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Investment Manager

Close Tactical Select Passive Funds

Monthly fund manager update

April 2019

Review

Equity markets continued to rally in April and therefore, the entire Close Tactical Select Passive (TSP) fund range delivered positive performance for the month, extending very strong year-to-date returns. Compared to respective peer groups, Growth managed to outperform, Conservative was in line and Balanced slightly underperformed.

Most developed market equity indices were up over +2.2% in March in GBP terms, while Japan, Asia ex-Japan and EM returned between +1 and +2%. The best performing equity holding across the funds was SPDR S&P US Financials Select Sector at +8.0%.

Fixed income returns were muted on the corporate side and government bonds were negative. Bonds with longer duration like the Lyxor FTSE Actuaries UK Gilts (-1.4%) and the Lyxor Iboxx GBP Liquid Corp Long (+0.08%) holdings slightly underperformed shorter duration ETFs, like iShares GBP Corporate Bond 0-5 year (+0.36%) and Lyxor FTSE Actuaries UK Gilts 0-5 year (-0.2%).

Alternatives mostly performed as expected in a rising equity market, with Invesco Physical Gold following the broad commodities indices down at -1.27% and underperforming the broad commodity benchmark by just 0.08%, while the JPM Managed Futures, which is a momentum strategy, returned -1.42%. Infrastructure was more mixed, but being more correlated to equities, was positive: iShares Global infrastructure returned +0.59%, HICL+6.61% and GCP was up +3.01%, following a difficult March.

General positioning

During April we made some changes within equities. Given the looming inclusion of China A-shares in indices, and strong EM performance, we added to equities and more specifically increased our overweight to EM. We funded this by decreasing our overweight to cash. Elsewhere, at a regional level, we remain overweight Europe and Asia-Pacific and neutral in US and Japan, and underweight in UK.

Within fixed income we have not changed our allocations - we are still overweight investment grade corporate bonds over Gilts and prefer shorter duration to longer. However, within TSP Conservative, we replaced the iShares Core GBP Corporate Bond ETF with the Lyxor GBP Liquid Corporate Long-Dated ETF due to cost savings: the former costs 20bps and the latter only 0.09bps. We had been waiting for the Lyxor ETF to reach a critical size before we made this change.

Close Tactical Select Passive Funds discrete performance as at 30 April 2019

	YTD	2018	2017	2016	2015	2014
Close TSP Conservative Fund	6.9%	-4.2%	6.5%	14.3%	1.9%	8.2%
IA £ 20-60% Equity	6.9%	-5.1%	7.2%	10.3%	1.2%	4.9%
Close TSP Balanced Fund	9.0%	-5.3%	9.1%	17.6%	2.5%	7.3%
IA £ 40-85% Equity	9.5%	-6.1%	10.0%	12.9%	2.7%	4.9%
Close TSP Growth Fund	10.6%	-5.5%	11.8%	16.4%	1.8%	7.0%
IA £ Flexible Investment	9.4%	-6.7%	11.2%	13.8%	2.0%	4.9%

Source: FE Analytics 08.04.2019; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

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