UK: Suitable for retail and professional clients.
Singapore: For existing accredited and institutional investors only.

Quilter Investors

Compass Portfolios

Monthly commentary – Review of November 2023

Marcus Brookes
Chief Investment Officer

Our market summary

Global equities bounced back to deliver a gain of 9.4% as slowing inflation in the US, Europe, and the UK triggered renewed hopes that interest rates have now peaked and that cuts might soon be on their way. This galvanised markets into a 'risk-on' rally which lifted all major regional equity markets, except China, and delivered gains to all segments of the bond market. Growth stocks, whose valuations are based on expectations of their future earnings growth, substantially outperformed value stocks, which tend to have lower valuations, while smaller company stocks marginally outperformed their larger peers.

Equity markets

In November, US inflation data came in at 3.2% in the year to the end of October, down from 3.7% a month earlier. In combination with slightly softer data from the US labour market, this spurred renewed expectations that US interest rates had peaked. US equities surged 9.4% in November led by technology, real-estate, and consumer discretionary stocks (companies that produce goods and services considered non-essential), which tend to be the most sensitive to changes in interest rates. Energy stocks generally lagged as global oil prices moderated slightly and natural gas prices were flat.

It was a similar picture in Europe. European equities outperformed other regional markets with a return of 10.9% in November when eurozone annual inflation dropped from 2.9% in October, to 2.4% in November. Once again, it was real-estate and technology stocks that made the best progress along with European industrial stocks. As in the US, energy stocks underperformed, as did more defensive areas such as healthcare. Even so, the latest survey data showed European business activity continuing to contract.

UK equities lagged their US and European peers with a return of 7.4%. Smaller UK companies strongly outperformed the larger companies index to deliver 11.9%. They benefitted most from expectations that interest rates had peaked while the strength of the pound helped to undermine the going for the UK's largest companies, which generate most of their revenues overseas. As elsewhere, technology and real-estate stocks led the field while energy stocks lagged alongside defensive sectors such as healthcare and consumer staples (companies that supply goods and services that are always in demand).

Chinese equities significantly underperformed those elsewhere with a gain of 2.5%. Even so, emerging markets equities gained 8% in November. Egypt outperformed other index constituents with Korea and Taiwan both benefitting from the rally in tech stocks. Mexico and Brazil also performed well thanks to currency gains in the former and falling inflation and interest-rate cuts in the latter. India and South Africa both lagged the broad emerging market index, as did Middle East markets thanks to softening energy prices.

Fixed income

November was a positive month for all parts of the bond market. Both government and corporate bonds (issued by companies) delivered gains against a backdrop of heightened expectations that interest rates had peaked with inflation falling and both the US Federal Reserve and the Bank of England electing to keep rates on hold in November. US Treasuries delivered 3.6% while broader global bond markets rallied 3.4% and global high-yield bonds added 4.7%.

Source: Quilter Investors as at 30 November 2023. Total return, percentage growth in US dollars 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; UK smaller companies by the MSCI United Kingdom Small Cap Index; Chinese equities by the MSCI China Index; emerging markets by the MSCI EM (Emerging Markets) Index; US Treasuries by the ICE BofA US Treasury Index; global bonds by the Bloomberg Global Aggregate (US dollar hedged) Index; and global high-yield bonds by the Bloomberg Global High Yield (USD hedged) Index.

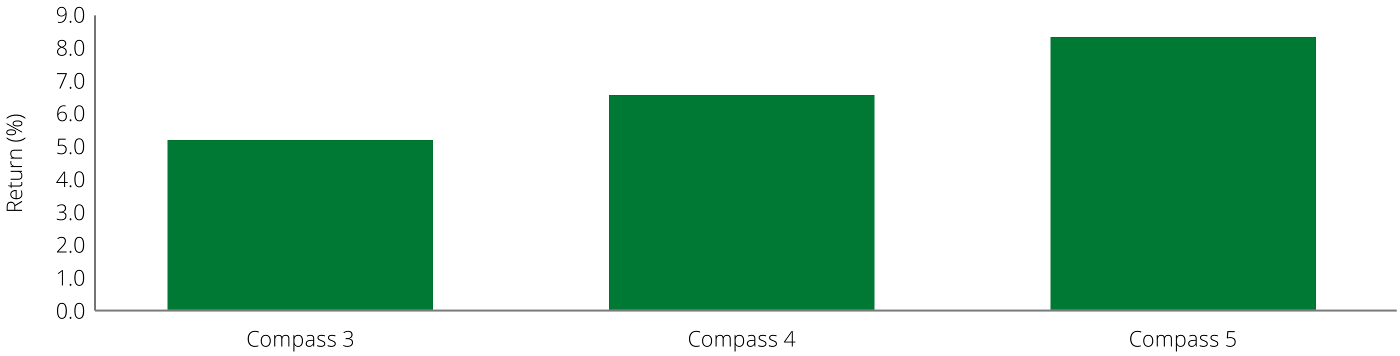
Performance review

Sacha Chorley
Portfolio Manager

The Compass Portfolios delivered very strong performance over the month, with returns ranging from 5.2% for the Compass 3 Portfolio to 8.4% for the Compass 5 Portfolio.

Our equity exposure delivered the greatest part of returns, although both our fixed-income and our alternatives holdings also delivered positive returns in aggregate.

Monthly performance (%)



Performance summary (%)

	Cumulative performance						*Discrete annual performaznce to end of November*				
	1 month	*YTD*	*1 year*	*3 year*	*5 year*	*Since launch*	*2022 - 2023*	*2021 - 2022*	*2020 - 2021*	*2019 - 2020*	*2018 - 2019*
Compass 3	5.2	6.1	5.3	-0.9	14.5	22.1	5.3	-12.7	7.8	8.0	7.0
Compass 4	6.6	8.5	7.2	3.0	23.6	38.0	7.2	-14.4	12.2	10.5	8.6
Compass 5	8.4	11.1	9.1	4.2	29.2	51.0	9.1	-18.6	17.4	12.7	10.0

Source: Quilter Investors as at 30 November 2023. Total return, percentage growth, net of fees, rounded to one decimal place of the A (USD) accumulation shares. The Old Mutual Compass Portfolios were launched on 19 April 2016 as a sub-fund of Merian Global Investors Series PLC and were merged on 7 June 2019 into the Quilter Investors Compass Portfolios. The performance history shown includes the performance of the of the Old Mutual Compass Portfolios from 19 April 2016 to 7 June 2019 until the portfolios merged.

Portfolio activity

We adjusted the manager line-up as we upgraded some of our underlying positions to holdings where we have a higher conviction in the approach. Among our equity holdings, we removed the iShares MSCI Europe Value ETF in favour of the actively-managed M&G European Strategic Value Fund. We also introduced the Quilter Investors Global Equity Unconstrained Fund, which is managed by Royal London. This was funded by the sale of the Sands Global Leaders Fund.

Elsewhere, we switched our commodities exposure from the WisdomTree Enhanced Commodity ETF to the L&G Multi-Strategy Enhanced Commodity ETF; a 'smart-beta' strategy that systematically tilts allocations. In all cases we anticipate higher 'alpha' (meaning index outperformance) being delivered by these new funds than by those that they are replacing.

Smart-beta strategies are passive funds that don't track traditional market capitalisation-based indices. Instead, they track 'factors' such as volatility, liquidity, quality, value, and momentum to deliver superior risk-adjusted returns than more typical index-tracking funds.

Investment outlook

We continue to see the most likely outcome for the global economy as being a 'muddle through' with unexciting but positive growth, and inflation continuing its path lower, albeit more slowly than central banks would like. This would be a mildly positive investment environment with more sensible starting bond yields and broadly undemanding equity valuations. The most attractive positions now are those where you can be rewarded in the absence of bad events. This favours allocations to high-yield bonds and 'cheap but boring' old economy equities.

Old economy stocks are generally those relying on traditional methods of doing business that may not have changed greatly down the years. Good examples include the steel, engineering, extraction, agriculture, and manufacturing sectors.

1. Reasons to be cheerful

Strong nominal wage growth coupled with slowing inflation has delivered positive real wage growth, particularly for lower-income cohorts. This should support robust consumer spending, which should underpin positive corporate revenue growth. If and when inflation falls closer to targets, central banks will look to trim interest rates. This 'easing' of interest rates, if done from a position of strength, could provide further support to markets.

2. Reasons to be fearful

While the global economy has broadly held up well in the face of the barrage of central bank interest-rate rises, the impact is still slowly working its way into the system. We expect mortgage repayments to gradually reset higher which will squeeze disposable income. Similar resets will need to occur for corporate borrowers, and this could cause financial stress and/or lower earnings, particularly for smaller, more heavily indebted companies.

3. What might make us change our mind?

The most damaging scenario from here would be stagflation – where economic growth slows but inflation continues to climb leading to company failures and the collapse of wage growth and employment levels. The volatile food and energy sectors are especially vulnerable to inflation should supply-chain issues re-emerge. Geopolitical risks could also spill over, especially those in the Middle East or in Taiwan.

Thank you for investing with us

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

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 speak to one of our investment directors on +44 (0)207 167 3600, email us at ***enquiries@quilter.com***, 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 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.

This communication is issued by Quilter Investors Limited ("Quilter Investors"), Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB. Quilter Investors is registered in England and Wales (number: 04227837) and is authorised and regulated by the Financial Conduct Authority (FRN: 208543).

Quilter Investors is not licenced or regulated by the Monetary Authority of Singapore ("MAS").

This communication provides information relating to Quilter Investors Compass 3 Portfolio, Quilter Investors Compass 4 Portfolio, and Quilter Investors Compass 5 Portfolio (the "Funds") which are sub-funds of Quilter Investors ICAV (the "ICAV"). The ICAV is an Irish collective asset-management vehicle constituted as an umbrella fund with segregated liability between sub-funds with registration number C185065 and authorised by the Central Bank of Ireland pursuant to the UCITS Regulations on 14 February 2019. Its registered office is: 32 Molesworth Street, Dublin 2, Ireland.

The ICAV has appointed KBA Consulting Management Limited as manager of the ICAV (the "Manager"). The Manager was incorporated on 4 December 2006 as a limited liability company in Ireland under number 430897. The Manager's main business is the provision of fund management services to collective investment schemes such as the ICAV.

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. You should not rely on the information in this communication in making investment decisions. Nothing in this communication constitutes advice or personal recommendation.

The Funds invest principally in other collective investment schemes. The Funds may be more than 35% invested in Government and public securities. These can be issued by other countries and Governments. The net asset value of the Fund may have high volatility due to the nature of the asset class invested.

Your attention is drawn to the stated investment policies which are set out in the Funds' prospectus.

Data from third parties ("Third-Party Data") may be included in this communication and those third parties do not accept any liability for errors and omissions. Therefore, you should make sure you understand certain important information, which can be found at www.quilter.com/third-party-data/. Where this communication contains Third-Party Data, Quilter Investors cannot guarantee the accuracy, reliability or completeness of such Third-Party Data and accepts no responsibility or liability whatsoever in respect of such Third-Party Data.

Additional Information (UK):

The ICAV is registered for public sale in the United Kingdom. An investor should read the Key Investor Information Document(s) ("KIID") before investing in any sub-fund of the ICAV. The KIID and the prospectus can be obtained from www.quilter.com in English. Certain paying and/or information agents have been appointed in connection with public distribution of the shares of the ICAV in certain jurisdictions. The prospectus, KIID, and/or other relevant offering documentation is available free of charge at: United Kingdom: Quilter Investors Limited, Senator House, 85 Queen Victoria Street, London, United Kingdom, EC4V 4AB. Other: Quilter Investors ICAV; c/o MFD Secretaries Limited, 32 Molesworth Street, Dublin 2, Ireland.

Additional Information (Singapore):

The Funds are only notified as restricted schemes by MAS and are not allowed to be offered to the Singapore retail public. This marketing document shall be construed as part of an information memorandum for the purposes of section 305(5) of the Securities and Futures Act, Cap. 289 of Singapore (the "SFA"). Accordingly, this marketing document must not be relied on or construed on its own without reference to the information memorandum. This marketing document is not a prospectus as defined in the SFA and accordingly, statutory liability under the SFA in relation to the content of prospectuses would not apply.

This document has not been registered as a prospectus by the MAS, and the offer of the shares is made pursuant to the exemptions under Sections 304 and 305 of the SFA. Accordingly, the shares may not be offered or sold, nor may the shares be the subject of an invitation for subscription or purchase, nor may this marketing document or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the shares be circulated or distributed, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 304 of the SFA, (b) to a relevant person (as defined in Section 305(5) of the SFA), or any person pursuant to an offer referred to in Section 305(2) of the SFA, and in accordance with the conditions specified in Section 305 of the SFA or (c) otherwise pursuant to, and in accordance with, the conditions of any other applicable provision of the SFA.

Where the shares are acquired by persons who are relevant persons specified in Section 305A of the SFA, namely:

A corporation (which is not an accredited investor (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

A trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, the shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within 6 months after that corporation or that trust has acquired the shares pursuant to an offer made under Section 305 of the SFA except:

(1) to an institutional investor or to a relevant person as defined in Section 305(5) of the SFA, or which arises from an offer referred to in Section 275(1A) of the SFA (in the case of that corporation) or Section 305A(3)(i)(B) of the SFA (in the case of that trust);

(2) Where no consideration is or will be given for the transfer;

(3) Where the transfer is by operation of law;

(4) As specified in Section 305A(5) of the SFA; Or

(5) As specified in Regulation 36 of the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 of Singapore.

QI 26477/29/5308/December 2023/SK19510