

Absolute Return Asset Rankings - July 2018

Our absolute return funds and portfolios use a completely objective and purely quantitative process to identify price momentum and determine asset allocation.

On a daily basis our investment process compares over 30 indices to determine which asset classes are considered to be providing the best level of return given the level of risk being observed.

The asset allocation of the funds and portfolios that we manage are based on the asset classes that sit within the top ten of this daily ranking process. Assets are sold when they fall out of the top 10 and bought when they move into the top 8, are in a positive trend and cash is available.

TOP RANKED ASSET CLASSES - 1 JUL 2018

1. All Commodities [+]	(1)	
2. UK Equities (Mid Cap) [+]	(5)	
3. Energy Equities [+]	(2)	
4. UK Equities (Large Cap) [+]	(14)	
5. European Property [+]	(7)	
6. US Equities (Small Cap) [+]	(16)	
7. US Equities (Mid Cap) [+]	(8)	
8. UK Equities (Small Cap) [+]	(4)	
BUFFER ZONE		
9. European Equities (Small Cap) [+]	(6)	
10. Asian Property [+]	(17)	

NOTES

- Asset ranking taken from the first day of the month.
- Figures in brackets () are the rank held by the asset at the start of the previous month. [+] denotes positive trend & [-] negative.

MARKET RISK

The amount we allocate to each asset in the top 10 depends upon the level of observed risk and the strategy being followed. Asset classes with lower observed risk have higher allocations and vice versa. When markets are particularly volatile our process can increase the amount of cash held. As at 1st July 2018 the amount of cash and cash equivalents held under our six strategies was as follows;

Indigo	Blue	Green	Yellow	Orange	Red
30%	14%	1%	1%	1%	1%

Commentary

Three assets were relegated and three promoted over the month. US technology equities, which had been one of the few assets to survive the market falls in February and March, finally fell out of favour with our process. Whilst their trend remains positive, they have lost out to other assets with stronger positive trends. Japanese small cap and European mid cap equities were also relegated following a period of poor performance.

The assets promoted were UK large cap equities, US small cap equities and Asian property. The promotion of the UK large cap index makes it a clean sweep for UK equity assets which are in a strong upward trend despite the uncertainty surrounding Brexit. During the first quarter we had witnessed a rally in the value of sterling, however, during the second quarter we have seen it retreat, particularly against the US dollar as the respective Central Banks each appear to be diverging in their monetary policies. This has been particularly helpful for the FTSE 100 which is made up of a large number of international companies.

Commodities, which have been one of the strongest performing assets year to date, remain in first place. This performance is primarily being driven by the price of energy which continues to recover on the back of potential sanctions and production cuts. The energy equity index we monitor, which contains energy production and exploration companies, has also benefited.

With the exception of Asia property, our process is favouring UK, European and US assets over those from the far east and the emerging markets. Cash remains low across all but the most cautious strategies as markets continue to recover from the selloffs we witnessed in the first quarter of the year.

FOR FURTHER INFORMATION

If you would like more detail about how the iFunds process and approach to investing can help your clients, please visit us at www.ifunds.co.uk or contact Stacey Ash or Craig Stansfield via;

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