

Close Sustainable Balanced Portfolio Fund

Monthly fund manager update

MARCH 2023



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Managing Director

MONTHLY PERFORMANCE

The Close Sustainable Balanced Fund delivered negative returns in March (-0.4%), but outperformed the Investment Association 40-85% Sector (-0.9%)

MONTH IN REVIEW

March saw weaker economic data which we believe continues to point towards a recession. This caused Sterling bonds to rally +2.5% whilst equities enjoyed the alleviation of upward interest rate pressure, rising 1.5% in US dollar terms (converted to a -0.8% decline for the sterling-based investor as the pound strengthened). We believe the next stage will show that a recession is in evidence, which will cause bonds to rally further, but equities may stumble. Against this backdrop, we added to US Treasuries which also increased the Fund's duration. We also continued to reduce the weighting in more cyclical equities, and started new positions in more defensive medical device businesses Alcon and Becton Dickinson.

LOOKING AHEAD

We maintain our slight underweight position in equities with a bias towards defensives over cyclicals. With rising conviction that yields have peaked we have swapped some equities for gold – which doesn't have earnings risk – and invested our cash in long-term

Treasury bonds, which will benefit from interest rate cuts in a recession. Both measures should help protect portfolios. We continue to look for final confirmation that the US is entering recession before moving longer duration within our fixed income allocation. We are also looking to buy cyclical equities on profit warnings and add to corporate bonds into any selloff.

IMPORTANT INFORMATION

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