Occasional Commentary from the Chief Investment Officer, Tuesday, April 25, 2017

***An Update on our current Asset Allocation:***

20% Top Tier, Large Equities, Deep Value Bias
25% Commercial Property / REITS
15% Residential Property / REITS
30% Tactical Trading & Futures Hedging Strategies
5% Corporate Fixed Income (Investment Grade), GBP & USD, Short Duration
5% Cash

***Key Comments:***

Whilst the vast majority of our communications for recent months have been of the instant message/bite-sized variety, it now seems to be the right time to draw some of our recent observations together into an interim update.

Our general perspective now is one of alert and caution but not panic. The dislocation between market pricing of assets and outcome probabilities gave rise to two of the greatest trading opportunities we have had in over a decade, Brexit and the Trump victory. Since those events, capital markets have been relatively impervious to all that has been thrown at them, melting upwards steadily.

So…what have we been doing? Simply put, we have been taking profits wherever we see them, across all sectors.

We are dialling down the risk profile of our equities portfolio, staying within value and digging even deeper for greater margins of safety. We have also, for the time being, halved our core cash equities weighting. This includes exiting our long held darlings such as Cisco and Nvidia, the latter which we have advocated from the 20's.

There has not been much change to our outlook on our Investment Grade Corporate Fixed Income, where we continue to let the allocation run down as securities are called or redeemed.

In essence, we have tried to inject a dose of fighting flexibility into our model portfolio and hence have raised our exposure to tactical and positional trading significantly. This will encompass hedging models relating to core asset holdings as well as both tactical and strategic positioning across FX, Derivatives and Commodities.

Our reasons? We think that there may be a little more upside to go for assets which are underpinned by low interest rates, specifically top tier equities and real estate. However, the economic and geo-political landscapes have prompted us to reduce our stock specific risks and to be more responsive to event-specific risks. So, we have released core position holdings and replaced them with more nimble and agile alternatives.

Our model portfolio is still a net long of equities and real estate as one can observe. However, should we desire to swing to a net short for a set period of time, we can now do so, instantly.

*Kinetic Energy* = $^1/_2 mv^2$

Simply put, Speed is far more relevant than Mass. Fast hands and quick feet are more effective than heavy hands and leaden feet. We can respond even faster now than before and we are now also liquid enough to act with conviction when the opportunity arises.

We anticipate providing more granular details in the coming weeks.

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Johnny Mehta

Chief Investment Officer

jmehta@axis-im.com

+44 20 7713 4889

@johnny_mehta

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