

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

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MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund delivered positive returns in January, advancing +2.4%, but lagged the Investment Association 40-85% Sector which rose +3.4%.

MONTH IN REVIEW

Equities resumed their rally in January, rising +5.6% in US dollar terms (constrained to a +3.3% gain for the sterling-based investor as the pound strengthened). The valuation impact of falling yields - sterling bonds rose +3.0% - outweighed the decline in corporate earnings as economic growth continues to slow. The fund's asset allocation was a negative contributor to performance over the month as we entered the year still underweight duration within our fixed income allocation and bonds rallied. We exited the month neutral duration, closing out a position that was profitable last year. From a stock selection perspective, the top three contributors to performance over the month were 3i Group, Nvidia and Applied Materials, while the most significant detractors were AstraZeneca, Pepsi and Coca-Cola.

LOOKING AHEAD

With rising conviction that yields have peaked, we have bought some gold – which doesn't carry any earnings risk – and invested some cash in long-term Treasury bonds, which will benefit from interest rate cuts in a recession, as a way to

help protect portfolios. We are looking for final confirmation that the US is entering recession before moving to outright long duration. We have begun to add selectively to new cyclical equities as and when profit warnings are issued on the basis that those companies who have been first to see their earnings decline will likely be the first to see them recover.

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