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Absolute Return Asset Rankings - January 2019

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 JAN 2019

1. UK Gilts (1-5 Years) [+]	(1)	→
2. UK Gilts (5-15 Years) [+]	(10)	↑
3. Precious Metals [+]	(15)	↑
4. Inverse Commodities [+]	(9)	↑
5. Latin American Equities [+]	(2)	↓
6. UK Gilts (Inflation Linked) [+]	(19)	↑
7. Global Bonds (GBP Hedged) [+]	(26)	↑
8. Asia Property [+]	(14)	↑
BUFFER ZONE		
9. Inverse US Equities [-]	(7)	↓
10. Inverse European Equities [-]	(6)	↓

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 January 2019 the amount of cash and cash equivalents held under our six strategies was as follows;

Indigo	Blue	Green	Yellow	Orange	Red
34%	18%	1%	1%	1%	1%

Commentary

During December we saw a number of defensive asset classes move into the top 10 as equities continue to trend negatively. US large cap and US dividend equities were relegated towards the start of the month, a timely move given the falls witnessed towards the end of December. The other two assets relegated were US property and inverse UK equities, although the latter never quite made it high enough to get into the funds and portfolios.

Of the assets promoted, two were bonds with the global GBP hedged bond index making a return and inflation linked gilts joining medium and short dated UK government bonds inside the top 10. Whilst government bonds have forced their way into the top 10, UK corporate bonds remain very much out of favour and continue to languish towards the bottom of our league table. The rise of government bonds, both UK and global, resulted from a sharp increase in equity volatility and a steady rise in bond prices as investors look towards more defensive assets. Unlike the stock market falls we saw in February and March, bonds have, this time around, performed positively and we have seen a real divergence in equity and bond performance.

The other two asset classes promoted were precious metals and Asia property. Precious metals have seen a significant reversal in their trend over the past few months whilst Asia property joins Latin American equities as the only non-bond, inverse or commodity related asset classes inside the top 10.

Latin America equities continue to hold up well relative the wider equity market, and although their trend has weakened, they have staged a recent recovery, mainly led by Brazilian markets.

Overall the process is very much defensively positioned and much of the falls witnessed across stock markets in December were avoided. As we head into 2019 volatility remains high and until we see some consistent positive performance from equity markets, our process is likely to remain defensively positioned.

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;

Telephone : 02476 236 223
E-Mail : stacey.ash@ifunds.co.uk
craig.stansfield@ifunds.co.uk

www.ifunds.co.uk