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## Managed Funds Team

Close Brothers Asset Management

# Close Managed Funds

## Monthly fund manager update

April 2019

### Macro backdrop

Global Equity: +3.2%

UK Equity: +2.1%

UK Gilts: -1.6%

UK Corps: +0.2%

### Managed Funds

- All strategies were comfortably ahead of both their IA sectors and risk-rated Strategic Asset Allocation benchmarks
- Equity – strong returns from Liontrust Special Situations (+5.6%), Brown US Flexible (+6.6%), Brown Global Leaders (+5.9%), Crux European Special Situations (+6.6%), RWC Continental European Equity (+6.2%), and Jupiter European Opportunities (+7.5%)
- Fixed Income – short duration credit was a positive contributor and offset a negative month for gilts
- Alternatives – it was a strong month for infrastructure, with International Public Partnerships leading the way with a return of +7.7% for the month

### Managed review

It was a good month for equities, particularly developed markets. There was a healthy return from mid-cap stocks in the UK and Europe and several of the managers named above (Liontrust, Crux, and RWC) benefitted from having significant exposure outside of large cap companies. We received excellent returns from our managers in the US, where Baillie Gifford American (+5.0%), Brown US Flexible (+6.6%) and Merian North American (+4.1%) all beat the index return of +3.6%. Returns from Japan, Asia, and Emerging Markets were positive but more subdued, although it was pleasing that our manager selection added to returns over the index. It was a weak month generally for fixed

interest as market expectations of a possible cut in US rates moderated. Having said that, there were some positive returns available within credit via shorter duration issues and careful stock selection. Away from equities, however, it was infrastructure where returns were strongest. Across our exposure we saw good returns from public and social infrastructure in the form of HICL, INPP, BBGI, and GCP.

During the month we made the decision to sell Artemis US Extended Alpha within CDF Managed Balanced and CDF Managed Growth. The rationale was that despite good performance, we wanted to trim US exposure and the fund's costs had been pushed up by its performance fee. Elsewhere we added the Renewables Infrastructure Group to CDF Managed Conservative and CDF Managed Income as it pays an attractive income from a portfolio of wind and solar energy schemes in the UK and EU.

### Manager of the month: Liontrust Special Situations

The Liontrust Special Situations fund, managed by Anthony Cross and Julian Fosh, looks to identify UK companies who have a distinct competitive edge, allowing them to grow and sustain a high level of profitability. The managers look for what they term an 'economic advantage' from firms and split this into 3 categories: intellectual property, strong distribution and recurring business. The managers favour companies where an accurate assessment of the value of future cash flows can be made. Where many fund managers deploy a range of stock valuation tools and screens to devise their portfolios, Cross and Fosh are far more concerned with trying to find the intangible value within companies. For example, while intellectual property is quantifiable in terms of checking patent registries, it is less easy to define on a relative basis when looking at the particular key industry skills that individuals within a business may have. Cross and Fosh's investment process incorporates an attempt to quantify their view of a firm's intangible value across the 3 principle self-defined categories of economic advantage.

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

	YTD	2018	2017	2016	2015	2014
<b>Close Managed Income Fund</b>	<b>5.9%</b>	<b>-4.0%</b>	<b>6.4%</b>	<b>9.1%</b>	<b>4.5%</b>	<b>6.4%</b>
IA £ 20-60% Equity	6.9%	-5.1%	7.2%	10.3%	1.2%	4.9%
<b>Close Managed Conservative Fund</b>	<b>6.7%</b>	<b>-4.3%</b>	<b>7.0%</b>	<b>8.6%</b>	<b>4.2%</b>	<b>5.7%</b>
IA £ 20-60% Equity	6.9%	-5.1%	7.2%	10.3%	1.2%	4.8%
<b>Close Managed Balanced Fund</b>	<b>9.6%</b>	<b>-5.1%</b>	<b>10.8%</b>	<b>10.4%</b>	<b>4.7%</b>	<b>5.5%</b>
IA £ 40-85% Equity	9.5%	-6.1%	10.0%	12.9%	2.7%	4.9%
<b>Close Managed Growth Fund</b>	<b>11.0%</b>	<b>-6.0%</b>	<b>14.3%</b>	<b>10.3%</b>	<b>6.3%</b>	<b>5.6%</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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