

Absolute Return Asset Rankings - September 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 SEP 2018

1. US Equities (Large Cap) [+]	(3)	↑
2. US Equities (Technology) [+]	(6)	↑
3. US Equities (Mid Cap) [+]	(5)	↑
4. US Equities (Small Cap) [+]	(1)	↓
5. US Equities (Dividend) [+]	(10)	↑
6. Asian Property [+]	(8)	↑
7. Inverse All Commodities [+]	(17)	↑
8. US Property [+]	(16)	↑

BUFFER ZONE

9. European Equities (Mid Cap) [+]	(12)	↑
10. European Property [+]	(14)	↑

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

Indigo	Blue	Green	Yellow	Orange	Red
50%	42%	28%	17%	1%	1%

Commentary

As we head into the final month of the quarter the top 5 spots of our asset league table are occupied by US equity indices. With US property moving into the top 10 as well, it is a clean sweep for the US asset classes that we monitor. In terms of movements, there were a total of four asset classes relegated and four promoted in August. The process kicked out UK mid cap and UK large cap equities following a disappointing period of performance and a weakening of their trend relative to other assets. UK equities, particularly UK large caps, were previously dancing to the tune of sterling, however, more recently we have seen this relationship start to break down as a weaker sterling during August was unable to prevent the FTSE 100 from posting a fall of more than 3%.

The other two asset classes relegated were the broad commodities index and the energy equities index (an index of energy producers and explorers). Momentum in commodity prices appears to have stalled and our process has identified assets with stronger positive risk adjusted performance.

The asset classes promoted over the month were European mid cap equities and European property, US property and inverse commodities index. European equities, despite enduring a negative month, have slowly been gaining momentum following the market wide falls witnessed in February and March of this year. Finally, US property not only makes it six out of six for US assets, it makes it three out of three for the property indices that we monitor as investors continue to seek additional ways to generate income. The inverse commodities index has entered the top 10 primarily on the back of a stronger US dollar rather than the underlying performance of commodities themselves.

Overall our process has moved back into US equities and the US dollar. UK equity exposure has been removed and fixed interest assets remain a notable absentee as central banks continue their program of fiscal tightening.

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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