

Close Tactical Select Passive Funds

Monthly fund manager update

APRIL 2022



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MONTH IN REVIEW

April saw a continuation of the trend we have seen over the year-to-date (YTD), with markets expecting more central bank hikes. As such, equities took a further leg down, with US equities the worst performing region, falling circa -9.0% in local currency terms - albeit a stronger USD cushioned the blow for unhedged overseas investors. Japanese equities fell in tandem with the rest of Asia in local currency terms, but as the Yen broadly depreciated, GBP returns were worse still. Broad-based GBP fixed income markets also declined further, with both gilts and corporates down circa -3% in April and 10% YTD. Commodities and diversifiers generally remained strong, and our allocation to these assets helped the Funds to continue to perform well on a relative basis against peers YTD.

Within equities, our FTSE 100 ETFs were the only positive contributors in April, with the Vanguard FTSE 100 UCITS ETF and iShares Core FTSE 100 UCITS ETF up +0.72% and +0.68% respectively in April. In the US our value-oriented strategy was the best performing holding, with the First Trust US Equity Income UCITS ETF down only -0.89% against the wider US equity market which slid circa -5% (both in GBP terms). Tech and Growth continue to suffer in 2022, with the Lyxor Nasdaq 100 UCITS ETF, SPDR Communication Services UCITS ETF, and the VanEck Videogaming and eSports UCITS ETF all notable detractors, each falling close to -9% in GBP terms.

Whilst the backdrop for fixed income markets remains challenging, we have further lowered our duration within our government bond allocation, especially within the Conservative and Balanced funds, which aided relative

performance in April. In a rising interest rate environment short duration bonds have unsurprisingly outperformed longer dated bonds. Our inflation linked bond positions were the worst performing holdings within GBP fixed income, with Lyxor FTSE Actuaries UK Index Linked Gilts UCITS ETF down -6.17%, while the broad conventional gilt exposure also declined with the Lyxor Core UK Government Bond UCITS ETF down -2.71%. Our broad corporate bond exposure performed only marginally better, as the HSBC Iboxx Sterling Corporate bond index fund was down -2.1%.

On a brighter note, April was another strong month for diversifiers, as the iShares FTSE Global Infrastructure UCITS ETF was positive at +0.09%, while our broad commodities tracker, the UBS CMCI Composite UCITS ETF, was up +6.12%. Gold also delivered positive returns in April due to the prevailing macroeconomic uncertainties, advancing circa +2.5%.

GENERAL POSITIONING

As the Federal Reserve and other major central banks are hiking interest rates, we have moved further into shorter duration bond ETFs in the Conservative and Balanced funds. Our fixed income allocation remains marginally underweight versus equities. And we are still overweight corporate bonds relative to government bonds.

The Funds continue to maintain an overweight in equities vs fixed income on a high level overview, expressed predominantly through our exposure to the US, emerging markets and Asia. Within alternatives, we currently only invest in infrastructure and commodities, with the commodity exposure split 50-50 between gold and broad commodities.

IMPORTANT INFORMATION

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