Close Brothers
Asset Management

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# Close Portfolio Funds

## Monthly fund manager update

**DECEMBER 2019**

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### MONTH IN REVIEW

The Close Portfolio Funds all delivered positive absolute returns in December. The Conservative fund gained +0.99%, the Balanced fund +1.56% and the Growth fund +1.83%. All three funds were broadly in line with the respective IA sectors for the month, with the Conservative and Growth funds marginally underperforming and the Balanced fund marginally outperforming. Nevertheless, all three funds finished the year notably ahead of their IA sectors; with the relative return of the Conservative fund standing at +0.64%, the Balanced fund at +1.31%, and the Growth fund at +6.25%.

### THOUGHTS ABOUT 2020

In years gone by, I have tried to characterise the coming year with a Chinese style "Year of….." title. Recent nominations included; 2018 – The Year of Paddington (I felt slightly bearish and in need of reliable, transparent, dependable investments), and 2019 – The Year of Better (after a weak 2018 my expectations were for better markets). So, what would best characterise the year 2020 now that it is upon us?

Following such strong returns in 2019, it will be difficult to better the "Year of Better". The Growth fund generated returns of more than 21% over the course of the 2019, while the Balanced and Conservative funds both delivered strong double digit returns as well.

It is, therefore, perhaps reasonable to expect some more volatility for the year ahead – just like at the end of a bull there is a wagging tail moving up, down, left and right, markets can often whipsaw towards the end of a long bull market. So, I certainly considered, "The Year of the Bull's Tail."

However, dealing with volatility at the end of a bull market can also be expressed with the need for **patience;** staying the course and remaining invested for the long-term, despite some ups and downs. They do say that good things come to those who wait, and for the patient, "The Year of Best" is yet to come.

Therefore, let us enter "The Year of Patience."

### SOME KEY THEMES TO WATCH IN 2020

Some of the likely key themes for this year are relatively obvious:

- Continued QE and central bank support
- Talk of both fiscal and monetary stimulus
- US – China relations (trade and wider matters)
- Geopolitics elsewhere
- US presidential election (Trump re-election?)
- Inflation risks (oil price and wages)

These will, undoubtedly, pose both opportunities and challenges, however, my conclusion is to stay patient – do not let the tail wag the bull, and be prepared to take the opportunities as they present themselves in 2020.

Our quant framework finds equities still relatively attractive, in developed markets (UK, Europe, US, Japan). At least, as long as interest rates remain low. One hopes to end the year with some kind of positive total return in diversified multi-asset portfolios, but investors' patience may be tested along the way.

Indeed, the first days of January have already shown some signs of volatility; starting on a strongly positive note, followed by geopolitical risks pulling the market down. Welcome to The Year of Patience! This may not be a "get rich quick" year, but we believe it will prove beneficial to stay resilient and remain invested for the long-term.

### TRADING ACTIVITY

Trading activity was largely characterised by the clarity brought to UK politics and Brexit from the early December election. We increased the funds' UK exposure by adding to Lloyds Banking Group, ITV, Rio Tinto and Anglo American. The Balanced and Conservative funds also topped up positions in Whitbread, while we additionally increased the position in the iShares FTSE 250 holding within the Balanced fund.

A second noteworthy theme was an increase in the European weighting across the funds, as valuations looked supportive. We added to European banks as rate expectations recovered

and the yield curve steepened. A small position was also taken in Italian luxury fashion brand Moncler.

Other activity of note was the taking of profit from our holding in PVH Corp as it reached its target price.

## STOCK OF THE MONTH: LONDON STOCK EXCHANGE GROUP

- The London Stock Exchange (LSE) Group is a global financial market infrastructure business.
- +13% in December and +75% since purchase (06/07/2018).
- In December, LSE benefitted from the clarity brought about by the decisive result of the UK general election.
- The market also reacted positively to news that LSE are making changes to its senior management team in order to tackle underperformance in its trading technology subsidiary – the only area of the business to report a decline in revenues last year.
- The review of LSE's main business line comes after the announcement of its acquisition of financial data firm Refinitiv – reaction to which lifted the stock in July. The deal allows LSE to horizontally expand into FX and fixed-interest trading platforms complementing its strength in equities and derivatives.

## CLOSE PORTFOLIO FUNDS DISCRETE PERFORMANCE AS AT 31 DECEMBER 2019

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Close Conservative Portfolio Fund** | **12.5%** | **-2.7%** | **9.0%** | **5.4%** | **2.0%** | **6.5%** |
| IA 20-60 | 11.8% | -5.1% | 7.2% | 10.3% | 1.2% | 4.9% |
| **Close Balanced Portfolio Fund** | **17.1%** | **-2.9%** | **11.8%** | **6.3%** | **2.9%** | **7.3%** |
| IA 40-85 | 15.8% | -6.1% | 10.0% | 12.9% | 2.7% | 4.9% |
| **Close Growth Portfolio Fund** | **21.9%** | **-3.4%** | **12.5%** | **6.8%** | **2.9%** | **7.7%** |
| IA Flexible Investment | 15.7% | -6.7% | 11.2% | 13.8% | 2.0% | 4.9% |

SOURCE:
FE Analytics 06.01.2020; 2019 (YTD) data as at 31.12.2019; fund performance is total return net of fees with dividends reinvested for X Acc share class.