# IFSL Equilibrium Cautious

## Portfolio A Acc | March 2021

The Fund aims to deliver returns greater than inflation over a minimum of 5 years, through a combination of capital growth, that is profit on investments, and income paid out of investments, such as interest and dividends, after any charges have been taken out of the Fund. However, there is no certainty this will be achieved. Over the longer term, any 10 year period, the Fund aims to deliver an average of inflation plus 4% per annum. Inflation is measured as the UK Consumer Prices Index for these purposes. The Fund will invest at least 80% in other funds and investment trusts (collectively 'Investment Funds').

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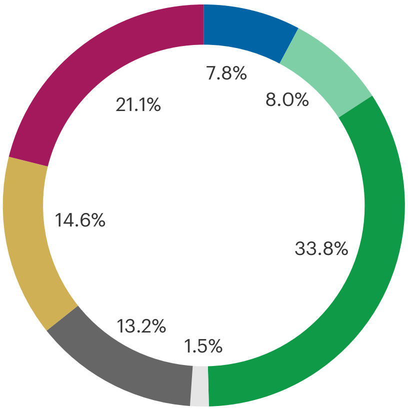
|---|---|---|---|---|---|
| **Manager** | Equilibrium Investment Management LLP | **ISIN** | GB00BYXHQY16 | **Annual management charge (AMC)** | 0.25% |
| **ACD** | Investment Funds Services Limited | **Sedol** | BYXHQY1 | | |
| **Fund type** | Open Ended Investment Company (OEIC) | **Holdings** | 49 | **Ongoing charges figure (OCF)** | 1.00% |
| **Launched** | 1 November 2017 | **Fund size** | £293.1m | | |

| | | |
|---|---|---|
| Liquidity | Sterling Cash & Money Market | 6.2% |
| | Euro Cash & Money Market | 0.6% |
| | US Dollar Cash & Money Market | 1.0% |
| Short Dated Fixed Interest | Royal London Short Duration High Yield | 4.0% |
| | TwentyFour Monument Bond Fund | 4.0% |
| Fixed Interest | Allianz Strategic Bond | 5.1% |
| | Nomura Global Dynamic Bond | 5.0% |
| | Jupiter Strategic Bond | 5.1% |
| | Royal London Extra Yield Bond | 3.5% |
| | TwentyFour Dynamic Bond | 5.0% |
| | Muzinich Asia Credit Opportunities | 3.0% |
| | GAM Credit Opportunities | 2.2% |
| | Waverton Sterling Bond | 4.8% |
| Property | Time Commercial Long Income | 1.0% |
| | Supermarket Income REIT | 0.5% |
| Defined Returns | Societe Generale FTSE Autocall Dec 2017 | 2.3% |
| | JPM FTSE Autocall September 2018 | 2.3% |
| | BNP Paribas FTSE/S&P Autocall Feb 2020 | 1.5% |
| | Atlantic House Defined Returns | 1.0% |
| | Credit Suisse FTSE/S&P Autocall Jan 2018 | 2.4% |
| | BNP Paribas FTSE Autocall Jan 2020 | 1.1% |
| | Morgan Stanley FTSE/S&P Autocall Mar 2019 | 1.0% |
| | Goldman Sachs FTSE/S&P Autocall Mar 2020 | 1.6% |
| Alternative Equity | Lazard Global Listed Infrastructure | 2.0% |
| | Carmignac Long Short European Equity | 2.0% |
| | Foresight UK Infrastructure Income | 1.8% |
| | Lazard Rathmore Alternative | 3.5% |
| | Foresight Global Real Infrastructure | 2.1% |
| | Blackrock European Absolute Alpha | 2.1% |
| | Legg Mason ClearBridge Global Infrastructure | 1.0% |
| UK Conservative Eq. | Miton UK Multi Cap Income | 1.7% |
| UK Dynamic Equity | Lindsell Train UK Equity | 1.3% |
| | Miton UK Value Opportunities | 1.7% |
| | Polar Capital UK Value Opportunities | 1.8% |
| | Chelverton UK Growth | 1.7% |
| | Liontrust Special Situations | 1.0% |
| Global Established Equity | Baillie Gifford Japanese Co. | 1.0% |
| | BlackRock European Dynamic | 0.7% |
| | Lindsell Train Japanese Equity | 0.9% |
| | Miton European Opportunities | 0.9% |
| | Vanguard US Equity Index | 0.7% |
| | Baillie Gifford American | 0.9% |
| | Morgan Stanley Global Brands | 1.1% |
| | Schroder Global Recovery | 1.3% |




**Key recent changes**

### December 2020

**From** Alternative Equity & Defined Returns
**To** Legg Mason IF ClearBridge Global Infrastructure Income Fund

**From** Vanguard US Equity Index & Morgan Stanley Global Brands
**To** iShares US MSCI Small Cap ETF

### January 2021

**From** Equity & Defined Returns
**To** Cash

### February 2021

**From** Schroder Asian Alpha Plus
**To** Global Speculative

**From** Cash
**To** Supermarket REIT

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

| | | | |
|---|---|---|---|
| Global Est. (continued) | iShares US MSCI Small Cap ETF | 0.6% | |
| Global Speculative Equity | Invesco China | 1.3% | |
| | Goldman Sachs India | 0.7% | |
| | Hermes GEM SMID | 1.0% | |
| | Baillie Gifford EM Leading Companies | 1.0% | |

# Commentary

Stock markets have been volatile so far in 2021. In both January and February we have initially seen markets make strong gains before giving back returns towards the end of each month. At present, markets are being driven by a "reflation" narrative. Investors are betting that we will see a strong economic recovery later this year which, whilst positive for certain types of stocks, is having a negative impact on others.

The potential for economic recovery and the massive amounts of stimulus from both central banks and governments are fuelling concerns of higher inflation. In fact, we are almost certain to see some temporarily high levels of inflation at some point this year as prices recover from the lows of last year. Inflation is always a "year on year" number and so will be inflated by the low base during the depths of the 2020 downturn. Whilst we still think this is most likely a temporary factor, this concern is one reason why bond yields have risen. The UK 10-year gilt now yields 0.85%, having been only 0.28% at the end of January. The US 10-year treasury bond now yields 1.44% having been 1.04% a month ago. Bond prices fall when yields rise so fixed interest has had a poor month in general.

These rising bond yields have a knock-on effect to certain types of equity. In particular, this impacts technology firms and other companies who are valued at a high multiple of current earnings, but where earnings are expected to grow quickly in future. The bond yield is used in many equity analysts' calculations as a "discount rate" for those future cash flows. A higher bond yield implies a lower share price.

This environment is a very difficult one for many managed funds which typically hold just equities and government bonds, particularly passive strategies which have greater exposure to these "growth" stocks. In our portfolio we have tried to have a balance between growth stocks and the more "value" stocks which should benefit from a recovery. Some of our value-based equity funds have actually had a very good month.

We also hold more short dated fixed interest and cash, and more corporate bonds rather than long dated government bonds. This means our portfolios should be less susceptible to this environment than some portfolios and they have produced positive returns so far in 2021, even though some stock markets and other benchmarks are down so far this year.

# Performance

**Rolling total returns**

| **3 Months** (30.11.20 to 26.02.21) | **6 Months** (31.08.20 to 26.02.21) | **1 Year** (28.02.20 to 26.02.21) | **3 Years** (28.02.18 to 26.02.21) | **-** |
|---|---|---|---|---|
| 2.36% | 6.42% | 7.33% | 13.64% | - |

**Discrete annual total returns**

| **2020** (31.12.19 to 31.12.20) | **2019** (31.12.18 to 31.12.19) | **2018** (31.12.17 to 31.12.18) | **-** | **-** |
|---|---|---|---|---|
| 3.60% | 12.37% | -3.60% | - | - |

# Notes and risk information

All data is to 26 February 2021 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.

Investment Fund Services Limited (IFSL) is the Authorised Corporate Director (ACD) of the IFSL Equilibrium OEIC. IFSL is registered in England No. 06110770 and is authorised and regulated by the Financial Conduct Authority. Registered office: Marlborough House, 59 Chorley New Road, Bolton, BL1 4QP. Copies of the Prospectus and Key Investor Information Document are available in English from www.ifslfunds.com or can be requested as a paper copy by calling 0808 178 9321 or writing to IFSL at the above address. Investors should refer to these for further details on the fund's investment objectives, policy and associated risks.

AMC: Equilibrium Investment Management's fee. OCF: the overall cost of running the fund including the AMC.

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