



## 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	4.2	2.0	2.2	8.0	-3.9
Fixed Interest	40.5	41.0	-0.5	25.8	14.7
Real Assets	14.0	15.9	-1.9	17.0	-2.9
Defined Returns	7.0	10.2	-3.2	10.0	-3.0
Alternatives	12.3	9.3	3.1	17.0	-4.7
Equity	22.0	21.7	0.3	22.2	-0.2

### 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 %
A	THEAM Dynamic Volatility Carry	3.46	1.42	2.04
FI	Man GLG High Yield	2.01	-	2.01
FI	Allianz Strategic Bond	3.89	1.98	1.92
FI	iShares Core UK Gilts ETF	4.43	3.08	1.36
A	Ruffer Diversified Return	3.32	2.22	1.11
EQ	Artemis UK Select	1.01	-	1.01
EQ	iShares S&P Small Cap ETF	0.90	-	0.90

#### Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
FI	iShares \$ Treasury Bond 7-10yr ETF	-	3.01	-3.01
DR	Credit Suisse FTSE/S&P Defined Return Jan18	-	1.70	-1.70
FI	TwentyFour Dynamic Bond	2.94	4.54	-1.60
DR	Morgan Stanley FTSE/S&P Defined Return Mar18	-	1.15	-1.15
FI	Royal London Sterling Extra Yield Bond	3.45	4.37	-0.92



## 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	3.3	-1.2	-0.0	3.2	3.1	0.0
Fixed Interest	42.3	1.2	0.4	33.9	-7.9	-2.0
Real Assets	14.6	-3.2	-0.4	16.5	-14.9	-2.5
Defined Returns	8.1	5.3	0.5	9.9	7.5	1.0
Alternatives	10.0	-0.7	-0.1	13.9	-1.3	0.0
Equity	21.8	3.4	0.7	22.6	-7.3	-1.6
<b>Overall Portfolio</b>			<b>0.8</b>			<b>-6.3</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 weight %	Equity region return %	Contribution to return %	Average weight %	Equity region return %	Contribution to return %
UK Equity	6.4	0.8	0.1	7.9	-10.6	-0.9
Global Developed	12.2	5.7	0.7	11.1	-3.4	-0.2
Global Emerging	3.1	-0.5	-0.0	3.6	-11.9	-0.4
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 %
DR	Credit Suisse FTSE/S&P Defined Return Jan18	0.6	0.0	13.5	0.2
EQ	Royal London Global Equity Select	2.6	2.8	6.9	0.2
EQ	Schroder Global Recovery	2.3	2.2	8.3	0.2
FI	Short Dated Fixed Interest	10.6	9.2	2.0	0.2
FI	Waverton Sterling Bond	4.5	4.5	2.6	0.1

### Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
A	Foresight UK Infrastructure Income	3.6	3.3	-4.6	-0.2
RA	Supermarket REIT	0.9	0.8	-15.7	-0.1
RA	Civitas Social Housing	0.5	0.5	-13.7	-0.1
EQ	Goldman Sachs India	0.7	0.8	-8.8	-0.1
A	THEAM Dynamic Volatility Carry	1.8	3.5	-0.3	-0.1

### Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
DR	Societe Generale FTSE Defined Return Dec17	1.6	0.0	13.2	0.3
DR	Credit Suisse FTSE/S&P Defined Return Jan18	1.8	0.0	14.3	0.2
A	THEAM Dynamic Volatility Carry	3.0	3.5	0.8	0.2
EQ	Schroder Global Recovery	2.2	2.2	8.1	0.2
EQ	iShares Core FTSE 100 ETF	0.3	0.0	7.8	0.2

### Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Miton UK Value Opportunities	1.3	0.0	-20.6	-0.5
FI	iShares Core UK Gilts ETF	4.2	4.4	-16.4	-0.5
FI	Nomura Global Dynamic Bond	1.8	0.0	-14.3	-0.5
RA	Segro	1.0	0.9	-42.2	-0.4
RA	Tritax Big Box REIT Ord Shs	0.9	1.0	-40.5	-0.4



## Portfolio commentary

Following a challenging year in 2022, the Cautious Fund managed a small positive return of 0.83% 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, our biggest contributor was the Credit Suisse Structured product adding 0.2% to performance as the FTSE 100 continues to perform strongly despite the pound’s strength and weakening commodity prices.

Structured products have been one of our best-performing parts of the portfolio over the last twelve months. The Credit

Suisse product returned 54.15% over the five-year holding period compared to 26.5% for the FTSE 100.

With the more value-oriented parts of the market having a strong period of performance the Schroder Global Recovery was our third biggest contributor as the overweight to the UK and Japan helped boost performance. Rounding out the top three best contributors was the Royal London Global Equity with the fund’s technology exposure helping to drive returns.

Our three biggest detractors were the Foresight UK Infrastructure Fund, Supermarket REIT and Civitas Social Housing. All of these are UK-listed assets that generate income that has seen the values hit not because of poor operating performance, although in the case of Civitas there are some regulatory concerns, but because with a higher discount rate the value of these assets is substantially less.

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	49.23	9.93	16.42	-6.28	2.74
CPI	31.40	22.76	18.69	10.08	4.12

## 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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