INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 4 2020

We are all happy to see the back of 2020 when the pandemic broke the longest bull-market run in history, yet also gave rise to one of the fastest rebounds in history meaning that, in investment terms at least, 2020 wasn't actually all that bad. Most portfolio gains for the calendar year were made in the last few weeks of the year, post the Pfizer vaccine announcement on 9th Nov 2020, yet our home market still finished the year firmly in the red. The coming year promises to see further UK public M&A (merger and acquisition); price volatility and potential synergies are creating opportunities for corporate acquirers with strong balance sheets and for private equity buyers with dry powder. Like every single one of the last four years, 2021 begins with an intense amount of discussion on the UK's relationship with the EU, but at least now we have a deal. It's not all done and dusted though, with more agreements to be made with Europe and with the rest of the world.

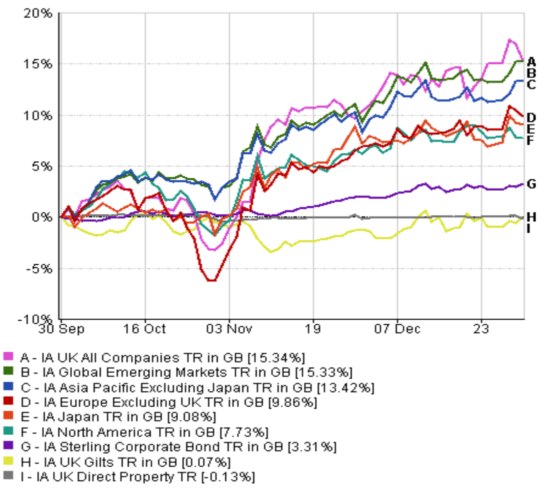
We see several paths to a continued market recovery. We now have multiple Covid vaccines, a resolution of the US election despite the shocking images from Capitol Hill, strong corporate earnings and a robust Chinese rebound. China again appears to be firing on all cylinders which, in turn, supports the rest of Asia and has boosted commodity prices. A strong Chinese rebound, along with a weak US dollar thanks to easy US monetary and fiscal policy, is a good mix for many emerging markets, and assets have generally performed well- and the BAM models have been beneficiaries of this.

BREXIT DONE BUT NOT DUSTED

CONTINUED MARKET RECOVERY?

RISK ASSETS STRONG BUT WE LISTEN FOR A COUGH

GREEN REVOLUTION



Figures shown are for a sterling denominated investor, for the 3 month period to 31/12/2020.
Source: Financial Express Analytics

In China, property sales and infrastructure investment have beaten expectations. Industrial activity is strong and the consumer recovery is picking up with retail sales back to a pre-Covid pace of growth. The recent postponement of the Ant Financial IPO and tighter regulation on fintech (financial technology) sends a strong signal that financial stability remains the top priority for the Chinese Government.

One could argue that valuations and sentiment both remain quite high, but the prospects of a near term correction look limited, as business cycle indicators look positive for risk assets. While interest rates remain on the floor as Central Banks around the globe remain committed to providing support and fixed income valuations still look high, all else being equal, it justifies paying a higher price for equity. We are cognisant, though, that economic growth could disappoint causing markets to cough and splutter, and the portfolio positioning reflects this. Known factors that could contribute to this include the virus mutating or vaccination rates disappointing, and global trade tensions could flare up again under the new US presidency.

One area of the investment spectrum which did very well in 2020 was cryptocurrencies, like Bitcoin, as they multiplied several fold. We are wary as there are many questions over whether governments, which hold a monopoly over the issuance of fiat currency, will continue to tolerate them and the amount of energy needed to "mine" them and the contribution to global warming. 2020 was in a statistical dead heat with 2016 as the world's warmest year according to the Copernicus Climate Change Service. Scientists say that unprecedented levels of heat in the Arctic and Siberia were key factors in driving up the overall temperature. The UK hosts the UN Climate Change Conference in November, which is likely to have more impact on the public consciousness than ever before. We see more and more electric cars on the roads and consumer preferences are shifting towards prioritising environmental, social and governance (ESG) concerns. This trend is not going away and we are asking more questions of all our fund managers, not just those in our Social Impact Portfolio, about how they include non-financial factors into their process. Sooner or later, every portfolio will be a shade of green.

BAM Portfolio Models' Investment Performance

	31/12/2015-31/12/2016	31/12/2016-31/12/2017	31/12/2017-31/12/2018	31/12/2018-31/12/2019	31/12/2019-31/12/2020
Defensive Mixed Assets*	+4.68%	+5.01%	+0.01%	+4.13%	+6.11%
UK CONSUMER PRICE INDEX + 2%*	+3.13%	+5.22%	+4.34%	+3.43%	+2.38%
Defensive Balanced Mixed Assets	+5.62%	+6.24%	-5.85%	+14.30%	+3.11%
Social Impact Portfolio	+7.12%	+11.61%	-4.81%	+17.49%	+6.86%
ARC Sterling Balanced Asset PCI	+8.64%	+6.84%	-5.10%	+11.33%	+4.84%
Balanced Mixed Assets	+11.18%	+9.75%	-7.44%	+14.24%	+7.69%
ARC Sterling Steady Growth PCI	+11.57%	+9.86%	-5.64%	+14.44%	+4.85%
Focused Growth Mixed Assets	+12.43%	+18.64%	-8.63%	+17.54%	+12.16%
ARC Sterling Equity Risk PCI	+13.73%	+12.20%	-6.50%	+17.27%	+5.21%

Notes: BAM figures take into account normal dealing costs but not Beckett fees. Source: BAM portfolio performance figures: Beckett Asset Management. Indices: FE Analytics - Total Return

ARC PCI: Asset Risk Consultants (ARC) operate the Private Client Indices (PCI) across the risk spectrum as performance measurement yard-sticks for discretionary portfolio managers.

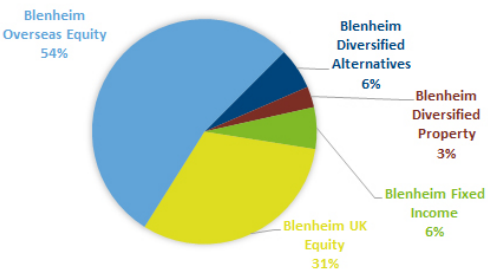
Please note that the Defensive Mixed Assets model aims to outperform the stated benchmark over 36 month rolling periods. *DMA and CPI+2 data 12 months to the last available inflation print.

OVERSEAS EQUITY RETURNS FOR A STERLING DENOMINATED INVESTOR

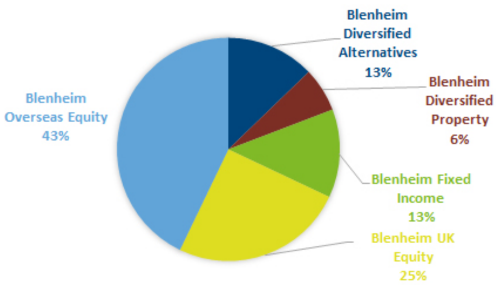
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures

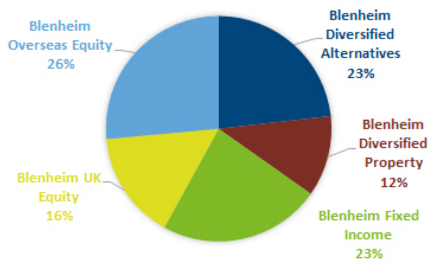
Focused Growth Mixed Assets



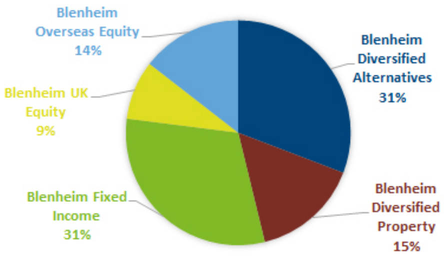
Balanced Mixed Assets



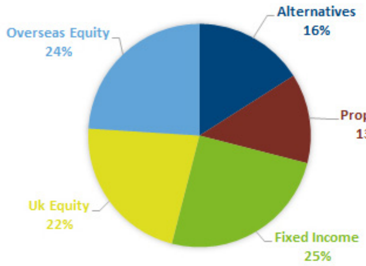
Defensive Balanced Mixed Assets



Defensive Mixed Assets



Social Impact



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.

BECKETT ASSET MANAGEMENT LIMITED
DETTINGEN HOUSE, DETTINGEN WAY, BURY ST EDMUNDS, SUFFOLK, IP33 3TU
T: 01284 754500 E: INFO@BECKETTINVEST.COM WWW.BECKETTINVEST.COM