

Close Tactical Select Passive Funds

Monthly fund manager update

AUGUST 2020



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Investment Manager

MONTH IN REVIEW

Equity markets were very strong in August with US and Japan returning over +7.0% in local currency terms; although returns on overseas assets were tempered by Sterling strength. Fixed income markets, on the other hand, had a tougher time with most indices declining by more than -1.0%. Nonetheless, all three Close Tactical Select Passive Funds (TSP) finished August positively and continued to close the gap with their respective IA peer groups.

The year to date has seen the dispersion of stock returns increase, which has led us to seek more targeted investment opportunities, such as those available via theme-based indices.

It is therefore pleasing that the thematic equity ETFs we invested in earlier in the year have begun to bear fruit. The Invesco S&P 500 US Technology Sector ETF was the best performer in August, returning +10.6%, while the iShares Nasdaq 100 ETF climbed +9.2%. We have also notably seen a slight comeback from UK mid-caps with the Vanguard FTSE 250 ETF returning +5.6%, outperforming the UK large-cap space threefold. (The iShares FTSE 100 ETF added +1.6%).

Although all Fixed Income exposure ended the month in negative territory – the best performing Fixed Income holdings were the short-dated corporate ETFs within TSP Conservative and TSP Balanced. Corporate bonds

outperformed government bonds and Inflation Linked Gilts fared the worst.

Alternative assets were mixed, with the UBS CMCI Composite ETF posting the highest gains of +3.2%, while the Invesco Physical Gold position was down -1.9%.

The iShares FTSE Global Infrastructure ETF performed poorly in August, falling -0.4% and not helped by Sterling strength. Trend-following Hedge Fund-type strategies continued to suffer, again this was largely attributable to Sterling strength; the JPM Managed Futures ETF was actually up +1.5% on a GBP-hedged basis but down -0.2% on a non-hedged basis.

GENERAL POSITIONING

The TSP range has been positioned with longer-term views in mind and we have not materially changed our asset allocation calls over the month. Cash within TSP Conservative has slightly increased temporarily relative to Balanced and Growth given greater fund flows recently.

Overall we have maintained our equity underweight, but have edged closer to a neutral position, while we have left our Fixed Income allocation untouched at close to neutral. 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 while overweight commodities, most of which comes through our gold exposure.

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

	YTD	2019	2018	2017	2016	2015
Close TSP Conservative Fund	-2.9%	12.1%	-4.2%	6.5%	14.3%	1.9%
IA £ 20-60% Equity	-2.5%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close TSP Balanced Fund	-4.3%	15.3%	-5.3%	9.1%	17.6%	2.5%
IA £ 40-85% Equity	-2.1%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close TSP Growth Fund	-4.2%	17.7%	-5.5%	11.8%	16.4%	1.8%
IA £ Flexible Investment	-1.5%	15.7%	-6.7%	11.2%	13.8%	2.0%

Source: FE Analytics as at 04.09.2020; YTD figures as at 31.08.2020; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

IMPORTANT INFORMATION

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