How are you positioning portfolios for Q2?

With the first quarter now in the rear view mirror, we asked wealth managers how they are positioning client portfolios for the next three months.

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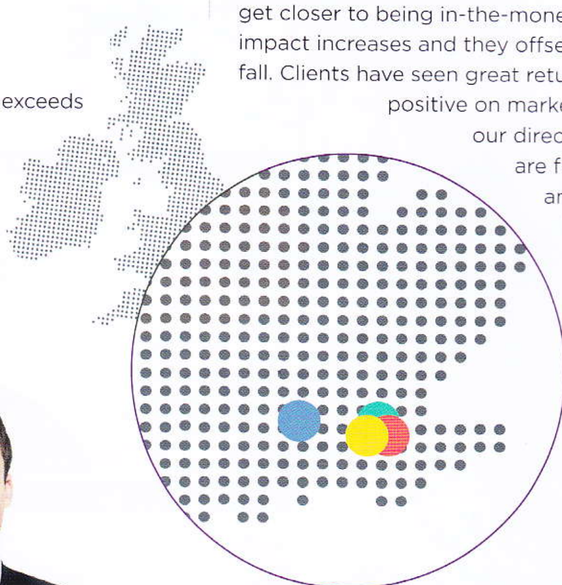
MARK WILLIAMS

Investment manager, Charteris, London

'Q2 traditionally has seen short term seasonal peaks in global equity markets, hence the old adage "sell in May, go away". Having seen the FTSE 100 hit higher highs, it would not be a surprise to see some profit taking and a slight move to a more defensive posture.

'This is particularly relevant to US equities, which are not only starting to look expensive relative to other global equity markets but also for the first time in years, the yield on long-dated US Treasury bonds now exceeds the dividend yield on most US equities.

'This is not the case with the UK as dividend yields on UK equities are still substantially above the yield on UK gilts. We expect some investor switching, primarily in the US into bonds, but also into gold and silver assets as investors seek refuge in inversely correlated assets.'



ALEXANDER GEORGE

Associate director of research, Dart Capital, London

'Going into the second quarter, we have a neutral exposure to equities across client portfolios, reflective of the fact that equities remain attractively valued relative to fixed income, but some markets, particularly the US, are expensive in absolute terms. Whilst global economic momentum has improved, we remain wary that the long-term structural issues affecting the global economy, most notably aging demographics and over-indebtedness, remain.

'We continue to believe that long-dated gilts are overvalued, given the likelihood that domestic inflation will overshoot over coming years, and we have no exposure. In addition to our holdings in short- and medium-dated investment grade, we recently added exposure to longer-dated US Tips, with this being one of the few truly defensive assets available which still provide investors with a positive real yield.

'Holdings in non-directional long/short equity funds and physical gold provide further ballast to portfolios should there be a fall-back in risk sentiment. Although we do see the impending US tax reform as positive for US corporate profitability, we believe this is now largely discounted in equity market valuations and we continue to tilt client exposure towards other markets, such as Europe, Japan and emerging markets, where potential upside is greater.'

CAROLINE SHAW

Head of fund & asset management, Courtiers, Henley-on-Thames

'We have been cautiously positioned and will continue to run this into the second quarter. We have put options in all of our three multi-asset funds and these act to reduce volatility and equity exposure. If they get closer to being in-the-money their impact increases and they offset risk, providing protection if the marke fall. Clients have seen great returns for five years and we are not as positive on markets now as we were in Q4 2011. Howeve our direct equity funds are fully invested and we are finding companies with strong cash flow and stable or rising dividends. In fixed interest we are short duration, minimisi interest rate risk. We expect rising inflation and rising rates.

'We like infrastructure and floatin rate loans which have some inflatio linkage. We expect volatility amidst the global political events and challenges in the next few months.'

TOM BECKET

CIO, Psigma, London.

'There has been a marked shift in the risk levels of our portfolios over the last 12 months. The misery of the early weeks of 2016 afforded contrarian investors a wonderful opportunity to buy asset classes such as US high yield credit, emerging market equities, emerging market debt and resources companies at once in a cycle valuations. Fast forward 12 months and value is increasingly hard to find.

'Moreover, a year ago it was fear that coursed through the veins of investors; now rather worryingly it is rampant optimism. We wouldn't classify ourselves as "bearish", but we struggle to reconcile valuations wi the economic reality and have taken profits aggressively. Another major change is our increasingly concentrated focus and where we can find good investments for our clients we have embraced them wholeheartedl Japanese and North Asian equities, European asset-backed securities an short duration credit are key positions in our strategy.'