

Absolute Return Asset Rankings - August 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 AUG 2018

1. US Equities (Small Cap) [+]	(6)	↑
2. All Commodities [+]	(1)	↓
3. US Equities (Large Cap) [+]	(14)	↑
4. UK Equities (Large Cap) [+]	(4)	→
5. US Equities (Mid Cap) [+]	(7)	↑
6. US Equities (Technology) [+]	(11)	↑
7. Energy Equities [+]	(3)	↓
8. Asian Property [+]	(10)	↑

BUFFER ZONE

9. UK Equities (Mid Cap) [+]	(2)	↓
10. US Equities (Dividend) [+]	(16)	↑

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 August 2018 the amount of cash and cash equivalents held under our six strategies was as follows;

Indigo	Blue	Green	Yellow	Orange	Red
42%	24%	4%	1%	1%	1%

Commentary

During July we saw two European asset classes and one UK asset class relegated in favour of three US markets as our process continues to favour US dollar denominated investments.

The European small cap equity, UK small cap equity and European property indices we monitor were all relegated because there were better options, not because their trends turned negative. Whilst European equities performed well over the month, their currency adjusted performance has not been as strong as that for US dollar denominated assets. This is because the pound has weakened more against the US dollar than it has against the Euro. Since the end of January the pound has depreciated by 7.5% against the US dollar and 1.8% against the Euro. This is due to a combination of things that include Brexit, Eurozone political instability (Italy) and the US Federal Reserve being ahead in its interest rate hike cycle. As the UK's deadline for negotiating the terms of its departure from the EU approaches, we are likely to see more volatility in the value of the pound against the world's major currencies.

Of the promoted assets it is US large cap equities which have risen the sharpest having moved from 14th to 3rd in the space of a month. US technology focussed equities make a rapid return to the top 10 having only been relegated during June. This follows a period of volatility for some US tech stocks, notably Netflix, which saw lower subscriptions than had been estimated.

Although commodity performance over July was negative, the broad commodity index we monitor remains in a positive long term trend and is ranked second overall by our process. Energy equities, which is an index of energy exploration and production companies, fell from 3rd to 7th as the price of oil fell.

Overall the top 10 remains focussed on US and US dollar denominated assets. The only pure non US or UK asset to make it into the top 10 is Asia property. Fixed interest assets remain a noticeable absentee altogether.

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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