Active Strategies

APRIL 2021

INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

IQ Defensive Strategy

The aim of this portfolio is to provide a defensive total return strategy by investing through collective investment schemes.

The portfolio invests principally in lower risk assets – such as fixed-interest securities – but it does have the ability to diversify into other asset classes, such as global equities, property, alternatives, themes and targeted absolute return strategies. The portfolio can also hold a percentage weighting in cash deposits for both liquidity and tactical reasons.

RISK & REWARD PROFILE

LOWER RISK ← → HIGHER RISK

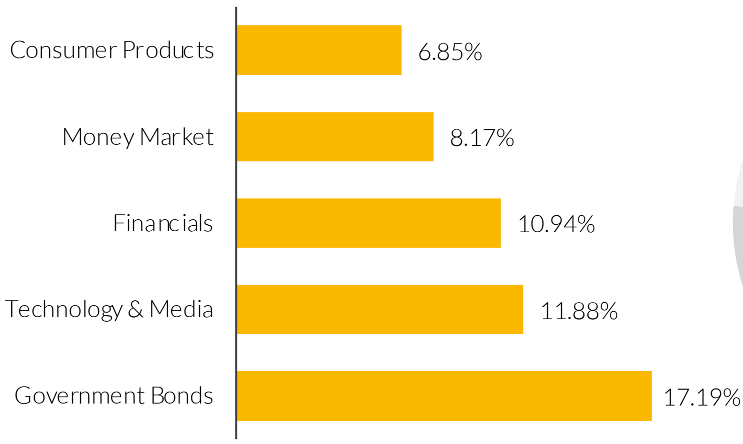
1 **2** 3 4 5 6 7

CURRENCY
GBP

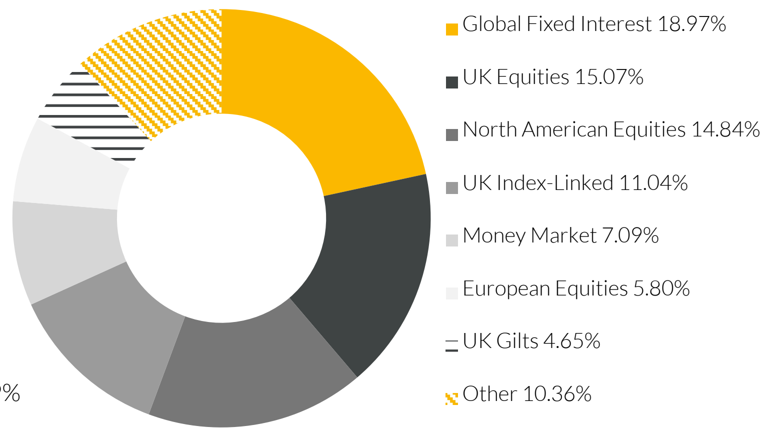
HISTORIC YIELD
0.67% p.a.

PORTFOLIO EXPENSE
0.59% p.a.

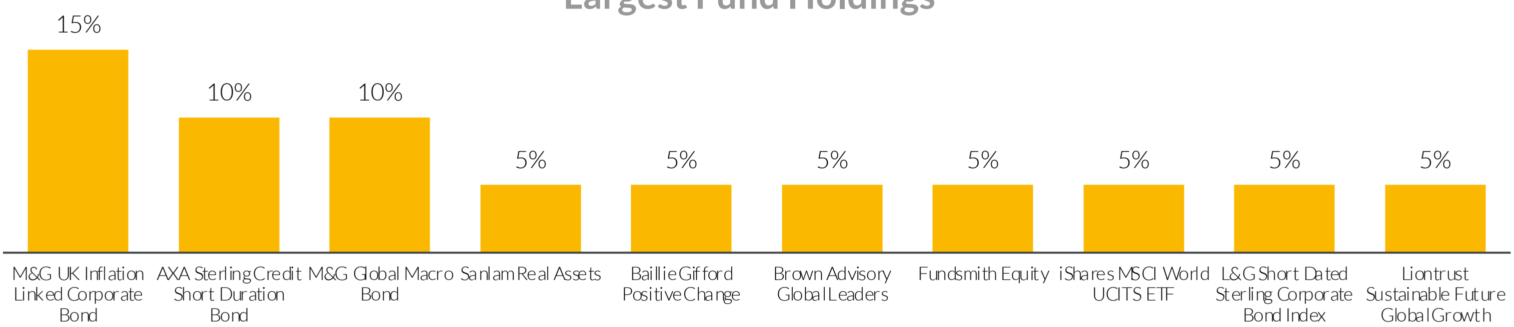
Top Sector Allocation



Asset Allocation



Largest Fund Holdings*



Performance

	YTD	31/12/19 to 31/12/20	31/12/18to 31/12/19	31/12/17 to 31/12/18	31/12/16 to 31/12/17	Cumulative return (since Sep-07)	Annualised return (since Sep-07)
Defensive Portfolio**	0.14%	8.65%	8.19%	-1.69%	4.92%	101.02%	5.30%
ARC Sterling Cautious PCI (Benchmark)	0.09%	2.88%	8.05%	-3.63%	4.48%	57.85%	3.44%

Please remember that past performance is not a guide to the future.

**Key (investor) information documents are available for each fund on request.*
***Performance figures take account of underlying fund charges but not IQ's fees.*

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Quarterly Commentary

The first quarter of the New Year was dominated by rising bond yields and a rotation out of equity growth stocks into value. The announcement of a further US stimulus package and the phenomenal success that the vaccine rollout has enjoyed in the US and in the UK were the two main drivers behind this.

It has now been over a year since the global equity markets collapsed before rallying back, recording their shortest bear market in history; and recent predictions regarding the reopening of the global economy have meant further advancements for risk assets.

Other asset classes – such as commodities – have also benefitted from the potential for global GDP numbers to see significant improvement. The prospects of increased manufacturing demand, China's insatiable appetite for commodities and growing investor interest in sustainable themes have been behind many of their price movements. While overall inflation remains relatively low, the recent rise in commodity prices is beginning to show up in producer price inflation, which is usually good news for the value end of the market. Nevertheless, there are still many good quality growth opportunities in technology and in the green energy sector. Admittedly, some equity valuations do look rather stretched but there is a positive outlook for corporate earnings over the coming months which should support many of those higher valuations.

As lockdowns ease, vaccination programmes continue and central bank policies remain accommodative, the global economy is now expected to strengthen significantly between now and the end of the year. This is likely to create a further positive backdrop for risk assets such as global equities and a broadening out of stock market asset allocations. Covid-19 will doubtless leave an enduring mark on people's lives and on the business community. Just as importantly, the pandemic is predicted to result in the fastest growth in GDP in a generation, as well as catalysing major advances in disruptive technologies and the green revolution – all of which will mean further exciting investment opportunities for the future.

Strategy Commentary

Performances have been mixed across funds over the past quarter: rising government bond yields, a rotation to value and concerns over higher inflation have combined to cause widespread volatility in global markets. Despite these issues, this strategy continued to offer adequate capital protection as circumstances evolved. The top three performing funds were **Chelverton UK Equity Growth (+13.03%)**, **Liontrust Special Situations (+4.69%)** and **iShares MSCI World ETF (+3.88%)**. The strategy also benefitted from an improved outlook and the UK stock market's sound performance. With a Brexit deal having finally been agreed and a 'cliff-edge' no-deal scenario averted, the performance of the domestic focused mid-cap companies featuring in the Chelverton UK Equity Growth portfolio benefitted from a stronger pound and a more favourable investment environment. The stronger pound and a more favourable investment backdrop acted as a strong tailwind for this fund, which remains top in its sector over three and five years.

The worst performing fund over the quarter was the **Vanguard UK Inflation-Linked Gilt Index (-6.19%)**, reflecting the overall weak performance of government bonds against a backdrop of an improved outlook for the global economy. However, given the distinct possibility that a period of higher inflation is likely, this fund should give the strategy some inflationary protection. As we move into Q2 and hopefully towards the end of the pandemic, this strategy will retain its cautious approach, navigating through periods of uncertainty to best protect investors' capital. While continuing to allocate funds to highly regarded global equity fund managers, we will also continue to look for other opportunities that might arise in the fixed-income and alternatives space. Although this strategy will continue to have a defensive approach, we will seek out investment opportunities to generate above-average risk-adjusted growth returns – markets prevailing.

Powered by data from FE, data collected: 01/04/2021

Investment Team

Peter Lowman
CIO

Before joining IQ, Peter was a Vice President and Private Client Executive for Morgan Stanley Quilter. Prior to that, he spent thirty years at Cazenove & Co where he worked primarily as an Investment Director for Cazenove Fund Management Limited, as well as serving as Fund Manager for the Cazenove Global Equity Fund.

George Steger
Senior Wealth Manager

After graduating from Exeter in 2012, George managed retail wine stores for two years. George joined IQ in 2014 and was appointed Wealth Manager in 2017, providing him with many opportunities to interact with clients.

Nick Harrington
Associate Investment Analyst

Nick graduated from Durham in 2019 and joined in January 2020 as part of the IQ Graduate Scheme. Nick currently focuses on North American and Asian markets, alongside assisting the CIO with the firm's thematic research.

Holly West
Associate Investment Analyst

Holly graduated from Southampton in 2020 and joined in June 2020 as part of the IQ Graduate Scheme. Holly currently focuses on the UK, European and Emerging markets.