

Close Tactical Select Passive Funds

Monthly fund manager update

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MONTH IN REVIEW

Higher inflation figures in September and the spectre of increasing interest rates broadly meant that both equities and fixed income assets fell together. Almost all equity markets dropped with the only surprise being Japan, which was up by +5.0%.

With higher inflation, 'Growth' companies suffered but it was a strong month for 'Value'. In spite of markets generally retreating, one of the best performing equity investments within the Close Tactical Select range was First Trust US Equity Income ETF which was up +1.1% given its more 'Value'-oriented bias. Aside from this, our Japanese tracker, the HSBC FTSE Japan Index Fund, was the best performing investment, up +5.1%.

Over the month our GBP Fixed Income investments all delivered negative returns. Corporate bonds outperformed government bonds and duration was the biggest driver of returns. Shorter duration bonds outperformed the broader long-dated ETFs by circa 2% in corporates and circa 3% in government issues. Within fixed income, inflation-linked

bonds were the worst performing with the Lyxor FTSE Actuaries UK Inflation Linked Gilts ETF down -4.3%.

Gold was considerably weaker than broad commodities this month with our physical gold ETC down -0.6%, whilst the UBS CMC Composite ETF was up an impressive +4.2%. iShares FTSE Global infrastructure ETF underperformed its benchmark slightly and was down -2.3%.

GENERAL POSITIONING

There were no major moves within the Funds this month and we have kept a steady course. In terms of broad asset allocation, the Funds are positioned with an overweight position in equities with geographic overweights in the US, EM and Asia.

Our fixed income allocation remains marginally underweight, and we still prefer corporate bonds to government debt. Additionally, we continue to prefer short duration to long duration bonds. Within alternatives, we now only invest in infrastructure and commodities; within the latter we maintain a 50:50 split between gold and broader commodity exposure.

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