

Close Managed Funds

Monthly fund manager update

JANUARY 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

It was a challenging start to the year for most risk assets and the Close Managed funds suffered accordingly, posting negative absolute returns across the range. Whilst returns on the whole were weaker, Managed Income and Managed Conservative, posted strong relative returns and were able to beat their respective sector peer group.

THOUGHTS FROM THE TEAM

The tech heavy NASDAQ index in the US fell -7.6% in sterling terms over January, having been down over 13% intra-month. Consequently our tech and consumer services exposed growth managers were the worst hit within the range, but the wider US market was still down -5.0%.

The 'value' areas of the market were the places to be and we have been steadily adding to these over recent months; however, the UK was the only major market to post positive returns in January.

In terms of absolute returns within the equity space, there was little to celebrate in a month where markets were almost exclusively negative. It was within the Managed Income fund that there was some solace to be had, namely in the form of the Schroder Income fund, which returned +4.4% against the backdrop of the wider UK market advancing +1.9%. Also held within Managed Income is the Coupland Cardiff Japan Income & Growth Trust, which added +2.3% over the month, against the wider Japanese market which declined -4.4%. The fund is positioned towards improving corporate governance and improving pay-out ratios in the land of the rising sun.

Overall, it was not a great month for active managers in the equity space, particularly in the UK. It was a better story

within fixed income, however, where active management in the credit space was a positive contributor to relative performance. The TwentyFour Monument Bond fund for example, which is allocated to residential mortgage backed securities in Europe, and has some floating rate exposure (good in an inflationary environment), returned +0.2% against the broader strategic bond sector which declined -1.6%. The recently added 1167 China Government Bond fund also did well, returning +1.7%, demonstrating the uncorrelated nature of the fund, which was exactly why we added it across the Managed fund range in December last year.

Finally, within alternatives, it was a difficult month for our infrastructure exposure, but in most of the portfolios this was offset somewhat by a strong return from our broad commodity tracker (+6.2% for the month) and the Invenomic US Equity Long Short fund, which returned a very healthy +15.2% for January, benefitting from the downside in US equity markets.

ACTIVITY

During January we topped up our gold and commodity exposure (at the expense of fixed income) on the back of rising geopolitical tensions between Ukraine and Russia as well as elevated inflationary pressures.

We also switched our exposure within Japan from the Baillie Gifford Japanese fund to the Sparx Sustainable Japan fund; which essentially dials down our 'growth' factor exposure and will hopefully benefit from a sustainable / ESG tailwind. It is a fund we have already held within Managed Growth.

Finally, we sold the heavily 'growth' exposed Carmignac European Leaders fund and added to the AB Europe ex-UK fund within Managed Balanced and Managed Growth. This will increase our European exposure to 'value' and 'quality' investment factors.

IMPORTANT INFORMATION

This document is only intended for use by UK investment professionals and should not be distributed to or relied upon by retail clients. The value of investments will go up and down and clients may get back less money than they invested. Past performance is not a reliable indicator of future returns. The information contained in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation.

Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of Close Brothers Group plc, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86. CBAM5424