INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 2 2021

Global equity markets gained for the fifth consecutive quarter, bouyed by the successful roll-out of COVID-19 vaccination programs in Europe and North America, continued recovery in economic indicators, robust corporate earnings and ongoing fiscal and monetary support.

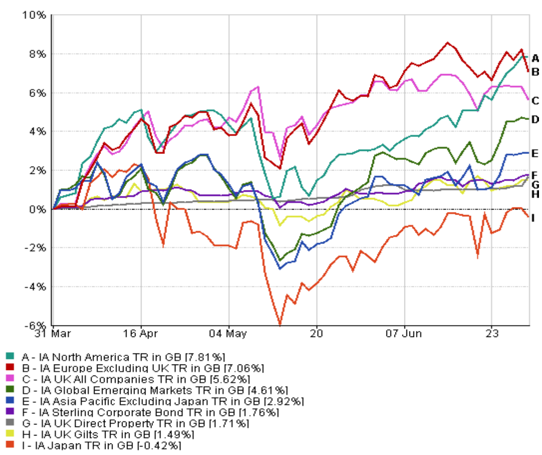
After rising sharply at the end of Q1, global sovereign bond yield curves have flattened (meaning that the gap between yields on the longest and shortest-dated bonds has narrowed) while bond yields have fallen substantially, which directly implies a belief in lower inflation. However, bigger rises than expected in commodity and component costs mean that UK CPI inflation could rise from 2.1% in May to a peak of about 4.0% around the turn of the year according to Capital Economics. But we still think this will be a short, sharp spike in inflation that won't feed into persistently faster pay growth or higher inflation expectations for a couple of years yet and the central banks will still hold off increasing interest rates for the time being.

We have talked previously about property as an inflation hedge and were disappointed to receive the news that the currently suspended Aegon Property fund is to close on the 9th August. Aegon will make an initial, pro-rata payment to investors on or around 12th August, representing at least 40% of the fund's value as at the date of closure. They have an orderly sales programme scheduled for the remaining assets. Following the initial payment, they aim to make further payments on at least a quarterly basis if enough properties have been sold. They expect to complete the sales within a maximum of two years. We have been in contact with all our property managers and do not expect any contagion risk from this closure. Many funds we own are in inflow; for example, the residential property holding we have in the Blenheim Property fund. Launching our own property fund to hold in portfolios brings increased diversification benefits and we have been very pleased with the risk and reward so far. We will be increasing our property exposure at the expense of trimming some equity risk.

INFLATION RISK REMAINS AS ECONOMIC RESTART BROADENS

BANKING SOME GAINS

SUSTAINABILTY RATINGS TO EVOLVE



Figures shown are for a sterling denominated investor, for the 3 month period to 30/06/2021. Source: Financial Express Analytics

This decision is as much motivated by where we are today as where we have come from. We added to our equity weightings in order to benefit from the exceptional opportunity we saw in risk assets, post the 'corona crash' and resulting Government and Central Bank intervention. In the period since mid-April 2020, global equities, as measured by their relevant IA sector, have returned over 43%. The powerful economic restart is broadening and along with global central banks resolve to maintain easy financial conditions, it keeps us moderately pro-risk but it is prudent to 'bank' some of the returns we have achieved. Slowing growth momentum may prove a headwind for global equities in the near-term given that markets have typically tracked sideways for several months following a peak in the global manufacturing PMI.

Geopolitical risks have faded as a market driver given the intense focus on the economic restart and inflation dynamics but it's worth keeping an eye on geopolitical risks, as any flare-ups could catch markets off guard. Cyber security is another risk markets may under appreciate. Attacks on critical infrastructure are increasing in scope, scale and sophistication, and the U.S. is facing an epidemic of "ransom ware." Repeated attacks could cause significant damage and sustained disruption, spilling over to financial markets and the real economy. Climate change is a risk we all face and we recently reviewed how sustainable our models were, aside from the specific Ethical mandate, as we increasingly seek a holistic understanding of the implications of our capital allocation decisions to drive better financial and non-financial outcomes. Morningstar (a data provider) applies a Sustainability Rating to any fund for which there's sufficient underlying holdings data. It is a measure of how well the companies held by a fund are managing their ESG (Environmental Social and Governance) risks and opportunities when compared with similar funds. All funds with at least 50% of their assets in firms that have been assigned company-level ESG ratings by Sustainalaytics will receive a rating. At present, a number of our holdings are not covered by these ratings but even our least covered model, Defensive Mixed Assets, has over a third invested in highly sustainable investments and we expect the coverage to evolve and improve over time.

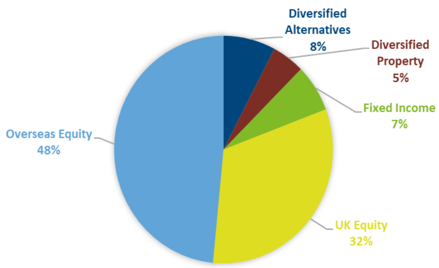
BAM Portfolio Models' Investment Performance

	30/06/2016-30/06/2017	30/06/2017-30/06/2018	30/06/2018-30/06/2019	30/06/2019-30/06/2020	30/06/2020-30/06/2021
Defensive Mixed Assets*	+7.81%	+2.25%	+0.48%	+1.30%	+8.80%
UK CONSUMER PRICE INDEX + 2%*	+4.73%	+4.29%	+4.02%	+2.57%	+4.17%
Defensive Balanced Mixed Assets	+8.17%	+2.61%	+2.84%	+0.69%	+12.20%
Social Impact Portfolio	+15.52%	+6.12%	+5.34%	+3.64%	+12.47%
ARC Sterling Balanced Asset PCI	+10.57%	+2.98%	+2.27%	-0.24%	+11.51%
Balanced Mixed Assets	+14.13%	+3.84%	+1.68%	-0.18%	+20.35%
ARC Sterling Steady Growth PCI	+14.40%	+4.92%	+3.08%	-1.29%	+15.37%
Focused Growth Mixed Assets	+21.99%	+11.21%	+0.38%	+1.43%	+26.57%
ARC Sterling Equity Risk PCI	+17.05%	+6.36%	+3.50%	-2.21%	+20.24%

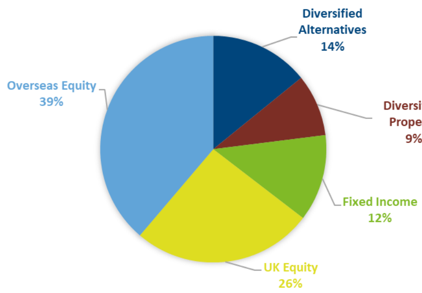
Notes: BAM figures take into account normal dealing costs but not Beckett fees. Source: BAM portfolio performance figures: Beckett Asset Management. Indices: FE Analytics - Total Return
ARC PCI: Asset Risk Consultants (ARC) operate the Private Client Indices (PCI) across the risk spectrum as performance 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

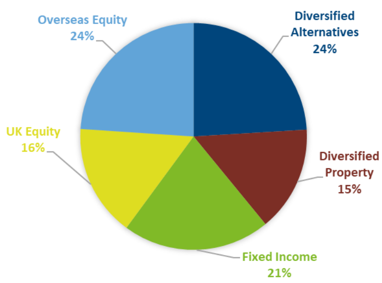
Focused Growth Mixed Assets



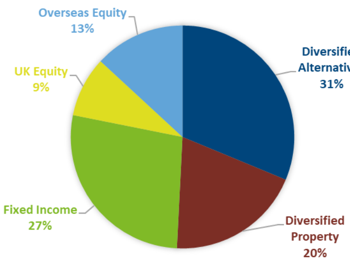
Balanced Mixed Assets



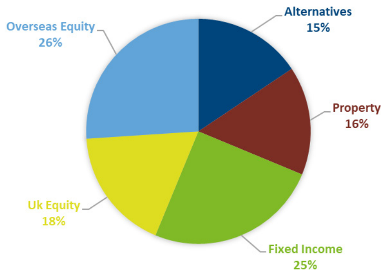
Defensive Balanced Mixed Assets



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.

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