

Close Managed Funds

Monthly fund manager update

JUNE 2021



MANAGED FUNDS TEAM

MONTH IN FOCUS

June was a good month for markets, with most asset classes producing a positive return. Against this backdrop the Close Managed Funds did well and, apart from Managed Income (which was a touch behind its sector benchmark) they all outperformed their relative Investment Association (IA) sectors. The funds finished the second quarter of the year not only ahead in absolute numbers, but also ahead of their IA peer groups.

THOUGHTS FROM THE TEAM

It was a strong month for US equities, as inflation expectations became more nuanced around a perceived 'transitory' rise in prices, which led to an improving sentiment towards growth equities. Consequently, the tech focused areas of the US market outperformed the more cyclical value end. This was generally good for the Managed funds, where we maintain healthy exposure to tech allocated funds. The Baillie Gifford American delivered +16.7% for the month, reversing most of its underperformance for the year. A more modest but still impressive return was achieved by the Brown Advisory US Flexible, which has done a good job of rotating between growth and value areas of the market, and posted +5.5% for the month.

It was a good absolute and relative month for the recently added Carmignac European Leaders fund, which has a decent weighting towards technology and healthcare stocks, which returned +3.2% for the month of June. Although it was a tougher month for income funds (which tend to be more value-biased than growth) both the Schroder US Income Maximiser and the Trojan Global Income fund were able to post good returns, at +3.5% and +2.9% respectively. The Capital Emerging Market Opportunities fund also did well,

delivering +3.4% from a portfolio that includes debt as well as equities.

Moving onto fixed income, it was a positive month for most of our holdings, reflecting the fact that inflation fears are abating. The Janus Henderson Strategic Bond fund (held across the Managed range) returned +1.3% for the month. They have been relatively contrarian in their view that inflation concerns are being overplayed, so June (at least) offered some vindication for this stance, and our conviction in them.

It was a broadly negative month for our alternative assets, as most of the infrastructure holdings were down during June, as was our commodity and gold exposure. The best performer amongst our alternatives was the Roundhill Music Royalty fund, which was up +4.6% over the month.

ACTIVITY

There was not a huge amount of trading activity within the funds during the month, except to add to value with new cash injections which is consistent with what we have been doing since Q4 last year.

As things stand, we now have healthy exposure to growth, value and quality factor funds within our strategies.

We also switched from the Fidelity Global Enhanced Income fund into the Fidelity Global Dividend fund, following the news of a change of manager for the former. They both have the same underlying portfolio, but the 'enhanced' version comes with an overlay that provides additional income. However, with the management team changing on the 'enhanced' version, we have made the switch to Global Dividend, where we can continue to access the underlying manager and portfolio that attracted us to the strategy originally.

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