

Close Managed Funds

Monthly fund manager update

OCTOBER 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

October proved to be a better month for asset prices as equity and bond prices recovered somewhat from a period of volatility. Unfortunately timing of the month end pricing point for our funds versus the Investment Association (IA) sectors meant the Managed funds ended up underperforming their peer groups, despite having some more encouraging returns from many areas of our portfolios.

Returns in October were as follows (with respective Investment Association sector peer groups in brackets: Managed Conservative 0.0% (vs 0.6%), Managed Income - 0.0% (vs 0.6%), Managed Balanced -0.6% (vs 0.6%), Managed Growth -1.4% (vs 0.1%).

THOUGHTS FROM THE TEAM

Equity markets were mixed with developed markets outperforming Asia and emerging markets. There was some strong performers within our US exposure, where the Premier Miton US Opportunities fund and the Columbia Threadneedle US Disciplined Core fund returned 5.5% and 5.0% respectively, against 4.7% for the index. Within the Managed Income fund the First Trust US Equity Income ETF provided a 5.2% return. In the UK the Threadneedle UK Equity Alpha Income fund had a strong month delivering a 6.3% return, while the Schroder Income fund gained 6.0%, whereas the UK market posted a more modest 2.8%. Other notable equity returns were had from the European Opportunities Trust, which delivered 5.8% over the month.

Meanwhile, it was a more challenging time for our China and emerging market focused funds ahead of the Chinese

confirmation of President Xi for a third term. Amid emerging disquiet that the zero Covid policy would not be dropped soon, Chinese assets struggled.

It was another mixed month from fixed income, where once again, our shorter duration funds and holdings did better than anything that is more interest rate sensitive. The BlackRock Sustainable Strategic Bond fund was best relative performer, delivering 5.8% for the month. Elsewhere, positive returns were harder to come by. In the alternatives space, our infrastructure allocation proved beneficial, with The Renewable Infrastructure Group leading the way, up 2.5% for the month. In addition, the long/short equity alternatives strategy delivered through the Invenomic US Equity Long/Short fund, which managed a positive return of 4.7%.

ACTIVITY

Throughout the course of the month we continued our approach of adding to fixed income across the portfolios. At the moment this is principally in strategic bond or credit funds. We added the Schroder Strategic Credit fund (which we've held in Managed Income and Managed Conservative for many years) into Managed Balanced; replacing the Baillie Gifford Strategic Bond fund. Within equities, we trimmed some of the better performing funds within the US and UK from both the Managed Income and Managed Conservative funds - where the overall equity weight had increased due to better relative performance to other asset classes. As a result, we maintain a longer term 'neutral' asset allocation, preferring to be broadly diversified rather than heavily favouring any one investment style or region at present.

IMPORTANT INFORMATION

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