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
C = Cash
DR = Defined Returns
EQ = Equities
FI = Fixed Interest
RA = Assets
CPI = Consumer Price Index (inflation)

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	0.5	0.9	-0.4	0.0	0.5
Fixed Interest	26.4	21.5	4.9	10.9	15.5
Real Assets	9.7	12.1	-2.4	15.1	-5.4
Defined Returns	6.4	6.4	0.0	11.1	-4.7
Alternatives	1.9	4.2	-2.3	7.1	-5.2
Equity	55.2	55.0	0.2	55.9	-0.7

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 %
RA	iShares UK Property	4.50	-	4.50
FI	Aegon High Yield Bond Fund	3.81	-	3.81
EQ	Aikya Global Emerging Markets	2.93	-	2.93
EQ	iShares S&P SmallCap 600	3.13	1.98	1.15
EQ	Schroder Global Recovery	5.33	4.30	1.03

Significant decreased positions

Asset class	Fund	Current %	3 months ago %	3 month change %
EQ	iShares NASDAQ 100 ETF	-	2.58	-2.58
RA	Foresight Global Real Infrastructure	-	2.49	-2.49
RA	Segro	-	1.28	-1.28
RA	Tritax Big Box REIT Ord Shs	-	1.28	-1.28
A	Carmignac Long-Short European Equities	-	1.27	-1.27

Source: Equilibrium Investment Management LLP / Thomson Reuters Eikon. These figures are indicative. Note that contribution is not simply a function of average position x return since this does not take into account of sales and purchases made during the period. The column "12 month return" shows the return since the position was held, if that is less than a full 12 months. Contributions calculated before fees.

Quarterly Report Q2 2023

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.

	3 months			12 months		
Asset	**Average weight %**	**Asset class return %**	**Contribution to return %**	**Average weight %**	**Asset class return %**	**Contribution to return %**
Cash	1.1	1.2	0.0	1.2	8.0	0.1
Fixed Interest	25.3	1.2	0.3	16.9	-2.7	-0.1
Real Assets	10.1	-1.4	0.0	13.0	-14.7	-1.9
Defined Returns	6.3	3.4	0.2	9.5	17.9	2.0
Alternatives	2.4	-0.1	0.0	4.4	-0.7	-0.0
Equity	54.8	3.6	1.9	55.0	2.2	1.2
Overall Portfolio			**1.4**			**0.5**

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.

	3 months			12 months		
Regional equity portfolio	**Average weight %**	**Equity region return %**	**Contribution to return %**	**Average weight %**	**Equity region return %**	**Contribution to return %**
UK Equity	10.0	-1.5	-0.1	11.7	-3.9	-0.4
Global Developed	28.0	6.6	1.8	26.0	13.0	3.2
Global Emerging	13.9	-0.1	-0.0	14.2	-6.8	-1.0
Private Equity	2.9	11.0	0.3	3.1	-16.1	-0.5
Vol Trade	-	-	-	-	-	-

Source: Equilibrium Investment Management LLP / Thomson Reuters Eikon. These figures are indicative. Note that contribution is not simply a function of average position x return since this does not take into account of sales and purchases made during the period. The column "12 month return" shows the return since the position was held, if that is less than a full 12 months. Contributions calculated before fees.

Quarterly Report Q2 2023

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	Baillie Gifford American	3.0	3.0	17.9	0.5
EQ	Royal London Global Equity Select	4.8	5.1	8.7	0.4
EQ	L&G US Equity Responsible Exclusion ETF	4.0	4.1	7.7	0.3
EQ	Goldman Sachs India	2.5	2.1	12.0	0.3
RA	Civitas Social Housing	0.2	0.0	49.8	0.2

Bottom five contributors over three months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
RA	iShares UK Property	2.0	9.0	-9.4	-0.4
EQ	Allianz China A-Shares	2.8	1.9	-13.6	-0.4
RA	Gravis Clean Energy Income	2.0	0.0	-7.7	-0.2
EQ	Miton UK Multi Cap Income	2.5	2.5	-5.8	-0.1
EQ	Liontrust Special Situations	3.0	2.9	-2.2	-0.1

Top five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Royal London Global Equity Select	4.6	5.1	20.4	0.8
DR	Societe Generale FTSE Defined Return Dec17	1.5	0.0	17.8	0.6
EQ	Baillie Gifford American	2.8	3.0	21.6	0.6
DR	Credit Suisse FTSE/S&P Defined Return Jan18	1.3	0.0	20.3	0.4
EQ	iShares NASDAQ 100 ETF	1.9	0.0	19.4	0.4

Bottom five contributors over 12 months

Asset class	Asset	Average weight %	Current weight %	Holding return %	Contribution to return %
EQ	Allianz China A-Shares	3.2	1.9	-31.4	-1.2
RA	Gravis Clean Energy Income	1.6	0.0	-21.7	-0.5
EQ	Miton UK Value Opportunities	1.2	0.0	-10.2	-0.4
EQ	Chrysalis Investments Ltd	0.8	0.8	-36.7	-0.4
RA	iShares UK Property	0.5	9.0	-9.4	-0.4

Portfolio commentary

Whilst inflation appears to have peaked in many regions, the main driver of markets continues to be the pace that central banks are raising rates. Rates are now likely to go higher than many had previously expected, and markets remain very sensitive to new releases of inflation data which could affect monetary policy.

Against this backdrop the Adventurous fund returned 1.42% over the quarter with the largest detractors coming from the most rate-sensitive parts of the portfolio.

The biggest detractor was the iShares UK Property ETF costing 0.4%. Increases in borrowing costs have hit the property values and resulted in the income streams appearing less valuable compared with higher cash rates. With many of the underlying

Source: Equilibrium Investment Management LLP / Thomson Reuters Eikon. These figures are indicative. Note that contribution is not simply a function of average position x return since this does not take into account of sales and purchases made during the period. The column "12 month return" shows the return since the position was held, if that is less than a full 12 months. Contributions calculated before fees.

Quarterly Report Q2 2023

REITS trading at a significant discount to their net asset values, we feel the market is overly pessimistic about a number of these properties, and should inflation fall back, property looks very attractive at current pricing levels.

Also costing 0.4% was the Allianz China A Share fund. With the market expecting a much stronger rebound following the lifting of Covid restrictions, Chinese economic data has been mixed. This, combined with geopolitical tensions with the US, led the market to underperform global peers during the quarter.

Our biggest contributor was the Baillie Gifford American fund adding 0.5% to performance as the fund's technology positioning benefitted from the hype that has surrounded artificial intelligence following the launch of ChatGPT.

Our second biggest contributor was the Royal London Global Equity Select Fund, adding 0.4%, with the top two positions, Microsoft and Amazon, also benefitting from the strong rally we have seen in US technology companies as noted above.

A further 0.2% added to attribution was the Civitas Social Housing fund which we sold following a takeover bid. While this was trading at an exceptionally depressed valuation, this does illustrate the value in some of the REIT names and why we continue to hold the iShares Property ETF.

Looking forward, while inflation appears to have peaked in many regions it remains stubbornly high in the UK. This is largely driven by the leisure sector (package holidays, computer games and live music) leading markets to price in a much higher peak than only last month. Should inflation start to fall back, both equity and fixed interest markets look attractive on a relative and absolute basis and so could deliver strong returns over the medium term from here.

Performance

Rolling total returns

	10 years %	5 years %	3 years %	1 year %	6 months %
Fund	74.04	11.76	9.30	0.53	3.17
CPI	33.57	24.10	20.90	7.80	3.22

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 2023 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.

Investment Fund Services Limited (IFSL) is the Authorised Corporate Director (ACD) of the IFSL Equilibrium OEIC. IFSL is registered in England No. 06110770 and is authorised and regulated by the Financial Conduct Authority. Registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. Copies of the Prospectus and Key Investor Information Document are available in English from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL at the above address. Investors should refer to these for further details on the fund's investment objectives, policy and associated risks.

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