth for energy-importing regions like Europe, while also worsening the inflation outlook. The big question then, is how central banks respond, will they cut rates to reinvigorate economies or keep interest rates elevated to stamp out inflation?

## 2. Corporate earnings and labour market still resilient

We are inclined to think that central banks will keep interest rates elevated unless growth really nosedives, and this will cause increasing problems for business models that rely on cheap debt. On the positive side, corporate earnings have been relatively resilient, although earnings growth is now stagnating, and labour markets are only gradually slowing. However, workers experiencing wage increases while inflation cools, means real incomes improve, which will help support consumption.

## 3. Slowdown, but not yet?

On balance, a further economic slowdown looks likely, but perhaps not just yet. This leaves our asset allocation relatively close to neutral as we focus on portfolio diversification. Equities offer upside in a growth environment while bonds offer upside in a more negative scenario. Although cash may seem appealing given interest rates not seen in over a decade, we see better alternatives in each of our upside and downside economic scenarios and prefer to remain invested.



## Thank you for investing with us

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

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



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