Close Tactical Select Passive Funds

Monthly fund manager update

OCTOBER 2021

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MONTH IN REVIEW

October was a positive month for the Close Tactical Select Passive Funds, with all three risk profiles either in line with or ahead of their respective Investment Association peer groups. Close Tactical Select Passive Conservative added +0.90% (versus +0.55%), Balanced advanced +0.93% (versus +0.93%) and Growth climbed +1.02% (versus +0.83%).

Most developed market equity indices posted positive returns for the month. Japan was the exception, suffering the most from sterling strength. Emerging market and Asia Pacific equities fared less well, both in local currency and sterling terms. Sterling-denominated fixed income bolstered equity returns, with positive performance.

The old-economy versus new-economy stock rotations so typical of 2021 were also apparent in October. One of the best performing equity investments was the First Trust ISE Cloud Computing ETF which advanced +5.3%; yet last month's best performer, the First Trust US Equity Income ETF, only added +0.7%. Our Japan tracker was the worst performing investment among all asset classes: the HSBC FTSE Japan Index Fund slipped -5.5%, with almost 4% of this fall attributable to a weakening Yen.

Among generally positive sterling fixed income investments, longer duration outperformed shorter duration across the board, while corporate bonds underperformed government bonds by almost 2%. Inflation-linked bonds proved to be the standout performer within the asset class overall: the Lyxor FTSE Actuaries UK Inflation Linked Gilts ETF advanced +4.9%, making up for last month's negative performance.

Physical gold ETCs again lagged broad commodities, down -0.6%, while the UBS CMCI Composite ETF was up +1.6%. The iShares FTSE Global Infrastructure ETF outperformed its benchmark and ended October up +4.1%.

GENERAL POSITIONING

We made no major moves within the fund range this month and have kept a steady course. In terms of broad asset allocation, the Funds are still overweight equities versus fixed income, with a preference for US, emerging market and Asia equities.

Within our marginally underweight fixed income allocation, we are still overweight corporate bonds relative to government bonds, and prefer short duration to long duration. Within alternatives, we now only invest in infrastructure and commodities, with the latter now split almost 50-50 between gold and other commodities.