

Close Managed Funds

Monthly fund manager update

MARCH 2021



MANAGED FUNDS TEAM

MONTH IN FOCUS

It was a month where the global reflation trade dominated markets, continuing a rotation out of growth assets and longer duration holdings, including tech stocks and government bonds, into shorter duration, more cyclical securities like commodity stocks and short-dated credit. Against this backdrop, all of the Close Managed Funds produced a positive return, except Managed Balanced, which was slightly negative. Managed Income in particular had a very strong month, being well positioned in areas of the market that have been out of favour recently.

THOUGHTS FROM THE TEAM

Over the last year or more, we've highlighted the strength of returns from the growth parts of the market, such as tech and ecommerce companies, which investors have favoured. The rationale has been that with returns from government bonds so low, growth is harder to come by, and therefore some investors have considered it reasonable to pay a higher multiple than they have historically for companies who are able to deliver it. Now, with bond yields rising on expectations of higher inflation, the market is placing a higher value on cyclical recovery and/or income paying stocks (i.e. returns today not in the future).

All of this has enabled Managed Income to recover some relative performance. Across geographies, there were both 'value' and income returns. For example, in the UK and US the Schroder Income and JPM US Equity Income funds delivered +6.8% and +7.1% respectively for the month; and the globally-focused Trojan Global Income returned +6.4%. The strongest equity returns in March were actually from Japan, however, where the Coupland Cardiff Japan Income & Growth Trust made +9.3%, despite still trading at a discount to its Net Asset Value (NAV). It was also another decent month for UK smaller companies, and the Tellworth UK Smaller Companies Fund (held in Managed Growth) produced a respectable +7.4%.

Within fixed income it was another negative month for government debt and longer-dated credit – although not quite as severe as in February. Our better performing holdings were again in Managed Income where the Royal London Sterling Extra Yield Bond led the way delivering +1.0%. It specialises in high yielding and often unrated credit, sometimes asset backed, which generally fair better in a recovery phase.

In terms of our alternatives exposure, it was another mixed month for infrastructure. The LM Clearbridge Global Infrastructure Income Fund, held in Managed Income, was our best holding, adding +3.7% from a portfolio of regulated and income yielding infrastructure assets. Our commodity holdings detracted slightly from performance, retracing some of the gains from our broad index holding last month. It was also a very strong month for one of our music royalty holdings, Hipgnosis Songs, which returned +10.1% following news of further catalogue purchases, and greater market visibility on underlying performance.

ACTIVITY

During the month, we topped up our Asian exposure, adding to our 'quality growth' allocation in the form of NinetyOne Asia Pacific Franchise. Meanwhile, in Managed Income we switched our European and Asian fund exposure, adding Montanaro European Income and Matthews Asia ex-Japan Dividend; both funds give us a little more mid-and small-cap exposure in those regions. (We sold ASI Europe Equity Income and Schroder Asian Income to make room). We also added some more explicit value exposure to Managed Balanced and Managed Growth via the R&M Global Recovery fund, which we have held previously and used on a tactical basis. Finally, we trimmed our long-dated gilt exposure across the fund range.

CLOSE MANAGED FUNDS DISCRETE PERFORMANCE AS AT 31 MARCH 2021

	YTD	2020	2019	2018	2017	2016
Close Managed Income Fund	1.1%	0.3%	10.3%	-3.7%	6.4%	9.1%
IA £ 20-60% Equity	0.9%	3.5%	11.8%	-5.1%	7.2%	10.3%
Close Managed Conservative Fund	0.0%	3.5%	11.2%	-4.3%	7.0%	8.6%
IA £ 20-60% Equity	0.9%	3.5%	11.8%	-5.1%	7.2%	10.3%
Close Managed Balanced Fund	-0.1%	9.0%	15.3%	-5.1%	10.8%	10.4%
IA £ 40-85% Equity	1.6%	5.3%	15.8%	-6.1%	10.0%	12.9%
Close Managed Growth Fund	0.8%	13.5%	17.5%	-6.0%	14.3%	10.3%
IA £ Flexible Investment	2.2%	6.7%	15.7%	-6.7%	11.2%	13.8%

SOURCE:

FE Analytics as 06.04.2021, data as at 31.03.2021. Performance is total return, net income reinvested after fees, X Acc share class

IMPORTANT INFORMATION

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