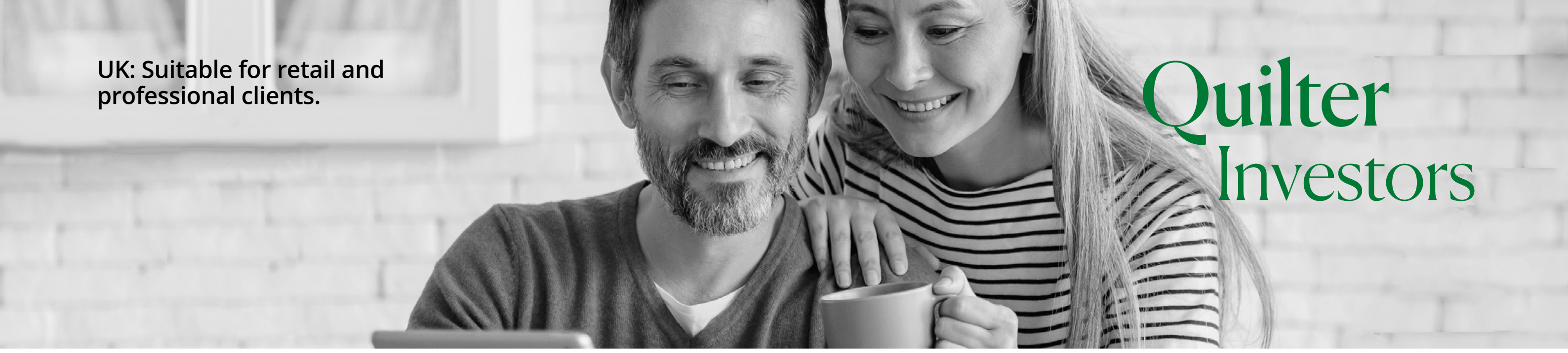


UK: Suitable for retail and professional clients.

Quilter Investors

Creation Portfolios

Monthly commentary – Review of November 2023

Marcus Brookes
Chief Investment Officer

Our market summary

Global equities bounced back to deliver a gain of 4.9% 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 4.9% 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 6.3% 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 3.0%. However, smaller companies strongly outperformed the larger companies index to deliver 7.2%. They benefitted most from expectations that UK 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).

Despite Chinese equities declining 1.7%, emerging markets equities gained 3.5% 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 3.4% while UK government bonds (gilts) rallied 3.1% and UK corporate bonds delivered 3.6%.

Source: Quilter Investors as at 30 November 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; 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 (GBP Hedged) Index; UK government bonds by the ICE BofA UK Gilt Index; and UK corporate bonds by the ICE BofA Sterling Corporate Index.

Performance review

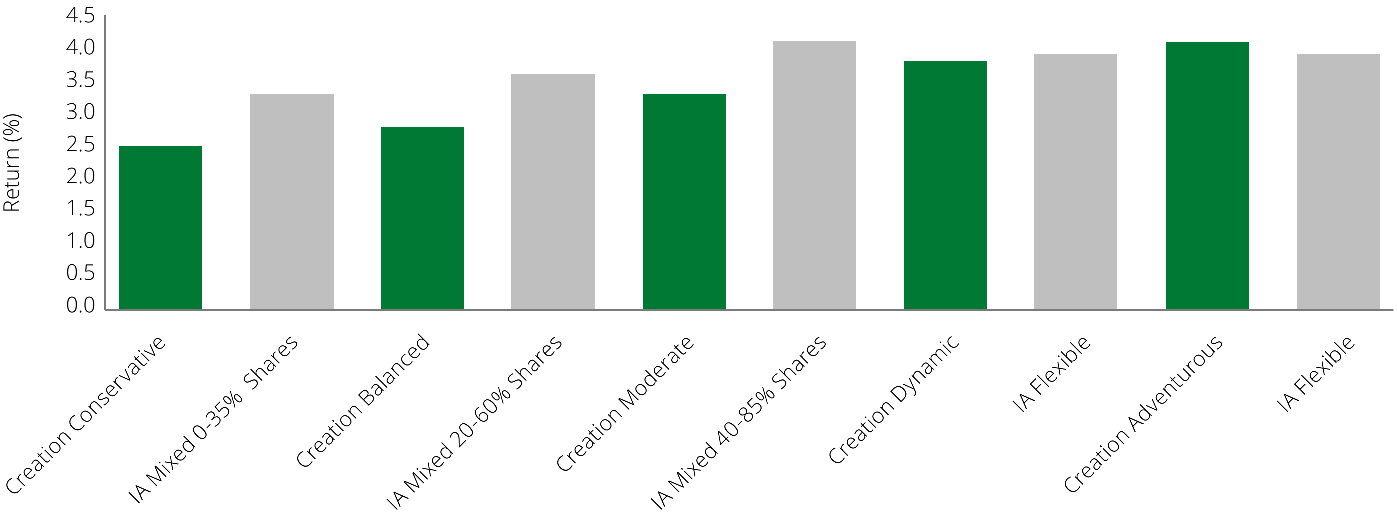
The Creation Portfolios all delivered strong gains over the month as both equities and bonds rallied aggressively. Returns increased sequentially in line with the risk profile of each portfolio with the Creation Conservative Portfolio delivering a 2.5% gain while the Creation Adventurous Portfolio added 4.1%.

Ian Jensen-Humphreys
Portfolio Manager

Sacha Chorley
Portfolio Manager

CJ Cowan
Portfolio Manager

Monthly performance (%)



Performance summary (%)

	Cumulative performance						*Discrete annual performance 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*
Creation Conservative	**2.5**	**2.2**	**1.6**	**-3.6**	**3.8**	**14.1**	**1.6**	**-7.1**	**2.2**	**1.2**	**6.4**
IA Mixed 0-35% Shares	3.3	2.4	1.4	-4.4	5.6	22.1	1.4	-8.8	3.4	3.3	6.9
Creation Balanced	**2.8**	**3.4**	**3.0**	**2.4**	**13.5**	**28.4**	**3.0**	**-5.8**	**5.6**	**2.5**	**8.2**
IA Mixed 20-60% Shares	3.6	2.9	1.9	0.7	11.7	36.1	1.9	-7.7	7.0	2.8	7.9
Creation Moderate	**3.3**	**4.7**	**4.0**	**7.4**	**22.0**	**42.0**	**4.0**	**-5.1**	**8.8**	**3.5**	**9.7**
IA Mixed 40-85% Shares	4.1	3.7	2.3	6.1	21.8	59.1	2.3	-7.5	12.2	4.5	9.7
Creation Dynamic	**3.8**	**5.6**	**4.6**	**12.7**	**30.9**	**53.5**	**4.6**	**-4.2**	**12.4**	**4.0**	**11.6**
IA Flexible	3.9	3.2	2.0	7.2	23.7	61.1	2.0	-6.8	12.7	6.2	8.7
Creation Adventurous	**4.1**	**6.2**	**5.0**	**14.9**	**32.7**	**32.9**	**5.0**	**-4.0**	**14.0**	**3.4**	**11.7**
IA Flexible	3.9	3.2	2.0	7.2	23.7	26.6	2.0	-6.8	12.7	6.2	8.7

Source: Quilter Investors as at 30 November 2023. Total return, percentage growth, net of fees, rounded to one decimal place of the U1 (GBP) accumulation shares. The Creation Conservative Portfolio launched on 7 June 2014; the Creation Balanced Portfolio launched on 29 April 2014; the Creation Moderate Portfolio launched on 17 May 2014; the Creation Dynamic Portfolio launched on 6 June 2014; and the Creation Adventurous Portfolio launched on 4 July 2017.

Portfolio activity

We added some downside protection to the portfolios in early November via the purchase of equity index 'put' spreads. These are derivative contracts that provide low-cost insurance as they will deliver a pay-out if markets have fallen significantly by the time the contracts expire in March 2024. This 'hedge' reflects our view that, although the most likely outcome for economies and markets remains a 'muddle-through' scenario, the risk of a bad outcome has increased.

Elsewhere, we upgraded our manager line-up by swapping some holdings to funds where we have a higher conviction in the approach. 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, and replaced the Allianz Fixed Income Macro Fund with the Wellington Global Total Return Fund which offers a multi-strategy, alternative fixed-income approach.

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 in order to deliver superior risk-adjusted returns to 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

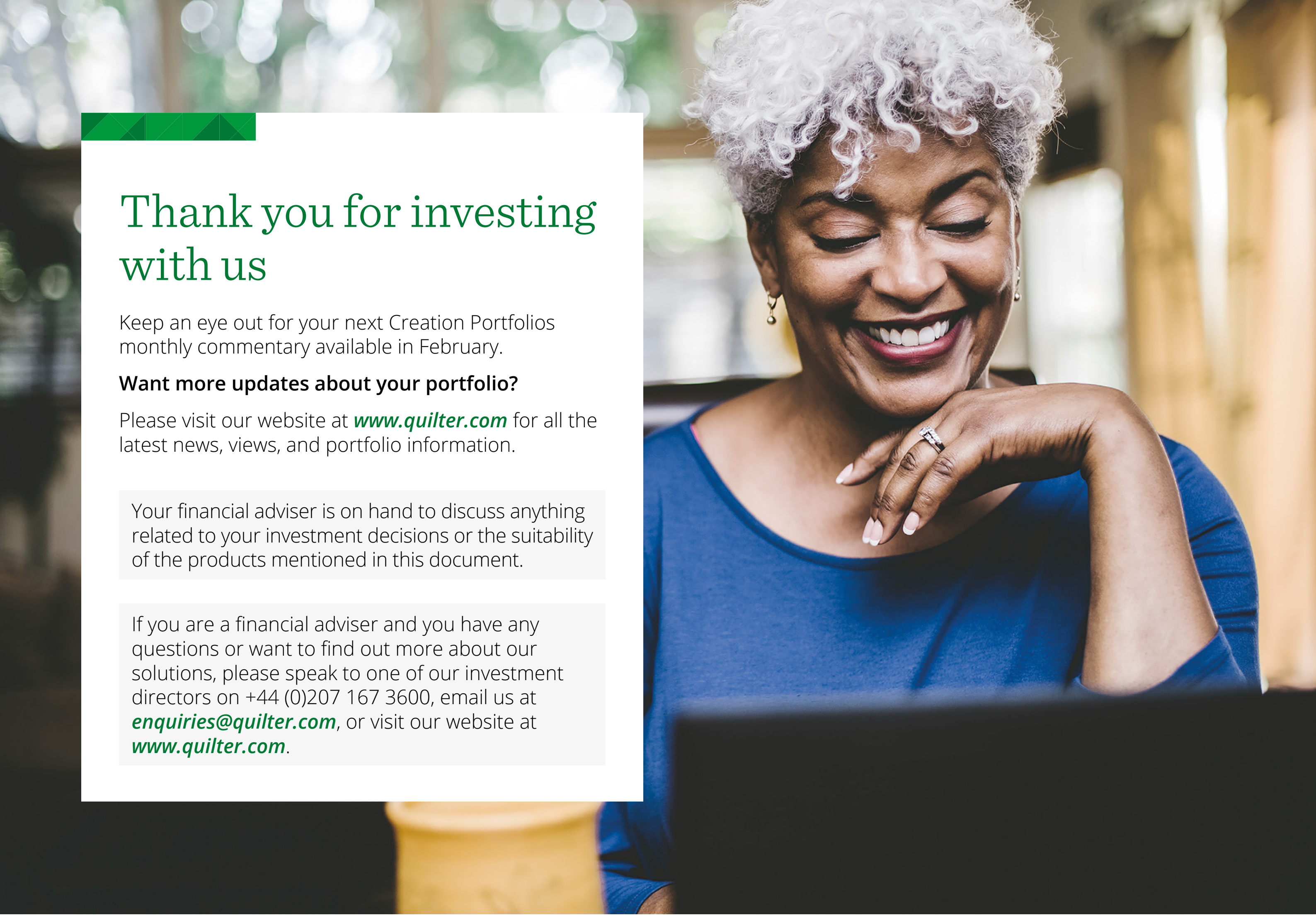
Strong nominal wage growth coupled with slowing inflation has delivered positive real wage growth, particularly for lower-income cohorts. This should support robust consumer spending, which should underpin positive corporate revenue growth. If and when inflation falls closer to targets, central banks 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 Creation 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***.

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