

Close Tactical Select Passive Funds

Monthly fund manager update

FEBRUARY 2021



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Investment Manager

MONTH IN REVIEW

February was a very mixed month. Developed market equities were slightly up in GBP terms, while Emerging Market and Asia equities were down - mainly due to a strengthening Sterling. Additionally, tech stocks in general rolled off while more value-oriented stocks rallied.

Such whipsawing moves meant it was It was easy to be caught offside short-term. Consequently, all Close Tactical Select Passive strategies fell and underperformed their respective IA sectors in February: TSP Conservative fell -1.37%, Balanced -0.74% and Growth -0.39%. The same is true on a year-to-date basis too (see below).

To emphasise the extent of these reversals, consider the LGIM Cyber Security ETF: the best-performing equity ETF within our range in January became the worst in February giving up -7.33%. Other equity ETFs fared better and the best performing was the SPDR S&P US Communication Sector ETF which added +5.73%. Sterling strength was also the reason for UK mid-cap equities outperforming their large-cap peers by a significant margin, as overseas earnings became less valuable on a relative basis.

As 10-year bond yields increased towards the end of February, shorter duration bonds outperformed longer duration holdings across the board. Within the government bond space the performance differential was 5% (the Lyxor FTSE Actuaries UK Gilts ETF dropped -5.69%, while the

Lyxor FTSE Actuaries 0-5 UK Gilts ETF dropped just-0.75%); whilst this was less extreme in corporate issues where the differential was lower at around 2.5% (the HSBC iBoxx UK Corporate Bond Index Fund fell -2.84%, while the iShares iBoxx GBP Corporate 0-5 ETF retreated -0.55%). That corporate bonds generally outperformed government bonds was relatively insignificant compared to the role maturity and duration played in bond markets.

The best and worst performing investments within the entire TSP range were alternatives: the Physical Gold ETC was the worst performer giving up -8.84%, and the UBS CMCI Composite (broad commodity) ETF the best performer, adding +7.01%. Infrastructure ETFs maintained their downward trend with the iShares FTSE Global Infrastructure ETF down -1.93%.

GENERAL POSITIONING

Despite a challenging month, we are maintaining our current asset allocation and sticking with our overweight to equities versus fixed income. Within equities, we are currently overweight in Emerging Markets and Asia.

We remain marginally underweight in fixed income. At a sub-asset class level, we are still overweight corporate bonds relative to government bonds and prefer short duration to long duration. Within alternatives, we now only invest in infrastructure and commodities, which are currently split 50-50 between gold and broad commodities.

**CLOSE TACTICAL SELECT PASSIVE FUNDS DISCRETE PERFORMANCE
 AS AT 28 FEBRUARY 2021**

	YTD	2020	2019	2018	2017	2016
Close TSP Conservative Fund	-1.9%	2.5%	12.1%	-4.2%	6.5%	14.3%
IA £ 20-60% Equity	-0.4%	3.5%	11.8%	-5.1%	7.2%	10.3%
Close TSP Balanced Fund	-1.0%	2.5%	15.3%	-5.3%	9.1%	17.6%
IA £ 40-85% Equity	0.0%	5.3%	15.8%	-6.1%	10.0%	12.9%
Close TSP Growth Fund	-0.4%	3.6%	17.7%	-5.5%	11.8%	16.4%
IA £ Flexible Investment	0.5%	6.7%	15.7%	-6.7%	11.2%	13.8%

SOURCE: FE Analytics as at 02.03.2021; YTD figures as at 28.02.2021; all are X Acc share classes; performance is total returns, net of fees with dividends reinvested.

IMPORTANT INFORMATION

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