Close Tactical Select Passive Funds

Monthly fund manager update

JANUARY 2023

WEIXU YAN
Investment Director

MONTH IN REVIEW

2023 started with a strong rebound in most equity markets accompanied by positive gains from fixed income assets. Much of these gains came from stocks that were hurt badly last year including growthy-tech companies and long duration assets.

As such, all the Close Tactical Select funds delivered positive returns in January, with all but TSP Growth slightly behind their Investment Association (IA) peer groups (in brackets): Conservative added +2.9% (+3.1%), Balanced +3.3% (+3.4%) and Growth +3.8% (+3.4%).

The best-performing investment throughout the fund range was the VanEck Videogaming and eSports ETF. After sliding -27.2% last year, it advanced +12.5% in January. Following this tech trend, the Lyxor Nasdaq 100 and Invesco US Tech Sector ETFs were up by +8.3% and +7.4% respectively, outperforming the broad US market. On the other hand, as might be expected, the SPDR S&P 500 Healthcare Select ETF was our worst performer within the funds, slipping -4.7%. Regionally, Europe and emerging markets (EM) were the best, both returning over +6.0% in January. EMs were positive mostly on China re-opening.

Fixed income assets were all positive in the month with little dispersion in returns within credit between short and broad duration. That said, gilts displayed slightly higher dispersion between different durations with the Lyxor Government Gilt ETF up +2.6%, while the shorter duration broad gilt Lyxor Core UK Government Bond 0-5 ETF was up +1.0%. The broad corporates HSBC Iboxx Sterling Corporate Bond index fund was up +3.2% for the month, while our 0-5 ETFs returned around +2.0%.

Our physical gold ETC holdings continued leading the way in diversifiers and were up on average +3.8%. This meant gold outperformed the broad commodities basket by a large margin, which was down -2.1%. Meanwhile, our main exposure to broad commodities, the UBS CMCI ETF, was up +0.5%.

GENERAL POSITIONING

We've had some very good inflows into the Balanced and Growth funds, which we have put into work promptly. As markets have been stronger, we are looking to keep cash relatively low. This is also due to the higher yield we can get from fixed income as credit investments now deliver a meaningful yield once again.

From the broad asset class perspective, our fixed income allocation remains marginally underweight versus equities. We are still overweight corporate bonds relative to government bonds, and duration is now much more bar-belled. Within diversifiers, the split between broad commodities and gold has been maintained at 50-50.

CBAM10076 27.03.23