

## Close Managed Funds

### Monthly fund manager update

FEBRUARY 2021



#### MANAGED FUNDS TEAM

#### MONTH IN FOCUS

Fears around inflation caused bond yields to rise markedly in February, leading to a knock-on effect for other asset classes such as high growth equities, most notably those within the technology sector. Higher bond yields negatively impacted asset prices and the month ended with many bonds and high-beta equities losing value.

The Close Managed Funds were all slightly behind their peer group IA Sectors. Managed Growth led the way on a total return basis, and was positive, as was Balanced, but Conservative and Managed Income each posted small negative returns (see below).

#### THOUGHTS FROM THE TEAM

The UK was the best performing equity market, particularly mid- and small-cap stocks. The Funds' top performer in this area was the Tellworth UK Smaller Companies fund, held in Growth, which delivered +5.98% given its attractive exposure to industrial and consumer names that continued to rally during February. Within Managed Income, both the Schroder Income fund and the Chelverton UK Equity Income fund produced decent returns from their 'value' style, posting +4.89% and +4.03% respectively. Our emerging market exposure also delivered healthy returns where broad EM was favoured over more 'Asia-focused' economies. The RWC Global Emerging Markets fund, for instance, which we hold across Conservative, Balanced, and Growth delivered +3.96% against a negative month for EM and Asia more broadly. This RWC fund is tilted towards the mining and materials sectors in countries like Zambia, Brazil, and Russia; and now has an underweight position to countries including China and Taiwan.

It's important not to gloss over the detractors for the month and areas that have previously delivered excellent returns for the Funds fared less well in February. The tech-focused

Baillie Gifford American fund fell -3.38% and the Scottish Mortgage Trust dropped -9.63% as its price slipped to a discount against its NAV. This was not unexpected given how well they have done over the last 12 months and against a backdrop of uncertainty around potentially rising rates (which hurts the super-long duration (interest rate sensitivity) of high-growth equities).

This rout extended beyond such equities. By way of illustration, supposedly 'defensive' assets like UK gilts were down -5.83% (our gilt tracker was down -5.69%), as a result of their high duration nature in a rising yield environment. Corporate bond markets fared a little better, where the duration is generally lower. Nevertheless, the Artemis Corporate Bond fund was down -2.42%. Explicitly short duration funds, like the Schroder Strategic Credit and TwentyFour Monument Bond funds, did better and returned +0.20% and +0.35% respectively.

In alternatives, it was a positive month for broad commodities at the expense of gold (which fell over -8% in sterling terms). But there was a decent return from the LXi REIT, which specialises in long lease, inflation linked commercial real estate and delivered +3.04%. The Niederhoffer Smart Alpha strategy, which is designed to be negatively correlated to equities and bonds, posted a very strong +6.55% for the month.

#### ACTIVITY

We took the opportunity to trim the Baillie Gifford American fund within Balanced and Growth, along with our gold holdings midway through the month. At the same time we added broad commodity exposure through the UBS Commodity Composite ETF. Towards the tail end of February we topped up the Niederhoffer Smart Alpha fund, and made a small addition to the Scottish Mortgage Trust within Managed Balanced on a significant discount to NAV.

**CLOSE MANAGED FUNDS DISCRETE PERFORMANCE AS AT 28 FEBRUARY 2021**

	<b>YTD</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Close Managed Income Fund</b>	<b>-0.7%</b>	<b>0.3%</b>	<b>10.3%</b>	<b>-3.7%</b>	<b>6.4%</b>	<b>9.1%</b>
IA £ 20-60% Equity	-0.4%	3.5%	11.8%	-5.1%	7.2%	10.3%
<b>Close Managed Conservative Fund</b>	<b>-0.8%</b>	<b>3.5%</b>	<b>11.2%</b>	<b>-4.3%</b>	<b>7.0%</b>	<b>8.6%</b>
IA £ 20-60% Equity	-0.4%	3.5%	11.8%	-5.1%	7.2%	10.3%
<b>Close Managed Balanced Fund</b>	<b>0.0%</b>	<b>9.0%</b>	<b>15.3%</b>	<b>-5.1%</b>	<b>10.8%</b>	<b>10.4%</b>
IA £ 40-85% Equity	0.0%	5.3%	15.8%	-6.1%	10.0%	12.9%
<b>Close Managed Growth Fund</b>	<b>0.7%</b>	<b>13.5%</b>	<b>17.5%</b>	<b>-6.0%</b>	<b>14.3%</b>	<b>10.3%</b>
IA £ Flexible Investment	0.5%	6.7%	15.7%	-6.7%	11.2%	13.8%

**SOURCE:**

FE Analytics as 03.03.2021, data as at 28.02.2021. Performance is total return, net income reinvested after fees, X Acc share class.

**IMPORTANT INFORMATION**

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