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Managed Funds Team

Close Brothers Asset Management

Close Managed Funds

Monthly fund manager update

May 2019

Macro backdrop

Global Equity: -2.7%

UK Equity: -2.8%

UK Gilts: +2.9%

UK Corps: +0.8%

Close Managed Funds

- Disappointingly all strategies were slightly behind their IA sectors.
- Equity – Jupiter European Opportunities Trust (4.6%) and Lindsell Train Global Equity (1.9%) both delivered strong absolute returns. Various funds outperformed their respective markets – Liontrust Special Situations (-0.4%) being a notable example. Of the three main investment styles; Value, Growth, and Quality, it was, unsurprisingly, the managers exposed to Quality that performed best.
- Fixed income – Longer duration assets performed better as the interest rate outlook became more dovish, and short duration credit sold off. The Henderson Strategic Bond fund had a strong month (1.4%)
- Alternatives – It was a strong month for gold with our Invesco Physical Secured Gold holding delivering 4.6% over the month.

Managed review

Having been a good year for risk assets so far, May turned a little sour as the prospects for an imminent resolution of the US/China trade war diminished. Indeed, the tit-for-tat tariff escalations increased further when US President Donald Trump announced his intention to impose tariffs on Mexico over migrants entering the US. Within the Close Managed Funds we have opted to blend active managers exposed to the three main investment styles; Value, Growth, and Quality, with low-cost index funds (e.g. ETFs

and trackers). We have also decided to keep a fairly neutral position 'style-wise' until we see further clarity from a macroeconomic perspective. This month it was our Quality exposed managers that did well (such as Lindsell Train), however should we see inflationary pressures return we would expect some of our Value funds to do well. In the interim we are happy to try and maintain a steady course.

Over the month we topped up our UK position and took some profits from our strategic credit and equity income positions within the Managed Income fund. Across the range we added a starter position in the Alliance Bernstein European Equity fund, which has more of a Value approach to investing, while we sold all of our LF Woodford Equity Income holding within the Managed Income and Managed Conservative funds. We have lost confidence in the manager following poor performance, concerns about liquidity, and a modified investment policy.

Manager of the month: Jupiter European Opportunities Plc

The Jupiter European Opportunities Trust is an investment trust, rather than an OEIC. Amongst other differences, this means the fund can employ gearing to enhance returns, and is listed on the London Stock Exchange. The trust is managed by Alexander Darwell, who heads up the European equities desk at Jupiter Fund Management. Darwell views himself as a 'Growth' investor and looks for companies that in his view are able to benefit from long term structural growth. In this sense he is unconcerned about the immediate macroeconomic environment, preferring to identify businesses which can benefit from underlying trends that can run over the long-term. As such, the manager feels it is key that the companies in question must have the right management in place to benefit fully from these structural tail-winds, and his stocks consequently have significant 'Quality' characteristics. He likes to buy companies where he has a long standing relationship with the key management personnel, whom he feels he has

established a degree of trust in. On top of this relatively straight forward approach to investing, Darwell likes the companies within his portfolio to have a clear and easy to understand business model; this will necessarily tend to lead him away from complicated holding companies and multinational banks. The trust is a longstanding holding within the Managed Conservative, Balanced, and Growth funds.

Close Managed Funds discrete performance as at 31 May 2019

	YTD	2018	2017	2016	2015	2014
Close Managed Income Fund	4.7%	-4.0%	6.4%	9.1%	4.5%	6.4%
IA £ 20-60% Equity	5.8%	-5.1%	7.2%	10.3%	1.2%	4.9%
Close Managed Conservative Fund	5.2%	-4.3%	7.0%	8.6%	4.2%	5.7%
IA £ 20-60% Equity	5.8%	-5.1%	7.2%	10.3%	1.2%	4.8%
Close Managed Balanced Fund	7.4%	-5.1%	10.8%	10.4%	4.7%	5.5%
IA £ 40-85% Equity	7.8%	-6.1%	10.0%	12.9%	2.7%	4.9%
Close Managed Growth Fund	8.3%	-6.0%	14.3%	10.3%	6.3%	5.6%
IA £ Flexible Investment	7.3%	-6.7%	11.2%	13.8%	2.0%	4.9%

Source: FE Analytics as at 05.06.2019; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

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