



IFSL Equilibrium Cautious 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	2.1	4.2	-2.1	1.0	1.1
Fixed Interest	49.3	40.5	8.7	29.9	19.4
Real Assets	11.0	14.0	-3.1	18.5	-7.5
Defined Returns	7.2	7.0	0.2	9.9	-2.7
Alternatives	8.3	12.3	-4.0	16.9	-8.6
Equity	22.2	22.0	0.2	24.0	-1.8

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	Aegon High Yield	4.41	-	4.41
RA	iShares UK Property	4.14	-	4.14
FI	Man GLG High Yield	4.51	2.01	2.50
FI	Miton Strategic Bond	4.11	2.96	1.15
EQ	Aikya Global Emerging Market	1.04	-	1.04
FI	iShares Core UK Gilts ETF	5.08	4.43	0.65
EQ	iShares S&P Small Cap ETF	1.35	0.90	0.45

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
A	Foresight UK Infrastructure Income	-	3.31	-3.31
A	Carmignac Long-Short European Equities	-	1.99	-1.99
A	Lazard Rathmore Alternative	-	1.98	-1.98
RA	Tritax Big Box REIT Ord Shs	-	1.01	-1.01
RA	Segro	-	0.94	-0.94



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	2.9	0.2	0.0	3.4	2.1	-
Fixed Interest	45.9	-0.9	-0.5	37.6	-3.8	-0.9
Real Assets	13.1	-2.4	-0.2	15.5	-15.1	-2.4
Defined Returns	7.1	3.2	0.2	9.2	15.1	1.6
Alternatives	9.0	-1.0	-0.1	12.0	-1.1	-0.1
Equity	22.0	2.8	0.6	22.4	3.7	0.8
Overall Portfolio			-0.5			-1.9

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	5.9	-2.8	-0.2	7.2	-6.4	-0.5
Global Developed	12.8	5.3	0.7	11.7	12.8	1.5
Global Emerging	3.2	3.4	0.1	3.5	-3.6	-0.2
Private Equity	-	-	-	-	-	-
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 %
EQ	Royal London Global Equity Select	2.8	2.9	8.7	0.2
RA	Civitas Social Housing	0.2	0.0	49.8	0.2
EQ	L&G US Equity Responsible Exclusion ETF	2.2	2.5	7.7	0.2
EQ	Baillie Gifford American	0.5	0.0	18.0	0.1
FI	Royal London Short Duration High Yield Bond	5.0	5.0	1.9	0.1

Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
RA	iShares UK Property	1.7	4.1	-9.4	-0.3
FI	iShares Core UK Gilts ETF	4.5	5.1	-6.3	-0.3
FI	Allianz Strategic Bond	4.0	4.0	-6.8	-0.3
A	Ruffer Diversified Return	3.2	3.2	-5.0	-0.2
RA	Gravis Clean Energy Income	1.9	1.9	-7.7	-0.2

Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Royal London Global Equity Select	2.6	2.9	20.4	0.5
DR	Societe Generale FTSE Defined Return Dec17	1.0	0.0	17.8	0.4
DR	Credit Suisse FTSE/S&P Defined Return Jan18	1.2	0.0	20.3	0.3
FI	Royal London Short Duration High Yield Bond	3.5	5.0	6.5	0.3
EQ	L&G US Equity Responsible Exclusion ETF	1.9	2.5	15.1	0.3

Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
A	Foresight UK Infrastructure Income	3.6	0.0	-16.2	-0.5
EQ	Miton UK Multi Cap Income	3.1	2.7	-13.7	-0.4
FI	Allianz Strategic Bond	2.6	4.0	-11.2	-0.4
FI	iShares Core UK Gilts ETF	4.3	5.1	-13.9	-0.4
RA	Supermarket REIT	1.0	0.0	-30.1	-0.3

Portfolio commentary

Whilst inflation appears to have peaked in many regions, the main driver of markets continues to be the pace that central banks are raising rates. Rates are now likely to go higher than many had previously expected, and markets remain very sensitive to new releases of inflation data which could affect monetary policy.

Against this backdrop the Cautious fund returned -0.46% over the quarter with the largest detractors coming from the most rate-sensitive parts of the portfolio.

The biggest detractor was the Allianz Strategic bond fund, costing the fund 0.3% as the fund's longer duration positioning hurt as interest rates moved higher. With the Bank of England



raising rates from 4.25% to 5% over the quarter, our Gilt ETF also detracted 0.3%.

This was the same for iShares UK Property ETF which detracted 0.3%. Increases in borrowing costs have hit the property values and resulted in the income streams appearing less valuable compared with higher cash rates. With many of the underlying REITS trading at a significant discount to their net asset values we feel the market is overly pessimistic about a number of these properties, and should inflation fall back, property looks very attractive at current pricing levels.

With 13 rate hikes in a row from the Bank of England and the market pricing in further rises in the future, the shape of the yield curve remains deeply inverted (meaning short rates are higher than long rates) which has historically indicated a recession. However, despite these warning signs, parts of the equity market continue to power on.

Our biggest contributor was the Royal London Global Equity Select Fund, adding 0.2%, with the top two positions, Microsoft and Amazon, benefitting from the strong rally we have seen from a small number of technology names in the US market.

Also adding 0.2% to attribution was the Civitas Social Housing fund which we sold following a takeover bid. While this was trading at an exceptionally depressed valuation, this does illustrate the value in some of the REIT names and why we continue to hold the iShares Property ETF.

Our third and fourth best contributors were the L&G US Equity Index and Baillie Gifford American funds, both of these also benefitting from the strong rally in technology and AI related names following the launch of ChatGPT and the hysteria surrounding it.

Looking forward, while inflation appears to have peaked in many regions it remains stubbornly high in the UK. This is largely driven by the leisure sector (package holidays, computer games and live music) leading markets to price in a much higher peak than only last month. Should inflation start to fall back, both equity and fixed interest markets look attractive on a relative and absolute basis and so could deliver

Performance

Rolling total returns

	10 years %	5 years %	3 years %	1 year %	6 months %
Fund	50.42	6.69	4.43	-1.90	0.37
CPI	33.57	24.10	20.90	7.80	3.22

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 30 June 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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