

Close Tactical Select Passive Funds

Monthly fund manager update

JUNE 2020



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Investment Manager

MONTH IN REVIEW

June proved to be a relatively strong month for emerging markets and Asia-Pacific equities. Developed market equities also posted positive returns across the board in local currency terms, however as sterling strengthened slightly over the course of the month Japanese equity market returns were marginally negative in GBP terms. With most other asset classes also performing positively, the performance of the entire Close Tactical Select Passive (TSP) Fund range was positive in June, further helping to improve year-to-date returns and close the gap against the respective IA peer groups. In fact, the Conservative fund is now outperforming its IA peer group on a year-to-date basis by c. 0.5%.

Within the equity allocation, our strongest performing holding across the range was the HSBC FTSE Pacific Index fund, which delivered a return of +8.6% for the month; followed by the Amundi MSCI EM ETF, which posted a gain +7.7%. The poorest performing equity holding proved to be the SPDR S&P 500 Low Volatility ETF, which fell -0.5%, as companies exhibiting low volatility failed to keep pace with markets which have been heavily driven by growth-oriented tech companies.

Within fixed income, corporate bonds outperformed government bonds, with inflation linked gilts moving little over the month. The strongest holding within the range was the Lyxor iBoxx Sterling Liquid Long Dated Corporate Bond ETF, which was up +1.4%.

Alternative assets were mostly positive in June too, with the UBS CMCI ETF (a mixed commodities fund) posting the highest gains of +5.6%, against broad commodities index returns of +5.3%. Meanwhile, Gold also posted a positive return for the month, gaining +2.3%.

Detractors from performance in June included the iShares FTSE Global Infrastructure ETF, which suffered a -2.5%

decline, due in part to sterling strength over the month. Trend-following hedge-fund type strategies continued to suffer as market trends were not pronounced enough for them to generate significant upside. The JPM Managed Futures ETF was down -1.29% on a GBP-hedged basis.

TRADING ACTIVITY

We executed a handful of notable trades across the TSP range in June. We sold the Invesco S&P 500 High Dividend Low Volatility ETF, which had been held in the range since 2016. The proceeds were used to buy into SPDR S&P 500 Communication Services Sector ETF and the Invesco S&P 500 Information Technology Sector ETF. The S&P500 High Dividend Low Volatility strategy had unfortunately not delivered the risk-return characteristics we anticipated and desired when we added the position, i.e. a relatively defensive equity asset. The SPDR S&P 500 Communication Services Sector ETF was added to gain exposure to digitalisation trends, which have only been accelerated in the wake of the Covid-19 pandemic. We believe that Communication Services and Information Technology are intuitive sectors in which to invest to fully capitalise on this direction of travel.

GENERAL POSITIONING

While we have maintained our equity underweight relative to the long term Strategic Asset Allocations, the trades implemented in June mean we have moved closer to a neutral position overall, slightly reducing our cash weightings in the process. We have left our fixed income allocation untouched, but this has naturally drifted closer to neutral across the range. Elsewhere, we are still overweight corporate bonds relative to government bonds, and we continue to prefer short duration to long duration. Within alternatives, we continue to be underweight property/REIT investments while being overweight commodities and gold.

**CLOSE TACTICAL SELECT PASSIVE FUNDS DISCRETE PERFORMANCE
 AS AT 30 JUNE 2020**

	YTD	2019	2018	2017	2016	2015
Close TSP Conservative Fund	-3.6%	12.1%	-4.2%	6.5%	14.3%	1.9%
IA £ 20-60% Equity	-4.1%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close TSP Balanced Fund	-5.9%	15.3%	-5.3%	9.1%	17.6%	2.5%
IA £ 40-85% Equity	-4.3%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close TSP Growth Fund	-6.6%	17.7%	-5.5%	11.8%	16.4%	1.8%
IA £ Flexible Investment	-4.0%	15.7%	-6.7%	11.2%	13.8%	2.0%

SOURCE:

FE Analytics as at 02.07.2020; YTD figures as at 30.06.2020; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

IMPORTANT INFORMATION

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