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Managed Funds Team

Close Brothers Asset Management

Close Managed Funds

Monthly fund manager update

July 2019

Macro backdrop

Global Equity: +4.5%

UK Equity: +2.1%

UK Gilts: +2.2%

UK Corps: +2.3%

Close Managed Funds

- All strategies were in positive territory for the month and outperformed both their respective sectors and asset allocation benchmarks.
- Equity – The two Brown Advisory funds we hold (US Flexible and Global Leaders) produced excellent returns of +8.6% and +8.2% respectively. Our Nasdaq tracker fund also delivered +8.3% over the month.
- Fixed Income – Generally speaking it was longer duration exposure that did well with Gilts delivering over 2% and the BlackRock Sterling Strategic Bond returning +1.2%
- Alternatives – It was another strong month for gold resulting in solid performance from our index holding in Invesco Physical Secured Gold (+5.2%). A number of our infrastructure holdings also had a strong month, most notably INPP which is held across all four Managed funds, and returned +7.4%.

Managed review

Dovish noises from the Fed led to a broadly good month for risk assets, with long duration fixed income assets also performing strongly. In short it was a month where nearly everything went up. Even the UK, mired in Brexit uncertainty and with a new Prime Minister just installed, managed to return positive numbers. Although sterling weakness certainly aided performance. Indeed, European equities did not have a particularly good month in nominal terms, but nonetheless produced a return of over 2% in sterling terms, meaning most of our managers were able to produce positive returns against such a currency backdrop.

In a continuation of recent trends, the tech sector and high growth companies performed well once again, with the US market now up over 25% in 2019. However, signs of a slowing global economy and further trade war concerns are enough to prompt investors to look at ways of protecting their portfolios, and it is well worth noting gold's continued positive returns year to date.

Over the month we added broad commodity exposure to Managed Conservative, Balanced, and Growth in the form of the UBS CMCI Composite ETF, which has exposure to materials, agriculture and energy, as well as gold and silver. In addition, we also bought the Allianz China A Share, which focuses on Chinese equities listed on domestic exchanges. Elsewhere we trimmed some of our equity holdings in Europe, the UK, and the US after a strong run, whilst we topped up our alternative exposure in infrastructure and gold within Managed Balanced and Managed Growth respectively.

Manager of the month: Threadneedle UK Equity Alpha Income

It's been a rough period for UK equity managers, and UK equities in general, but we are always happy to credit managers when they double the return of the index! The Threadneedle UK Equity Alpha Income fund returned 4.4% in a month where the UK market only delivered 2.1%. It is a portfolio of UK equities that the Threadneedle team believe have an attractive valuation or growing dividends. It is managed by Richard Colwell and supported by an experienced team of fund managers and analysts. Stock selection is not constrained by a benchmark, rather, the managers consider macro-economic (top-down) issues affecting

different business sectors and combine this with rigorous stock specific analysis (bottom-up). Ideas for the portfolio come from a number of different inputs, including company visits and contacts in the industry. For stocks to be chosen they will need to fit into the team's macroeconomic views and also exhibit attractive company specific characteristics. Essentially the managers are looking for a strong and responsible company management team, with a robust business model, evidence of profitability and an ability to pay dividends. Colwell manages the dividend yield on the fund closely and the team re-evaluate their income expectations on all the stocks held on a regular basis.

Close Managed Funds discrete performance as at 31 July 2019

	YTD	2018	2017	2016	2015	2014
Close Managed Income Fund	9.1%	-4.0%	6.4%	9.1%	4.5%	6.4%
IA £ 20-60% Equity	10.2%	-5.1%	7.2%	10.3%	1.2%	4.9%
Close Managed Conservative Fund	10.3%	-4.3%	7.0%	8.6%	4.2%	5.7%
IA £ 20-60% Equity	10.2%	-5.1%	7.2%	10.3%	1.2%	4.8%
Close Managed Balanced Fund	14.7%	-5.1%	10.8%	10.4%	4.7%	5.5%
IA £ 40-85% Equity	14.2%	-6.1%	10.0%	12.9%	2.7%	4.9%
Close Managed Growth Fund	17.1%	-6.0%	14.3%	10.3%	6.3%	5.6%
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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