



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.

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	2.7	6.8	-4.1	8.0	-5.3
Short Dated Fixed Interest	22.8	27.3	-4.5	30.8	-7.9
Fixed Interest	34.6	34.7	-0.1	34.6	0.0
Property	4.2	3.9	0.3	2.1	2.0
Alternative Equity	27.1	21.3	5.8	18.7	8.3
Defined Returns	0.0	0.0	0.0	0.0	0.0
Equity	6.3	3.9	2.3	3.9	2.4

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 %
AE	THEAM Dynamic Volatility	4.66	-	4.66
EQ	L&G US Equity Responsible Exclusion ETF	3.03	-	3.03
AE	Foresight Sustainable Forestry	1.05	-	1.05
EQ	Morgan Stanley Global Brands	2.83	1.96	0.88

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
SDFI	Edentree Short Dated Bond	0.01	4.46	-4.46
C	BlackRock US Treasury Liquidity	0.00	1.89	-1.89
EQ	Lindsell Train Global Equity	0.39	1.98	-1.59



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			Since inception		
	Average portfolio weight %	Portfolio return %	Contribution to portfolio return %	Average portfolio weight %	Portfolio return %	Contribution to portfolio return %
Cash	4.6	0.05	0.01	8.99	0.95	0.00
Short Dated Fixed Interest	25.5	0.28	0.08	28.93	1.70	0.51
Fixed Interest	35.0	-0.03	-0.01	33.26	0.60	0.21
Property	4.1	6.38	0.26	2.47	15.47	0.23
Alternative Equity	23.9	1.88	0.36	20.25	3.58	0.83
Defined Returns	-	-	-	-	-	-
Equity	6.9	2.36	0.17	6.09	13.12	0.77

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			Since inception		
	Average portfolio weight %	Portfolio return %	Contribution to portfolio return %	Average portfolio weight %	Portfolio return %	Contribution to portfolio return %
UK Conservative Equity	2.1	-0.74	-0.01	1.93	10.71	0.19
UK All	-	-	-	-	-	-
UK Dynamic	-	-	-	1.01	9.05	0.19
Global Established	4.9	3.93	0.18	3.15	15.39	0.39
Global Speculative	-	-	-	-	-	-
Vol Trade	-	-	-	-	-	-

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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 %
EQ	Morgan Stanley Global Brands	2.1	10.37	0.21
AE	BlackRock European Absolute Alpha	3.1	5.37	0.16
AE	Foresight UK Infrastructure Income	3.9	3.68	0.14
AE	Crabel Gemini Fund	3.0	3.27	0.10
P	Segro	0.6	18.06	0.09

Bottom five contributors over three months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
AE	THEAM Dynamic Volatility	2.1	-3.05	-0.15
FI	Allianz Strategic Bond	5.0	-1.25	-0.06
AE	Foresight Sustainable Forestry	0.5	-4.00	-0.05
SDFI	L&G Short Dated Corporate Bond Index	4.1	-0.95	-0.04
EQ	Lindsell Train Global Equity	1.8	-1.09	-0.03

Top five contributors since inception

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
EQ	Morgan Stanley Global Brands	2.0	24.53	0.46
AE	Carmignac Long-Short European Equities	2.9	10.78	0.32
FI	Aegon High Yield Bondome	4.9	4.66	0.23
AE	BlackRock European Absolute Alpha	3.1	9.42	0.23
AE	Man GLG Absolute Value	3.0	7.59	0.22

Bottom five contributors since inception

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
FI	Allianz Strategic Bond	4.7	-7.03	-0.33
AE	THEAM Dynamic Volatility	0.6	-3.05	-0.15
FI	Vanguard UK Investment Grade Bond Index	3.5	-1.75	-0.08
P	Civitas Social Housing	0.4	-15.21	-0.07
EQ	Lindsell Train Global Equity	0.9	-2.70	-0.07

Portfolio commentary

Over the quarter there was a wide range of differing and often competing factors driving markets. These ranged from rising inflation and the prospect of higher interest rates, to the Omicron variant which led to many regions imposing stricter restrictions to combat this. On the back of this, quarterly earnings were generally very strong with operating margins across the US and Europe higher than ever.

These higher margins can partly be attributed to inventory shortages as supply chains globally grapple to get back to pre-pandemic efficiencies, with short term demand outstripping supply in many industries. In the used car market (for example), long lead times for new cars has pushed up prices in the second hand market and this has been exaggerated by more demand for electric cars and the



global chip shortage. It remains to be seen when inflation will peak as the base effects of items such as used cars and energy prices normalise.

At a market level the S&P 500 had another strong quarter led higher by the large tech names while under the surface many sectors were range bound and underperformed the broader index. With inflation at the forefront of investors mind the alternative equity part of the portfolio was our biggest contributor over the quarter with the real assets held in the Foresight UK Infrastructure and Segro performing very strongly and highlighting the demand for assets with pricing power in a rising inflation environment. Our biggest contributor to performance was the Morgan Stanley Global

Brands fund on the back of a strong US market and the fund having 75% of its assets invested there.

Our biggest detractor to performance was the recently added BNP THEAM Dynamic Volatility fund, this benefits from rising volatility in the US market and with a mixed month of market volatility with this spiking at the start of December and then falling the fund detracted -0.15% from performance.

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 December 2021 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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Equilibrium Investment Management LLP

Ascot House, Epsom Avenue, Handforth, Wilmslow, Cheshire SK9 3DF
t : +44 (0) 161 486 2250 t : 0808 168 0748 e : askus@equilibrium.co.uk w : www.equilibrium.co.uk