

# Close Tactical Select Passive Funds

## Monthly fund manager update

MAY 2021



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### MONTH IN REVIEW

The performance of the Close Tactical Select Passive Funds were fairly unremarkable in May with Conservative returning +0.07%, Balanced -0.03% and Growth -0.23%. The Funds' relevant IA sectors echoed this: the IA 20-60% Shares added +0.27%, and the IA 40-85% Shares and IA Flexible Investment sectors fell -0.13% and -0.21% respectively.

This mixed bag was partly driven by Sterling strength wiping out most of the gains in foreign assets. This meant that while UK equities were positive in absolute terms – with smaller caps outperforming larger caps – other equities drifted into the negative territory, with European equities being the only exception. However, Sterling-denominated fixed income assets provided some upside and bolstered overall returns.

The UBS MSCI EMU GBP-Hedged ETF was the best performing equity investment in May (+3.3%) benefitting from a strong European equity rally and protection from an appreciating GBP. The worst equity ETF performer was First Trust Cloud Computing (-4.9%), which suffered due to the continued rally of value stocks versus growth.

In Sterling fixed income, corporate bonds were slightly up at +0.3%, marginally underperforming gilts. Additionally, there was no significant performance difference between short duration and longer duration bond indices. The inflation-linked bonds performed best within the asset class by quite a margin as the Lyxor FTSE Actuaries UK Inflation Linked Gilts ETF advanced +2.9%.

Physical gold outperformed broad commodities this month by a large margin with physical gold ETCs up around 5%, but the broader UBS CMCI Composite ETF still managed to add +1.2% despite Sterling strength. The iShares FTSE Global Infrastructure ETF slipped -1.5% which was less than the market.

### TRADING & GENERAL POSITIONING

We placed some significant trades in May, opting to get more direct exposure to value/quality factors to help diversify our relative overweight in technology. To achieve this we sold the SPDR S&P 500 Low Vol ETF and bought the First Trust US Equity Income ETF. As noted previously, this low volatility strategy did not behave as we anticipated.

In terms of broad asset allocation, the Funds remain overweight equities versus fixed income. Within equities, we are overweight Emerging Markets and Asia versus other developed markets.

Within fixed income, we continue to express our marginal underweight with a continued preference for corporate bonds over government bonds, and short duration over long duration. Within alternatives, we currently only hold infrastructure and commodities – and the latter is currently split 50-50 between gold and a broader composite of commodities.

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#### **IMPORTANT INFORMATION**

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