



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	0.4	3.3	-2.9	6.9	-6.5
Short Dated Fixed Interest	9.9	10.0	-0.1	8.0	1.9
Fixed Interest	26.3	27.8	-1.5	33.6	-7.3
Property	5.0	4.4	0.6	1.0	4.1
Alternative Equity	26.0	21.8	4.2	14.8	11.2
Defined Returns	11.5	11.7	-0.2	13.1	-1.6
Equity	20.9	21.0	-0.1	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	0.00
AE	Foresight UK Infrastructure Income	3.05	2.99	0.06
FI	TwentyFour Monument Bond	4.95	5.02	-0.07
SDFI	Royal London Short Duration High Yield Bond	4.97	5.01	-0.04
EQ	Octopus UK Micro Cap Growth	1.26	0.64	0.62
P	Time Social Long Income	0.52	0.53	-0.01

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
SDFI	iShares US TIPs 0-5 year	-	-	-
FI	Waverton Sterling Bond	1.78	1.76	0.02
FI	Allianz Strategic Bond	3.93	4.99	-1.06
EQ	Chelverton UK Equity Growth	-	0.66	-0.66
FI	Muzinich Asia Credit Opportunities	1.98	2.02	-0.04



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	2.0	-0.45	-0.01	4.47	0.28	-0.03
Short Dated Fixed Interest	9.9	0.42	0.04	9.25	2.74	0.25
Fixed Interest	26.7	-0.26	-0.11	31.00	0.39	0.14
Property	4.7	5.96	0.24	3.16	5.93	0.21
Alternative Equity	23.3	2.62	0.53	19.21	7.98	1.50
Defined Returns	12.7	5.68	0.86	11.90	18.39	2.29
Equity	20.6	-0.61	-0.23	21.00	12.13	2.50
Overall Portfolio			1.19			6.51

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	2.3	-0.74	-0.04	2.06	16.34	0.25
UK All	-	-	-	-	-	-
UK Dynamic	5.4	-1.71	-0.14	6.40	18.71	1.25
Global Established	8.9	1.33	0.08	8.55	12.68	1.05
Global Speculative	4.0	-3.39	-0.14	4.00	-2.62	-0.05
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 %
DR	BNP Paribas FTSE/S&P Autocall Feb 2020	2.9	5.35	0.37
AE	Lazard Global Listed Infrastructure	2.0	9.87	0.18
DR	Credit Suisse FTSE/S&P Defined Return Jan18	2.3	8.73	0.18
EQ	Morgan Stanley Global Brands	1.3	10.37	0.13
AE	BlackRock European Absolute Alpha	2.3	5.37	0.12

Bottom five contributors over three months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
EQ	Miton UK Value Opportunities	2.6	-4.35	-0.14
AE	THEAM Dynamic Volatility	1.7	-3.05	-0.13
EQ	Baillie Gifford American	0.9	-8.79	-0.09
EQ	Invesco China Equity Fund	1.0	-8.73	-0.08
FI	Allianz Strategic Bond	4.5	-1.25	-0.08

Top five contributors over 12 months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
DR	BNP Paribas FTSE/S&P Autocall Feb 2020	1.9	18.78	0.56
DR	Credit Suisse FTSE/S&P Defined Return Jan18	2.3	22.88	0.49
EQ	Chelverton UK Equity Growth	1.2	27.28	0.46
AE	Lazard Global Listed Infrastructure	2.0	20.24	0.39
DR	Societe Generale FTSE Defined Return Dec17	2.2	16.51	0.36

Bottom five contributors over 12 months

Asset class	Asset	Average portfolio weight %	Holding return %	Contribution to portfolio return %
FI	Allianz Strategic Bond	5.1	-8.02	-0.44
EQ	Invesco China Equity Fund	1.2	-21.42	-0.27
AE	THEAM Dynamic Volatility	0.4	-3.05	-0.13
EQ	Baillie Gifford Emerging Markets	1.0	-8.62	-0.09
P	Civitas Social Housing	0.3	-12.38	-0.09

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. The US outperformed Emerging Markets by over 10% as investors still weigh up the fall out from Evergrande and the increasing regulatory pressures in China and the large weight this region is in the index.

With inflation at the forefront of investors mind our best performing parts of the portfolio were defined returns and alternatives. Defined returns has benefited from the rally in the FTSE 100 on the back of potentially higher rates and the impact a steeper yield curve has on bank profitability, while the commodities rally has helped the mining and oil and gas

companies as we move closer to potential kick out at the end of January. Our best contributing equity fund over the quarter was the Morgan Stanley Global Brands fund that has nearly 75% in the US and has benefited from the strong market backdrop whereas our biggest detractor was the Miton UK Value Opportunities Fund. This is a mid-cap focused fund that enjoyed a strong 2021, however was hurt in the last quarter due to some domestically focused names giving back some of these gains on a mixed outlook for the UK economy.

Looking back over the last 12 months, equity was our best performing part of the portfolio with the UK focused funds and defined returns linked to the performance of the UK market making up 6 of our top 10 contributors. Our best performing equity fund outside of this was the Schroder Global Recovery fund with the value style benefitting from the economic recovery taking place across the globe.

Performance

Rolling total returns

	3 months	6 months	1 year	3 years	5 years
Fund	1.19%	1.79%	6.51%	23.99%	-
CPI	1.87%	2.88%	4.85%	6.91%	-

Discrete annual total returns

	2021	2020	2019	2018	-
Fund	6.51%	3.60%	12.37%	-3.60%	-
CPI	5.40%	0.65%	1.31%	2.10%	-

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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