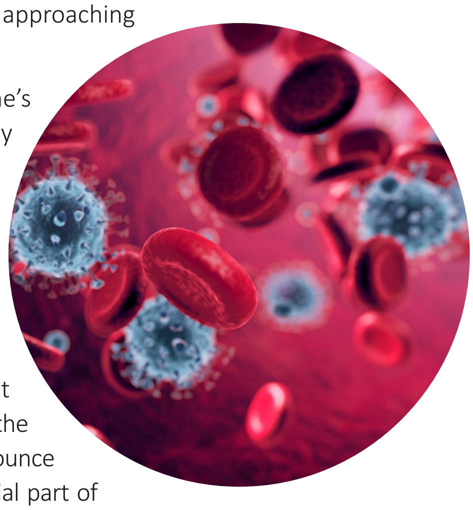
INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 1 2020

The Hubble Space telescope celebrates its 30th anniversary this month. Its ability to capture concise photographs is due to its location beyond the earth's atmosphere, where it is not disturbed by clouds and turbulence. The travelling telescope is an excellent metaphor for our investment strategies' journeys we try to capture information and steer a path through the world of investments that is filled with incessant change and increasing complexities. Not getting fixated with the daily headlines and approaching investments with a long-term view in mind can help avoid panic driven portfolio decisions.



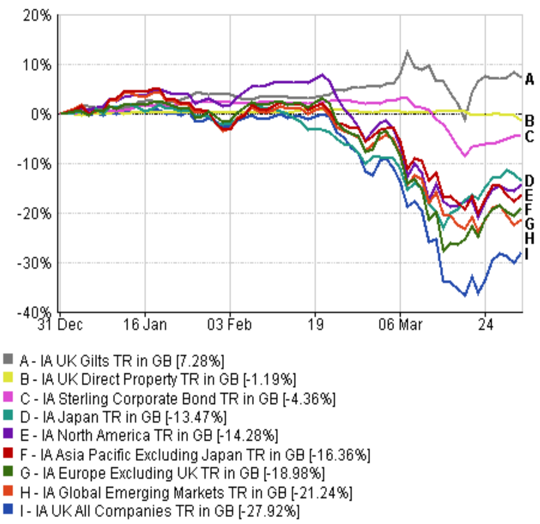
The emergence of Coronavirus as a global pandemic was a 'Black Swan' event outside anyone's scope. Covid-19 and its negative economic impact are difficult to discern given the inability to determine the number of people infected, the transmission rate, and the longevity of the spread. But one thing is clear: consumer spending has collapsed at a record pace due to social distancing. As consumer spending represents 70% of developed markets' economy, it is likely to remain contracted for the next few months. A recession is unavoidable, in spite of all the efforts of the policy makers and central banks, which have adopted a 'by any means necessary' approach in trying to mitigate the economic impact of the virus.

The actions of central banks across the globe have been supplemented by record setting government stimulus packages that are designed to help to ease the economic impact of the virus and ensure the recession is not deep rooted, and we bounce back. Effectively nationalising a material part of the national wage bill though will show up in both the central bank and the fiscal deficit balance sheets for years to come.

CORONAVIRUS PANDEMIC

OIL PRICE CRASH

MULTI-ASSET RESILIENCE



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

In the United States, the Fed has been and will remain proactive. Even after cutting interest rates between official meetings twice, to reduce the rate to zero along with $2 trillion of support, the Fed is still exploring ways to make sure the gravity of the situation does not cause the lending markets problems. The Fed is not alone as the average rate amongst the four largest central banks (UK, US, The EU and Japan) has fallen into negative territory and set a new historic low. With the interest rates at a 325 year low in the UK, and Government bond prices at such high levels, it is difficult to see any real value in Fixed income, in particular Government debt, but we will continue to hold this asset class for its diversification qualities.

Although a long term positive for the global economy, Oil prices have crashed to levels not seen for a long time as a response to a dramatic fall in demand, and magnified by a war of words between Saudi Arabia and Russia. The end of the war of words, and a weaker dollar, should lead to a pickup in oil prices but they are unlikely to breach the $40 to $45 level as a growing preference and need for alternative energy gathers pace.

Our multi-asset approach is working well and has reduced the downside risk in all of our models. Property funds have held up relatively well but have been impacted in two ways: firstly, in terms of some tenants deferring or not paying rent; and secondly, in valuers physically being able to go out and assess properties, leading to a pause on transactions and causing a temporary suspension of trading of the funds. There will be some companies which cut dividends and sadly have business models which cannot adapt and never recover from this. However, we are already beginning to see some winners emerging in this crisis. These are quality growth companies with little or no debt and have technology embedded within their business model. The active managers of BAM's investment selection process have a bias towards these types of companies and we have less exposure to companies whose portfolio depends on economic growth.

BAM Portfolio Models' Investment Performance

	31/03/2015-31/03/2016	31/03/2016-31/03/2017	31/03/2017-31/03/2018	31/03/2018-31/03/2019	31/03/2019-31/03/2020
Defensive Mixed Assets*	-1.70%	+9.27%	+1.52%	+1.60%	+5.69%
UK CONSUMER PRICE INDEX + 2%*	+2.32%	+4.35%	+4.80%	+3.85%	+4.38%
Defensive Balanced Mixed Assets	-1.57%	+7.99%	+0.53%	+2.83%	-5.16%
Social Impact Portfolio	n/a	+11.37%	+5.01%	+4.02%	+0.01%
ARC Sterling Balanced Asset PCI	-2.12%	+11.52%	+0.80%	+2.41%	-4.96%
Balanced Mixed Assets	-0.49%	+14.43%	+1.52%	+1.67%	-8.42%
ARC Sterling Steady Growth PCI	-2.41%	+15.77%	+1.31%	+4.68%	-7.55%
Focused Growth Mixed Assets	-2.22%	+20.02%	+9.11%	+1.08%	-8.99%
ARC Sterling Equity Risk PCI	-3.09%	+19.06%	+1.77%	+5.92%	-10.04%

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.

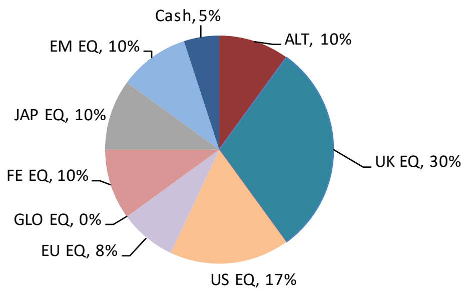
Please note that the Defensive Mixed Assets model aims to outperform the stated benchmark over 36 month rolling periods. *DMA and CPI+2 data 12 months to the last available inflation print.

OVERSEAS EQUITY RETURNS FOR A STERLING DENOMINATED INVESTOR

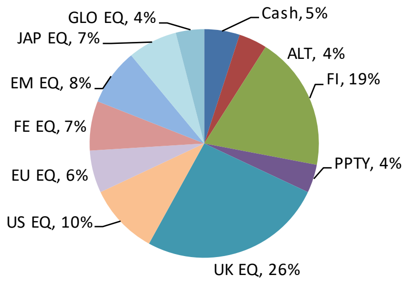
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures

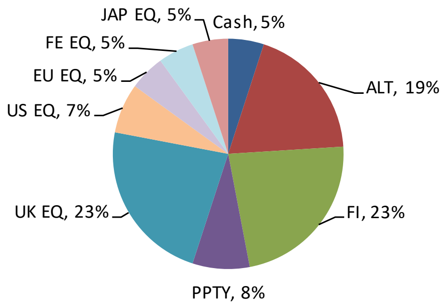
Focused Growth Mixed Assets



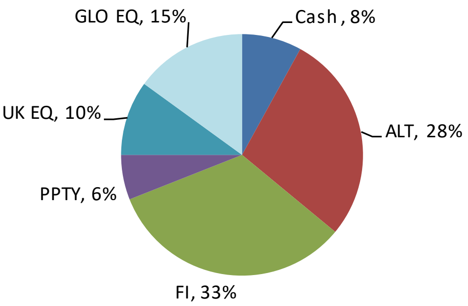
Balanced Mixed Assets



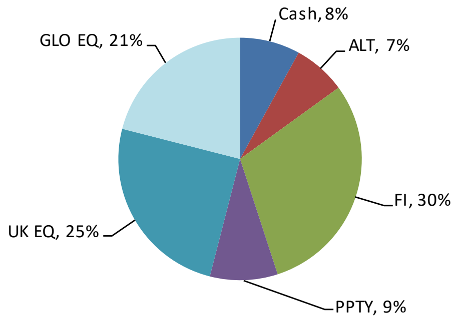
Defensive Balanced Mixed Assets



Defensive Mixed Assets



Social Impact



FI	Fixed Interest
UK EQ	UK Equities
PPTY	Property
EU EQ	European Equities
EM EQ	Emerging Markets Equities
FE EQ	Far Eastern Equities
JAP EQ	Japanese Equities
US EQ	US Equities
GLO	Global Equities
ALT	Alternatives

PLEASE NOTE THAT ASSET ALLOCATIONS MAY CHANGE OVER TIME

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