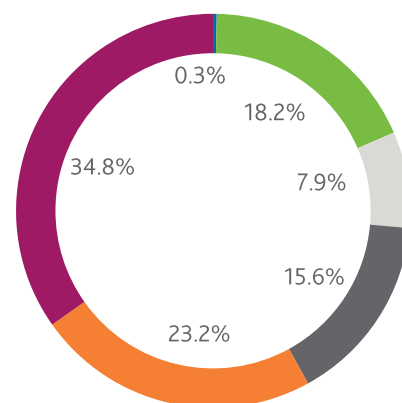


Objective	To deliver returns greater than cash or inflation (whichever is the higher) over the long term, 5 years, through a mixture of capital growth and some income. The fund will typically have around half the portfolio in equities but this can vary.
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Manager	Equilibrium Investment Management LLP	ISIN	GB00BYXHQX09	Annual Management Charge (AMC)	0.25%
ACD	Investment Funds Services Limited	Sedol	BYXHQX0	Ongoing Charges Figure (OCF)	1.03%
Fund Type	Open Ended Investment Company (OEIC)	No. Holdings	36		
Launch Date	1 November 2017	Fund Size	£288.3m		

Fund holding breakdown

Portfolio	Security	Weight %
Liquidity	Cash	0.3
Fixed Interest	iShares Corporate Bond Index	3.8
	Jupiter Strategic Bond	3.9
	Royal London Extra Yield Bond	3.8
	TwentyFour Dynamic Bond	3.8
	L&G All Stocks Index Linked Gilt Index	2.9
Property	Kames Property Income	2.3
	Standard Life UK Real Estate	1.8
	Aviva UK Property	2.0
	Time Commercial Freehold	1.9
Defined Returns	Societe Generale FTSE Autocall Dec 2017	3.7
	JP Morgan FTSE Autocall Sep 2018	3.0
	Morgan Stanley FTSE/S&P Autocall Feb 2018	3.0
	Atlantic House Defined Returns	3.3
	Credit Suisse FTSE/S&P Autocall Jan 2018	2.6
Alternative Equity	H2O Multi>Returns	3.4
	Odey Absolute Return	3.2
	Henderson UK Absolute Return	4.5
	Merian GEAR	4.5
	Lazard Global Listed Infrastructure	2.9
	Carmignac Long Short European Equity	4.6
UK All Companies Equity	iShares FTSE 100 ETF	2.9
	Vanguard FTSE 100 ETF	3.0
UK Conservative Equity	Royal London UK Equity Income	2.4
	Miton UK Multi Cap Income	2.5
	Rathbone Income	2.4
UK Dynamic Equity	Lindsell Train UK Equity	1.7
	Miton UK Value Opportunities	2.2
	Marlborough Special Situations	2.2
Global Established Equity	Baillie Gifford Japanese	2.4
	BlackRock European Dynamic	1.8
	Miton European Opportunities	1.8
	Schroder Tokyo	2.5
	Vanguard US Equity Index	2.3
Global Speculative Equity	Goldman Sachs India	1.5
	Invesco Hong Kong & China	1.7
	Schroder Asian Alpha	1.7



Key recent changes

October 2018

From: Alternative equity
To: Carmignac Long Short European Equity

From: Alternative equity
To: iShares FTSE 100 ETF

November 2018

From: Invesco GTR
To: Other alternative equity funds

From: Kames & SLI property funds
To: Time Commercial Freehold

December 2018

From: Short dated fixed interest & alternative equity
To: Vanguard FTSE 100 ETF

From: Kames & SLI property funds
To: Time Commercial Freehold

Please note that the fund percentages shown are subject to rounding which can mean that they do not add up to 100%.

Commentary

It has been a horrible quarter for investors. In fact, 2018 was a horrible year.

Since 1 October, the FTSE Allshare has fallen 10.2%. Other markets were also hard hit, with the main US stock market the S&P 500 falling briefly into a bear market (defined as 20% below its peak), before a sharp bounce left it "only" 12.5% down over the quarter in dollar terms. European and Asian markets also saw sharp losses.

These moves left all major stock markets in negative territory for 2018 in local currency terms. In fact, of all the asset classes we invest in, only alternative equity and property made positive returns in 2018 and then only just.

There are several reasons for the sharp declines in stock markets. There have been signs that the global economy is slowing at the same time as interest rates have gradually been moving higher, whilst central banks have also been dialing back stimulus like quantitative easing.

In our view markets were looking expensive before the recent falls and these relatively minor changes in growth and interest rate assumptions have made investors re-evaluate equities. In addition, political risk remains elevated with President Trump's trade wars, his criticism of the Federal Reserve, and the recent government shutdown all adding to jitters.

Brexit remains a concern for UK related assets. As well as this hitting UK stocks, commercial property returns are slowing particularly in the retail sector, and funds are experiencing outflows. This has meant the Kames Property Income fund has switched from an "offer" basis to a "bid" basis, reducing the price of the fund to reflect that they may have to sell buildings, with all the costs that entails.

We have been reducing risk in this part of the portfolio, switching some into the "long lease" Time Commercial Freehold fund over the past few months.

Fixed interest has had a poor year generally.

Normally, government bonds tend to do well when equities underperform. 2018 was a year when both assets classes lost money at the same time.

Our alternative equity funds fared better, with the H2O and Carmignac funds making significant positive returns over the quarter.

Given the market conditions the fund has fallen in value. To put this into context, the average fund which holds between 20% and 60% in equities (the FE UT Mixed Investment 20%-60% Shares sector) fell by 5.05% over 12 months.

Whilst corrections such as that we have seen recently are never pleasant, this does now leave stock markets looking much better value in our view. As such, we're more positive going into 2019 than we were at the beginning of last year.

We therefore added to equity over the quarter by carrying out volatility trades, buying FTSE tracking funds as the market fell, with the intention of selling again should they recover.

Performance

Rolling total returns

3 Months (28/09/18 – 31/12/18)	6 Months (29/06/18 – 31/12/18)	1 Year (31/12/17 – 31/12/18)	-	-
-6.18%	-5.91%	-4.12%	-	-

Discrete annual total returns

2018 (31/12/17 – 31/12/18)	-	-	-	-
-4.12%	-	-	-	-

Notes and risk information

All data is from 31 December 2018 and collated by Equilibrium Investment Management LLP. Performance data sourced from FE Analytics. The views expressed herein should not be taken as statements of fact or relied upon when making investment decisions.

Past performance is never a guide to future performance. Investments may (will) fall as well as rise and you may not get back your original investment. Changes in currency exchange rates or interest rates may have an adverse effect on the value of your investments.

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AMC: the fee that Equilibrium Investment Management LLP receives. OCF: the overall cost of running the fund including the AMC.

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