



## 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.

### 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	8.0	0.4	7.7	6.8	1.2
Fixed Interest	25.8	36.2	-10.4	41.1	-15.3
Real Assets	17.0	13.8	3.2	8.6	8.4
Defined Returns	10.0	11.5	-1.5	11.5	-1.5
Alternatives	17.0	17.2	-0.2	11.2	5.9
Equity	22.2	20.9	1.3	20.7	1.4

### 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 %
C	BlackRock US Treasury Liquidity	3.99	-	3.99
A	Legg Mason Clearbridge Global Infrastructure	4.97	1.11	3.86
C	U K Pound	4.05	0.39	3.66
FI	iShares \$ Treasury Bond 7-10yr ETF	2.02	-	2.02
A	Foresight UK Infrastructure Income	4.99	3.05	1.94
FI	iShares Core UK Gilts ETF	1.90	-	1.90
DR	Credit Agricole S&P FTSE Autocall Feb 2023	1.02	-	1.02

#### Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
FI	M&G Global Floating Rate High Yield	-	3.02	-3.02
FI	Royal London Sterling Extra Yield Bond	0.97	3.53	-2.56
FI	Royal London Short Duration High Yield Bond	2.50	4.97	-2.48
FI	GAM Credit Opportunities	-	2.24	-2.24
A	Foresight Global Real Infrastructure	0.00	1.82	-1.82
A	Lazard Global Listed Infrastructure	-	1.76	-1.76



## 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 portfolio weight %	Portfolio return %	Contribution to portfolio return %	Average portfolio weight %	Portfolio return %	Contribution to portfolio return %
Cash	2.4	-0.28	-0.02	3.18	0.38	-0.01
Fixed Interest	33.5	-5.06	-1.71	38.32	-3.54	-1.06
Real Assets	14.2	1.60	0.33	12.14	10.59	1.31
Defined Returns	11.2	2.33	0.23	11.22	15.37	1.61
Alternatives	17.5	-0.54	-0.09	14.05	6.18	0.66
Equity	21.3	-6.88	-1.34	21.09	-0.64	0.06
<b>Overall Portfolio</b>			<b>-2.76</b>			<b>2.47</b>

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 portfolio weight %	Portfolio return %	Contribution to portfolio return %	Average portfolio weight %	Portfolio return %	Contribution to portfolio return %
UK Equity	8.0	-8.41	-0.58	8.23	-0.06	0.20
Global Developed	9.3	-6.17	-0.45	8.88	3.16	0.38
Global Emerging	3.9	-6.89	-0.31	3.99	-12.25	-0.52
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 portfolio weight %	Holding return %	Contribution to portfolio return %
A	Legg Mason Clearbridge Global Infrastructure	3.3	5.32	0.26
EQ	Royal London Global Equity Select	0.4	8.02	0.12
A	Foresight UK Infrastructure Income	4.0	1.87	0.11
EQ	IShares Core FTSE 100 ETF	0.2	8.45	0.10
DR	Societe Generale FTSE Defined Return Dec17	2.5	3.90	0.10

### Bottom five contributors over three months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
FI	Nomura Global Dynamic Bond	4.5	-8.26	-0.39
FI	Muzinich Asia Credit Opportunities	1.8	-9.11	-0.31
EQ	Miton UK Value Opportunities	2.6	-9.63	-0.26
FI	TwentyFour Dynamic Bond	4.9	-4.86	-0.25
FI	Allianz Strategic Bond	3.7	-6.78	-0.24

### Top five contributors over 12 months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
A	Legg Mason Clearbridge Global Infrastructure	1.6	21.04	0.42
DR	Credit Suisse FTSE/S&P Defined Return Jan18	2.3	15.86	0.36
DR	JPM FTSE Defined return Sep18	2.3	15.46	0.36
DR	Societe Generale FTSE Defined Return Dec17	2.3	13.75	0.32
A	Lazard Global Listed Infrastructure	1.6	13.61	0.27

### Bottom five contributors over 12 months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
FI	Allianz Strategic Bond	4.8	-10.55	-0.46
EQ	Invesco China Equity Fund	1.1	-33.07	-0.40
FI	Muzinich Asia Credit Opportunities	2.4	-10.01	-0.32
FI	Nomura Global Dynamic Bond	4.7	-6.62	-0.31
EQ	Octopus UK Micro Cap Growth	0.6	-17.49	-0.20

## Portfolio commentary

Despite a strong end to the quarter this was a very tough start to the year for investors as markets and the global economy digested a slowing economic backdrop, higher inflation and a less accommodative central bank policy combined with the tragic events that unfolded in Ukraine.

The inflationary story that has been at the forefront of investors' minds for the last 12 months is likely to get worse

before it gets better as most of the developed world shuts Russia out from the global economy causing dislocations to be felt in everything from natural gas to pasta prices. With the UK economy so dependent on services and consumer spending the economic data over the summer months has the potential to disappoint as consumers adapt to higher living costs.



While there remains a lot of bad news around at present markets are forward looking and not backward looking so there is a case to be made that a lot of this pessimism is already priced in. Markets at times over the first quarter were incredibly volatile giving us opportunities to add into the areas we believe still have excellent long term structural tailwinds and have been oversold, from global infrastructure to US technology.

When looking at the top and bottom contributors and the market backdrop we had over the quarter, it is perhaps unsurprising that four of the bottom five contributors were within fixed interest as the market priced in higher interest rates making current lower yielding bonds less attractive. The slightly surprising detractor is Miton UK Value Opportunities, value as a factor tends to do well in a rising rate environment however with the focus of the fund on predominantly FTSE 250 names it is more exposed to the UK economy and the potential slowdown we could be seeing in consumer spending.

Two of our best three contributors over the quarter were infrastructure funds as investors took safety in these assets

with stable and often government backed inflation linked cash flows with a strong long term structural tailwind. Our second-best contributor was a new fund we added in over the quarter, Royal London Global Equity Select, as the flexible mandate allowed for it to blend value and growth over a volatile quarter. The other two contributors were FTSE 100 linked, the Soc Gen defined returns product performed strongly on the back of the FTSE strength and the volatility in February allowed us to place a "vol trade" making an 8.45% return from the FTSE 100 index.

With global markets lower than they were at the end of 2021, Defined Returns and Real Assets were the only parts of the portfolio to deliver a positive return over the quarter with Fixed Interest our biggest detractor. Within equities all regions detracted with the biggest source of underperformance the UK as there remains a huge divergence in performance between the FTSE 100 and the mid to small cap names within the FSTE 250 and AIM.

## Performance

### Rolling total returns

	3 months	6 months	1 year	3 years	5 years
Fund	-2.76%	-1.61%	2.47%	14.48%	-
CPI	0.61%	3.02%	5.85%	8.22%	-

## 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 31 March 2022 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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