

Close Managed Funds

Monthly fund manager update

OCTOBER 2020



MANAGED FUNDS TEAM

MONTH IN FOCUS

Last month, fears of a Coronavirus second wave and US election uncertainty fed risk aversion in the markets. As a result, most of the Close Managed Funds finished October ever so slightly behind their IA sectors. The one exception was Managed Balanced, where additional cash following a recent sale helped the strategy maintain a defensive position. All three of the growth orientated funds are ahead of their IA sector benchmarks on a year-to-date basis.

THOUGHTS FROM THE TEAM

Over the month, the best performing equity indices were in Asia and the Emerging Markets, while Europe suffered on the back of second wave coronavirus lockdowns and the US paused for breath ahead of the Presidential and Congressional elections.

In October, active managers tended to struggle to outperform their indices. Nonetheless, it is positive to note that the Managed funds contained a number of strong performers across various geographies. In the UK, it was a good month for the small and mid-cap focused Chelverton UK Equity Income fund, which delivered +0.50% against the UK market being down -5.06%. In the US, it was the Baillie Gifford American fund that performed best with +0.86% against the market's -2.87%. In Europe, it was heartening to see the European Opportunities Trust hold up against a poor market after a difficult year by returning -0.99% relative to the index's -6.01% fall. In Emerging Markets, our main holding, the RWC Global Emerging Markets fund, did well with a return of +4.74% against an index return of +1.82%.

Within fixed income, it was a generally a good month for credit, particularly higher yielding names. The Royal London Sterling Extra Yield fund, for example, returned +0.84%, with its exposure to unrated issuers, and the BlackRock Strategic Bond delivered +0.72% from broad exposure to credit.

It was a generally good month for our infrastructure holdings. HICL led the way with a return of +6.03% with INPP also delivering a strong return of +4.09%. Although gold sold off slightly, we saw decent numbers from our relatively new holding in the Neiderhoffer Smart Alpha fund, which is a short-term trading strategy – it ended October up +2.25%.

Elsewhere within Managed Income, our real estate holdings also had a positive month.

During the month, we made some changes to a number of our index holdings in order to reduce costs, by switching all or part of our positions to cheaper but almost identical index funds. We also sold our index linked gilts across the strategies, replacing them with long dated gilts instead (over 15 years' maturity).

Finally, we sold the Sloane Robinson Emerging Market fund, which has performed well, but is undergoing corporate changes and a manager departure that has created a degree of uncertainty that we are uncomfortable with. The proceeds were partly reinvested into RWC Global Emerging Markets, and partly retained as cash to protect against market uncertainty.

CLOSE MANAGED FUNDS DISCRETE PERFORMANCE AS AT 31ST OCTOBER 2020

	YTD	2019	2018	2017	2016	2015
Close Managed Income Fund	-6.6%	10.3%	-3.7%	6.4%	9.1%	4.5%
IA £ 20-60% Equity	-4.0%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Conservative Fund	-2.5%	11.2%	-4.3%	7.0%	8.6%	4.2%
IA £ 20-60% Equity	-4.0%	11.8%	-5.1%	7.2%	10.3%	1.2%
Close Managed Balanced Fund	0.4%	15.3%	-5.1%	10.8%	10.4%	4.7%
IA £ 40-85% Equity	-4.1%	15.8%	-6.1%	10.0%	12.9%	2.7%
Close Managed Growth Fund	3.0%	17.5%	-6.0%	14.3%	10.3%	6.3%
IA £ Flexible Investment	-3.1%	15.7%	-6.7%	11.2%	13.8%	2.0%

SOURCE :

FE Analytics as at 03.11.2020, data as at 31.10.20. Performance is total return, net income reinvested after fees, X Acc share class.

IMPORTANT INFORMATION

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