



## 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	0.9	8.0	-7.1	3.0	-2.0
Fixed Interest	29.9	25.8	4.1	42.8	-12.9
Real Assets	18.4	17.0	1.5	10.8	7.7
Defined Returns	9.9	10.0	-0.1	11.4	-1.5
Alternatives	16.9	17.0	-0.2	11.2	5.7
Equity	24.0	22.2	1.8	21.0	3.0

### 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	4.03	-	4.03
FI	iShares Core UK Gilts ETF	5.63	1.90	3.73
A	Ruffer Diversified Return	3.01	-	3.01
FI	Waverton Sterling Bond	4.36	1.77	2.59
FI	Royal London Sterling Extra Yield Bond	2.54	0.97	1.57
EQ	Miton UK Multi Cap Income	3.36	2.30	1.06

#### Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
C	BlackRock US Treasury Liquidity	-	3.99	-3.99
FI	TwentyFour Monument Bond	2.02	4.55	-2.53
FI	Royal London Short Duration High Yield Bond	-	2.50	-2.50
A	Man GLG Absolute Value	-	2.41	-2.41
EQ	Baillie Gifford Japan	-	1.47	-1.47
FI	TwentyFour Dynamic Bond	3.49	4.53	-1.04



## 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 weight %	Asset class return %	Contribution to return %	Average weight %	Asset class return %	Contribution to return %
Cash	2.2	0.7	0.0	2.5	0.7	0.0
Fixed Interest	31.3	-4.9	-1.6	35.6	-9.9	-3.3
Real Assets	17.4	-2.6	-0.4	14.1	3.9	0.5
Defined Returns	9.9	-3.5	-0.3	11.0	7.0	0.8
Alternatives	16.5	-1.1	0.0	15.3	1.7	0.3
Equity	22.8	-8.5	-1.9	21.5	-15.5	-3.4
<b>Overall Portfolio</b>			<b>-4.9</b>			<b>-5.9</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	8.7	-8.2	-0.7	8.2	-14.7	-1.1
Global Developed	10.6	-10.1	-1.1	9.5	-14.3	-1.4
Global Emerging	3.6	-4.9	-0.2	3.9	-20.7	-0.9
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 %
A	Carmignac Long-Short European Equities	2.3	2.0	3.0	0.1
A	THEAM Dynamic Volatility Carry	4.1	4.2	0.0	0.1
A	Foresight Sustainable Forestry	1.3	1.6	11.5	0.1
FI	iShares \$ Treasury Bond 7-10yr ETF	2.0	1.6	3.9	0.1
EQ	Allianz China A-Shares	0.4	0.5	9.4	0.0

### Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
FI	iShares Core UK Gilts ETF	3.9	5.6	-7.7	-0.3
FI	TwentyFour Dynamic Bond	4.4	3.5	-7.3	-0.3
EQ	Miton UK Value Opportunities	2.6	2.6	-11.3	-0.3
EQ	Miton European Opportunities	1.4	1.5	-16.6	-0.2
FI	Waverton Sterling Bond	3.4	4.4	-6.8	-0.2

### Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
A	Legg Mason Clearbridge Global Infrastructure	2.6	4.9	16.4	0.3
DR	JPM FTSE Defined return Sep18	2.4	2.2	9.7	0.2
A	Foresight UK Infrastructure Income	3.5	5.0	6.3	0.2
A	Carmignac Long-Short European Equities	2.1	2.0	6.8	0.2
A	Lazard Global Listed Infrastructure	1.1	0.0	8.2	0.2

### Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
FI	Nomura Global Dynamic Bond	4.4	2.7	-14.0	-0.6
FI	TwentyFour Dynamic Bond	5.1	3.5	-12.4	-0.6
FI	Allianz Strategic Bond	4.0	2.1	-15.3	-0.6
EQ	Miton UK Value Opportunities	2.6	2.6	-21.7	-0.6
EQ	Baillie Gifford American	0.9	0.6	-55.1	-0.5

## 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 fixed interest it has allowed us to increase US Treasury and Gilt exposure at more attractive levels as yields have increased.

Our holding of US Treasuries was our 4th best contributor during the most recent quarter. Government bonds rallied during the second half of June as markets discounted a slower tightening cycle and signs that inflation may have peaked or is near to the peak.

The volatility also allowed us to add to equities at lows. One of our top contributors to returns in 2022 has been a FTSE 100 tracker fund which we only held for a short while, having bought on a dip and sold on a rally.

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 three of our best performing assets have been the infrastructure funds.

These benefit from 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 with this our 3rd highest contributor over the past year and the most recent quarter.

Market volatility has also allowed us to increase exposure to property with Tritax Big Box and Segro both increased over the quarter. These focus on industrial property which is an asset class which has shown strong growth, even as the share price of the funds has fallen. This means they now trade on big discounts to their true worth.

The biggest detractors of performance have been the cyclically-exposed equity holdings, and some fixed interest funds. In particular, the Miton UK Value and Miton European Opportunities funds have suffered due to their small and mid-sized cap company bias, with this part of the market underperforming large caps during recent times.

Our best performing fund over the past quarter was the Carmignac Long Short European Equity Fund, highlighting the benefits of a flexible fund with the ability to go short in the current market. Our second best performer was the BNP THEAM product, which is a fund designed to do well in times of volatility. It is therefore pleasing that it generated a positive return during this backdrop.

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 therefore look very positive.

## Performance

### Rolling total returns

	3 months	6 months	1 year	3 years	5 years
Fund	-4.91%	-7.53%	-5.88%	6.15%	-
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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