

# Close Sustainable Balanced Portfolio Fund

## Monthly fund manager update

AUGUST 2022



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### MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund returned -1.4% in August, below the Investment Association 40-85% Shares Sector return of -0.1%. So far in 2022, the Fund has returned -7.1%, which is 0.7% higher than the -7.8% returned by the same peer group.

### MONTH IN REVIEW

Fixed income yields reversed course in August, with the ICE Bank of America Sterling Broad Market Index of UK fixed income declining by -7.5%. Global equity markets fell, too, by -3.6% in US dollar terms, but the pound also depreciated sharply (by -5.1% vs the dollar) so this was converted into a +1.6% gain in Sterling terms. Our bias towards cash and cash-like short-duration bonds within fixed income helped cushion against the rise in yields. Overall, the positions in RELX, Hoya and Greencoat UK Wind were the main contributors to performance over the month, while GSK, Howden and Zoetis were the biggest detractors.

### 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 likely reduce equities further and look to buy longer-duration gilts in order to protect portfolios. 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?

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### IMPORTANT INFORMATION

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