

Close Tactical Select Passive Funds

Monthly fund manager update

SEPTEMBER 2020



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Investment Manager

MONTH IN REVIEW

Equity markets were mixed in September with most developed and emerging market indices down in local currency terms. However, sterling weakness meant that most overseas equity markets posted positive returns in GBP terms. Sterling denominated fixed income markets were mostly positive, meaning that the Close Tactical Select Passive (TSP) Conservative Fund outperformed other risk profiles, given its higher weighting to this sub-asset class. Overall, the Conservative Fund returned -0.1% (versus -0.4% for its IA sector), TSP Balanced Fund, -0.5% (versus -0.4%) and TSP Growth Fund, -0.8% (versus -0.4%).

The second and third quarters of 2020 could arguably be characterized by a "K-shaped" recovery; digital economy stocks rallying hard while 'real' and old economy stocks have remained lacklustre. Interestingly, this is reflected in the TSP funds, with investments in tech concentrated and theme-based equity indices faring better.

Over September, the best performing equity investment held in the TSP range was the HSBC FTSE Japan Index Fund, which was up almost +4.8%. However, most equity markets generally slid back and low volatility style ETFs tended to work well; our SPDR S&P 500 Low Volatility ETF was the only positive US holding delivering +2.4%.

In sterling denominated fixed income markets, UK corporate bonds underperformed UK government bonds, while inflation linked gilts were the best performer - the Lyxor FTSE

Actuaries GBP Inflation Linked Gilts ETF posted a +1.4% return.

Alternative assets were almost all in positive territory for the month, with the iShares FTSE Global Infrastructure ETF rebounding strongly in September. The holding gained almost +3.3% - making it the best performing alternative asset in the TSP range. On the commodities side, the UBS CMCI Composite ETF (+0.62%) outperformed Invesco Physical Gold ETC (-0.48%). Trend-following Hedge Fund-type strategies continued to suffer, although the returns in GBP-terms show that they were aided somewhat by sterling weakness over the month: the JPM Managed Futures ETF was down -0.9% on a GBP-hedged basis but up +2.3% on a non-hedged basis.

GENERAL POSITIONING

The Close TSP range remains positioned with our longer term views in mind. Consequently, the asset allocation calls were not materially changed in September.

However, looking ahead, we are considering putting some cash to work in broad market ETFs rather than theme-based ETFs in October, as the latter have increased in weight due to their relative outperformance in recent months.

We have left our fixed income allocation untouched, which is now closer to neutral across the range. 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 - principally gold.

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

	YTD	2019	2018	2017	2016	2015
Close TSP Conservative Fund	-3.0%	12.1%	-4.2%	6.5%	14.3%	1.9%
IA £ 20-60% Equity	-2.9%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close TSP Balanced Fund	-4.8%	15.3%	-5.3%	9.1%	17.6%	2.5%
IA £ 40-85% Equity	-2.5%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close TSP Growth Fund	-5.0%	17.7%	-5.5%	11.8%	16.4%	1.8%
IA £ Flexible Investment	-1.8%	15.7%	-6.7%	11.2%	13.8%	2.0%

Source: FE Analytics as at 02.10.2020; YTD figures as at 30.09.2020; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

IMPORTANT INFORMATION

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