

Close Managed Funds

Monthly fund manager update

MAY 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

With many equity and bond markets falling over the reporting period, it was hard to produce positive returns. Whilst all four of the funds in the Close Managed Funds range delivered negative absolute returns in May, all bar the Growth fund outperformed their Investment Association peer groups on a relative basis.

THOUGHTS FROM THE TEAM

As has been a bit of a theme for 2022, the best performing equity region was the UK, which delivered +1.3% over the month. It was a difficult market to outperform, however, without having significant exposure to a very narrow range of large-cap energy and mining stocks. Consequently, of our UK managers it was only the Schroder Income fund, which returned +3.7% over the month, that was able to outperform the market.

The US equity market suffered another negative month, particularly within the tech and consumer services sectors, with the NASDAQ down -4% and the wider market down -0.6%. We did see some good positive returns from the Brown Advisory US Flexible fund, which is a core holding across Conservative, Balanced, and Growth and returned +1.5% for the month. Additionally the First Trust US Equity Income fund produced a +2.8% monthly total return within Income.

Elsewhere, the funds benefitted from some strong performance from the Alliance Bernstein Europe ex-UK fund, which has a quality and value focus and returned +2.4%, against the market's more modest +0.3%.

We also saw some strong returns from the Sparx Japan Sustainable Equity fund, up +3.3% versus the broader

Japanese market's +1.3%. Within Managed Income the Coupland Cardiff Japan Income & Growth Trust delivered +4.0% for the month.

In the fixed income space it was another negative month across most areas of the market, with inflation worries and uncertainty surrounding the extent of central bank tightening causing bonds to sell off, particularly within longer duration securities. It was only our short dated tracker and the Royal London Short Duration Global High Yield fund, which generated a positive return for the month (+0.2% and +0.1% respectively).

It was a more mixed picture within our alternatives exposure, where the funds once again benefited from some decent positive performance. In infrastructure, both BBGI and the Clearbridge Global Infrastructure Income did well with returns of +1.9% and +1.8% respectively. It was also another very strong month for the Invenomic US Equity Long/Short fund, which returned +5.4% and is up +34.8% since the beginning of the year.

ACTIVITY

We implemented a number of changes during May. Within Balanced and Growth we added the Premier Miton US Opportunities fund, which has a mid and small cap exposure, as well as having more of a value conscious philosophy. We also adjusted our UK exposure towards more of a value focus, now making us overweight this factor.

Schroder Income was added to the Conservative and Balanced funds, while we added the Schroder Recovery fund to our Growth mandate. This was funded at the expense of Threadneedle UK Equity Alpha Income, and in the case of the Conservative fund, the sale of Baillie Gifford UK Alpha.

IMPORTANT INFORMATION

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