

Close Managed Funds

Monthly fund manager update

JUNE 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

June was a tumultuous month for markets on continued inflation and recession fears. In spite of this, and against such an uncertain backdrop, we are pleased to report that all of the Close Managed Funds outperformed their Investment Association sector peer groups, with the exception of Managed Growth.

THOUGHTS FROM THE TEAM

It was a difficult month for risk assets, and most equity markets sold off aggressively in the face of multi-decade long high inflation prints. The US market was down -5% over the month, but at one point was down nearly -9%. Against this volatile backdrop only a couple of our US equity income funds (both held in the Managed Income fund) were able to 'beat the market', including the JPM US Equity Income fund which was down 'only' -3.4%.

Unfortunately matters were not any brighter in the UK (which at a market level has had a good year) as the index fell -5.2%. Only the Threadneedle UK Equity Alpha Income fund outperformed, with a return of -3.7%.

With Europe and Japan also producing negative returns, it fell to Asia and segments of emerging markets to deliver any positive performance for the month. Thankfully, although the market index was down, we did see some positive performance from the Ninety One Asia Pacific Franchise fund, which produced +1.2% (relative to the index's -2.3%).

This was in part due to the strong returns from China during the month, as the country began to reopen once again following further Covid lockdown periods and the market judged that the worst of government regulatory surprises are now in the past. The Allianz China A Shares fund returned a very welcome +11.2% for the month of June.

As would be expected during a month where inflation fears were foremost in the mind of the market, fixed income had a negative month, with shorter duration funds holding up better.

It was also a poor month for our infrastructure holdings, with the exception of The Renewables Infrastructure Group (TRIG) which returned +1.5%. Elsewhere within alternatives, it proved to be a positive month for gold, at the expense of broader commodities, but we did see some strong returns from some of our hedge fund strategies. Most notable amongst these was the Neiderhoffer Smart Alpha fund, which aims to be uncorrelated to equities and bonds via various short terms trading ideas. The fund was up +6.4% for the month.

ACTIVITY

During the month we made a few small additions across the range, mainly to the UK equity position and our fixed income allocation. We also trimmed our exposure to the broad commodity tracker we own, as the holding has done very well year-to-date. Finally we topped up the US weighting within both the Balanced and Growth funds towards the end of the month.

IMPORTANT INFORMATION

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