



IFSL Equilibrium Global Equity 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	0.3	0.6	0.9	0.0
Fixed Interest	0.0	0.0	0.0	0.0	0.0
Real Assets	7.1	7.6	-0.4	9.8	-2.7
Defined Returns	6.5	6.7	-0.2	8.2	-1.7
Alternatives	0.0	0.0	0.0	1.3	-1.3
Equity	85.5	85.5	0.0	79.8	5.6

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 %
EQ	IShares Core FTSE 100 ETF	3.78	-	3.78
EQ	Liontrust Special Situations	3.47	-	3.47
EQ	L&G US Equity Responsible Exclusion ETF	6.91	3.82	3.09
EQ	Morgan Stanley Global Brands	6.17	4.06	2.11
RA	Gravis Clean Energy Income	1.90	-	1.90
EQ	Baillie Gifford American	5.30	4.06	1.24

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
EQ	Miton UK Value Opportunities	2.53	7.96	-5.43
EQ	Sanlam Artificial Intelligence	-	4.80	-4.80
EQ	Octopus UK Micro Cap Growth	1.97	4.35	-2.38
A	Foresight Global Real Infrastructure	2.38	3.50	-1.12



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	0.5	0.5	0.0	0.6	0.8	0.0
Fixed Interest	-	-	-	-	-	-
Real Assets	7.5	-4.9	-0.3	9.2	1.2	0.3
Defined Returns	6.7	-4.6	-0.3	7.3	-1.9	-0.0
Alternatives	0.7	0.6	0.0	0.7	0.2	0.0
Equity	84.5	-2.3	-1.9	82.2	-21.1	-17.6
Overall Portfolio			-2.4			-17.7

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	16.5	-10.0	-1.6	16.8	-28.2	-5.0
Global Developed	36.7	2.7	0.7	34.5	-15.3	-5.3
Global Emerging	25.0	-0.5	-0.1	24.3	-14.2	-3.5
Private Equity	6.3	-14.9	-0.9	6.6	-50.0	-3.8
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	Goldman Sachs India	5.1	4.9	15.9	0.7
EQ	Baillie Gifford American	3.9	5.3	16.7	0.7
EQ	Royal London Global Equity Select	5.8	6.1	5.8	0.3
EQ	L&G US Equity Responsible Exclusion ETF	4.1	6.9	6.3	0.2
EQ	iShares NASDAQ 100 ETF	2.6	2.5	6.5	0.2

Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Chrysalis Investments Ltd	1.9	1.5	-45.0	-1.0
EQ	Miton UK Multi Cap Income	5.3	5.1	-12.0	-0.7
EQ	Allianz China A-Shares	6.2	6.3	-9.4	-0.6
EQ	Miton UK Value Opportunities	5.7	2.5	-12.4	-0.5
EQ	Schroder Global Recovery	5.9	6.1	-6.2	-0.4

Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Goldman Sachs India	4.4	4.9	2.3	0.2
A	Lazard Global Listed Infrastructure	0.7	0.0	7.4	0.2
A	Clearbridge Global Infrastructure	3.8	2.8	10.7	0.1
EQ	iShares NASDAQ 100 ETF	0.9	2.5	0.6	0.1
DR	BNP Paribas FTSE Autocall Jan 2020	0.4	0.0	8.3	0.1

Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Chrysalis Investments Ltd	2.5	1.5	-78.2	-3.0
EQ	Miton UK Value Opportunities	7.4	2.5	-33.0	-2.2
EQ	Octopus UK Micro Cap Growth	4.1	2.0	-34.8	-1.5
EQ	Miton European Opportunities	4.8	5.2	-29.7	-1.5
EQ	Baillie Gifford American	3.5	5.3	-44.3	-1.3



Portfolio commentary

The past quarter has seen a further pullback in various asset classes.

The current high level of inflation has proven more persistent than many had thought. As a result, central banks are putting up interest rates more quickly and more steeply than markets had expected.

The assets most sensitive to interest rates have been hit the hardest. This means that fixed interest – normally seen as a relatively low-risk asset class - has performed particularly poorly, in many cases worse than equity markets.

Also hit hard have been assets like real estate, where the increased cost of borrowing looks set to hit property prices, in commercial as well as residential.

Even infrastructure, previously one of the best-performing areas in portfolios, has been hit by increased borrowing costs. Here in the UK, it has also been affected by proposed changes to cap the price at which renewable energy providers can sell their electricity.

After the government's mini-budget there has been an additional hit to most UK-based asset classes. This has been well covered elsewhere, but the upshot was an even bigger increase in borrowing costs in the UK compared to elsewhere, a fall in the pound, and concerns that the UK will fall into recession.

This has led to UK equities losing more than many other parts of the world, and UK bonds underperforming their developed market counterparts. Overseas assets have also had a boost

for sterling-based investors, with most currencies gaining against the pound.

The table below shows the returns of some selected asset classes over the past three months both in nominal and currency adjusted terms:

Asset class	Return (local currency)	Return in sterling
FTSE 100 (UK large companies)	-2.72	-2.72
S&P 500 (US equities)	-5.00	3.35
FTSE 250 (UK mid caps)	-7.30	-7.30
MSCI Emerging Markets	-8.18	-3.80
UT Sterling Corporate Bonds	-9.40	-9.40
FTSE Gilts All Stocks Index	-12.85	-12.85

Source: FE Analytics 30 June 2022 to 30 September 2022

Whilst many asset classes have fallen in value, this has left a number of them looking relatively cheap relative to history. Whilst we expect further volatility in the short term, driven by government and central bank actions, we are very optimistic about future returns with yields on various assets now being much higher than they have been for some time.

Please see the latest edition of the Pulse for details on some of the recent actions taken in the portfolio www.equilibrium.co.uk/library/the-pulse-october-2022.

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



Global Equity commentary

The portfolio was down 2.4% over the past three months.

The portfolio does not hold fixed interest but is exposed to real assets via its holding in infrastructure funds and these detracted from returns. However, the biggest detractor from returns was equity.

This was mainly down to our UK equity holdings. In addition, private equity, which has a technology focus, was also hit hard by expectations of rising rates.

However, our overseas equities actually added to returns over this period despite falling markets, helped by the fall in the pound relative to other currencies.

At a fund level, some of the top performers include technology-based funds, such as Baillie Gifford American and

our Nasdaq 100 ETF holding. Our India fund also performed strongly, as did the Royal London Global Equity Select fund.

The biggest fund detractors included two UK equity funds, our China A-Shares fund, and the Schroder Global Recovery (which also has significant UK holdings).

However, the worst performer was Chrysalis Investments, a UK-based private equity trust focused on technology. Again, rising rates and a UK focus are two primary reasons why this performed poorly.

Over the period we added to global developed market equity, reducing real assets and UK equity as we felt the prospects for the UK economy worsened.

Performance

Rolling total returns

	10 years %	5 years %	3 years %	1 year %	6 months %
Fund	126.70	18.58	7.11	-17.74	-12.76
CPI	27.56	18.25	13.46	9.52	5.12

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 30 September 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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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