

STOCK TAKE

QUARTET CAPITAL RESTRICTS LOSSES WITH DEFENSIVE EXPOSURE



Weightings in gold and government bonds have helped to smooth returns over the volatile third quarter, with Quartet Capital’s managing partner Colin McInnes now starting to build equity exposure.

POSITIONING

European equities have recently become appealing to Colin McInnes. Three weeks ago, he moved from a zero positioning up to 7.5% in Eurozone stocks, cutting his weighting to global equities to make the move.

McInnes made the decision ‘purely on a valuation basis’, but he is still sceptical towards financials. ‘We have minimal financial exposure, even despite the fudged [EU bailout] deal, or lack of deal,’ he said.

Commodity exposure, currently at 7.5%, has been slashed and McInnes has been taking profits from gold. However, he wishes that he had sold more when the metal was riding high at \$1,900 (£1,180) per troy oz.

‘Commodities were a lot higher and exposure has been volatile. We had a lot more money in gold, but we have already taken profits twice. We are pretty much running free at the moment,’ he said.

PERFORMANCE

Over the past year, the balanced portfolio has returned -1.85%, compared to the benchmark Apcims Balanced index, which has returned -4.11% over 12 months.

Although McInnes has been banking profits from government debt, with hindsight he would have built a larger weighting in the asset. This comprised 15% of the portfolio in August last year and has been reduced down to just 5%.

‘We would have liked to have had a tiny bit more in government debt,’ he said. ‘It would have been nice to have been more fully invested into debt, but the majority of our clients are saying “don’t lose us money” and we have seen better buying opportunities.’

The call to move into Eurozone equities has already paid off, as the position has risen by just under 10%.

OUTLOOK

McInnes remains cautious on equities, given the current state of the markets, but expects to have more holdings in global stocks in the future.

He explained: ‘We would describe ourselves as frustrated bulls – we want to buy, but we think there are big macro risks around.’

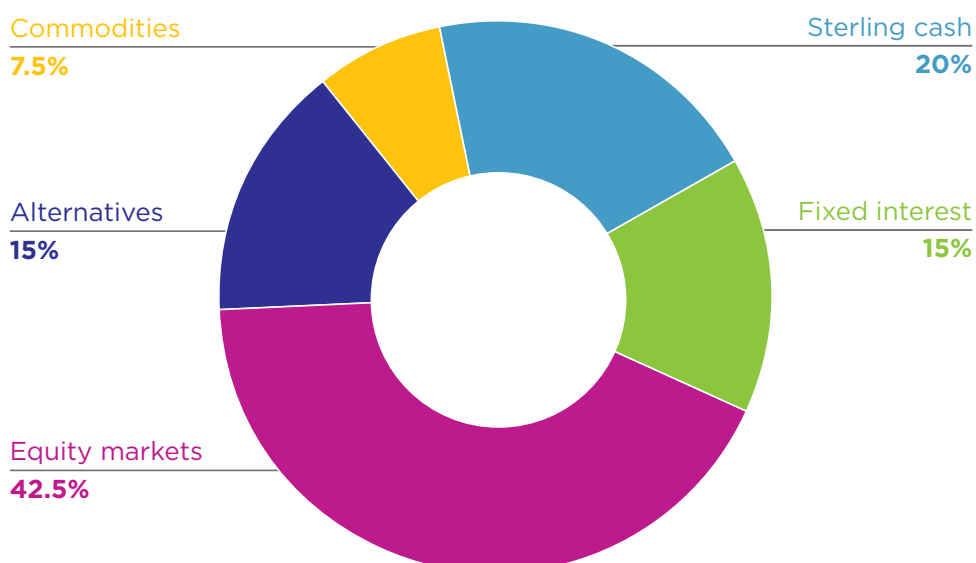
‘We would like to rotate some of our equity exposure to markets we think are pretty cheap – Brazil and Russia, for example. I don’t think they are going to be very much cheaper, but we can always add some,’ he added.

‘I think equities are going to be pretty volatile and we are going to have to be tactical. At some point, more exposure to emerging market equities (which is currently at zero) will start creeping into client portfolios.’

McInnes is also looking at structured products and long short credit in order to boost growth.

QUARTET CAPITAL’S BALANCED STRATEGIC ASSET ALLOCATION

SOURCE: Quartet Capital



ONE-YEAR RETURN

-1.85%

APCIMS BALANCED INDEX BENCHMARK

-4.11%