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## Close Portfolio Funds

April 2019

### Review

Markets continued to charge ahead in April following the strong first quarter of 2019. The bull may be ageing but it still has life left in it yet. In accordance with the title we ascribed to 2019 - the “Year of Better” - risk assets have continued to deliver positive returns, and we continue to see good upside potential in developed market equities.

Nevertheless, we feel it is important to be cognisant of how quickly equity markets have rebounded since the turn of the year, with some stocks delivering quite exceptional returns year-to-date. Therefore, we have actually moved to reduce risk somewhat in the funds over the past month. All funds scaled back positions and took profits in Rentokil and Spirax-Sarco, with the Conservative and Balanced funds additionally trimming positions in Admiral and Croda. We continue to view these as high quality companies, but they represented some of our largest UK equity positions and had performed exceptionally strongly year-to-date. In the Conservative and Balanced funds, we reinvested the proceeds of these sales into UK Gilts, while the Growth fund added to the position in Check Point Software, where we took advantage of a correction in the share price despite the delivery of good quarterly earnings and cash generation with an unchanged solid outlook.

Looking back, the decision to slightly reduce risk looks to have been relatively well timed, as market concerns around US - China trade tensions resurfaced during the month. As ever, we continue to monitor the situation closely and are working hard to identify fresh investment ideas.

Roughly 50% of the Funds' Fixed Income holdings are now invested in Gilts. It is obvious that Gilts have been the wrong place from a performance perspective year-to-date, as riskier bonds such as High Yield and Investment Grade Credit have rallied together with equities. However, while underperforming in a “risk-on” market, this kind of positioning should provide better downside protection should this be required – as was the case in Q4 2018. Additionally, given that the UK corporate bond markets generally suffer from relatively poor liquidity, there can often be little opportunity to reposition when volatility returns.

### Football

A market plagued by uncertainty is perhaps not very different from the world of football. As any Chelsea supporter knows well after this season, the volatility of outcomes can be significant. Just as one never knew whether it would be the buoyant free-flowing side which would turn up, or the stale and flat side who - despite the lion's share of possession - still struggled to put the ball in the net, market sentiment can feel very different from one week to the next.

Just as it can be difficult to fathom how Chelsea managed to secure a top four finish this season; or how Liverpool and Spurs managed to turn around their Champions League semi-final ties, anything is possible in the investment world just as in football. In volatile markets a fund manager can take heed of a well-used mantra from the world of football – keep your head down, work hard, and give it your all when the opportunity arises!

*Source: Source: Close Brothers Asset Management, Bloomberg Finance L.P. as at 31.04.2019.*

## Close Portfolio Funds discrete performance as at 30 April 2019

	YTD	2018	2017	2016	2015	2014
<b>Close Conservative Portfolio Fund</b>	<b>6.5%</b>	<b>-2.7%</b>	<b>9.0%</b>	<b>5.4%</b>	<b>2.0%</b>	<b>6.5%</b>
IA 20-60	6.9%	-5.1%	7.2%	10.3%	1.2%	4.9%
<b>Close Balanced Portfolio Fund</b>	<b>9.0%</b>	<b>-2.9%</b>	<b>11.8%</b>	<b>6.4%</b>	<b>2.9%</b>	<b>7.3%</b>
IA 40-85	9.5%	-6.1%	10.0%	12.9%	2.7%	4.9%
<b>Close Growth Portfolio Fund</b>	<b>10.9%</b>	<b>-3.4%</b>	<b>12.5%</b>	<b>6.8%</b>	<b>2.9%</b>	<b>7.7%</b>
IA Flexible Investment	9.4%	-6.7%	11.2%	13.8%	2.0%	4.9%

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

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