For professional adviser use only.
Not for distribution to retail clients.

Close Tactical Select Passive Funds

Monthly fund manager update

MARCH 2023

WEIXU YAN
Investment Director

MONTH IN REVIEW

March was a tough month with all the strategies posting negative returns. This is hardly surprising with Silicon Valley Bank filing for bankruptcy and UBS forced to acquire Credit Suisse. Such an event raised fears of further contagion and sent the markets into distress mode. Amid the turmoil the dispersion was high with financials tanking while tech sectors rallied.

Considering we are broadly diversified the impact on the funds was relatively muted compared to the Investment Association (IA) peer groups, and we remain ahead on a year-to-date basis. In March, returns were as follows compared to IA peer groups (in brackets): Conservative added +2.1% (+1.6%), Balanced +2.5% (+2.2%) and Growth +3.3% (+1.6%).

As tech sectors and *growth-style* investments continued their rebound, our best-performing investment throughout the Close Tactical Select Passive (TSP) range was the VanEck VideoGaming and eSports ETF followed by the Invesco US Tech Sector ETF which were both up by c.+7.2%. Meanwhile, our barbell investments in US Financials (cyclical) and Healthcare (more defensive) did not do so well falling -12.0% and -0.5% respectively. Our European investments were largely positive as they excluded holdings in Swiss markets. Asia including Japan and emerging markets (EM) were all positive with the Amundi MSCI EM ETF up +1.3%.

Our fixed income funds were all positive and it was the long duration bonds that helped us this month. Our inflation-linked fund was the best performing fixed income investment, advancing +6.4%. Thus duration played a big role in March, mainly within gilts, less so within corporates: the Lyxor Government Gilt ETF was up +2.9% while the shorter duration ETF Lyxor Core UK Government Bond 0-5 ETF added +0.8%. Our GBP corporate funds were up c. +1.0% while the shorter duration around +0.4%.

The physical gold ETCs really stood out as they tend to in uncertain times; they were up +6.0% and outperformed broader commodities. Our investment exposure to broad commodities - the UBS CMCI ETF - keeps on falling and was down -2.3% in March, but still outperformed the broad commodities proxy.

GENERAL POSITIONING

The consistent inflows to the fund range have been a big help in managing our asset allocation and minimising our trading. We've kept a slightly higher cash position given markets have been volatile and central banks have been tough in their stance. We will keep our barbell approach and use the inflows selectively to strike the right balance.

From a broad asset class perspective, our fixed income allocation remains marginally underweight versus equities, but as the yields become more and more attractive, we are looking to move to neutral in fixed income. Within fixed income we are still overweight corporate bonds relative to government bonds, and duration is now much more barbelled between the short and long ends of the curve. There have been no changes within the diversifiers/alternative asset allocation.

CBAM10076 04.04.2023