Close Tactical Select Passive Funds

Monthly fund manager update

JUNE 2022

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MONTH IN REVIEW

Most asset classes were once again closely correlated in June, with most of them posting negative returns. Unsurprisingly in these difficult markets, all Close Tactical Select Passive Funds fell. The returns for the month were as follows (with the respective Investment Association peer group returns in brackets): Conservative -4.5% (-4.1%), Balanced -5.2% (-4.5%) and Growth -5.8% (-4.2%).

Market moves were quite uniform across the board, with US financials underperforming the benchmark the most, and tech too – albeit not by a big margin. In fact, the Lyxor Nasdaq 100 ETF (-4.85%) underperformed the Vanguard S&P 500 ETF (-4.60%) by only 0.25%. Sterling fixed income has not been providing the protection one would expect in falling equity markets, and both UK government gilts and sterling corporate bonds were down again in June. However, unlike in May, in June gilts outperformed corporates. What really hurt multi-asset portfolios this month was the fact that diversifiers, along with broad commodities, fell roughly the same amount as equities. Gold was the only outlier providing that much-needed volatility damper for the month.

Our FTSE 100 ETFs continued to outperform their FTSE 250 counterparts, even in a down market; latter tumbling almost -10%. Thus FTSE 250 ETFs were the worst performing holdings in the Funds overall. The best equity holding in June was the Amundi MSCI Emerging Market ETF, which only shed -2.62%.

As noted, gilts outperformed corporate bonds in June by a similar amount to that which corporates outperformed gilts in May. Both ended in negative territory. Continuing a trend, our shorter duration bond allocation in both corporate and government debt continues to outperform broader fixed income ETFs. The inflation linked bonds were the worst performing sterling fixed income investment, with the Lyxor FTSE Actuaries UK Index Linked Gilts ETF down -4.67%. Meanwhile, the broader Lyxor Core UK Government Bond ETF shed -1.83% and the HSBC Iboxx Sterling Corporate Bond index fund slipped -4.07%.

Diversifiers stopped diversifying in June. The iShares FTSE Global Infrastructure ETF slipped -2.38%, while the broad commodities tracker UBS CMCI Composite ETF retreated -4.56%. As noted, our physical gold ETCs bucked the trend and advanced circa +1.8%.

GENERAL POSITIONING

In June, we kept our asset allocation consistent with Close Brothers Asset Management's core views. We moved further into shorter duration government bond ETFs and are looking to do so in corporate debt too in the Conservative and Balanced funds, while cutting our losses in our sterling inflation linked holding. The Funds are currently overweight equities versus fixed income, with a preference for the US, emerging markets and Asia.

Within fixed income, we remain overweight corporate bonds relative to government bonds. Within alternatives, we now only invest in infrastructure and commodities, with the latter now split 50-50 between gold and broad commodities.

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