

Close Managed Funds

Monthly fund manager update

APRIL 2020

**MANAGED FUNDS TEAM**

MONTH IN FOCUS

After the market-wide sell-off came the bounce back, with risk assets posting strong positive returns over the month of April. Whether it turns out to be the beginning of a longer rally remains to be seen (we remain a little unconvinced at this point); but for now, some comfort can be drawn from the fact that all four Close Managed Funds produced excellent returns for the month – in both relative and absolute terms – despite our defensive positioning. Managed Conservative and Income returned 6.18% and 6.29% respectively, whilst Balanced and Growth, in turn, posted 7.85% and 9.49%.

THOUGHTS FROM THE TEAM

In equity markets the rally was led by the US, followed by Asia, with Europe, Japan and the UK lagging (but still in positive territory). At a sector level, it was once again the technology and consumer services names that were the standout winners, while a number of healthcare stocks also performed very strongly – particularly where that company had a Coronavirus vaccine or antibody test angle.

It seems that we end up mentioning the Baillie Gifford American Fund in most monthly updates of late, but it really is a poster child fund of the fund management world at the moment, with its exposure to tech, consumer services, and healthcare clear positive drivers. The top holdings (as at the end of March 2020) include Amazon, Netflix, Shopify and Zoom Video Communications, which all helped to drive the fund up by 24.6% over the month of April alone. Elsewhere, Brown Advisory US Flexible also performed strongly, benefitting from its significant exposure to electronic payment providers Visa and MasterCard, as well as Alphabet (Google) and Microsoft. The fund returned 14.33% for the month.

There was also a strong positive contribution from some of our Asia and emerging market holdings, with the RWC Global Emerging Market fund delivering a 13.58% return, aided by its exposure to Greater China and holdings in Tencent, Delivery Hero, and TSMC.

In fixed income, it was a solid month for credit markets, with a number of our funds actually outperforming some equity markets. Notable mentions here go to BlackRock Strategic Bond, which posted returns of 7.38%, and the Janus Henderson Strategic Bond fund which contributed a 5.93% return over the same period.

During the month, we continued to cut equity risk from areas where we have the lowest conviction of a near term recovery in fortunes. We began the month by cutting the R&M World Recovery fund, before removing the Schroder Income fund at the tail end of the month after a brief bounce. Both were sold in their entirety across the range, with the exception of the Schroders fund in Managed Income, where we felt the yield was still attractive. We selectively added to our credit exposure during the month as liquidity in these markets improved, while we used some of the remaining cash position to top up our alternative holdings.

Overall, we remain happy to maintain our underweight to equities relative to our longer-term strategic positioning, and it is particularly heartening to see that all funds outperformed their IA peer groups despite being underweight risk assets.

ARTICLE: NO PLACE FOR AVERAGE – SEEKING THE VERY BEST ACTIVE MANAGERS

Since the inception of the first passive ETF investment strategies way back in 1975 the argument as to which is 'better', active or passive, has raged on. Whilst it's difficult to argue against their popularity, should passives be the default option or are above-average returns possible by investing with an active manager?

Looking at the UK, and specifically at the monthly returns over the last 20 years for all funds in the IA UK All Companies sector (255 funds currently), there have been 139 months when the index has produced a positive return and 101 months when the return has been negative. In those negative months, the average active manager performed better than the index in 64 of them or 63% of the time¹.

Whilst interesting and encouraging for active managers in its' own right, it is important to note that this only considers the average manager. Of course, by definition the 'average' active manager will perform in line with the index, but there is some evidence that the best among them fare better in more difficult environments than their passive peers. Within the Close Managed Funds range, 'average' is not the pond we are fishing in – we are always trying to find the very best global fund managers in every sector.

[Click here to read the full article >](#)

CLOSE MANAGED FUNDS DISCRETE PERFORMANCE AS AT 30 APRIL 2020

	YTD	2019	2018	2017	2016	2015
Close Managed Income Fund	-9.81%	10.3%	-3.7%	6.4%	9.1%	4.5%
IA £ 20-60% Equity	-7.94%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Conservative Fund	-6.44%	11.2%	-4.3%	7.0%	8.6%	4.2%
IA £ 20-60% Equity	-7.94%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Balanced Fund	-7.04%	15.3%	-5.1%	10.8%	10.4%	4.7%
IA £ 40-85% Equity	-9.20%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close Managed Growth Fund	-7.01%	17.5%	-6.0%	14.3%	10.3%	6.3%
IA £ Flexible Investment	-9.40%	15.7%	-6.7%	11.2%	13.8%	2.0%

SOURCE :

FE Analytics as at 03.05.2020, data as at 30.04.20. Performance is total return, net income reinvested after fees, X Acc share class.

¹FE Trustnet as at 31 March 2020.

IMPORTANT INFORMATION

This document is only intended for use by UK investment professionals and should not be distributed to or relied upon by retail clients. The value of investments will go up and down and clients may get back less money than they invested. Past performance is not a reliable indicator of future returns. The information contained in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation.

Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of Close Brothers Group plc, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86. CBAM5424