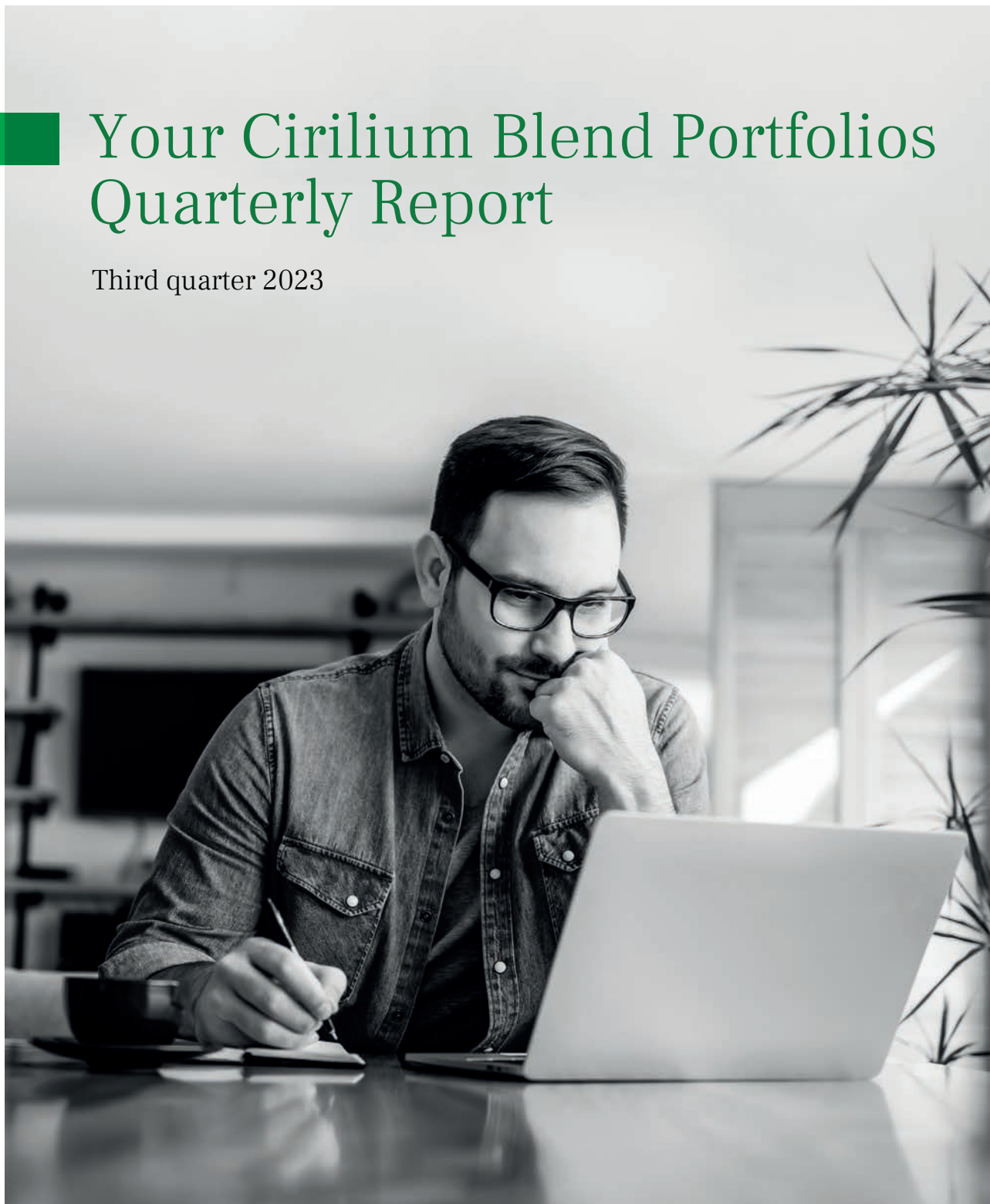


UK: Suitable for retail and professional clients.

Quilter
Investors

Your Cirilium Blend Portfolios Quarterly Report

Third quarter 2023



What your report covers

- ▶ Our market summary
- ▶ Your investment summary
- ▶ Your portfolio holdings
- ▶ 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

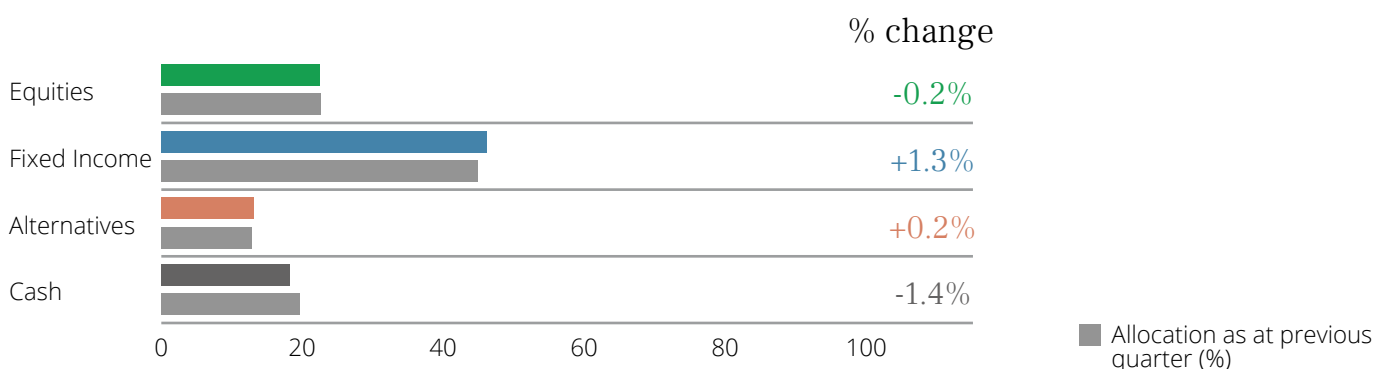


US Treasuries (US government bonds) fell 3.5% in the quarter, owing partly to a US credit-rating downgrade in August. More positively, peaking inflation led to a slowdown in interest-rate rises, with the Fed opting to hold rates in September. The Bank of England followed suit, as UK inflation finally 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: Cirilium Conservative Blend Portfolio

Cirilium Conservative Blend Portfolio asset allocation breakdown



Cirilium Conservative Blend Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Cirilium Conservative Blend Portfolio - U1 (GBP) Accumulation Shares	2.1%	-8.4%	3.7%	3.8%	
IA Mixed Investment 0-35% Shares sector average	2.7%	-11.3%	5.7%	0.4%	

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	-0.6%	-1.4%	2.1%	-3.0%		1.3%	26/07/19
IA Mixed Investment 0-35% Shares sector average	-0.3%	-1.3%	2.7%	-3.8%		-2.7%	

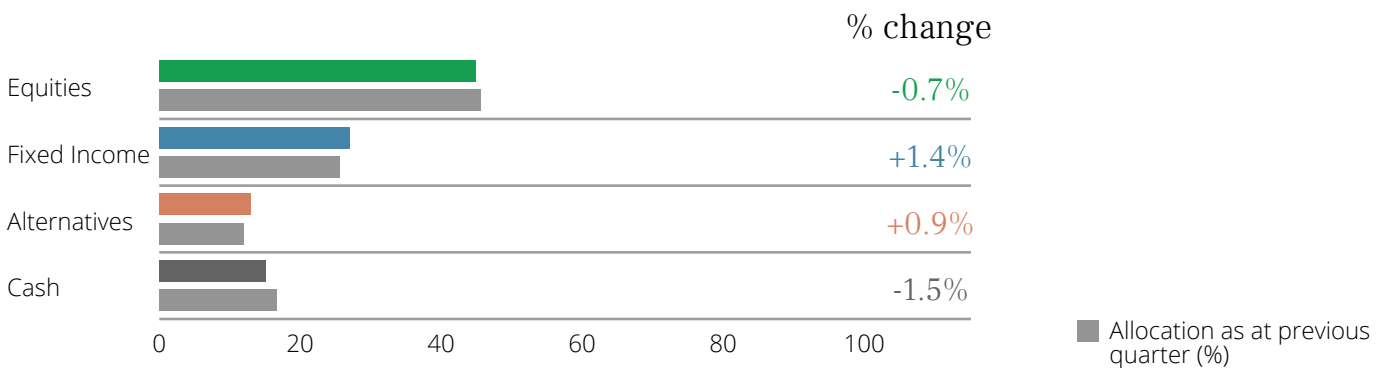
*Since launch performance figures are from the launch date of the respective share class.

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 29 September 2023 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 September

Holding	2023	2022	2021	2020	2019
Quilter Investors Cirilium Balanced Blend Portfolio - U1 (GBP) Accumulation Shares	4.7%	-6.8%	9.6%	1.6%	
IA Mixed Investment 20-60% Shares sector average	4.2%	-10.7%	11.3%	-1.2%	

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	0.0%	0.0%	4.7%	7.0%		9.3%	26/07/19
IA Mixed Investment 20-60% Shares sector average	-0.1%	-0.5%	4.2%	3.6%		2.6%	

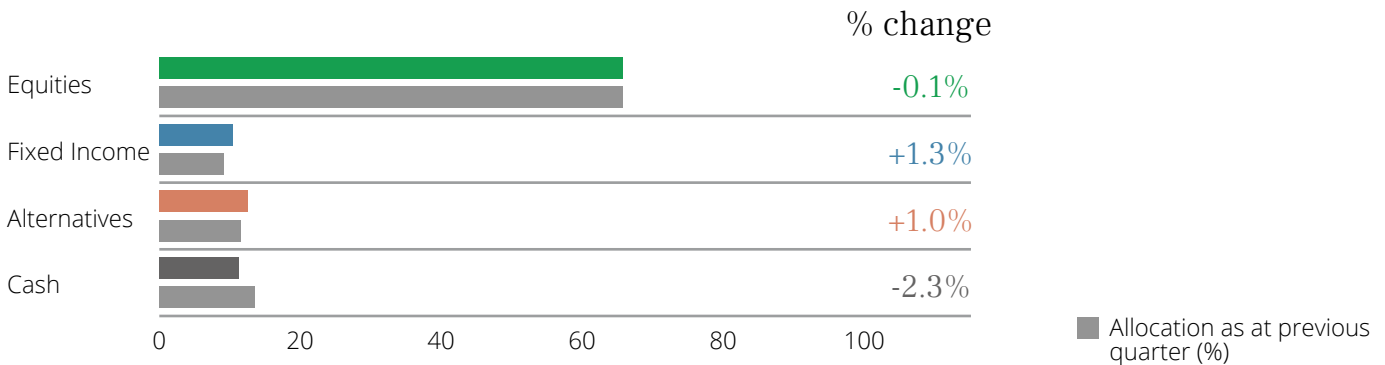
*Since launch performance figures are from the launch date of the respective share class.

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 29 September 2023 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 Moderate Blend Portfolio

Cirilium Moderate Blend Portfolio asset allocation breakdown



Cirilium Moderate Blend Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Cirilium Moderate Blend Portfolio - U1 (GBP) Accumulation Shares	6.7%	-6.1%	15.2%	0.4%	
IA Mixed Investment 40-85% Shares sector average	5.3%	-10.3%	16.8%	-0.1%	

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	0.4%	0.8%	6.7%	15.3%		16.3%	26/07/19
IA Mixed Investment 40-85% Shares sector average	-0.2%	0.0%	5.3%	10.3%		10.1%	

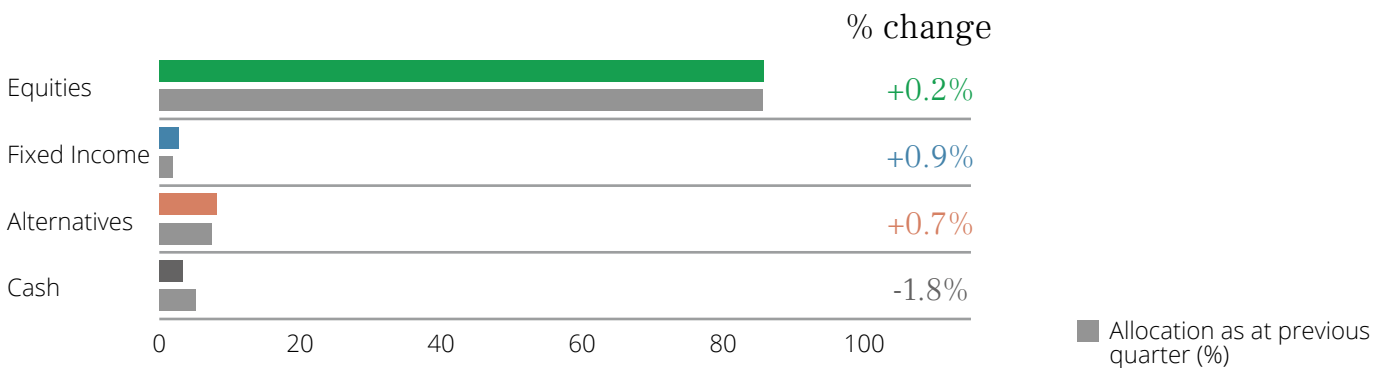
*Since launch performance figures are from the launch date of the respective share class.

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 29 September 2023 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 Dynamic Blend Portfolio

Cirilium Dynamic Blend Portfolio asset allocation breakdown



Cirilium Dynamic Blend Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Cirilium Dynamic Blend Portfolio - U1 (GBP) Accumulation Shares	8.1%	-6.9%	20.3%	-1.2%	
IA Flexible Investment sector average	4.8%	-9.6%	18.5%	1.0%	

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	0.3%	1.0%	8.1%	21.0%		19.7%	26/07/19
IA Flexible Investment sector average	-0.2%	0.1%	4.8%	12.3%		13.0%	

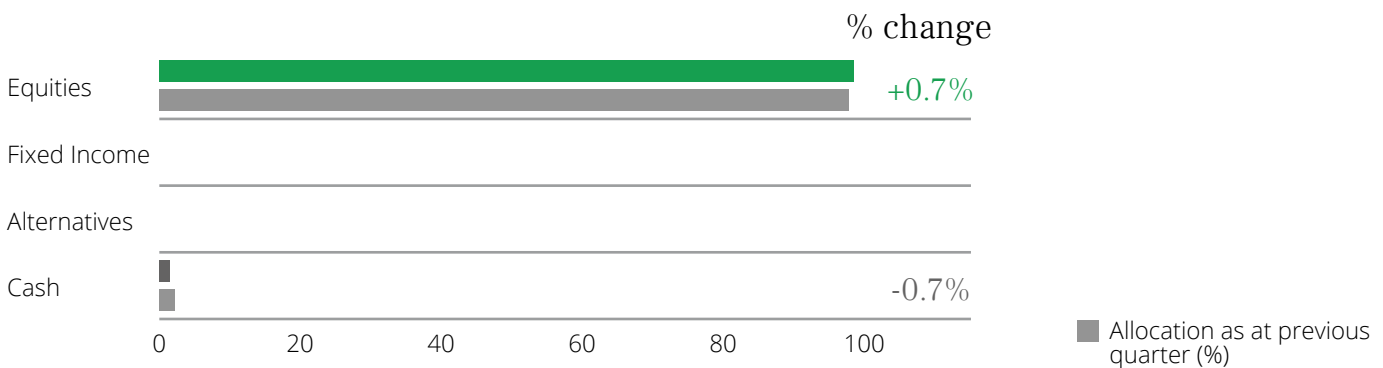
*Since launch performance figures are from the launch date of the respective share class.

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 29 September 2023 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 Adventurous Blend Portfolio

Cirilium Adventurous Blend Portfolio asset allocation breakdown



Cirilium Adventurous Blend Portfolio growth year by year to end of September

Holding	2023	2022	2021	2020	2019
Quilter Investors Cirilium Adventurous Blend Portfolio - U1 (GBP) Accumulation Shares	9.0%	-8.3%	22.2%	-1.5%	
IA Flexible Investment sector average	4.8%	-9.6%	18.5%	1.0%	

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	0.2%	1.0%	9.0%	22.1%		19.8%	26/07/19
IA Flexible Investment sector average	-0.2%	0.1%	4.8%	12.3%		13.0%	

*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 29 September 2023 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 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
EQUITY			22.45%	44.94%	65.71%	85.82%	98.57%
ASIA PACIFIC EQUITY			2.85	5.84	8.53	11.15	12.30
BAILLIE GIFFORD JAPANESE INCOME GROWTH	BAILLIE GIFFORD	COLLECTIVE	0.70	0.81	1.18	1.57	1.96
FIDELITY ASIA PACIFIC OPPORTUNITIES FUND	FIDELITY	COLLECTIVE	0.98	0.96	1.60	2.08	2.49
ISHARES JAPAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.30	1.94	2.77	3.60	3.81
ISHARES PACIFIC EX JAPAN EQUITY INDEX	BLACKROCK	COLLECTIVE	0.00	1.01	1.38	1.90	1.50
M&G JAPAN FUND	M&G	COLLECTIVE	0.87	1.12	1.60	2.00	2.54
EMERGING MARKETS EQUITY			1.58	3.22	5.03	6.48	8.15
FIDELITY CHINA CONSUMER FUND	FIDELITY	COLLECTIVE	0.40	0.79	0.97	1.40	1.60
ISHARES EMERGING MARKETS EQUITY INDEX	BLACKROCK	COLLECTIVE	0.30	0.99	2.00	2.40	3.00
PACIFIC NORTH OF SOUTH EM ALL CAP EQUITY	PACIFIC CAPITAL PARTNERS	COLLECTIVE	0.50	0.78	1.10	1.40	1.84
QUILTER INV EM EQUITY GROWTH (JPMORGAN)	JPMORGAN	COLLECTIVE	0.38	0.66	0.97	1.29	1.71
EUROPEAN EQUITY			4.33	9.46	14.08	18.54	21.35
ISHARES CONTINENTAL EUROPEAN EQUITY INDEX	BLACKROCK	COLLECTIVE	2.30	6.15	9.38	12.51	13.46
M&G EUROPEAN STRATEGIC VALUE FUND	M&G	COLLECTIVE	0.83	1.22	1.70	2.13	2.80
MONTANARO EUROPEAN INCOME FUND	MONTANARO	COLLECTIVE	0.40	0.68	1.00	1.29	1.66
PREMIER MITON EUROPEAN OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.40	0.72	1.02	1.31	1.72
QUILTER INV EUR (EX UK) EQ (JANUS HEND)	JANUS HENDERSON	COLLECTIVE	0.40	0.69	0.98	1.30	1.70
GLOBAL EQUITY			4.25	4.49	4.82	5.15	5.57
AB INTERNATIONAL HEALTH CARE PORTFOLIO	ALLIANCE BERNSTEIN	COLLECTIVE	0.81	0.91	0.99	1.17	1.50
ISHARES MSCI WORLD HEALTH CARE UCITS ETF	BLACKROCK	COLLECTIVE	1.19	1.09	0.96	0.80	0.50
NINETY ONE GLOBAL SPECIAL SITUATIONS FUND	NINETY ONE	COLLECTIVE	1.08	1.10	1.27	1.39	1.59
QUILTER INV GBL EQUITY VALUE (REDWHEEL)	REDWHEEL	COLLECTIVE	1.17	1.38	1.60	1.79	1.97
NORTH AMERICAN EQUITY			3.06	8.95	14.13	19.46	22.63
BERKSHIRE HATHAWAY B SHARES		DIRECT EQUITY	0.20	0.59	0.80	1.00	1.26
BRANDES U.S. VALUE	BRANDES	COLLECTIVE	0.61	1.11	1.39	1.69	2.31
GRANAHAN US SMID SELECT FUND	GRANAHAN	COLLECTIVE	0.47	0.67	0.99	1.26	1.57
ISHARES CORE S&P 500 UCITS ETF	BLACKROCK	COLLECTIVE	0.00	0.00	0.00	1.43	0.00
ISHARES EDGE MSCI USA VALUE UCITS ETF	BLACKROCK	COLLECTIVE	0.31	0.81	0.99	1.20	1.48
ISHARES NORTH AMERICAN EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	0.40	3.98	7.45	9.75	12.01

Continued on next page

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
EQUITY (CONTINUED)							
PREMIER MITON US OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.48	0.90	1.20	1.57	1.99
SANDS CAPITAL US SELECT GROWTH FUND	SANDS CAPITAL	COLLECTIVE	0.58	0.90	1.32	1.56	2.00
UK EQUITY			6.37	12.97	19.11	25.04	28.58
ISHARES UK EQUITY INDEX FUND	BLACKROCK	COLLECTIVE	2.58	8.48	12.81	16.24	17.15
J O HAMBRO CAPITAL MANAGEMENT UK DYNAMIC	J O HAMBRO	COLLECTIVE	0.88	1.12	1.62	2.09	2.68
LIONTRUST UK GROWTH FUND	LIONTRUST	COLLECTIVE	0.61	0.71	1.10	1.61	2.09
MONTANARO UK INCOME FUND	MONTANARO	COLLECTIVE	0.78	0.88	1.19	1.70	2.18
PREMIER MITON UK VALUE OPPORTUNITIES FUND	PREMIER MITON	COLLECTIVE	0.71	0.79	1.20	1.61	2.09
QUILTER INV UK EQUITY 2 (NINETY ONE)	NINETY ONE	COLLECTIVE	0.81	0.99	1.19	1.80	2.39
FIXED INCOME			46.20%	27.07%	10.47%	2.79%	0.00%
CORPORATE BONDS			9.95	9.18	6.15	1.93	0.00
FEDERATED HERMES UNCONSTRAINED CREDIT	HERMES	COLLECTIVE	2.36	2.36	2.36	1.16	0.00
PREMIER MITON FINANCIALS CAP SECURITIES	PREMIER MITON	COLLECTIVE	1.10	1.09	1.07	0.49	0.00
QUILTER INV BOND 3 (JPMORGAN)	JPMORGAN	COLLECTIVE	0.00	0.04	0.00	0.00	0.00
VANGUARD GLOBAL CORPORATE BOND INDEX FUND	VANGUARD	COLLECTIVE	3.26	2.86	1.37	0.29	0.00
WELLINGTON GLOBAL CREDIT PLUS FUND	WELLINGTON	COLLECTIVE	3.22	2.82	1.35	0.00	0.00
EMERGING MARKET DEBT			3.61	2.99	0.91	0.07	0.00
ISHARES CHINA CNY BOND UCITS ETF	BLACKROCK	COLLECTIVE	3.61	2.99	0.91	0.07	0.00
GOVERNMENT BONDS			21.48	13.60	2.13	-0.10	0.00
10Y AUSTRALIA T-BOND (SFE) DEC 23		DERIVATIVE	0.30	0.25	0.10	0.00	0.00
10Y T-NOTE (CBT) DEC 23		DERIVATIVE	0.00	0.00	0.00	-0.55	0.00
ALLIANZ STRATEGIC BOND FUND	ALLIANZ	COLLECTIVE	4.96	0.00	0.00	0.00	0.00
EURO BUND GERMANY (EUR) DEC 23		DERIVATIVE	-1.40	-0.69	0.00	0.00	0.00
ISHARES GBP INDEX-LINKED GILTS UCITS ETF	BLACKROCK	COLLECTIVE	0.84	0.84	0.89	0.39	0.00
LONG GILT (IFEU) DEC 23		DERIVATIVE	0.71	0.44	-0.14	0.00	0.00
VANGUARD JAPAN GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	2.34	1.99	0.58	0.06	0.00
VANGUARD U.S. GOVERNMENT BOND INDEX FUND	VANGUARD	COLLECTIVE	13.73	10.78	0.70	0.00	0.00
OTHER FIXED INCOME			11.16	1.30	1.29	0.88	0.00
JANUS HENDERSON ASSET-BACKED SECURITIES	JANUS HENDERSON	COLLECTIVE	1.29	1.30	1.29	0.88	0.00
VANGUARD GLOBAL BOND INDEX FUND	VANGUARD	COLLECTIVE	9.87	0.00	0.00	0.00	0.00

Continued on next page

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
ALTERNATIVES			13.09%	12.91%	12.53%	8.10%	0.00%
ALTERNATIVE EQUITY			5.47	5.40	5.32	3.49	0.00
COOPER CREEK NORTH AMERICA LNG SHRT EQ	COOPER CREEK PARTNERS	COLLECTIVE	1.11	1.10	1.10	0.71	0.00
FTF CLEARBRIDGE GLOBAL INFRASTRUCTURE INCOME FUND	CLEARBRIDGE	COLLECTIVE	1.04	1.03	1.01	0.63	0.00
MYGALE EVENT DRIVEN UCITS FUND	MYGALE	COLLECTIVE	1.01	1.00	0.98	0.67	0.00
NEUBERGER BERMAN EVENT DRIVEN	NEUBERGER BERMAN	COLLECTIVE	1.01	1.00	0.98	0.67	0.00
SANDBAR GLOBAL EQUITY MARKET NEUTRAL	SANDBAR ASSET MANAGEMENT	COLLECTIVE	1.29	1.28	1.25	0.81	0.00
ALTERNATIVE FIXED INCOME			4.65	4.55	4.38	2.83	0.00
ALLIANZ FIXED INCOME MACRO FUND	ALLIANZ	COLLECTIVE	0.92	0.88	0.78	0.42	0.00
ARDEA GLOBAL ALPHA FUND	ARDEA	COLLECTIVE	1.32	1.30	1.28	0.92	0.00
BREVAN HOWARD ABSOLUTE RETURN GOV. BOND	BREVAN HOWARD	COLLECTIVE	0.72	0.71	0.69	0.39	0.00
JUPITER STRATEGIC ABSOLUTE RETURN BOND	JUPITER	COLLECTIVE	0.70	0.69	0.67	0.47	0.00
TAGES ECKHARDT SYSTEMATIC SHORTTERM UCITS	ECKHARDT	COLLECTIVE	0.99	0.97	0.95	0.64	0.00
ALTERNATIVE OTHER			1.13	1.12	1.10	0.68	0.00
AQR MANAGED FUTURES UCITS FUND	AQR	COLLECTIVE	1.13	1.12	1.10	0.68	0.00
COMMODITIES			1.84	1.84	1.74	1.10	0.00
UBS CMCI COMMODITY CARRY SF UCITS ETF	UBS	COLLECTIVE	0.89	0.92	0.89	0.57	0.00
WISDOMTREE ENHANCED COMMODITY UCITS ETF	WISDOM TREE	COLLECTIVE	0.96	0.92	0.85	0.52	0.00
CASH			18.26%	15.08%	11.28%	3.29%	1.43%
CASH			18.26	15.08	11.28	3.29	1.43
TOTAL			100%	100%	100%	100%	100%

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 Cirilium Conservative Blend Portfolio, which delivered a small loss of 0.6% as bonds sold-off in the latter part of the period, the remaining Cirilium Blend Portfolios delivered modest gains in the third quarter. The Cirilium Moderate Blend and Dynamic Blend Portfolios performed best, gaining 0.4% and 0.3% respectively.



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.

UK equities make biggest contribution to returns

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 Montanaro UK Income Fund fell 2.5% as its small-cap growth style fell out of favour with investors.

Mixed fortunes for US equity managers

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. This helped propel Berkshire Hathaway, Warren Buffett's holding company, up 7% and our high-octane small-cap growth manager Granahan down 12%. Fortunately, the latter is only a small position, reflecting the higher risk of the holding.



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, 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. The Cooper Creek North America Long Short Equity and Sandbar Global Equity Market Neutral funds enjoyed a strong quarter with mid-to-high single-digit returns. Both managers take off-setting positions in company shares, betting that the prices of their 'long' positions will rise more than the prices of their 'short' positions. In this way, they can deliver returns that are not dependent on the overall direction of the equity market. Meanwhile, the WisdomTree Enhanced Commodity ETF was another strong performer; it captured the rise in oil prices. The only alternatives holding to deliver a loss was our short-term trend following strategy, the Tages Eckhardt Systematic Short Term Fund, which fell 4%.



A long/short equity fund is a strategy based on buying, or going 'long', on equities that are expected to rise in value and selling 'short' equities that are expected to fall in value.



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.



The strategic asset allocation (SAA) is our long-term model asset allocation. It establishes how much of each portfolio should be invested in different asset classes such as equities, bonds, property, alternatives and cash.

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 that 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 was also appealing.



FT Clearbridge Infrastructure Income Fund

This fund aims to replicate the returns of unlisted infrastructure but by investing in listed equities, with the target of beating G7 Inflation of 5.5% over an economic cycle. The team focuses on core infrastructure assets with a large-cap bias. The holding fits into the portfolios as part of the inflation-protection sleeve of the alternatives holdings.



AQR Managed Futures Fund

We introduced this fund to the portfolios at the end of the second quarter and have 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



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 (i.e. value exposure) but with the added potential of manager alpha (i.e. index outperformance).



Lyxor US\$ 10 Year Inflation Expectations ETF

We reduced our holding here to fund the purchase of the FT Clearbridge Infrastructure Income Fund, which is a higher conviction actively-managed holding. This fund delivers the returns of a US 'breakeven' inflation position by being 'long' on US 10-year Treasury Inflation-Protected Securities (TIPS) and 'short' on US 10-year nominal Treasury bonds.



Treasury Inflation-Protected Securities (TIPS) are US government bonds that are indexed to inflation. Unlike conventional Treasuries, as inflation rises the price (or principal) of TIPS rises which ensures the interest payments keep up with inflation.

Investment outlook

Economic data in the US has 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 ahead remains uncertain. US consumers have continued spending despite tightening credit conditions, meaning the economy may be able to weather higher yields and experience 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 Blend Portfolios monthly commentary available in November.

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 3700, 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 rate changes 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, 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 Cirilium Adventurous Blend Portfolio, Quilter Investors Cirilium Balanced Blend Portfolio, Quilter Investors Cirilium Conservative Blend Portfolio, Quilter Investors Cirilium Dynamic Blend Portfolio and Quilter Investors Cirilium Moderate Blend Portfolio (the "Funds") are subfunds of Quilter Investors Cirilium OEIC, an investment company with variable capital incorporated in England and Wales.

Quilter Investors Cirilium OEIC is authorised by the Financial Conduct Authority as a non-UCITS retail scheme and can be distributed to the public in the United Kingdom.

Quilter Investors uses all reasonable skill and care in compiling the information in this communication which is accurate only on the date of this communication. You should not rely upon the information in this communication in making investment decisions. Nothing in this communication constitutes advice or personal recommendation. An investor should read the Key Investor Information Document(s) ("KIID") before investing in any sub-fund of the Quilter Investors Cirilium OEIC. The KIID and the prospectus can be obtained from www.quilter.com in English.

The Funds invest principally in other collective investment schemes. Your attention is drawn to the stated investment policy which is set out in the 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.

QI 26399/25/4805/October 2023/SK20189