

Close Tactical Select Passive Funds

Monthly fund manager update

MARCH 2022



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MONTH IN REVIEW

US equities led the way in March but overall it was a positive month for equities. Currency fluctuations impacted returns for investors over the month, with Japanese equities performing well in local currency terms, but only adding circa +1.4% in sterling terms. Elsewhere, sterling-denominated fixed income allocations retreated, continuing the trend for the year.

All Close Tactical Select Passive funds outperformed their respective IA peer groups in March (IA in brackets): Conservative returned +2% (+1.45%), Balanced +3.32% (+2.78%) and Growth +4.48% (+2.89%). On a year-to-date basis, although we would wish for positive absolute returns, it is nonetheless pleasing to report that the funds are all faring better than their IA peers on a relative basis: Conservative - 2.91% (-3.36%), Balanced -2.66% (-3.68%) and Growth - 2.81% (-3.62%).

Within equities, the LGIM Cyber Security ETF was up circa +8% in March, making it the best performing equity holding for the month. This was closely followed by the Lyxor Nasdaq 100 ETF (up +7.6%), as growth and tech saw a large rebound following falls earlier in the year. Elsewhere, the HSBC FTSE Pacific Index added circa +6.1% as developed markets continued to outperform emerging markets (EM).

In fixed income, short duration bonds outperformed longer duration peers, while gilts outperformed corporate bonds. Inflation linked bonds were the worst performing sterling fixed

income investment, with the Lyxor FTSE Actuaries UK Index Linked Gilts ETF down -2.6%. Our other broad exposure in the fixed income space includes the Lyxor Core UK Government Bond ETF, which slid -2.1%, and the HSBC Iboxx Sterling Corporate Bond Index fund, which was down - 0.9%.

Alternatives were generally stellar in March: the iShares FTSE Global Infrastructure ETF advanced +11.3%, while the broad commodities tracker we own – the UBS CMCI Composite ETF - was up +11.5%. Gold delivered circa +4.2% in turn.

GENERAL POSITIONING

Our main trades in March were switches into cheaper products – which we will continue to do as more become available.

Our asset allocation reflects the core views of Close Brothers Asset Management. The Funds remain overweight equities versus fixed income, with a preference for the US, EM and Asia.

Within our marginally underweight fixed income allocation, we are still overweight corporate bonds relative 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 broad commodities.

IMPORTANT INFORMATION

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