

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

MARCH 2022



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MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund returned 2.7% in March, fractionally lower than the Investment Association 40-85% sector return of 2.8%. For the year so far, the Close Sustainable Balanced Fund has delivered -2.7%, a full 1% more than the -3.7% sector return.

MONTH IN REVIEW

Equity markets rebounded in March, with possible war 'de-escalation' headlines improving sentiment along with Federal Reserve Chairman Jerome Powell's positive assessment of the US economy and its ability to withstand interest rate hikes. However, bond yields rose sharply in March with the 2 year / 10 year US yield curve inverting towards the end of the month. Typically, when the yields of 2 year treasury maturities are lower than those of 10-year debt, it is a negative signal for the economy, and has often preceded recession. The Fund's short duration of approximately three years helped to protect against fixed income losses.

US technology-focussed companies drove the Fund's equity returns with Nvidia, Microsoft and Accenture comprising three of the top four contributors to performance in March. Admiral, Hoya and Howden Joinery were the largest detractors.

LOOKING AHEAD

With a cash weighting of 15% at the end of March, we are looking for opportunities to become more constructive on the lower valuations for equities and corporate bonds. In particular, we are watching for the Federal Reserve to become less 'hawkish' with respect to interest rate increases, while also closely following the unfolding business cycle, to see whether it stabilises and turns up. Conversely, should a recession be confirmed we would reduce equities further and look to buy longer-duration Gilts in order to protect the portfolio.

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