INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 2 2022

As the half-time whistle blows on 2022, few asset classes have made money. The churn in equities and Fixed Income in the quarter has been severe.

The S&P 500 entered a technical bear market on the 13th June. A bear market is usually defined as a drop of 20% or more in a market index. Does that mean all the bad news is priced in? The answer is no one knows for sure. Market participants seem to think a recession is now a high probability, so maybe. This is because the stock market is not the economy and, if a downturn does materialise, it's likely share prices have gone down (and may be on the way back up again) before economists declare a recession. Current pricing says all US Federal Reserve rate hikes will be done by February or even year end. Here in the UK we see a continuation of positive trends - returning dividends, share buybacks and merger and acquisition activity - yet share prices continue to fall. Factor in Sterling depreciation against the US dollar and UK businesses are now very attractive to overseas buyers, despite us having the lowest growth in the G7.

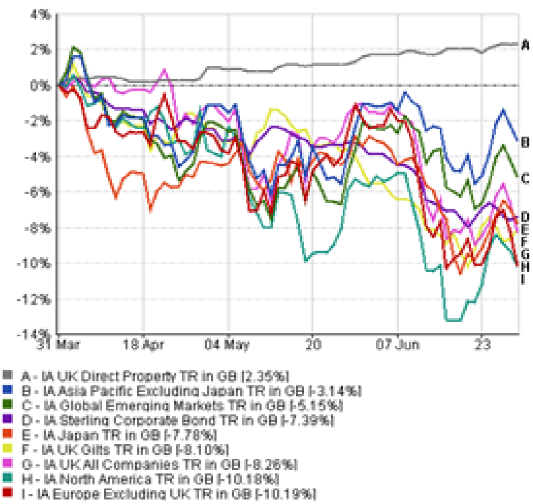
Current inflation owes much to stretched supply chains and the New York Fed now keeps an index of global supply chain pressure which brings together things like shipping and freight costs and other measures of how easily supply chains are moving. The latest version of the index shows that while pressure remains elevated it is declining.

In quarter two, bricks and mortar property was one of the few bright spots and with good reason as many rentals are inflation linked. Our Blenheim Property Fund has about a third invested in residential assets of various kinds and, despite the doom and gloom headlines, house prices in the UK, according to the Rightmove index, are at a record high and rose for the fifth consecutive month in June. We have taken a bit of profit here. There were also positive returns at sector level from renewable energy and infrastructure. Given the rally in bond yields (at the expense of prices falling) government bonds now have an interest rate or 'yield' which is looking more attractive and, in the Blenheim Fixed Interest Fund, we have been nibbling. We are cautious, with incremental purchases acknowledging the difficulty in timing investments.

RECESSION LOOMS?

BRICKS AND MORTAR PROPERTY BUCK THE TREND

CHINA LOOKING MORE ATTRACTIVE



Figures shown are for a sterling denominated investor, for the 3 month period to 30/06/022. Source: Financial Express Analytics

China was somewhat of a standout performer in June despite the negative press commentary. Our global macro scorecard suggests maybe the economy has troughed and is bouncing back with an easing regulatory environment, sizeable stimulus and less restrictive Covid policies. The Caxin Purchasing Managers Index, a sign of economic activity if over 50, reached 55.3 - the highest reading since the end of 2020. China's regional dominance could be a catalyst for the entire Asian region. The fact that China is entering an economic upswing while developed markets enter a down-swing is attractive to us. For comparison, the June US ISM manufacturing data is above 50 but declining fast.

In summary, we deliberate if central bankers will relent on hikes before they have inflation under control; so far they seem fixed on course. But with tentative signs of inflation peaking, it reduces the pressure and the risk of a policy mistake. It is foolhardy to try to make predictions in the face of continued uncertainty, but interest rates won't keep going up forever so, after going several goals down at half time, maybe we'll claw back a few and end with a draw.

This Investment Review is for the quarter to the end of June but given the shenanigans in British politics at the start of July it would be remiss of us not to mention it. While it might feel like big news, as headlines will no doubt be filled with the candidates' campaigns, from a portfolio perspective what happens to US interest rates and the Chinese growth have more impact. We await and see if there will be tax cuts. It would help people with the cost-of-living crisis, but won't help the inflation number.

BAM Portfolio Models' Investment Performance

	30/06/2017 -30/06/2018	30/06/2018 -30/06/2019	30/06/2019 -30/06/2020	30/06/2020 -30/06/2021	30/06/2021 -30/06/22
Defensive Mixed Assets*	+2.25%	+0.48%	+1.30%	+8.80%	-2.58%
UK CONSUMER PRICE INDEX + 2%*	+4.29%	+4.02%	+2.57%	+4.17%	+10.53%
Defensive Balanced Mixed Assets	+2.61%	+2.84%	+0.69%	+12.20%	-3.84%
Social Impact Portfolio	+6.12%	+5.34%	+3.64%	+12.47%	-3.44%
ARC Sterling Balanced Assets	+2.98%	+2.27%	-0.24%	+11.51%	-6.63%
Balanced Mixed Assets	+3.84%	+1.68%	-0.18%	+20.35%	-5.67%
ARC Sterling Steady Growth PCI	+4.92%	+3.08%	-1.29%	+15.37%	-7.67%
Focused Growth Mixed Assets	+11.21%	+0.38%	+1.43%	+26.57%	-6.70%
ARC Sterling Equity Risk PCI	+6.36%	+3.50%	-2.21%	+20.24%	-8.92%

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.

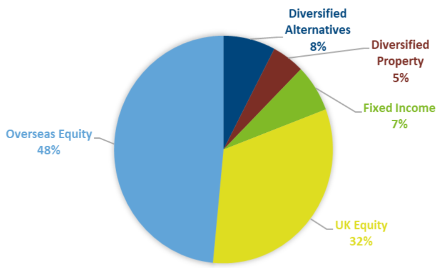
Please note that the Defensive Mixed Assets model aims to outperform the stated benchmark over 36 month rolling periods. *DMA and CPI+2 data 12 months to the last available inflation print.

OVERSEAS EQUITY RETURNS FOR A STERLING DENOMINATED INVESTOR

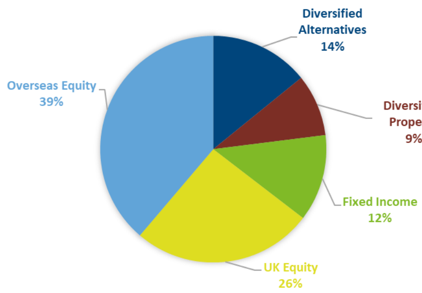
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures

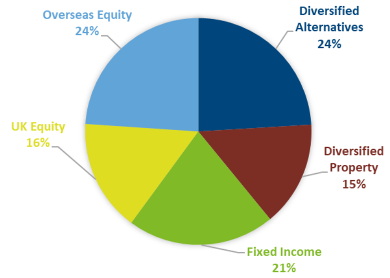
Focused Growth Mixed Assets



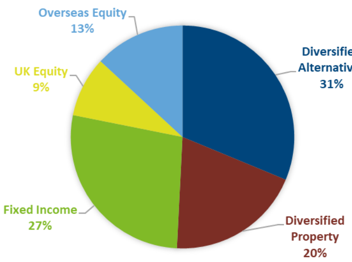
Balanced Mixed Assets



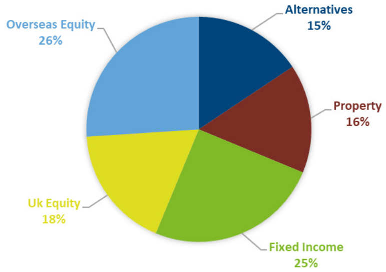
Defensive Balanced Mixed Assets



Defensive Mixed Assets



Social Impact



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