

Close Managed Funds

Monthly fund manager update

FEBRUARY 2023



MANAGED FUNDS TEAM

MONTH IN FOCUS

It was a month where both equity and bond markets retreated from their early-year exuberance, as a more measured assessment around the health of the global economy took hold. Conversely it was a sense that growth might be a little stronger and therefore interest rates may not be cut anytime soon that cooled market sentiment.

Against this backdrop the Close Managed Funds delivered a small negative return, although all were ahead of their Investment Association (IA) peer group (in brackets): Managed Conservative shed -0.2% (-0.8%), Managed Income -0.3% (-0.8%), Managed Balanced -0.3% (-0.3%) and Managed Growth -0.1% (-0.7%).

THOUGHTS FROM THE TEAM

At a more granular level it was only really the UK equity market that delivered decent returns, with the main index reaching an all-time high. The picture was more nuanced from an underlying fund perspective as we got good positive returns from managers in the UK, the US, and Europe. Leading the way were two funds we hold in our European allocation: the Alliance Bernstein Europe ex-UK fund and the BlackRock European Dynamic fund, which delivered +4.5% and +4.3% respectively.

In the UK we had a good number of managers who posted positive monthly returns that were ahead of the index, but it was the JPM UK Equity Plus fund that led the way with +2.7%.

US equity returns were strongest from the Nasdaq where our index exposure delivered +2.1%, but we also got a similar return from the Premier Miton US Opportunities fund, which also has some smaller company exposure.

Positive returns were hard to come by within fixed interest. In fact the best performer was the TwentyFour Monument Bond fund (1.0% for the month), which aims to generate a return from residential mortgage backed securities, which performs better in a rising rate environment.

The alternative component of the Managed Funds was also largely negative. Notable exceptions were the KLS Neiderhoffer Smart Alpha, which did its job of being uncorrelated to equities and bonds, by delivering +2.7%; and we also got some decent performance from one of our music royalty holdings in the form of Hipgnosis Song fund, which returned +3.6% for the month.

ACTIVITY

During the month we continued to trim our position in the European Opportunities Trust as the market presented chances to exit. We also continued to add to fixed income across the Managed Fund range, while modestly topping up a small number of equity positions within Managed Growth on inflows into the fund and market weakness.

IMPORTANT INFORMATION

This document is only intended for use by UK investment professionals and should not be distributed to or relied upon by retail clients. The value of investments will go up and down and clients may get back less money than they invested. Past performance is not a reliable indicator of future returns. The information contained in this document is believed to be correct but cannot be guaranteed. Opinions constitute our judgment as at the date shown and are subject to change without notice. This document is not intended as an offer or solicitation to buy or sell securities, nor does it constitute a personal recommendation.

Close Brothers Asset Management is a trading name of Close Asset Management Limited (Registered number: 01644127) and Close Asset Management (UK) Limited (Registered number: 02998803). Both companies are part of Close Brothers Group plc, are registered in England and Wales and are authorised and regulated by the Financial Conduct Authority. Registered office: 10 Crown Place, London EC2A 4FT. VAT registration number: 245 5013 86. CBAM10045 9.3.2023