

# Close Portfolio Funds

## Monthly fund manager update

DECEMBER 2020

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### MONTH IN REVIEW

The Close Portfolio Funds all delivered positive returns in December as markets continued to rebound following a strong November. The Conservative fund returned +2.22%, Balanced advanced +2.70% and Growth rose +3.23%. All three funds outperformed their respective IA Sectors over the month, which returned +1.93%, +2.43% and +2.56% respectively.

### THOUGHTS ON 2020

Market recaps on year 2020 are plentiful, so we shall keep this short and sweet. Last January, we named 2020 the **Year of Patience**. The message was simple: there would likely be much volatility but those who remain patient and keep a long-term investment focus shall be rewarded with gains. We were right. There was volatility, but all fund strategies delivered positive returns in 2020.

### WHAT'S NEXT?

For investors it is always more important to look forward than backward, so let us move on to the outlook for 2021. Spoiler alert: the overall outlook is moderately optimistic.

With regards to equities, we remain optimistic, primarily because our quantitative valuation model continues to indicate positive returns. Equities are likely to drive portfolio returns in 2021, and this is the main reason behind our mildly positive outlook overall. We believe that Developed Market equities should be favoured over Emerging Markets, but otherwise we are pretty agnostic when it comes to regional expectations. It is best to remain well diversified across countries and investment styles such as Value and Growth.

Within the fixed income space there is unfortunately still little income to be found. Global fiscal stimulus and the loose monetary policies in place across much of the developed world make it rather challenging to find attractive risk-adjusted opportunities. We would caution against an outright negative view on fixed income as the asset class certainly still has a role to play within multi-asset portfolios, however, we are likely to remain short duration and refrain from shouldering too much credit risk while we wait for better times to emerge. It could be a year of two halves.

As far as alternatives (or diversifiers) are concerned, we remain very comfortable with our present positioning. All of our precious metal ETFs (gold, silver, platinum) contributed positive returns in 2020. Gold played a major role as a 'safe haven' asset in the early part of the year. Platinum started to shine towards the end of 2020 as its industrial uses were rewarded by the markets. Silver performed strongly throughout, offering the best of both worlds with a c.40% gain over the year. In addition, our investment in the ASI Global Absolute Return Strategies fund did indeed provide absolute

returns for our funds. We shall continue with these diversifiers in 2021.

Finally, from a currency perspective, 2020 was a mixed and volatile bag for Sterling. It was the UK's final year inside the EU trading bloc, and Sterling managed to appreciate against the US Dollar but weakened against the Euro and the Swiss Franc. Looking forward, we feel it makes sense to maintain the 50% currency hedging position as a risk mitigation tool, no matter what the currency markets may throw at us in 2021.

### THE YEAR OF CHARITY

As alluded to above, the 'Year of Patience' seems an appropriate moniker for 2020. Sometimes if one persists in a difficult situation something good will ultimately come of it. As in many previous years, we did achieve positive investment returns again. While there may be one or two things we could have done differently in hindsight, hopefully we also grew in resilience, in respect for others and charity throughout such a difficult year.

In anticipation of another year of moderately positive investment returns, it is useful to consider that wealth in itself is fine, but what matters even more is what we do with it. This is why we have decided that the Year of Patience is to be followed by the **Year of Charity**.

Charity can be about giving to others, whatever is needed: money, time, effort or care. However, "Do unto others as you would have them do unto you" applies both ways. If one would like to be merciful and kind towards others, one should occasionally not forget to extend the same charitable attitude towards oneself too.

**CLOSE PORTFOLIO FUNDS DISCRETE PERFORMANCE AS AT 30 DECEMBER 2020**

	YTD	2019	2018	2017	2016	2015
<b>Close Conservative Portfolio Fund</b>	<b>2.95%</b>	<b>12.5%</b>	<b>-2.7%</b>	<b>9.0%</b>	<b>5.4%</b>	<b>2.0%</b>
IA 20-60	3.51%	11.8%	-5.1%	7.2%	10.3%	1.2%
<b>Close Balanced Portfolio Fund</b>	<b>2.42%</b>	<b>17.1%</b>	<b>-2.9%</b>	<b>11.8%</b>	<b>6.3%</b>	<b>2.9%</b>
IA 40-85	5.32%	15.8%	-6.1%	10.0%	12.9%	2.7%
<b>Close Growth Portfolio Fund</b>	<b>5.36%</b>	<b>21.9%</b>	<b>-3.4%</b>	<b>12.5%</b>	<b>6.8%</b>	<b>2.9%</b>
IA Flexible Investment	6.70%	15.7%	-6.7%	11.2%	13.8%	2.0%

**SOURCE :**

FE Analytics 04.01.2021; 2020 (YTD) data as at 31.12.2020; fund performance is total return net of fees with dividends reinvested for X Acc share class.

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**IMPORTANT INFORMATION**

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