

# Close Tactical Select Passive Funds

## Monthly fund manager update

OCTOBER 2020

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Investment Manager

### MONTH IN REVIEW

October saw a clear division of equity returns: developed market equities were broadly down and emerging market and Asian equities were broadly up in GBP and local currency terms. We also saw a closing of the performance gap in the 'K-shaped' recovery we have observed thus far: initially tech and tech-enabled companies recovered somewhat quicker from the market lows in March than real / old world economy stocks, however, a relative recovery in the latter was apparent in broad market indices during October.

As such, within the Close Tactical Select Passive Fund (TSP) range, it was the Conservative fund which performed best in absolute terms, given its higher weighting to fixed income relative to the Balanced or Growth strategies. However, all three underperformed their respective IA peer groups on a relative basis in October.

Although the slide downward in equity markets this month was mostly led by the tech stocks, European Large-Caps suffered the most, with our holding in the xtracker Euro Stoxx 50 ETF being the worst performer, declining -8.3%. The best performing investment for October was the Amundi MSCI Emerging Markets ETF which was up just over +1.0%, evidence perhaps of emerging markets and Asia already beating a path to recovery from Covid-19, while developed economies are entering a second lockdown.

Corporate bonds outperformed government bonds and, as was the case in September, inflation-linked gilts were the best performers within sterling-denominated fixed income markets. The Lyxor FTSE Actuaries GBP Inflation Linked Gilts ETF was our best performing fixed income holding at +0.6%.

Alternative assets were all in negative territory with the iShares FTSE Global Infrastructure ETF down -1.5%, making it the worst performing alternative – albeit marginally so. On the commodities side, the UBS CMCI Composite ETF (-1.3%) performed in line with the Invesco Physical Gold ETC (-1.3%).

### GENERAL POSITIONING

There were quite a few trades of note in the TSP range in October. First, we switched out of iShares Nasdaq ETF into the Lyxor Nasdaq ETF, which is 11bps cheaper. In addition, we sold our holding in the Ossiam FTSE 100 Minimum Variance ETF, despite the strategy performing well, as the fund had become too small for us to keep holding it. Finally, the JPM Managed Futures ETF was also liquidated as the ETF provider decided to close the strategy down and we felt it most prudent to exit the position before the delisting day in November.

As a result of these trades, there is a slightly greater cash weighting than usual across the funds as we seek alternative positions. Notwithstanding this, we have concurrently increased some equity allocations by investing in broad based equity ETFs.

We left our fixed income allocation untouched, and it is now closer to neutral across the range. We remain overweight corporate bonds relative to government bonds, and prefer short duration to long duration. Within alternatives, we now only hold positions in infrastructure and commodities for the time being, the latter being mainly in gold.

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

	YTD	2019	2018	2017	2016	2015
<b>Close TSP Conservative Fund</b>	<b>-4.2%</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	-4.0%	11.8%	-5.1%	7.2%	10.3%	1.2%
<b>Close TSP Balanced Fund</b>	<b>-6.5%</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	-4.1%	15.8%	-6.1%	10.0%	12.9%	2.7%
<b>Close TSP Growth Fund</b>	<b>-7.1%</b>	<b>17.7%</b>	<b>-5.5%</b>	<b>11.8%</b>	<b>16.4%</b>	<b>1.8%</b>
IA £ Flexible Investment	-3.1%	15.7%	-6.7%	11.2%	13.8%	2.0%

**Source:** FE Analytics as at 03.11.2020; YTD figures as at 31.10.2020; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

**IMPORTANT INFORMATION**

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