



IFSL Equilibrium Adventurous 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	0.0	1.7	-1.7	0.9	-0.9
Fixed Interest	10.9	9.4	1.5	18.2	-7.3
Real Assets	15.1	14.0	1.1	9.3	5.8
Defined Returns	11.1	11.0	0.1	12.4	-1.4
Alternatives	7.1	9.7	-2.6	8.2	-1.1
Equity	55.9	54.2	1.7	51.0	4.9

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 %
FI	iShares \$ Treasury Bond 7-10yr Hedged ETF	1.60	-	1.60
EQ	iShares NASDAQ 100 ETF	1.53	-	1.53
EQ	HSBC MSCI China ETF	1.32	-	1.32
FI	iShares Core UK Gilts ETF	1.27	-	1.27
EQ	Miton UK Multi Cap Income	2.52	1.49	1.03

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
EQ	Baillie Gifford Japan	-	2.58	-2.58
A	BlackRock European Absolute Alpha	-	1.97	-1.97
DR	Atlantic House Defined Return	0.54	2.31	-1.77
C	U K Pound	-	1.69	-1.69
FI	Allianz Strategic Bond	-	1.50	-1.50



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	0.8	0.2	0.0	0.8	2.4	0.0
Fixed Interest	10.9	-6.6	-0.8	14.3	-12.6	-1.6
Real Assets	14.3	-4.9	-0.7	12.0	2.4	0.2
Defined Returns	11.2	-3.6	-0.4	12.1	5.5	0.7
Alternatives	8.6	-1.4	-0.2	8.9	2.1	0.1
Equity	54.3	-10.7	-5.8	51.8	-18.5	-10.0
Overall Portfolio			-8.4			-11.1

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	14.4	-9.3	-1.3	13.7	-16.2	-2.2
Global Developed	22.8	-11.9	-2.8	20.6	-15.2	-3.3
Global Emerging	13.8	-3.5	-0.4	14.1	-19.5	-2.9
Private Equity	3.3	-34.6	-1.3	3.4	-42.0	-1.6
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 %
EQ	Allianz China A-Shares	3.3	3.6	9.4	0.3
RA	Foresight Sustainable Forestry	1.1	1.1	11.5	0.1
EQ	HSBC MSCI China ETF	0.1	1.3	5.1	0.1
A	Carmignac Long-Short European Equities	1.6	1.2	3.0	0.1
RA	Time Commercial Long Income	0.8	0.7	1.4	0.0

Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Baillie Gifford American	2.3	2.4	-32.4	-0.8
EQ	Miton UK Value Opportunities	4.9	4.9	-11.3	-0.6
EQ	Miton European Opportunities	2.8	2.9	-16.6	-0.5
EQ	Sanlam Artificial Intelligence	2.5	2.5	-16.2	-0.4
EQ	Miton European Opportunities	2.8	2.9	-16.6	-0.5

Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
RA	Legg Mason Clearbridge Global Infrastructure	2.5	3.9	16.4	0.3
EQ	Chelverton UK Equity Growth	0.9	0.0	3.0	0.2
DR	JPM FTSE Defined return Sep18	2.1	2.8	9.7	0.2
DR	Societe Generale FTSE Defined Return Dec17	2.8	3.2	6.0	0.2
DR	BNP Paribas FTSE/S&P Autocall Feb 2020	1.0	0.0	10.5	0.1

Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Baillie Gifford American	1.8	2.4	-55.1	-1.3
EQ	Chrysalis Investments Ltd	1.7	1.1	-58.5	-1.2
EQ	Miton UK Value Opportunities	4.9	4.9	-21.7	-1.1
EQ	Invesco China Equity Fund	2.1	0.0	-32.9	-1.0
EQ	Federated Hermes Emerging Market SMID	3.6	4.0	-21.0	-0.8

Portfolio commentary

Based on the news headlines you would think there is very little good news around at present!

Rising inflation, weakening economic data, interest rate increases and geopolitical conflict are weighing on consumer and business confidence. Against this backdrop it has indeed been a difficult time for investors as the slowdown

in consumption and the higher interest rate environment is evaluated and factored into market prices.

However, generally speaking corporate earnings and margins remain robust. For example, on average there was a 6.6% increase in first quarter earnings for S&P 500 Index companies and forward profit guidance remaining stable.



This leaves equities looking better value in our view, as earnings increase but prices have fallen.

With inflation data being driven higher by the volatile energy and food components we have seen an aggressive raising of interest rate expectations.

This volatility has provided opportunity. For example, in equity it has allowed us to increase US Technology and Chinese equity exposure following some weakness.

Our holding of the Allianz China A Shares Fund was our best contributor over the quarter as markets looked to an economic rebound following covid restrictions along with some loosening monetary policy.

Over the last year the biggest change to asset allocation has been the increase in “real assets” such as infrastructure, property and forestry at the expense of fixed interest. This has had a positive effect on returns, and over 12 months our best performing fund has been the Clearbridge Global Listed Infrastructure Fund.

Infrastructure provides predictable and stable inflation-linked cash flows that have benefitted from the rising inflation environment and the structural tailwind of renewable energy amid surging commodity prices.

The theme of inflation linked cash flows is also a key driver of the Foresight Sustainable Forestry holding, this is our highest contributor over the quarter and 3rd highest over 12 months.

Market volatility has also allowed us to increase exposure to US Treasuries at much more attractive yields as well as UK Smaller companies following a period of weakness.

The biggest detractors of performance have been the growth oriented and smaller company holdings. In particular the Baillie Gifford American and Chrysalis Investment Funds have come under pressure as bond yields have risen following an exceptional period of performance for the sector.

Looking forward, we think most of the major asset classes now look much better value than a few months ago, generally trading at much more attractive valuations. Whilst volatility might continue for some time, we think the long term potential returns look very positive.

Performance

Rolling total returns

	3 months	6 months	1 year	3 years	5 years
Fund	-8.40%	-12.30%	-11.06%	8.31%	-
CPI	3.16%	4.95%	8.54%	11.96%	-

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 June 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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