

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

MAY 2022



GILES PARKINSON
Managing Director

MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund returned -1.4% in May, underperforming the Investment Association (IA) 40-85% Sector return of -0.9%. For the year-to-date, the Fund has returned -5.7%, which compares favourably with the -6.5% returned by the IA peer group.

MONTH IN REVIEW

Bond markets fell notably in May, as markets continued to price for higher interest rates. Our positioning in cash and other short-dated UK government bond (gilt) securities proved beneficial on a relative basis, further assisted by the Fund's low exposure to corporate bonds, as credit spreads continued to widen. After declining in April, stock markets were little changed in May. Electronic Arts (EA) was the largest positive contributor to performance, with well-received earnings results / guidance, followed by reports that EA was exploring a sale or merger. UBS and Anglo American comprised the next two top contributors, while Microsoft, Freshpet and Residential Secure Income were the largest detractors from performance.

LOOKING AHEAD

With substantial holdings in cash and short-dated gilts 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 US Federal Reserve to become less 'hawkish' with respect to interest rate increases, while we are also following the unfolding business cycle to see whether the current downturn 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. The near-term path is set: will inflation roll over sufficiently to provide central banks with room to manoeuvre, or will the recessionary consequences of their interest rate increases arrive first?

IMPORTANT INFORMATION

This document is only intended for use by UK investment professionals and should not be distributed to or relied upon by retail clients. The value of investments will go up and down and clients may get back less money than they invested. Past performance is not a reliable indicator of future returns. The information contained in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation.

Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of Close Brothers Group plc, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86. CBAM6121