



For professional adviser use only –  
not for distribution to retail clients.



**Stephen Hayde**  
Investment Director

# Close Diversified Income Portfolio Fund

## Monthly fund manager update

April 2019

### Performance

The Close Diversified Income Portfolio Fund rose 1.7% in April. This compared to 1.8% for the IA 20-60% sector. This takes the year to date return for the Fund to 4.9%. The Fund finished April at a new all-time high Net Asset Value which was pleasing. In the month the Fund almost kept up with the sector despite only have a Beta of 0.52 (Source: Financial Express).

### Market roundup

Equity markets were on the whole very buoyant (UK large cap +1.9%, UK mid-cap +3.7%, US +3.6%, Europe +4.9%, Japan +5%). Foreign exchanges moves were negligible in the month so did not impact returns in any meaningful way.

Gilts fell in price in April as the 10 year Gilt yield rose to 1.18% from 1%. Corporate bonds outperformed Gilts in the month as BBB spreads fell from 1.97% to 1.8%.

Last month I wrote about the inversion of the US yield curve, noting that historically if it has stayed that way for 3 months it has tended to be a future recession signal. As you can see in the chart below, it did briefly recover in April but still ended the month in inversion territory. Towards the end of the month, there were a couple of weak data points for the US economy (Chicago PMI 52.6 versus 58.5 expected and Dallas Fed Manufacturing Activity 2 versus 10 expected). Donald Trump demanded that the Federal Reserve start cutting interest rates and renew QE. It was interesting to see South Korea report negative Q1 GDP growth and the IMF cut its forecast for global growth to 3.3% - the lowest level since 2009.

### Alternatives

As I also mentioned last month, the Alternatives do offer some diversification and the price moves do not always correlate with markets. After March's falls, it was pleasing to see the PFI funds rebound in April, possibly boosted by one broker's research note calling HICL a bid target after moving to a discount to Net Asset Value. The PFI funds were up between 3 and 7%, which was a big positive for fund performance. Elsewhere in the Alternatives holdings, the Renewables funds, REITs and property debt funds were all positive, whilst gold was flat.

### Fixed income

Some of the cash held in the portfolio was invested into Starwood European Real Estate Finance (6.2% yield), Burford 2026 (5% yield), Hiscox 2045 (callable in 2025) at 4% yield, TP ICAP 2019 (1.5% yield) and buying a new holding, Admiral 2024 at 3.8%. These trades reduced the cash balance in the Fund to 3% from 3.7%.

### Equities

The month saw a range of returns in the equity space, with notably strong performances from UDG Healthcare (16.1%) Diploma (9.7%) and Schrodgers (12.6%). Another solid month for Diploma means its now one of three stocks to return over 30% in the opening four months of the year (Diploma, Clinigen and Moneysupermarket.com).

No significant changes have been made to the equity holdings over the course of the month.

## Yield and NAV

After the strong monthly Net Asset Value performance it will be no surprise to you that the yield on the portfolio reduced to 3.8% from 4%. The yield on the Fund is the result of all the individually picked attractive risk:reward

ideas. In this tough environment the hard work continues to find attractive risk:reward ideas across the whole spectrum of asset classes that the Fund is able to invest in.

## Close Diversified Income Portfolio Fund discrete performance as at 30 April 2019

	YTD	2018	2017	2016	2015	2014
<b>Close Diversified Income Portfolio Fund</b>	<b>4.9%</b>	<b>-1.8%</b>	<b>5.4%</b>	<b>7.8%</b>	<b>2.4%</b>	<b>5.0%</b>
IA Mixed Investment 20-60% shares	6.9%	-5.1%	7.2%	10.3%	1.2%	4.9%

Source: FE Analytics 02.05.2019; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

This document is only intended for use by UK investment professionals and should not be distributed to or relied upon by retail clients. The value of investments will go up and down and clients may get back less money than they invested. Past performance is not a reliable indicator of future returns. The information contained in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation. Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of Close Brothers Group plc, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013