

Close Managed Funds

Monthly fund manager update

SEPTEMBER 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

September was a month where supposedly lower-risk assets like gilts and investment grade credit underperformed equities on the downside, leading to the unusual situation where the more 'risk-exposed' Managed Funds, like Managed Growth and Managed Balanced, outperformed Managed Conservative and Managed Income. Indeed, although a negative absolute month, Managed Balanced was able to outperform its peer benchmark for the month and quarter.

Returns in September were as follows (with respective Investment Association sector peer groups in brackets: Managed Conservative -4.92% (-4.91), Income -5.84% (-4.91%), Balanced -4.59% (-5.17%) and Growth -4.55% (-4.58%).

THOUGHTS FROM THE TEAM

We are perhaps now seeing signs that the Federal Reserve's (Fed) policy of aggressively hiking interest rates in the US is beginning to cause stress around the world. In the UK we have possibly seen the first example of this, with the market not liking the substance or manner of the new Chancellor's 'mini budget' (or Special Budgetary Operation if you like), which in turn led to a near systemic crisis within some UK pension funds. That the Bank of England was able to step in to provide liquidity is a positive, but it highlights the dangers that rising interest rates pose to potential weak points in the global financial system, as currencies and bond yields act to reveal fractures.

For our part within the Managed Funds, we aim to be diversified, not just by asset class, but also by geographic region and base currency exposure. Consequently, even in the most precipitous of market events, when 'everything' sells off, we can find something within our strategies that was in positive territory. For example, in September when even gilts fell -8.4%, we had positive monthly returns from gold (+1.5% for our two holdings), and BBGI Infrastructure, which was up 0.3%. These holdings are held across the Managed range; but there was also a positive return from two of our absolute return funds, which are held in Managed Conservative, Managed Balanced, and Managed Growth. The Neuberger Berman Uncorrelated Strategies Fund was up +2.8% for the month. It is diversified across different hedging strategies. Meanwhile the Kepler Neiderhoffer Smart Alpha Fund added +3.1% up to end of September. It aims to be negatively correlated to both equities and bonds through short-term trading strategies, and therefore found itself in precisely the environment to outperform, as indeed it has for the year so far, being up 15% year-to-date. Ultimately months like the one we have just had highlight the relevance of multi-asset investing in protecting against market falls.

ACTIVITY

We added to fixed income as the yield available rose further - principally via credit but also via some funds that have a higher duration. In the very short-term this has not been positive for performance, but it is illustrative of how we typically try to add to areas of the portfolio that have been weaker, so long as we have conviction in the underlying fund managers and the longer-term outlook for the asset class.

IMPORTANT INFORMATION

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