

Close Managed Funds

Monthly fund manager update

JULY 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

In absolute terms, it was a positive month for performance across the Managed Funds range, as markets began to anticipate an end to central bank rate hikes. However, with the exception of Managed Growth, our strategies slightly underperformed their sector peers, partly on timing (IA peer group in brackets): Income added +1.46% (+2.59%), Conservative +1.96% (+2.59%), Balanced +2.66% (+3.5%) and Growth +3.25% (+4.36%).

THOUGHTS FROM THE TEAM

The best performing funds were those with tech or healthcare exposure as these sectors rallied strongly. Scottish Mortgage Investment Trust returned +20.5% in July, having been a poor performer for most of the year. Likewise, the European Opportunities Trust, which has some consumer growth names in its top ten holdings, advanced +13.8% at a share price level (and 9% underlying net asset value per share), meaning that the two best equity holdings were investment trusts. (In fact it was a good month overall for investment trust holdings).

Elsewhere in the US the Baillie Gifford American and the Nasdaq tracker both delivered +10.5% for the month, while another Baillie Gifford fund, UK Alpha, rose +13.1% from a portfolio of UK growth stocks. This re-rating or rally in growth stocks (depending on how you look at it) is directly related to a sense in some areas of the markets that the worst of interest rate rises may be behind us. It also justifies, to a degree, our approach of gently topping up some of these funds over the past couple of months.

Within fixed interest it was the strongest month for some time as yields came back. All of our bond funds produced a positive return, with the exception of the TwentyFour Monument Bond Fund, which invests in mortgage-backed securities with a degree of floating rate exposure and hence should do better in an inflationary environment. The BlackRock Sustainable Strategic Bond and Henderson Strategic Bond Funds (both held across the Managed Fund range) were the best performers with a total return of +5.6% and +4.4% respectively in July.

Within alternatives it was good month for infrastructure, particularly the 'bond proxy' holdings, where BBGI Infrastructure was the top performer with a return of +12.7%. It was a weaker period for our commodity and hedge fund exposure; however it's worth noting the very strong returns in July from the small holding we have in the Seraphim Space Investment Trust within Managed Growth. It delivered a share price return of +52.8% following positive news within the wider space sector, as well as some announcements regarding a number of its underlying holdings. Despite being a tough year for the trust, it remains the only fund allocating to the growing space sector.

ACTIVITY

Over the course of the month we added a very small amount to our long standing holding in HICL Infrastructure via a stock placement (across the range). We also topped up our exposure to corporate bonds and the US within Managed Balanced and Managed Growth.

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. CBAM5424