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Close Tactical Select Passive Funds

Monthly fund manager update

July 2019

Review

Asset classes continued to rally throughout July. As in June, equities, fixed income and alternatives all posted positive returns. In these broadly buoyant markets, all funds in the Close Tactical Select Passive (TSP) range managed to outperform their respective IA Sectors in July, while they have also matched or outperformed their IA peers on a year-to-date basis.

Equity markets performed uniformly well with the US and Japan being the strongest regions, up 5.5% and 4.1% respectively. In the US, certain sectors such as Communications led the pack, and the SPDR S&P US Communications ETF was our best performing holding delivering over 9.3% for the month. Our iShares Nasdaq 100 ETF tapped into market strength too, gaining over 8%.

As in June, longer duration fixed income investments outperformed shorter duration. Thus, Lyxor iBoxx GBP Liquid Corporate and HSBC UK Corporate Bond Index returned 2.6% and 1.7% respectively, whereas iShares GBP Corporate Bond 0-5 years lagged with a return of 1.0%. However, the Lyxor FTSE Actuaries UK Inflation Linked Gilt ETF was our strongest performing fixed income holding, returning 3.8%.

Most of our alternatives holdings delivered more than 4.0% during the month. The addition of iShares Developed Market Property Yield ETF into the funds was justified with a strong 4.6% return. General commodity exposure delivered 2.6%, but gold rallied over 5.2% on the back of increased political uncertainty. Infrastructure was more mixed, with the iShares Global Infrastructure

ETF returning 4.3%, and HICL and GCP 3.1% and 0.1% respectively. The JPM Managed Futures UCITS ETF, which is a momentum strategy, was the best performing alternative investment at 6.9%.

General positioning

We have kept our positioning the same since the end of June, when we decided to reduce equities from overweight to neutral and increase our alternatives weighting at the same time. Within equities therefore we remain underweight in the UK and neutral in the US, Japan and Asia ex-Japan, while being overweight Europe ex-UK and Emerging Markets.

We have made no changes to our fixed income positions, but have increased our commodities weighting within our allocation to alternatives, choosing the UBS CMCI Composite ETF for general exposure. Within fixed income we still prefer shorter duration to longer.

Close Tactical Select Passive Funds discrete performance as at 31 July 2019

	YTD	2018	2017	2016	2015	2014
Close TSP Conservative Fund	11.4%	-4.2%	6.5%	14.3%	1.9%	8.2%
IA £ 20-60% Equity	10.2%	-5.1%	7.2%	10.3%	1.2%	4.9%
Close TSP Balanced Fund	14.2%	-5.3%	9.1%	17.6%	2.5%	7.3%
IA £ 40-85% Equity	14.2%	-6.1%	10.0%	12.9%	2.7%	4.9%
Close TSP Growth Fund	16.6%	-5.5%	11.8%	16.4%	1.8%	7.0%
IA £ Flexible Investment	14.0%	-6.7%	11.2%	13.8%	2.0%	4.9%

Source: FE Analytics as at 02.08.2019; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

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