IQ Defensive Strategy

JANUARY 2024

INVESTMENT QUORUM
UNIQUE, BOUTIQUE WEALTH MANAGEMENT

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.

KEY INFORMATION

Currency: **GBP**

Historical Yield: **1.86% p.a.**

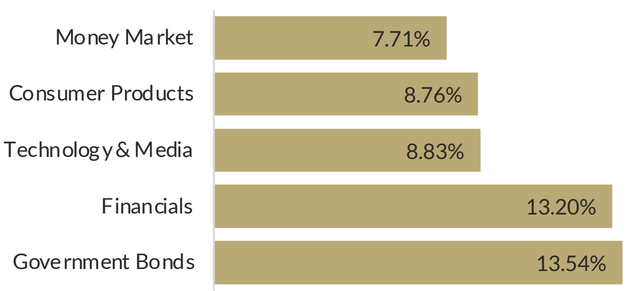
Total Fund Charges: **0.57% p.a.**

RISK & REWARD PROFILE

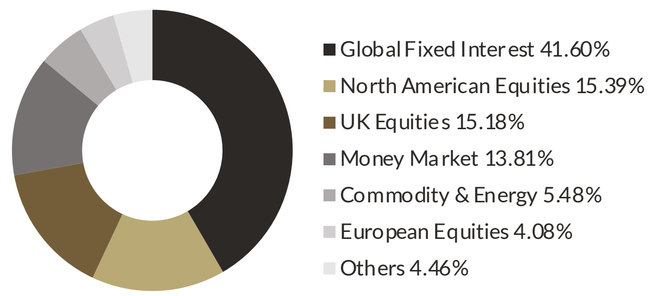
LOWER RISK ← → HIGHER RISK

1 **2** 3 4 5 6 7

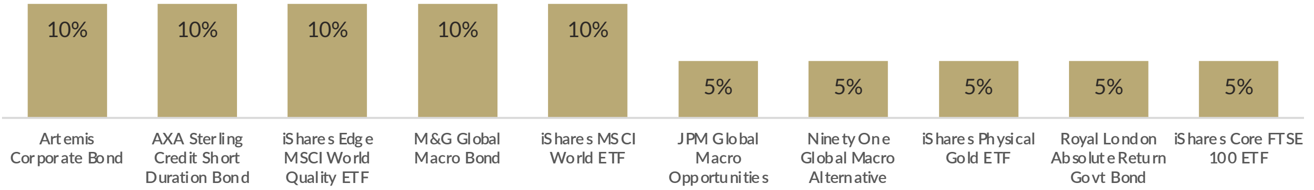
Top Sector Allocation



Asset Allocation



Largest Fund Holdings*



** Key (investor) information documents are available for each fund.*

Discrete Calendar Year Performance

PERIOD	01/01/2018 to 31/12/2018	01/01/2019 to 31/12/2019	01/01/2020 to 31/12/2020	01/01/2021 to 31/12/2021	01/01/2022 to 31/12/2022	01/01/2023 to 31/12/2023	ANNUALISED RETURN *(since Sep-07)*
Defensive Strategy**	-1.69%	8.19%	8.66%	7.99%	-9.39%	5.00%	4.54%
ARC Sterling Cautious PCI (Benchmark)	-3.63%	8.05%	4.20%	4.23%	-7.60%	4.43%	2.87%

Cumulative Performance

PERIODS TO 31/12/2023	3 MONTHS	6 MONTHS	1 YEAR	3 YEARS	5 YEARS	10 YEARS	CUMULATIVE RETURN *(since Sep-07)*
Defensive Strategy**	4.59%	4.37%	5.00%	2.74%	20.75%	47.00%	106.18%
ARC Sterling Cautious PCI (Benchmark)	4.01%	4.34%	4.43%	0.57%	13.23%	26.66%	58.61%

*** Performance figures take account of underlying fund charges but not IQ's and platform fees.*

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

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Strategy Commentary

Following a tricky October, global equity and fixed-income markets ended the year on a more buoyant note. US treasury yields dropped sharply as the Federal Reserve Bank's tone changed, with Chairman Jerome Powell indicating that rates would probably be cut faster than expected over the course of 2024. Equity markets reacted positively to this news: performances improved across most equity markets and down the market cap spectrum. This improvement was not limited to the Magnificent Seven US technology stocks – stocks which enjoyed a stellar year, particularly over the first three quarters. The top three performing funds through Q4 were **Artemis Corporate Bond (+8.97%), iShares Edge MSCI World Quality Factor ETF (+7.71%)** and **Ninety One Global Macro Alternative (+7.26%).** Bond markets moved higher through the quarter as signs of slowing inflation in the US, the Eurozone and the UK elicited significantly more dovish comments from the central banks. This put substantial downward pressure on yields, which explains the strong performance of the Artemis portfolio. Should there be a recession in the UK, investment-grade corporates would be entering it with far stronger balance sheets than in previous downturns. Many companies have been sensible over the past few years as they refinanced, de-leveraging and ensuring they had lower sensitivity to higher-for-longer rates. This, for us, partly explains why credit spreads have continued to narrow and the Artemis fund – which finished in the top quartile in its sector for the year – has performed so strongly.

The worst performing fund over the quarter was **JPM Global Macro Opportunities (-1.84%).** The fund (which had been positioned for "higher for longer" inflation) was adversely affected by the Fed pricing in greater rate cuts. It did this as inflation started to fall and the "soft landing" narrative gained momentum in the US. With the manager tilting the portfolio through Q4 to reflect the team's belief that such optimism in markets has been overplayed, the fund's overweight to defensive sectors (such as healthcare and utilities and outright short positions in communication services and technology) contributed to the weak quarterly performance. While the strength of US data has evidently surprised the team, it maintains that markets have priced in too much optimism. Such a contrarian perspective is exactly why we support such a process: their viewpoints offer useful diversification benefits for such a cautiously run strategy.

Powered by data from FE, data collected: 01/01/2024

Investment Team

Peter Lowman
Chief Investment Officer

Peter has served as IQ's CIO and Global Market Strategist since 2007. With over 50 years of investing experience, he has delivered impressive returns on IQ clients' investments over the past 15 years. He oversees and manages every aspect of our investment process – from asset allocation to fund selection. His ability to navigate the intricate world of investment markets is underpinned by a blue-sky thinking approach and an ongoing commitment to innovation.

Nick Harrington
Investment Analyst

Nick has been an Investment Analyst at IQ for 4 years. Nick is responsible for analysing North American and Asian markets, evaluating investments to find the best opportunities for our clients. Nick holds the CFA UK Certificate in Investment Management and the CFA Certificate in ESG Investing.

Holly West
Investment Analyst

Holly has been an Investment Analyst at IQ for 3 years. Holly is responsible for analysing UK and European markets, evaluating investment to find the best opportunities for our clients. Holly holds the CFA UK Certificate in Investment Management and a diploma in Financial Planning.

Sophie Ajuda
Investment Team Administrator

Sophie is the Investment Administrator for the team. Her daily responsibilities include dealing, cash management, and meeting our clients' cash needs for income and withdrawals. She is committed to providing the highest level of service to our clients.