



IFSL Equilibrium Defensive Portfolio

Each month we provide factsheets for the IFSL Equilibrium funds which give details of the holdings as at the end of the month, together with market commentary.

In addition to this, each quarter we provide more detailed analysis of the holdings, focusing on what has been performing well and what has been underperforming.

Key

A = Alternatives

EQ = Equities

CPI = Consumer Price Index (inflation)

C = Cash

FI = Fixed Interest

DR = Defined Returns

RA = Assets

Asset allocation changes

The table below shows our current allocation compared to three months and 12 months ago, the changes are highlighted from dark green to dark red in terms of largest increase to largest decrease.

Asset	Current %	3 months ago %	3 month change %	12 months ago %	12 month change %
Cash	13.3	10.2	3.1	16.4	-3.0
Fixed Interest	52.3	56.1	-3.8	42.4	10.0
Real Assets	10.8	11.1	-0.3	14.0	-3.2
Defined Returns	2.3	2.3	0.1	0.0	2.3
Alternatives	13.1	12.1	1.0	19.2	-6.2
Equity	8.2	8.2	0.0	8.0	0.1

Recent fund changes

The tables below show any significant changes we have made to the holdings in the portfolio over the quarter.

Significant increased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
FI	Muzinich SD IG	3.97	-	3.97
C	BlackRock Sterling Liquidity	5.76	2.67	3.10
FI	Allianz Strategic Bond	4.94	2.82	2.12
A	Lazard Rathmore Alternative	3.08	2.11	0.97
FI	iShares Core UK Gilts ETF	4.48	3.65	0.83

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
FI	iShares \$ Treasury Bond 7-10yr ETF	-	3.70	-3.70
FI	TwentyFour Monument Bond	2.46	5.11	-2.65
FI	TwentyFour Dynamic Bond	2.10	4.49	-2.39
FI	Miton Strategic Bond	2.32	4.32	-2.01
RA	Primary Health Properties	-	0.49	-0.49



Contribution to return by sector

The table below shows each of our asset classes and the equity regions we invest in. It breaks down the average exposure, the return for the asset class over the period we have been invested and the contribution to the overall portfolio return over three months and 12 months.

Asset	3 months			12 months		
	Average weight %	Asset class return %	Contribution to return %	Average weight %	Asset class return %	Contribution to return %
Cash	9.5	-0.8	-0.1	6.1	2.1	-0.0
Fixed Interest	56.7	1.6	0.9	54.5	-6.7	-3.0
Real Assets	10.7	-3.5	-0.4	12.7	-15.2	-2.1
Defined Returns	2.3	3.0	0.1	0.9	4.3	0.1
Alternatives	12.6	-0.6	-0.1	17.6	0.2	-0.1
Equity	8.2	3.0	0.2	8.1	-5.7	-0.4
Overall Portfolio			0.3			-6.7

Asset class portfolio return and contribution to return calculations use daily positions and don't take into consideration charges, aggregated contribution to returns may not equal overall portfolio return.

Regional equity portfolio	3 months			12 months		
	Average weight %	Equity region return %	Contribution to return %	Average weight %	Equity region return %	Contribution to return %
UK Equity	2.6	-1.3	0.0	2.6	-10.7	-0.3
Global Developed	5.6	4.9	0.3	5.6	-3.4	-0.1
Vol Trade	-	-	-	-	-	-



Top and bottom contributors to return

The tables below show the top and bottom five contributors to return over the past three and 12 months, it breaks down the average exposure, the return over the holding period and the contribution to the overall portfolio return.

Top five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
FI	Short Dated Fixed Interest	17.4	16.6	2.6	0.4
FI	Waverton Sterling Bond	5.5	5.4	2.6	0.2
FI	TwentyFour Monument Bond	4.7	2.5	3.0	0.2
FI	Royal London Short Duration Global Index Linked	5.1	5.2	3.0	0.2
EQ	L&G US Equity Responsible Exclusion ETF	2.5	2.4	5.6	0.1

Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
C	BlackRock US Treasury Liquidity	4.5	5.8	-1.7	-0.2
RA	Supermarket REIT	0.9	0.8	-15.7	-0.1
A	Foresight UK Infrastructure Income	2.4	2.5	-4.6	-0.1
FI	Miton Strategic Bond	4.5	2.3	-1.0	-0.1
A	Carmignac Long-Short European Equities	3.0	3.0	-2.0	-0.1

Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
A	THEAM Dynamic Volatility Carry	3.4	3.0	0.8	0.2
FI	Royal London Short Duration High Yield Bond	3.9	5.0	-0.4	0.1
DR	Goldman Sachs FTSE/S&P Autocall Oct 2022	0.9	2.3	4.3	0.1
A	Foresight Sustainable Forestry	1.0	1.0	9.8	0.1
FI	Miton Strategic Bond	1.9	2.3	2.5	0.1

Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
FI	Vanguard UK Investment Grade Bond Index	3.7	3.0	-9.9	-0.5
FI	iShares Core UK Gilts ETF	4.9	4.5	-16.4	-0.5
FI	Nomura Global Dynamic Bond	1.7	0.0	-14.2	-0.4
RA	Segro	0.9	0.7	-42.2	-0.4
FI	Waverton Sterling Bond	5.4	5.4	-9.0	-0.4



Portfolio commentary

Following a challenging year in 2022, the Defensive Fund managed a small positive return of 0.25% in a quarter that was very much a story of two halves. From the start of January to the second week in February, markets were strong with bond yields falling and equity markets higher as investors priced in slower inflation and digested better than expected economic data.

However, subsequent inflation data has been somewhat “stickier” than expected, this muddied the waters for what the market had priced in for the path of interest rates.

Whilst this was always seen as a possible outcome, the markets were not expecting the banking turmoil that was seen in March. The issues at Silicon Valley Bank and Credit Suisse appear unique and not systemic, however, this provided further negative news flow that weakened already poor investor sentiment.

With this mixed backdrop, the biggest contributor to performance over the quarter was the Waverton Sterling Bond Fund, with the longer duration positioning helping during the flight to safety in March. The second largest contributor was the TwentyFour Monument Bond Fund, as the floating coupon and asset-backed security proved resilient in the turbulent markets.

Following the lows in the Autumn following the ‘mini budget’ the pound has rebounded strongly going from close to parity to over \$1.20 to £1, while this has helped ease some of the inflationary pressures for dollar-denominated trade it led to Blackrock US Treasury Liquidity Fund being our worst performing fund over the quarter as the currency effect offset the higher interest rate.

The second largest detractor was Supermarket REIT as the portfolio was revalued downwards as higher interest rates weighed on the valuation of the assets.

With fixed interest still offering attractive yields and smaller companies looking very cheap relative to their own history (and the broader market) we believe that over the medium-term markets can deliver attractive returns from here.

Performance

Rolling total returns

	10 years %	5 years %	3 years %	1 year %	6 months %
Fund	42.65	20.46	12.01	5.29	3.10
CPI	24.54	6.76	0.19	-6.65	0.72

Further reading

For holdings and market commentary as at the end of the month, please see our [latest monthly factsheets](#). Attribution analysis is for indication only.

Risk information

All data is from 31 March 2023 and provided by Equilibrium Investment Management LLP unless otherwise stated. The views expressed herein should not be taken as statements of fact or relied upon when making investment decisions.

Past performance is never a guide to future performance. Investments may (will) fall as well as rise and you may not get back your original investment. Changes in currency exchange rates or interest rates may have an adverse effect on the value of your investments.

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