

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

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MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund returned -3.3% in September, 1.9% ahead the Investment Association 40-85% Sector return of -5.2%. So far in 2022, the Close Sustainable Balanced Fund has returned -10.2%, which is 2.3% higher than the -12.5% average return delivered by the Investment Association 40-85% Sector peer group.

MONTH IN REVIEW

Asset prices made fresh lows in September as the summer bear market rally unwound further. The ICE Bank of America Sterling Broad Market Index of UK fixed income slumped by -15.3%, whilst global equity markets declined -9.3% in US dollar terms. The US currency continued to strengthen however, resulting in a -4.8% decline for equities in sterling terms. Our strong bias towards cash and cash-like short-duration bonds within the fund's fixed income allocation helped cushion against the rise in yields. This, coupled with the underweight position in equities, help protect against the full force of broader market declines. The top three contributors to performance over the month were Bristol-Myers Squibb, the WisdomTree Physical Silver ETC, and the WisdomTree Platinum ETC, while the biggest detractors were Partners Group, Accenture and Microsoft.

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 help 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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