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## Managed Funds Team

Close Brothers Asset Management

# Close Managed Funds

## Monthly fund manager update

August 2019

### Macro backdrop

Global Equity: -1.7%

UK Equity: -4.2%

UK Gilts: +3.8%

UK Corps: +1.6%

### Close Managed Funds

- All strategies suffered as a risk off sentiment gripped markets.
- Equity – our UK managers held up generally better than the market, with the Threadneedle UK Equity Alpha Income down only -1.2% (vs -4.2%). In the US our equity managers who are more growth-exposed suffered on a relative basis.
- Fixed income – longer duration assets performed best, with the Janus Henderson Strategic Bond delivering +2.7% and our gilt tracker adding +3.5%.
- Alternatives – infrastructure was a positive contributor, with three of our five holdings being up over 2% for the month. Gold was up strongly with a healthy 7.5% gain.

### Managed review

Equities sold off on continued US/China trade rumblings and low market trading volumes, creating volatility across global markets. The UK equity market was a particularly tough place to invest with another spike in

Brexit concerns affecting investor sentiment following the news that the UK Government intended to prorogue Parliament. There were no positive contributors within our UK managers, although the Threadneedle UK Equity Alpha Income did deliver strong relative returns. Longer duration (more sensitive to interest rates) assets did well and the Janus Henderson Strategic Bond fund, which has flexibility to manage duration and credit quality, delivered +2.7%. Elsewhere, gold had another good month and infrastructure performed strongly with the Renewables Infrastructure Group delivering +3.7%.

During August we trimmed positions in riskier assets such as EM and high growth markets such as the NASDAQ tracker. We also sold down some of our UK exposure. At the same time we added to gilts, gold and index-linkers in addition to adding Janus Henderson Strategic Bond across the range. Finally, we completely sold out of Legg Mason Royce US Small Cap Opportunities and the BMO Global Equity Market Neutral Fund. The former was to trim down our cyclical US exposure; the latter due to fund manager departures at BMO and our lack of confidence in the new arrangement.

### Manager of the month: Janus Henderson Strategic Bond

The Janus Henderson Strategic Bond fund, managed by John Patullo and Jenna Barnard, aims to produce both capital growth and attractive income yield. The managers are part of the large, well-resourced Henderson Fixed Interest team but act with a high level of autonomy. They

take an active approach to allocation and will position the fund strategically across the credit spectrum to generate returns. A major part of the managers' time is spent on understanding the macroeconomic background. They form broad, top-down views which influence the structure of the fund and the asset allocation across the credit spectrum. Patullo and Barnard then try to anticipate which areas of the fixed

income market will perform best depending on changes in economic and political situations. Additionally, company level research aims to identify value by assessing balance sheet strength, capital structure and credit rating risks. We like the experience of the team and the fact that they are able to express their macro-views through rate and spread duration calls within the fund.

## Close Managed Funds discrete performance as at 31 August 2019

	YTD	2018	2017	2016	2015	2014
<b>Close Managed Income Fund</b>	<b>7.3%</b>	<b>-3.7%</b>	<b>6.4%</b>	<b>9.1%</b>	<b>4.5%</b>	<b>6.4%</b>
IA £ 20-60% Equity	9.2%	-5.1%	7.2%	10.3%	1.2%	4.9%
<b>Close Managed Conservative Fund</b>	<b>8.8%</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	9.2%	-5.1%	7.2%	10.3%	1.2%	4.8%
<b>Close Managed Balanced Fund</b>	<b>11.8%</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	12.1%	-6.1%	10.0%	12.9%	2.7%	4.9%
<b>Close Managed Growth Fund</b>	<b>13.4%</b>	<b>-6.0%</b>	<b>14.3%</b>	<b>10.3%</b>	<b>6.3%</b>	<b>5.6%</b>
IA £ Flexible Investment	11.7%	-6.7%	11.2%	13.8%	2.0%	4.9%

Source: FE Analytics as at 03.09.2019; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

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