

Close Tactical Select Passive Funds

Monthly fund manager update

JULY 2022



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MONTH IN REVIEW

In July all Close Tactical Select Passive (TSP) funds delivered absolute and relative gains in strong markets (respective IA sector in brackets): TSP Conservative added +2.84% (+2.59%), Balanced +4.06% (+3.5%) and Growth +4.36% (+3.22%). On a year-to-date (YTD) basis, all are ahead of benchmark.

July's strength was peculiar in that everything that had not worked so far this year started to outperform. For example, until July the HSBC FTSE 250 Index fund down was down -12.4%, underperforming the iShares FTSE 100 ETF by over 15%; yet in July alone it outperformed by over 5%. Additionally, the Lyxor Nasdaq 100 (+10.5%) and Invesco S&P Technology Sector ETFs (+11.6%) rebounded and outperformed the Vanguard S&P 500 ETF in July, after the tech sector had suffered for most of the year. Sterling fixed income was also positive after six consecutive negative months. The main detractors in the Funds were broad commodities and gold, which have provided good uplift until July.

Sterling fixed income finally had a positive month with corporate bonds slightly outperforming gilts and longer duration outperforming shorter duration in both. This also meant that inflation linked bonds were the best performing sterling fixed income investment with the Lyxor FTSE

Actuaries UK Index Linked Gilts ETF up +5.1%. Meanwhile, the Lyxor Core UK Government Bond ETF advanced +2.5% and the HSBC Iboxx Sterling Corporate Bond Index fund added +2.99%.

Diversifiers were mostly negative in July apart from the iShares FTSE Global Infrastructure ETF which climbed +6.2%. The broad commodities tracker UBS CMCI Composite ETF slid -0.6% alongside the physical gold ETCs which were down circa -2.4%.

GENERAL POSITIONING

Over the month, we allowed new inflows to increase our cash positions in TSP Conservative and Balanced while we assess opportunities. We have also reduced duration in corporate bond ETFs in Conservative and Balanced: we sold some broad corporate bond exposure and bought the LGIM UK ESG 0-5 Year ETF - the cheapest among peers with an ESG overlay which we hope may subtly further diversify risk.

Our equity allocation is broadly neutral while our fixed income remains marginally underweight versus strategic norms. We are still overweight corporate bonds relative to government bonds, and we are looking to add more to short duration bonds. Within alternatives, we now only invest in infrastructure and commodities, with the latter now split 50-50 between gold and broad commodities.

IMPORTANT INFORMATION

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