

Close Tactical Select Passive Funds

Monthly fund manager update

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MONTH IN REVIEW

November was a positive month for markets in general, with equity indices rallying and fixed income assets moving in the same direction. We saw particularly strong rallies from areas which have suffered the most this year, with emerging markets and Asia Pacific indices both up over +10% in GBP terms. Sterling assets also provided some uncorrelated returns by strengthening against the dollar, but weakening versus the yen. The alternatives we own were all in positive territory this month, with gold leading the way.

The Close Tactical Select Funds' performance was therefore as follows (with respective IA peer groups in brackets): Conservative +3% (+3.4%), Balanced +3.5% (+3.7%) and Growth +3.5% (+3.5%).

Mid- and large-cap UK equities performed broadly the same, both returning c. +7%. US equities were more disappointing; despite the broad market being strong in local currency terms, GBP strength meant that our US equities were only slightly up over the month. Both US tech and the Nasdaq were down in November. European equities delivered strong performance and were not affected by currency moves to the same extent as the dollar, with the Xtracker Euro Stoxx 50 ETF up c. +10.2%. As noted, Asia Pacific and emerging market equities enjoyed their best month of 2022, with the best performing holding across the range being the HSBC Pacific Index fund, which was up +11.2%, followed by the Amundi MSCI EM ETF, which was up +10.3%.

Within the GBP fixed income allocation, November followed the trend set in October, with longer duration leading the way in both gilts and corporate bonds. In both cases the

outperformance versus shorter duration was more than 2%. This meant that the Lyxor Government Gilt ETF was up +2.9%, while the shorter duration broad gilt Lyxor Core UK Government Bond 0-5 ETF was up just +0.7%. The broad corporate bond exposure obtained via the HSBC Iboxx Sterling Corporate bond index fund returned +3.8% for the month.

Alternatives (or Diversifiers) also served us well, with physical gold ETCs leading the way in this asset class, up almost +3%. Broad commodities were a bit disappointing, down -0.9%. However, our particular holding in this space notably outperformed the broad commodity index, with the UBS CMCI ETF advancing +0.8%.

GENERAL POSITIONING

Over the month, we decreased our cash balance as this position had increased due to fund inflows. As such, we have taken a barbell approach to risk, by rotating out of the SPDR S&P500 Communication Services Sector ETF (this sector includes companies such as Meta, Alphabet, Netflix and Disney) and adding to the SPDR S&P500 Healthcare Sector ETF across the board. Within fixed income, we reduced duration by adding the JPM GBP Ultra-short Income ETF to balance the higher duration from broad and index-linked gilts.

From an asset class perspective, our fixed income allocation remains marginally underweight versus equities. We remain overweight corporate bonds relative to government bonds, and maintain a shorter than average duration. Within diversifiers we have added slightly to gold, bringing the split between broad commodities and gold back to 50-50.

IMPORTANT INFORMATION

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