



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	3.3	3.0	0.3	9.8	-6.6
Short Dated Fixed Interest	10.0	10.1	-0.1	4.1	6.0
Fixed Interest	27.8	32.7	-4.9	33.4	-5.7
Property	4.4	3.7	0.8	1.0	3.4
Alternative Equity	21.8	18.2	3.5	13.8	8.0
Defined Returns	11.7	11.4	0.4	15.1	-3.4
Equity	21.0	21.0	0.0	22.7	-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 %
AE	Crabel Gemini Fund	2.34	-	2.34
AE	Foresight UK Infrastructure Income	2.99	1.78	1.21
FI	TwentyFour Monument Bond	5.02	4.01	1.00
SDFI	Royal London Short Duration High Yield Bond	5.01	4.03	0.99
EQ	Octopus UK Micro Cap Growth	0.64	-	0.64
P	Time Social Long Income	0.53	-	0.53

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
SDFI	iShares US TIPs 0-5 year	-	2.04	-2.04
FI	Waverton Sterling Bond	1.76	3.71	-1.95
FI	Allianz Strategic Bond	4.99	6.05	-1.06
EQ	Chelverton UK Equity Growth	0.66	1.66	-1.00
FI	Muzinich Asia Credit Opportunities	2.02	3.00	-0.98

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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	3.4	0.73	0.02	5.80	-0.13	-0.08
Short Dated Fixed Interest	9.7	0.75	0.07	8.64	3.81	0.33
Fixed Interest	30.5	-0.12	-0.01	32.67	4.74	1.65
Property	4.2	-1.40	-0.09	2.21	1.59	-0.01
Alternative Equity	19.6	1.59	0.26	16.92	11.01	1.80
Defined Returns	11.4	2.78	0.33	12.24	23.50	3.06
Equity	21.1	0.36	0.08	21.52	27.38	5.75
Overall Portfolio			0.60			12.05

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 Conservative Equity	2.4	0.72	0.02	1.92	35.66	0.57
UK All	-	-	-	-	-	-
UK Dynamic	5.7	3.97	0.23	6.87	42.75	2.73
Global Established	9.1	0.84	0.08	8.61	20.99	1.82
Global Speculative	4.0	-5.97	-0.24	4.12	12.82	0.63
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 %
AE	Carmignac Long-Short European Equities	2.0	5.55	0.11
EQ	Goldman Sachs India	0.7	15.68	0.11
EQ	Chelverton UK Equity Growth	1.6	6.34	0.10
AE	Lazard Rathmore Alternative	4.5	1.92	0.09
DR	Credit Suisse FTSE/S&P Defined Return Jan18	2.3	3.47	0.08

Bottom five contributors over three months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
EQ	Invesco China Equity Fund	1.2	-16.50	-0.21
FI	Allianz Strategic Bond	5.4	-3.83	-0.20
P	Civitas Social Housing	0.6	-24.12	-0.16
EQ	Baillie Gifford Emerging Markets	1.0	-7.23	-0.08
EQ	Federated Hermes Emerging Market SMID	1.1	-5.27	-0.06

Top five contributors over 12 months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
EQ	Miton UK Value Opportunities	2.0	58.87	0.88
EQ	Chelverton UK Equity Growth	1.7	59.09	0.82
DR	Credit Suisse FTSE/S&P Defined Return Jan18	2.3	27.39	0.67
DR	Societe Generale FTSE Defined Return Dec17	2.3	26.72	0.66
EQ	Polar Capital UK Value Opportunities	1.1	37.10	0.59

Bottom five contributors over 12 months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
FI	Allianz Strategic Bond	5.2	-3.87	-0.21
EQ	Invesco China Equity Fund	1.2	-13.49	-0.18
P	Civitas Social Housing	0.2	-22.65	-0.16
EQ	Lindsell Train Japanese Equity	0.7	-9.71	-0.10
C	BlackRock US Treasury Liquidity	1.0	-4.10	-0.05

Portfolio commentary

Returns over the quarter have been harder to come by than earlier in the year as a number of negative market narratives persist leading to uncertainty. This has left some equity markets range bound with no real direction up or down although certain sectors and regions have shown outperformance.

The inflation story throughout the year has never quite concluded and higher energy prices and stressed supply chains have pushed year on year inflation higher. The common view of a short transitory spike in inflation is being tested as is the resolve of Central banks as expectations of interest rate increases came forward and bond yields rose.

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A series of reforms in China have also continued to spook investors in targeted sectors including private education and online gaming whilst contagion concerns weighed on bonds as details of the Evergrande scandal emerged.

We introduced four new funds over the quarter as we adjusted our UK and US Equity exposure and added to Alternative Equity and Real Assets. The L&G US Equity Responsible Exclusions ETF is a direct replacement for the Vanguard US Equity Index tracker. The shifts in allocation have been funded through a reduction to Fixed Interest where sales were focused on funds with greater sensitivity to rates, such as Allianz Strategic Bond and Waverton Sterling Bond funds, and the Muzinich Asian Credit Opportunities fund.

Topping up Real Assets such as Infrastructure and Property benefits the portfolio through higher yielding assets and inflation protection. The Crabel Gemini fund, in the Alternative

Equity portfolio, should provide uncorrelated returns adding diversification against Equity and Fixed Interest. The Octopus UK Micro Cap fund provide exposures to smaller companies that offer potentially huge growth over the longer term. It replaces the Chelverton UK Growth fund which has grown to a size we are less comfortable with.

Overall, Defined Returns and Alternative Equity have been the drivers of return this quarter whilst Fixed Interest has suffered as yields rose. Looking through the headline Equity figures it is clear whilst UK equities have been on form our Global equities have struggled.

Despite the strong performance of Goldman Sachs India, second highest contributor over the quarter, the Global Speculative portfolio has detracted mainly due to the weakness in Invesco China over the quarter and our two broad Emerging Markets funds being in the bottom five contributors.

Performance

Rolling total returns

3 Months (30.06.21 to 30.09.21)	6 Months (31.03.21 to 30.09.21)	1 Year (30.09.20 to 30.09.21)	3 Years (30.09.18 to 30.09.21)	-
0.60%	4.14%	12.05%	12.22%	-

Discrete annual total returns

2020 (31.12.19 to 31.12.20)	2019 (31.12.18 to 31.12.19)	2018 (31.12.17 to 31.12.18)	-	-
3.60%	12.37%	-3.60%	-	-

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 September 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