

## Close Managed Funds

### Monthly fund manager update

DECEMBER 2021



#### MANAGED FUNDS TEAM

#### MONTH IN FOCUS

It was a mixed month for markets but all of the Managed funds produced a positive return, although only Managed Income beat its IA sector. There was a see-sawing of sentiment around the direction of bond yields and impact of inflation, as has been the case for the majority of the year, to the effect that December reflected the year as a whole.

It was Managed Income that was the standout performer from a relative perspective in 2021, with the other Managed funds producing decent, positive total returns albeit behind their peer group sector averages.

#### THOUGHTS FROM THE TEAM

At a geographic region level, December was a bit different to the rest of the year in that the UK and Europe were the top performers, although it was a late rotation from 'growth' and into 'value' that provided these results. The Schroder Income and the Liontrust Special Situations funds were the best performers delivering +5.6% and +5.4% respectively. They were also two of the UK funds that managed to beat the wider index over the calendar year with +28.3% and +20.5% vs +19.6% for the UK market. Also worth mentioning in the UK were the JPM UK Equity Plus fund, which returned +24.5% for the year, and the Tellworth UK Smaller Companies, which delivered +26.2%.

In Europe, it was a good month for the Alliance Bernstein Europe ex-UK fund, which returned +4.0%, broadly in line with the index which delivered +3.9%. In Europe, it was the BlackRock European Dynamic fund which was the standout for the year, which added +18.5% against the index return of +16.9%.

In the US, although total returns have generally been strong, it's actually been a difficult place to beat the index during 2021. Thankfully we have had passive index exposure, as is our strategy where we see market beta allocations as useful, and the Threadneedle US Disciplined Core fund returned +35.7% for the year against +27.5% for the wider US market. The same fund also returned +3.5% in December vs. just +1.8% for the index.

At this juncture, it's worth mentioning the Baillie Gifford American fund, which after delivering over +100% during 2020, has had a much tougher time over the last 12 months and was actually down -2.7% for the year, in part as a result of a very difficult December (-11.6%). We remain happy holders and view the poor recent returns as a form of mean reversion from the supra-normal returns during the height of the pandemic, where we took the opportunity to trim the fund at its peak.

There wasn't much cheer from Asia or Emerging Markets during the final month of the year and the best performer was the Schroder Asian Total Return fund, which returned +1.7% for the month vs -0.2% for the index. The fund has navigated the Chinese clampdown on the tech sector well during the year, being able to deliver +5.8% for 2021 against -2.1% for the regional index.

Within fixed income it was another month of fairly slim pickings, against a backdrop of negative returns for the asset class over the year. The Allianz Strategic Bond fund was the best performing of our funds for December, delivering +1.1%, slightly ahead of the Nomura Dynamic Bond fund, which also managed ~+1.1% for the month. For the year, however, while most of our strategic bond funds produced a positive return (and were ahead of their respective peer group) it was not a great time for bond returns. The UK broad gilt index returned -5.3% for the year and sterling credit returned -3.3%.

For our Alternative holdings it was a bit of a mixed month. Infrastructure had a strong run with HICL Plc up +5.0% and our diverse commodities tracker returned +3.0% for the month. It was a bit more muted for the absolute return funds, which generally produced a negative return, the exception being the newly-added (in November) Invenomic US Equity Long Short which returned a very strong +8.3%. Over the year our broad commodity tracker returned +36.1%, while all of our infrastructure funds produced a positive return, led by The Renewables Infrastructure Group, which delivered +11.3%. Our property exposure (held mainly in Managed Income) meanwhile generated some very strong performance numbers, with AEW REIT and LxI REIT delivering a total return of +57.8% and +27.6% for 2021 respectively.

## ACTIVITY

In December we added some Chinese Government bond exposure via the 1167 China Government Bond fund. During

2021 as a whole we have tilted the Managed funds away from a pure deflationary environment, towards one that is more diversified, with exposure to assets and funds that benefit from a degree of rising rates in developed markets.

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## IMPORTANT INFORMATION

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