

## Quilter Investors Cirilium Portfolios: Q&A with the portfolio managers

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*Ian Jensen-  
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*Following their strong track-record of managing the Cirilium Blend Portfolios through different market cycles, Ian Jensen-Humphreys and Sacha Chorley share their plans for the evolution of the Cirilium Portfolios.*

**Q.** *Can you tell us a bit about your backgrounds and how your skill sets complement each other?*

**Sacha:** My background is as a multi-asset generalist, dealing with everything from portfolio construction to asset allocation. Given the focus we have on delivering returns from asset allocation decisions this experience is very useful. My experience has also included manager research. Given we invest with external managers in the portfolios, having that experience will be very helpful.

**Ian:** Before joining Quilter Investors in 2020, my background was predominantly focused on the institutional side, where I've previously advised large pension clients and insurance companies as an investment banker. Like Sacha, the experience I have ensures consistency of outcomes through the process as we invest for clients. I think it's really important for any manager to be able to discuss and defend the positions in which they invest. To achieve that having a common investment language you can speak amongst each other is really helpful. We both have fairly quantitative backgrounds. I think that's helped us develop a common framework through which we can analyse and think about the risks we're taking in the portfolios.

**Q.** *How will you manage the Cirilium Portfolios?*

We will follow a very similar investment process to the approach used for the Cirilium Blend Portfolios. This begins with an assessment of how much risk to take, then considers where to invest by "tilting" the asset allocation of the portfolios. There will also be an assessment of how to invest, in other words, which managers to use within the portfolios. The main difference will be that the Cirilium Portfolios will be able to access a wider range of investments with the potential to provide additional alpha generation.

**Q.** *How will the risk of the portfolios be managed?*

The Cirilium Portfolios will be managed to the same level of overall risk exposure as the Cirilium Blend Portfolios. This is desirable for both advisers and clients, as the Cirilium Portfolios and Cirilium Blend Portfolios share the same portfolio objectives, volatility targets, comparators, strategic asset allocation and – most notably – the same managers.

**Q.** *Can we expect more downside defence going forward?*

A fundamental part of our approach is to try and understand "what happens if I'm not right?". This approach is designed to reduce the variability of outcomes and to create more downside defence potential.

**Q.** *Will that impact on the upside potential of the Cirilium Portfolios? What happens when markets go up?*

This approach does not significantly limit performance in rising markets. We still take a strong view to invest in areas that have the potential for positive returns and include measures for downside defence at the same time.

## **Q.** *What immediate actions have you taken on the Cirilium Portfolios?*

We have started to align the risk exposure of the Cirilium Portfolios to match the Cirilium Blend Portfolios. We have sought to do this in a way that retains upside participation if markets rise. We have done this by purchasing derivatives that give the option to sell certain assets in the future if their prices fall. The effect of these instruments is effectively to act as an insurance policy within the portfolios.

## **Q.** *Will you invest with the same underlying managers?*

We are undertaking a process of evaluating every holding within the Cirilium Portfolios and meeting the underlying managers. This process will take a few months, so we felt it was appropriate to manage the overall risk of the portfolios by using a hedging strategy in the meantime (as per the above question).

## **Q.** *Will the Cirilium Portfolios continue to use investment trusts going forward?*

This would form a part of the assessment of the underlying managers. We believe that investment trusts are the most appropriate investment vehicles for some strategies and would therefore expect the Cirilium Portfolios to continue to hold trusts. We will always strive to ensure that any investment trust held within the portfolios meets the appropriate portfolio risk constraints.

## **Q.** *Where do you both see the opportunities ahead?*

One of our favoured thematic positions at the moment is in healthcare. This is a sector that has a number of structural tailwinds that should lead for a long runway of strong growth, such as aging developed economy populations and the emerging middle classes in Asia. The sector has historically generated strong and stable earnings growth along with robust profit margins when compared to the broader market. Moreover, with central bank policy misstep still a real possibility and inflation falling but remaining at elevated levels, defensive assets such as healthcare can really come into their own.

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