

# Absolute Return Asset Rankings - November 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 NOV 2018

1. US Equities (Large Cap) [+]	(1)	➡
2. Latin American Equities [+]	(33)	⬆
3. US Equities (Dividend) [+]	(3)	➡
4. US Equities (Technology) [+]	(4)	➡
5. US Equities (Mid Cap) [+]	(2)	⬇
6. All Commodities [+]	(27)	⬆
7. US Property [+]	(6)	⬇
8. Energy Equities [+]	(10)	⬆

## BUFFER ZONE

9. UK Gilts (1-5 Years) [+]	(18)	⬆
10. Inverse European Equities [-]	(13)	⬆

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

Indigo	Blue	Green	Yellow	Orange	Red
53%	47%	32%	12%	2%	1%

## Commentary

During October stock markets suffered one of their biggest falls in recent times. UK equities fell 5.2%, whilst US, European and Japanese stocks also fell 6.8%, 5.8% and 9.1% respectively. As a consequence we have seen the trend in a large number of assets turn negative. As it stands, there are only 9 of 36 assets that we monitor with a positive trend, five of these are US assets and three of the remaining four are new entrants into the top 10.

In terms of changes, we saw both Asian and European property relegated as their trends turned negative. US small cap and mid cap equities followed them out of the top 10 for the same reason. The asset classes to replace them were the all commodities index, Latin American equities, UK short dated government bonds and inverse (short) European large cap equities, although the latter remains in a negative trend overall. Latin American equities have performed well of late as a number of political unknowns, particularly in Brazil, become settled.

Commodities once again make a return as oil prices continue to creep up amidst geopolitical instability in the Middle East. US and Iranian relations look set to harden with Trump threatening to impose new sanctions on Iran in the coming days. Saudi Arabia's killing of a well-known journalist in Turkey also sent shockwaves around the world as a number of state leaders appear to be acting with increasing boldness and impunity on the international stage.

Closer to home, short dated UK government bonds make a return to the top 10 after a prolonged absence. UK bond assets have been out of favour with our process for some time, however, with the recent sell off in equities, we have seen government bond prices increase as investors look for alternatives.

Overall our process continues to favour US assets as their longer term trends remain positive despite recent falls. That said, a number of equity shorts have moved up the table and are sitting just outside the top 10. Should we see further market declines, we are likely to see a number of these make their way into the top 10.

## 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](http://www.ifunds.co.uk) or contact Stacey Ash or Craig Stansfield via;

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