Close Tactical Select Passive Funds

Monthly fund manager update

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MONTH IN REVIEW

Russia's invasion of Ukraine added more uncertainty to markets already grappling with the prospect of higher interest rates to arrest inflation. As such, equity markets globally were at times in turmoil with highly volatile trading days.

In light of this backdrop, all Close TSP funds were negative as were their respective IA peer groups (in brackets): Conservative -1.47% (-1.74%), Balanced -1.62% (-1.62%) and Growth -1.85% (-1.74%).

In these kind of scenarios, we remain calm and mitigate as much risk as possible through diversification. This worked well in February as the best performing equity holding was LGIM Cyber Security ETF which added +3.6% even though Tech in general was down. With the Russia/Ukraine conflict pushing oil prices higher and with the prevalence of oil majors within the UK main market, UK large caps were slightly positive with both iShares and Vanguard FTSE 100 ETFs up +0.25%. In comparison mid-caps like the HSBC FTSE 250 Index Fund ended down -4.37%.

The GBP fixed income investments were all negative again. Short duration bonds outperformed longer duration while corporate bonds underperformed gilts. Inflation linked bonds fell only slightly with Lyxor FTSE Actuaries UK Index Linked Gilts ETF down -0.33%. Broad gilt exposure through the Lyxor Core UK Government Bond ETF (down -1.36%) and broad corporates exposure through the HSBC Iboxx Sterling Corporate Bond Index Fund (down -2.63%) both disappointed.

It was an outstanding month for broad commodities which were already performing strongly year-to-date but were pushed higher by the ongoing conflict. The UBS CMCI Composite ETF rose +6.5% and Gold circa +6%. The iShares FTSE Global Infrastructure ETF was down -0.2%.

GENERAL POSITIONING

We have kept calm and stayed invested. With heightened uncertainty in both the equity and fixed income markets, we look to our diversifiers to cushion volatility which has worked well. We have therefore limited our trades and not changed our broad asset allocation. The funds are currently overweight in equities vs fixed income, with overweights in US, EM and Asia.

Our fixed income allocation remains marginally underweight, we still prefer corporate bonds to government bonds, and we have added to short duration bonds as mentioned in the last update. Within alternatives, we now only invest in infrastructure and commodities, with the latter now split 50-50 between gold and general commodity exposure

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