

Close Managed Funds

Monthly fund manager update

JANUARY 2023



MANAGED FUNDS TEAM

MONTH IN FOCUS

The year got off to a positive start for markets and the Managed Funds did well, with all funds in positive territory, and all except Managed Income outperforming their Investment Association (IA) peer group (in brackets): Managed Conservative added +3.1% (+3.1%), Managed Income +2.7% (+3.1%), Managed Balanced +4.2% (+3.4%) and Managed Growth +5.0% (+3.4%).

THOUGHTS FROM THE TEAM

After last year's negative sentiment, the strong rally in many markets seemed to wrong-foot quite a few market participants, and there remains much uncertainty as to how long equity and bond markets can continue going up while the end point and timing for central bank interest rates remains so unclear.

While all major markets did well in January it was Europe and Asian markets that led the way from an index perspective. In terms of our managers, we had a good spread of outperformance across different regions. It was only in Japan and Europe where the weighted average of our manager selection did not add value.

Indeed it was possible for both 'value' and 'growth' managers to outperform significantly. For example, the 'value-orientated' Schroder Income fund delivered +6.9% for the month, comfortably beating the UK market return of +4.1%, while the 'growth-focused' Baillie Gifford American fund posted an impressive +12.5% for the month against +4.6% for the broader US index. In Japan, where within Managed Conservative, Balanced, and Growth our manager selection fell short of the +4.3% achieved by the index, the Managed

Income fund's exposure to the Coupland Cardiff Japan Income & Growth Trust delivered a healthy +6.7%. Within fixed income we also got some good returns for the month. Generally longer duration bonds did better as yields came down across developed markets, with investors trading on the potential for interest rate cuts later in the year. That said, there was opportunity for credit as well as duration to re-rate. Our best performing names within the Managed strategies were the Nomura Global Dynamic Bond fund and the BlackRock Sustainable Strategic Bond fund, which returned +5.0% and +4.5% respectively.

The picture was more mixed within our alternatives allocation. The main stories were the healthy month delivered by our gold exposure (up over +3.5%) and the +8.7% return from the Invenomic US Equity Long-Short fund. Infrastructure saw a mostly positive month, with only BBGI and GCP Infrastructure in negative territory. At each end of the risk range, AEW REIT within Managed Income returned +6.6%, while Chrysalis Investment Trust within Managed Growth delivered +12.7%.

ACTIVITY

During the month we completed the sale of the Neuberger Berman Uncorrelated Strategies fund, from our alternatives allocation in Managed Conservative, Balanced, and Growth. The reason was a change to the way the fund applies fees, making it more expensive for us to access. Meanwhile we used the proceeds and new money to top up fixed income, reflecting a gradual increase in our allocation to bonds over the last 6 months. Finally, we made a small trim to our allocation to the European Opportunities Trust, a long-term holding. It is quite exposed to growth companies and is very concentrated and we are beginning to reposition our European equity allocation.

IMPORTANT INFORMATION

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