

Absolute Return Asset Rankings - February 2019

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 FEB 2019

1. Global Bonds (GBP Hedged) [+]	(7)	↑
2. UK Gilts (5-15 Years) [+]	(2)	→
3. Precious Metals [+]	(3)	→
4. UK Gilts (1-5 Years) [+]	(1)	↓
5. Asia Property [+]	(8)	↑
6. UK Gilts (Inflation Linked) [+]	(6)	→
7. UK Gilts (>15 Years) [+]	(13)	↑
8. Inverse Commodities [+]	(4)	↓

BUFFER ZONE

9. Latin American Equities [+]	(5)	↓
10. Asian Dividend 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 February 2019 the amount of cash and cash equivalents held under our six strategies was as follows;

Indigo	Blue	Green	Yellow	Orange	Red
23%	4%	1%	1%	1%	1%

Commentary

There were two assets relegated and two promoted from the top 10 during January as stock markets recovered some of the losses they suffered in December. The positive performance from equities in particular was enough to relegate both the US and European inverse equity indices, which, never actually made it into the funds and portfolios, due to their trend being negative. Both indices were ranked inside the top 10 due to the fact that they had the least weakest negative trend of the asset classes that we analyse.

With bonds also enjoying a positive month and having performed well during the heightened levels of equity volatility, they still remain our processes most favoured asset class. This is reflected in the makeup of the top 10 which contains 5 bond related indices. Global GBP hedged bonds moved from 7th to 1st over the month whilst medium dated UK government bonds retain second spot. Long dated gilts was one of the two asset classes to be promoted as their risk adjusted return continues to improve.

The other promoted asset was Asian dividend equities, which joins Asian property inside the top 10, although the latter is yet to force its way inside the top 8 and into the funds and portfolios. Latin American equities retains its position inside the top 10 and performed well over the month, however, its volatility relative to other assets has now seen it fall from 5th to 9th.

Overall the top 10 retains its defensive outlook with a mixture of bonds, some inflation protection and a limited number of equity assets. That said, if equities continue to perform as they have over January, we could see a number of equity asset classes move back into the top 10 in the near future.

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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