INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT

Quarter 1 2024

Q1 2024 emerged from the rain clouds to end on a bright note and an early Easter. While economics and liquidity conditions are not universally rosy, the main US equity market, the S&P 500, ended March with strong performance and made new all-time highs, as investors remained optimistic about potential rate cuts later in the year. Gains have also broadened across sectors like materials and financials. Energy, too, has performed well, and oil prices have gained against the backdrop of persistent geopolitical tensions and a resilient global economy. Commodities were generally higher across all the major subsectors. In addition to oil, base metal prices were mostly higher due to the expectation of higher Chinese demand. There are early signs that China's economy is bottoming out. The data released so far this year is consistent with a GDP growth reading of around 7%.

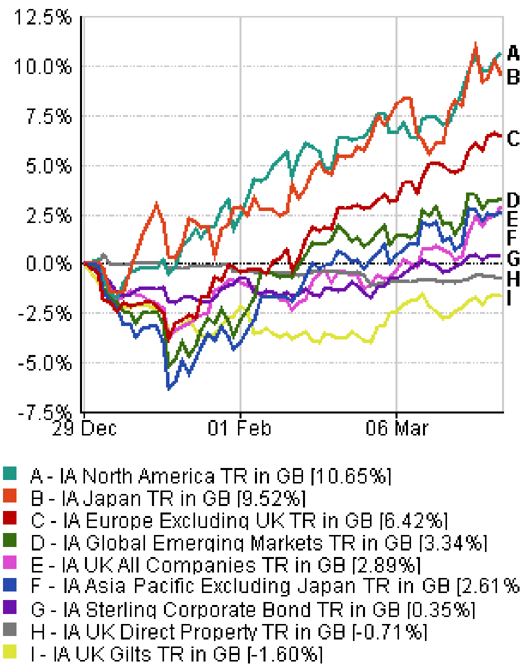
The Fed left interest rates unchanged at its March meeting despite the US annual inflation rate rising to 3.2% in February, which was higher than expected. It looks like rate cuts will likely start later in the year. If, however, the tight labour market results in disinflation stalling, we may be kept waiting longer. The UK, too, remained on hold, but the Bank of England gave the strongest hints yet that rates are set to come down, but not imminently, as the CPI index fell to 3.4% in February, the lowest rate of price increases since September 2021. The European Central Bank also expressed confidence that inflation will continue to moderate, and cuts are also expected in the summer. However, Switzerland surprised the markets by cutting their rate by 0.25%.

Meanwhile, the Bank of Japan ended its negative interest rate policy, increasing rates for the first time since 2007, which was not at all surprising. Our Japanese equity exposure has continued to perform very well, being one of the top-performing markets year to date, driven by a virtuous circle of increasing wages, increased consumer spending, and moderately higher inflation underpinning growth.

MARKETS HAVE A SPRING IN THEIR STEP

CUTS ARE COMING

INFLATION NOT DEAD THOUGH



Figures shown are for a sterling denominated investor, for the 3 month period to 31/03/2024. Source: Financial Express Analytics

Fixed-income markets have experienced record-high issuance levels, with investment-grade corporate bonds attracting significant investor interest due to compelling yields. With fewer rate cuts expected than compared with the start of the year and the realisation that we aren't going back to 2% inflation overnight, government bond yields could remain elevated, and asset prices are still adjusting for this, particularly in property, which struggled in Q1. Consolidation of listed property companies in the UK is still a theme, and we are also heartened by Segro, a leading owner, asset manager and developer of modern warehousing and industrial property, raising £900m, which the market took positively and hoovered up (including TR Property held in our Blenheim Property fund). Segro is also working to eliminate carbon emissions from the development of every new building and from the operations of existing buildings, while any residual carbon is offset or absorbed meaningfully and effectively.

The FT reported in March that England had experienced the wettest 18 months since records began in 1836. Climate change isn't coming; it's here, so we ask all our active managers how they consider non-financial risks in their investment thesis. Investment must ramp up. Some estimates suggest achieving net zero by 2050; public and private investment in climate mitigation would need to increase from $0.9 trillion in 2020 to $5 trillion annually by 2030. According to the Renewables 2023 report by the International Energy Agency, China saw the most significant growth in renewable energy capacity as the country commissioned as much solar PV in 2023 as the entire world did in 2022.

Geopolitical worries continue to bubble beneath the surface, so we expect some lumps in the road (physically, if you have crumbling roads around you as we do and financially, as markets don't go up in a straight line) as the year progresses. However, the balance of risks points to a continuation of the rally we have seen so far.

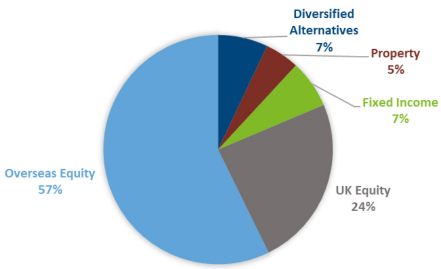
BAM Portfolio Models' Investment Performance

	31/03/2019 to 31/03/2020	31/03/2020 to 31/03/2021	31/03/2021 to 31/03/2022	31/03/2022 to 31/03/2023	31/03/2023 to 31/03/2024
Defensive Mixed Assets	-1.19	+12.50	+5.08	-6.28	+5.4
UK Consumer Price Index + 2%	+3.54	+2.75	+9.18	+12.28	+4.52
Defensive Balanced Mixed Assets	-5.38	+18.04	+5.06	-6.34	+7.25
Social Impact Portfolio	+0.01	+17.82	+4.42	-3.01	+4.56
ARC Sterling Balanced Asset PCI	-5.44	+17.86	+3.46	-4.52	+7.31
Balanced Mixed Assets	-8.48	+28.71	+5.42	-5.39	+9.90
ARC Sterling Steady Growth PCI	-7.71	+23.53	+4.64	-4.52	+9.29
Focused Growth Mixed Assets	-9.08	+38.67	+5.49	-4.99	+11.62
ARC Sterling Equity Risk PCI	-9.65	+30.35	+4.84	-4.61	+11.06
Global Horizon Portfolio	-5.51	+47.96	-0.81	-9.03	+8.47
IA Global TR	-6.04	+40.59	+8.39	-2.65	+16.74

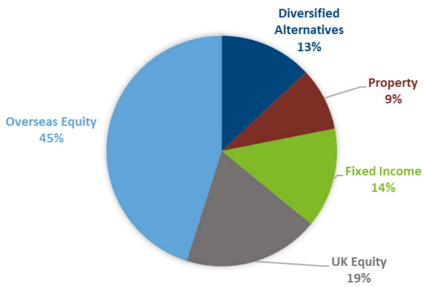
Notes: BAM MPS performance figures take into account the ongoing charges of the underlying holdings but exclude adviser charges and platform fees. Inclusion of these will result in a lower return to the end investor, depending on the client agreement and the platform used.
ARC PCI: Asset Risk Consultants (ARC) operate the Private Client Indices (PCI) across the risk spectrum as performance measurement and yard-sticks for discretionary portfolio managers. This data includes platform fees and may be estimated and subject to revision.
The Defensive Mixed Assets model aims to outperform the stated benchmark over 36-month rolling periods. *DMA and CPI+2% data is 12 months to the last available inflation print.

Target Model Portfolio Structures

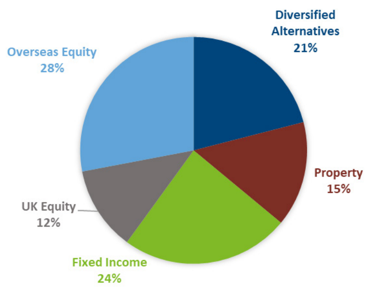
Focused Growth Mixed Assets



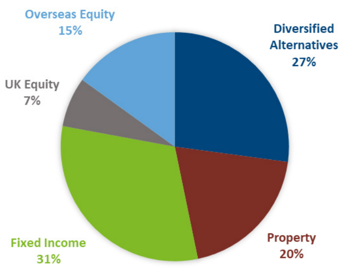
Balanced Mixed Assets



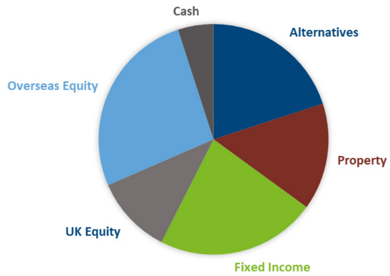
Defensive Balanced Mixed Assets



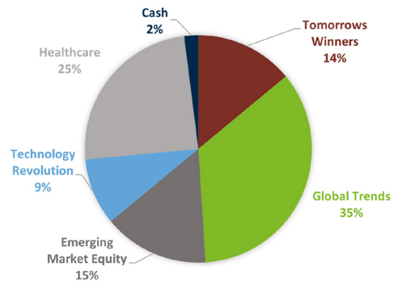
Defensive Mixed Assets



Social Impact



Global Horizon



AS IS THE VERY NATURE OF INVESTING, THERE ARE INHERENT RISKS AND THE VALUE OF YOUR INVESTMENT WILL BOTH RISE AND FALL OVER TIME. PLEASE DO NOT ASSUME THAT PAST PERFORMANCE WILL REPEAT ITSELF AND YOU MUST BE COMFORTABLE IN THE KNOWLEDGE THAT YOU MAY RECEIVE LESS THAN YOU ORIGINALLY INVESTED. CHANGES IN RATES OF EXCHANGE MAY HAVE AN ADVERSE EFFECT ON THE VALUE, PRICE OR INCOME OF AN INVESTMENT. THE OPINIONS STATED ARE THOSE OF BECKETT ASSET MANAGEMENT LTD, WHICH IS AUTHORISED AND REGULATED BY THE FINANCIAL CONDUCT AUTHORITY.

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