

Absolute Return Asset Rankings - October 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 OCT 2018

1. US Equities (Large Cap) [+]	(1)	➡
2. US Equities (Mid Cap) [+]	(3)	▲
3. US Equities (Dividend) [+]	(5)	▲
4. US Equities (Technology) [-]	(2)	▼
5. US Equities (Small Cap) [+]	(4)	▼
6. US Property [+]	(8)	▲
7. European Property [+]	(10)	▲
8. Asian Property [+]	(6)	▼

BUFFER ZONE

9. European Equities (Mid Cap) [+]	(9)	➡
10. Energy Equities [+]	(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
44%	34%	17%	3%	1%	1%

Commentary

The top 10 remains almost unchanged from last month as US equities continue to dominate. The only asset relegated was inverse commodities which was replaced by another commodity related asset in the form of energy equities. This comes after a strong month for commodities, particularly oil, which has a direct positive impact on energy producing companies.

US large cap equities maintain top spot after another positive month, however, it was not all positive for US equities as the US technology focussed index we monitor was down. With ongoing publicity issues for a number of high profile tech companies such as Amazon and Facebook, prices were generally down. As a result, US technology equities slip from second to fourth.

European mid cap equities hold onto their position inside the top 10 despite an increase in volatility for European equities as a whole. The election of an anti-EU government in Italy, albeit a minority one, has brought about fresh concerns regarding Italy's budget deficit and debt.

UK equities remain absent despite a positive month. With Brexit looming large we continue to see price volatility in UK equities as uncertainty remains. Sterling remains particularly susceptible to news relating to Brexit as we saw 1% swings following the fallout of the Salzburg conference in which Theresa May's Brexit plan was rebuffed whilst Labour refused to rule out a second referendum during its party conference.

Overall the top 10 continues to focus on US assets, particularly US equities. All three property related indices also remain present, perhaps an indication of investors' desire for income as bond yields remain historically low.

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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