# Absolute Return Asset Rankings - December 2018

**iFunds**
*managing risk in a volatile world*

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 DEC 2018

| | | |
|---|---|---|
| 1. UK Gilts (1-5 Years) [+] | (9) | ⬆ |
| 2. Latin American Equities [+] | (2) | ➡ |
| 3. US Equities (Large Cap) [+] | (1) | ⬇ |
| 4. US Property [+] | (7) | ⬆ |
| 5. US Equities (Dividend) [+] | (3) | ⬇ |
| 6. Inverse European Equities [-] | (10) | ⬆ |
| 7. Inverse US Equities [-] | (13) | ⬆ |
| 8. Inverse UK Equities [-] | (11) | ⬆ |

### BUFFER ZONE

| | | |
|---|---|---|
| 9. Inverse Commodities [-] | (12) | ⬆ |
| 10. UK Gilts (5-15 Years) [-] | (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 December 2018 the amount of cash and cash equivalents held under our six strategies was as follows;

| Indigo | Blue | Green | Yellow | Orange | Red |
|---|---|---|---|---|---|
| 48% | 39% | 34% | 20% | 18% | 1% |

## Commentary

By the start of December only five of the thirty-six indices that we monitor were showing a long-term positive trend. Of those that remain positive, they remain predominatnly US assets with the large cap, property and dividend indices occupying three of the top five positions.

UK short term gilts have taken over top spot, perhaps illustrating the uncertainty that investors have in markets that continue to swing on Brexit news, Trump tweets and conflicting statements about oil prices and output. The remaining top five spot is taken by Latin America equities, which retains second place.

November saw all four of the inverse indices that we follow (i.e. indices that go up when markets fall and vice versa) entering the top 10, although they have not yet been added to the portfolios or funds that we manage.

Medium term UK gilts were the other new entrant to the top 10 in a month that saw US technology and US mid cap equities exit. The falling oil price also contributed to the commodities index and energy equities also dropping out of the top of our league table of asset classes.

Overall, we are seeing increased volatility in markets and weak trends that could easily disappear as there is no great consensus amongst investors on market direction. This is reflected in the increased levels of cash, and short-term gilts, in our funds.

### 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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