

Close Tactical Select Passive Funds

Monthly fund manager update

MAY 2022



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MONTH IN REVIEW

May was a relatively quiet month compared to the rest of the year thus far. Most equities were slightly negative in GBP terms although UK large caps continued their strong performance. Worst hit were technology stocks again with the Nasdaq 100 underperforming the S&P 500 by a sizeable margin. GBP fixed income continued its slide downward. Both gilts and corporates sold off, but the latter fared slightly better. May was another good month for diversifiers with strong performances from both commodities and infrastructure.

The Close Tactical Select Funds are benefitting from being diversified and on a year-to-date basis are outperforming their respective Investment Association peer groups (peers in brackets): Conservative -5.1% (-5.6%, IA 20-60% Shares), Balanced -5.1% (-6.6%, IA 40-85% Shares) and Growth -5.8% (-6.4%, IA Flexible Investment).

Our FTSE 100 ETFs outperformed their FTSE 250 counterparts, as the former ended the month up and the latter finished down. Although UK large caps were strong, they were not the best performers in the range with a large disparity between the best and worst equity strategies. The best performer was again the First Trust US Equity Income ETF (up +2.83%) while the Lyxor Nasdaq 100 ETF was the worst (down -4.94%). Whilst this crudely appeared to report that 'value' outperformed 'growth', our second best holding was the VanEck Videogaming and eSports ETF, which managed to return +2.54% in GBP terms (despite being the worst performer last month). Our worst performer in May was the L&G Cyber Security ETF, down -8.31%.

Whilst sterling-denominated fixed income continued its trend, we saw a greater divergence between corporate and government bonds. This month corporate bonds outperformed governments bonds by circa 1.5%, albeit both ended in negative territory. However, our shorter duration bond allocation, in both corporate and government paper, ended May marginally positively. The inflation linked bonds were the worst performing GBP fixed income investment with the Lyxor FTSE Actuaries UK Index Linked Gilts ETF shedding -7.92%. The broader Lyxor Core UK Government Bond ETF slipped -3.11% and HSBC Iboxx Sterling Corporate Bond Index Fund fell -1.19%.

Diversifiers behaved as expected with the iShares FTSE Global Infrastructure ETF slightly negative at -0.38%, and the broad commodities UBS CMCI Composite ETF up +1.05%. Our physical gold ETCs were down circa -3.80%.

GENERAL POSITIONING

Over the month, we kept our asset allocation consistent with the core Close Brothers Asset Management views. We have moved more into shorter duration government bond ETFs and are looking to do so in corporate bonds within Conservative and Balanced funds. The Funds are currently overweight in equities versus fixed income, with a preference for the US, EM and Asia.

Within our underweight fixed income allocation versus equities, we are still overweight corporate bonds relative to government bonds. Within alternatives, we now only invest in infrastructure and commodities, with the latter currently split 50-50 between gold and broad commodities.

IMPORTANT INFORMATION

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