

Close Managed Funds

Monthly fund manager update

JANUARY 2020



MANAGED FUNDS TEAM

MONTH IN FOCUS

January was a negative month for the majority of equity markets around the world, but pleasingly a positive month for most of the Close Managed Funds. Only the US equity market, where we are overweight, delivered positive returns. Yet, with the exception of Managed Income, all funds produced a positive return and outperformed their respective IA sector benchmarks. Our top performing funds over the course of the month were the Baillie Gifford American fund, which delivered +10.3%, and the European Opportunities Trust, which posted +9.7%. Interestingly, it was also a 'risk-off' month for fixed income markets as well, as long dated securities outperformed short duration assets on the reduced likelihood of interest rate rises. Markets were driven lower towards the end of the month with the emergence of the SARS-like Coronavirus, which followed the increased global uncertainty surrounding potential US-Iran conflict. Given all of this, it was pleasing that the Managed funds were able to deliver some solid numbers, with underlying managers outperforming their geographic or sector indices.

THOUGHTS FROM THE TEAM

There is a lot of talk around the role of disrupters in today's economy. It is easy to see first-hand the impact of disruptive businesses on our high street. Amazon, for example, have disintermediated the need for shoppers to get in their cars, pay parking charges, and trudge around tired looking shops, all the while being repeatedly asked "can I help you?" by a bafflingly cheery denizen of Generation Z. Far better to lounge at home and have your shopping delivered by a gig-economy driver, who you can track via your smartphone app; even if the route the driver takes seems to make no sense. It has all been worked out by algorithm, so shouting at the screen to "just take a left" will do no good.

Amongst the team, we have recently been discussing how disruption might have permanently tipped the scales between the two main investment styles, namely: value and growth. It has been a very good run for growth businesses over the last decade. With the exception of a few brief spells where markets have suddenly re-rated 'cheap' cyclicals like banks and miners, investors have been perfectly prepared to pay up for companies that are able to grow their earnings. It is the tech and consumer services companies that have been most

adept at doing this in recent years, however, as with Amazon and the retailers, it is certainly something to consider in other sectors too. Perhaps one of the most interesting areas is that of electric vehicles (EVs) and the automobile sector. Currently, many auto manufacturers are screening as cheap, and therefore representing good value, which is in stark contrast to Tesla's share price which had already doubled in 2020 alone (at time of writing it has come back to a mere 80% rise since the start of the year). Although Tesla is a fraction of the size of the likes of Volkswagen and Toyota in terms of actually manufacturing cars, this does not seem to put off a vast swathe of investors willing to pay up today for the possibility of growth tomorrow.

As it happens we have exposure to Tesla through the Baillie Gifford American fund, and the Scottish Mortgage Investment Trust, held in Managed Balanced and Growth. The company is a sizable position for the Baillie Gifford team, as it is exactly the sort of long-term, high upside growth company they like. While it is very difficult for any investor to accurately predict the take-up of EVs, and decipher whether the Tesla's Model 3 becomes the Ford Model T of today, we do like to ensure we have exposure to those fund managers who are actively looking to invest in disruptive technology and the companies' best placed to benefit from it.

CLOSE MANAGED FUNDS DISCRETE PERFORMANCE AS AT 31 JANUARY 2020

	YTD	2019	2018	2017	2016	2015
Close Managed Income Fund	-0.4%	10.3%	-3.7%	6.4%	9.1%	4.5%
IA £ 20-60% Equity	0.0%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Conservative Fund	0.1%	11.2%	-4.3%	7.0%	8.6%	4.2%
IA £ 20-60% Equity	0.0%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Balanced Fund	0.3%	15.3%	-5.1%	10.8%	10.4%	4.7%
IA £ 40-85% Equity	-0.3%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close Managed Growth Fund	0.5%	17.5%	-6.0%	14.3%	10.3%	6.3%
IA £ Flexible Investment	-0.5%	15.7%	-6.7%	11.2%	13.8%	2.0%

SOURCE :

FE Analytics as at 06.02.2020, data as at 31.01.20. Performance is total return, net income reinvested after fees, X Acc share class.

IMPORTANT INFORMATION

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