

Close Managed Funds

Monthly fund manager update

MARCH 2020

**MANAGED FUNDS TEAM**

MONTH IN FOCUS

March 2020 has already been described as the month everything changed, so to dwell on the disruption to our everyday lives here is unnecessary. But in a quarter where the leading UK equity market fell -25%, it is important to take stock of where the Close Managed Funds are, given portfolio returns vary from -11.9% (Managed Conservative) to -15.2% (Managed Income). Thankfully, in a tumultuous month the Funds by and large protected on the downside relative to their IA sector peer groups. Importantly, with the exception of Managed Income, all strategies finished the quarter ahead of their peers.

THOUGHTS FROM THE TEAM

Overall the US and Japan were the best performing markets in sterling terms over both the month and the quarter, with currency having an impact on returns. The UK was the worst performing market and has actually been a laggard since the beginning of the year. Essentially, the coronavirus crisis appears to have magnified market trends that we have been observing for some time, with technology and consumer services rallying more than other sectors.

This has led to some significant outperformance in March for a number of the funds we hold including Baillie Gifford American, which shed just -2.6% relative to the US market which fell -10.2%. Encouragingly, this fund is up +1.5% since the beginning of the year, whereas the index is down -14.2%. We also saw excellent relative returns from the KLS Sloane Robinson Emerging Market fund which was down -7.5% even though the index fell -12.9%.

We recognise that absolute performance is critical to how our investors feel and although it may seem ill-advised to be championing funds as doing well when they have lost money, we ought to emphasise the significance of this relative outperformance. Such protection on the downside very often leads to stronger returns over the longer-term and it is our job to capitalise on this during difficult markets. Bear markets are often short lived affairs, at least compared to bull markets; but they have a habit of unwinding the hard-won returns of more benign economic times if followed down the whole way.

Elsewhere, the only real positives in absolute terms were in gilts and gold (in sterling terms) as investors sought safe haven assets.

Throughout the month, we trimmed those equity positions where we had the least conviction in their near-term outlook, and reduced our index positions in the belief that active management should provide greater protection on the downside than passive exposure. We also reduced exposure to credit through strategic bond funds, particularly in those with high yield or unrated exposure. This proved to be somewhat timely as credit markets came under increased pressure during the second half of March. Finally, we topped up gold across the funds and took the opportunity of falling premiums (to NAV) in infrastructure assets in order to add to The Renewable Infrastructure Group (TRIG) within Managed Balanced.

CLOSE MANAGED FUNDS DISCRETE PERFORMANCE AS AT 29 FEBRUARY 2020

	YTD	2019	2018	2017	2016	2015
Close Managed Income Fund	-15.2%	10.3%	-3.7%	6.4%	9.1%	4.5%
IA £ 20-60% Equity	-12.9%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Conservative Fund	-11.9%	11.2%	-4.3%	7.0%	8.6%	4.2%
IA £ 20-60% Equity	-12.9%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Balanced Fund	-13.8%	15.3%	-5.1%	10.8%	10.4%	4.7%
IA £ 40-85% Equity	-15.4%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close Managed Growth Fund	-15.1%	17.5%	-6.0%	14.3%	10.3%	6.3%
IA £ Flexible Investment	-15.5%	15.7%	-6.7%	11.2%	13.8%	2.0%

SOURCE:

FE Analytics as at 04.03.2020, data as at 29.02.20. Performance is total return, net income reinvested after fees, X Acc share class.

IMPORTANT INFORMATION

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