

# Absolute Return Asset Rankings - May 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 MAY 2019

1. UK Corporate Bonds [+]	(2)	↑
2. Global Bonds (GBP Hedged) [+]	(1)	↓
3. US Equities (Technology) [+]	(11)	↑
4. Asia Property [+]	(3)	↓
5. European Equities (Large Cap) [+]	(19)	↑
6. UK Gilts (Inflation Linked) [+]	(5)	↓
7. UK Equities (Large Cap) [+]	(12)	↑
8. European Equities (Dividend) [+]	(20)	↑

## BUFFER ZONE

9. US Equities (Large Cap) [+]	(17)	↑
10. Global Equities (GBP Hedged) [+]	(27)	↑

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

Indigo	Blue	Green	Yellow	Orange	Red
28%	15%	1%	1%	1%	1%

## Commentary

We saw a high turnover of assets during April as a number of equity asset classes returned to the top 10 for the first time since October of last year. In total, there were six assets relegated and six promoted, with three of the six relegated being UK government bond indices, whilst all of those promoted were equity indices.

Although a number of bond indices have been relegated, the top 10 still contains some bond exposure with UK corporate bonds, UK index linked government bonds and global GBP hedged bonds. UK corporate and global GBP hedged bonds have traded places but between them they still occupy the top two spots. UK index linked government bonds have slipped one place from 5th to 6th whilst Asia property, the only other asset retained from last month, fell from 3rd to 4th.

The recovery in equity prices is reflected in the speed at which they have risen through our relative strength league table over the last month. European dividend, European large cap and global GBP hedged equities were all in the bottom half of the table at the start of month but have risen sharply as the risk adjusted performance of equities and non-equity assets such as bonds and commodities begins to diverge. Of the equities promoted, they are either large caps or have a large cap bias. Small and medium sized indices, whilst having performed well, remain, for now at least, out of favour with our investment process.

Overall the top 10 has seen a significant shift in asset mix having been dominated by bond asserts since November of last year. Almost all of the equity indices we monitor have shifted back towards positive trends although a small number remain risk off.

## 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;

Telephone :

02476 236 223

E-Mail :

stacey.ash@ifunds.co.uk  
craig.stansfield@ifunds.co.uk

[www.ifunds.co.uk](http://www.ifunds.co.uk)