

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

JUNE 2022



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MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund returned -4.0% in June, which compared favourably with the Investment Association (IA) 40-85% Sector return of -4.5%. So far in 2022, the Fund has returned -9.5%, which is 1.3% higher than the -10.8% delivered by the IA Sector.

MONTH IN REVIEW

Bonds fell in June as markets continued to price for higher interest rates. UK gilts fell -2.1% and UK corporates dropped -3.2%. Our positioning in cash and other short-dated gilt securities protected on a relative basis, further assisted by low exposure to corporate bonds, as credit spreads continued to widen. Stock markets resumed their slide, with global equities falling -4.6%. The Fund's more cyclical holdings suffered most over the month, with Applied Materials, Partners Group and Anglo American comprising the three largest detractors. Bristol-Myers Squibb, Zoetis and Cerner were the most significant contributors to performance in the equity space, with the latter being acquired by Oracle early in June.

LOOKING AHEAD

With substantial holdings in cash and short-term 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 Federal Reserve to become less 'hawkish' with respect to interest rate increases, and 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

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