

# Close Tactical Select Passive Funds

## Monthly fund manager update

MAY 2020

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Investment Manager

### MONTH IN REVIEW

Global markets continued to rally in May following April's rebound from the lows reached in March. With sterling weakness an added tailwind, none of the major asset classes in which the Close Tactical Select Passive Funds (TSP) invest were negative. Performance across the entire TSP range was therefore positive, helping to improve year-to-date returns and close the gap against the respective IA peer groups. In fact, TSP Conservative is now outperforming its IA peer group on a year-to-date basis.

Japanese equities delivered the best return in GBP terms over the month, returning over +8.0%, while Asia-Pacific equities were the worst performing region for sterling investors, edging up just over +1.8%. The best performing equity ETFs we hold were two recent additions to the TSP range: First Trust Cloud Computing and L&G Cyber Security, which both returned more than +12.0%. The worst performing equity investment was the SPDR S&P 500 Low Volatility ETF, which added only +1.5%. This is to be expected as low volatility strategies tend not to perform so well in upward trending markets.

In fixed income, corporate bonds outperformed government bonds (though only marginally), but inflation linked gilts performed better still – the strongest holding within the fund range being the Lyxor iBoxx UK Inflation Linked Gilts ETF – which was up +4.6%.

Alternative assets were mostly positive, too, with the UBS CMCI ETF (of mixed commodities) posting the highest gains of +8.7%, while the broad commodities index added +5.3%. Meanwhile, Gold delivered +4.1%.

Strong global equities and a weaker pound also lifted global infrastructure strategies – the iShares FTSE Global Infrastructure ETF added +6.2%. Absolute return funds generally struggled, however, as market trends were not pronounced enough for them to capture significant upside. The JPM Managed Futures ETF was down -1.65% on a GBP-hedged basis.

### GENERAL POSITIONING

At the beginning of May, we sold our iShares UK Property Yield ETF as it had proven more correlated to equities than anticipated during an uncertain period, rather than a truly adequate diversifier.

We have maintained our equity underweight, together with a relatively high cash allocation, despite the strong rallies in April and May, and funded an increase to our gold position by selling down part of our UK mid-cap equity exposure. Our fixed income allocation is now closer to neutral, and we are still overweight corporate bonds relative to government bonds, and prefer short duration to long duration. Within alternatives, we continue to be underweight property/REIT investments.

**CLOSE TACTICAL SELECT PASSIVE FUNDS DISCRETE PERFORMANCE  
 AS AT 31 MAY 2020**

	<b>YTD</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Close TSP Conservative Fund</b>	<b>-4.9%</b>	<b>12.1%</b>	<b>-4.2%</b>	<b>6.5%</b>	<b>14.3%</b>	<b>1.9%</b>
IA £ 20-60% Equity	-5.4%	11.8%	-5.1%	7.2%	10.3%	1.2%
<b>Close TSP Balanced Fund</b>	<b>-7.5%</b>	<b>15.3%</b>	<b>-5.3%</b>	<b>9.1%</b>	<b>17.6%</b>	<b>2.5%</b>
IA £ 40-85% Equity	-5.9%	15.8%	-6.1%	10.0%	12.9%	2.7%
<b>Close TSP Growth Fund</b>	<b>-8.6%</b>	<b>17.7%</b>	<b>-5.5%</b>	<b>11.8%</b>	<b>16.4%</b>	<b>1.8%</b>
IA £ Flexible Investment	-5.9%	15.7%	-6.7%	11.2%	13.8%	2.0%

**Source:** FE Analytics as at 03.06.2020; YTD figures as at 31.05.2020; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

**IMPORTANT INFORMATION**

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