

Close Managed Funds

Monthly fund manager update

DECEMBER 2022



MANAGED FUNDS TEAM

MONTH IN FOCUS

December proved to be a negative month to end the year, as equity markets sold off and the oft-hoped-for 'Santa rally' never materialised. All of the Close Managed funds fell and, with the exception of Managed Income, slightly underperformed their respective IA peer groups (in brackets): Managed Conservative fell -1.15% (-0.94%), Managed Income fell -0.8% (-0.94%), Managed Balanced declined -1.54% (-1.42%) and Managed Growth pulled back -1.66% (-1.1%).

While both Managed Balanced and Managed Growth underperformed their respective sector peer groups in 2022, Managed Income and Managed Conservative outperformed theirs in what was a particularly challenging twelve months for investors. Returns for 2022 were therefore: Managed Conservative -8.17% (-9.47%), Managed Income -7.47% (-9.47%), Managed Balanced -11.64% (-10.04%) and Managed Growth -14.66% (-8.98%).

THOUGHTS FROM THE TEAM

If there was a bright spot in equities during December, it was perhaps within smaller companies. The funds we hold that have sizable exposure to small caps generally ended up in positive territory, which was certainly more than could be said for the wider markets. UK smaller companies were particularly noteworthy. The Tellworth UK Smaller Companies fund, for example, returned +1.5% for the month, despite being a more 'growth' orientated fund; while the Premier Miton MultiCap Income fund and the Chelverton UK Equity Income fund, delivered +1.2% and +1.0% respectively, and sit more at the 'value' end of the spectrum. We think it is important to have exposure to smaller companies within a

diversified portfolio, and feel this is an area where active management has particularly advantages, as the opportunity for fund managers to identify mispriced companies is greater further down the market capitalisation scale.

There were also better returns to be had in Asia, partly following the move by China to begin opening up its society from pandemic restrictions. The best performing funds were the Matthews Asia ex-Japan Dividend and the NinetyOne Asia Pacific Franchise funds, both of which delivered +1.7% for the month.

It was not a particularly good month for fixed income and positive returns were hard to come by. There was a modest positive return from the Royal London Short Duration Global High Yield fund, and the TwentyFour Monument Bond fund, which returned +0.2% and +0.9% respectively; both funds having a low sensitivity to rising interest rates.

In terms of our alternatives exposure, the picture was mixed, but generally positive and adding to overall returns. Gold did well over the month, with our two holdings up on average approximately +2.5%, and some of our infrastructure exposure did well, the highlight being GCP Infrastructure, which delivered +4.1% for December.

ACTIVITY

We didn't make any fundamental changes during December. Instead we began to trim the NB Uncorrelated Strategies fund after a decent year, but which now sees some changing EU laws negatively affect its charging structure from January 2023. In addition we topped up shorter duration credit within Managed Balanced on inflows into the strategy.

IMPORTANT INFORMATION

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