

Close Managed Funds

Monthly fund manager update

JULY 2021



MANAGED FUNDS TEAM

MONTH IN FOCUS

It was a month where developed markets out performed emerging markets as concerns around Chinese government clampdowns on various sectors led to a sell-off, particularly in Chinese tech-stocks. Within the Managed Balanced and Managed Growth funds we have a reasonable exposure to this area of the market, which affected performance more so than within the Managed Conservative and Managed Income funds, although these both still slightly lagged their respective peer group sectors for the month.

THOUGHTS FROM THE TEAM

The best performing equity markets in July were in the US and Europe, with the UK also posting a positive returns. In what was a volatile month generally, the main detractors were focused within Asia and emerging markets. The Chinese government's announcements which, amongst other things, dictated that education companies will have to be run as not-for-profit organisations, led to a sell-off in Chinese equities and associated markets. This was particularly acute in the tech sector - which has been a strong performer over recent years - where we have exposure across our Asia, emerging markets, and global fund allocations. That said, with Asian markets down -7.3% and emerging markets down -7.4%, our positions performed well on a relative basis, offering some capital protection on the downside. As an example, the Schroder Asia Total Return fund (held in Conservative, Balanced, and Growth) returned -3.6% against the index return of -7.3%. The fund has been nimble in taking China exposure down from around 30% last year to just 13% at the end of July; and it has been a long standing holding across the Managed fund range.

Elsewhere we had strong positive performance from the European Opportunities Trust, which has had a challenging 12 months, but which rallied hard over July, posting +8.0%, against just +1.5% from the wider European markets. A significant contributor to the performance of the concentrated portfolio was the Danish pharmaceutical company Novo Nordisk, which specialises in diabetes drug treatments.

It was also a good month for fixed income, particularly longer dated bonds, as UK gilts returned +2.9%. While we haven't been adding to fixed income during 2021, we have been careful not to trim our bond exposure where it provides portfolio protection during periods of market uncertainty. Much the same could be said for our alternative allocation, which also had a good month on the whole. Commodities and gold posted positive numbers, as did some of our other holdings in music royalties (Hipgnosis Song fund +0.3%) and absolute return (Kepler Neiderhoffer Smart Alpha +2.9%); while there were good returns from our holdings in infrastructure – GCP Infrastructure being the standout performer rising +5.3% for the month.

ACTIVITY

We made modest adjustments to the portfolio during July; participating in a couple of share placings with BBGI Infrastructure within the Conservative and Growth funds, while also adding the Hipgnosis Song fund to our Balanced mandate. Finally, we participated in the Initial Public Offering (IPO) of Seraphim Space Investment Trust within the Growth fund. The trust invests into private companies involved in the growing space sector, predominantly at the later venture funding rounds. We think it is a good way to get active exposure to a burgeoning area of the market during what could be its transformational growth stage.

IMPORTANT INFORMATION

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