

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

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MONTH IN FOCUS

Against a backdrop of falling asset prices, the Close Sustainable Balanced Fund returned -3.0% in September. The Investment Association 40%-85% Shares Sector, returned -1.4% over the same period. After a difficult month, the year-to-date (YTD) returns for the Fund now stands at +6.4%, vs +8.0% for the IA Sector.

A DIFFICULT MONTH

Investor concerns intensified in September, resulting in global equities selling off by 4.3%, with fixed income and alternatives also falling.

The equity sell-off wasn't uniform across sectors, with energy and financials performing relatively strongly on the back of surging global demand for oil and higher yields, respectively. In many ways we saw markets echoing the start of the year with concerns largely surrounding inflation heading higher, September saw value sectors outperform growth (which is less favourable for the Sustainable Balanced Fund) and resulted in the fund returning a disappointing -3.0%.

Heading into the Q4 earnings season, we remain positive on equities and expect higher quality names to deliver positive

results, acting as a catalyst as we head towards the end of the year.

STOCK OF THE MONTH - FRESHPET

- +11% in September.
- Freshpet commands approximately 75% share of the fresh pet food category in the US, which itself is only 1% of the US pet food market. This attractive combination of high share and low market penetration suggests continued strong growth is possible, with the company growing its top-line at 20%+ since 2018.
- Freshpet communicated positive developments in September, including an inflection point in labour recruitment and production growing faster than consumption allowing for re-stocking at retailers.
- Revenue growth for 2021 has been guided for c.40% and, longer term the company has guided for \$1.25bn in sales (4x FY19) at a 25% EBITDA margin by 2025, and penetration of 11m households in the US.

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