INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 3 2021

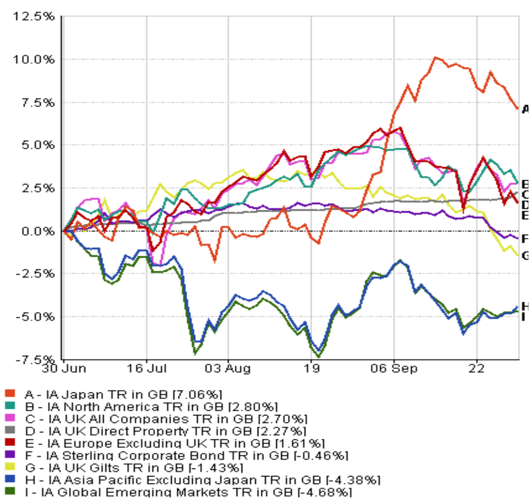
The rally that started in Spring 2020 is looking long in the tooth and, with the quarter coming to a close, September weighed on returns as we saw a red month for many asset classes. September was a month to forget for the White House too. Squabbles threatened to foil the President's agenda along with health fears which sent stocks into a nosedive. We expect decisions made by lawmakers in the coming weeks and months to carry significant impact into 2022 and beyond as key policy changes are implemented and digested by markets. We could see a reigning-in of dominant technology platforms and increasing broader antitrust/market concentration scrutiny leading into the 2022 midterm elections.

It was also a tough quarter for Asia and emerging markets, led by China; the Chinese property developer Evergrande dominated headlines, which set more hares running, on top of the regulatory upheavals. Given the size of China's real estate sector (30% of GDP), there were growing fears of contagion risk and the potential impact on the wider economy. While there could be some spill-over, we believe this is far from a Lehman Brothers type of event. There were few places to hide but the period saw value significantly outperform growth and quality styles. As always, it pays to be selective when investing in emerging markets as the asset class is not a homogeneous group. In 2001, emerging markets accounted for over 40% of global growth. Today, they represent nearly 58% of the global economy. The International Monetary Fund expects their share to rise to over 60% by 2025 as the urbanisation of their economies and growth of the middle class continues. The recent weakness in emerging market equities has widened the valuation gap with developed markets even further from already discounted levels and significantly below historical averages. While much of the discount is attributable to the premium associated with US stocks, emerging market equities are around their cheapest levels in over 20 years. We had trimmed our Asia and emerging market exposure back in the summer, but it has still been a headwind for performance. However, these attractive valuation levels will surely appeal to valuation-conscious investors.

EVERGRANDE CONTAGION LOW

MORE TO DO TO GET TO NET ZERO

INTEREST RATE RISES ON THE CARDS



Figures shown are for a sterling denominated investor, for the 3 month period to 30/09/2021.
Source: Financial Express Analytics

Japan has been one of the best performing countries from an equity perspective motivated partly by the change of leadership in government. With Fumio Kishida as the next Prime Minister (yes, another one; Yoshihide Suga was in for only one year and nineteen days), it opens up the door to policy changes that investors have been wanting for some time. That includes a return to "Abenomics-style" stimulus programmes and Japanese businesses taking net zero climate targets more seriously. The U.S. is currently the world's second-largest greenhouse gas emitter after China, and Japan ranks fifth. It also still counts among the world's top financiers of coal projects alongside China and South Korea. We look forward to seeing what actions and commitments come from the COP26 meeting in Glasgow in November.

Investors are still on high alert for inflation. The global economy, not just the UK, faces some very testing economic challenges. The squeeze on the energy supply is contributing to an increase in inflationary pressure, exacerbated by the fracturing of supply lines across a wide range of goods and services. Despite the UK, when compared with the US and Europe, looking like the least in need of a rate hike (based on inflation and unemployment data), it looks set to be the first to increase interest rates out of prudence and the eventual terminal rate could therefore end up lower. The market is now pricing in a first increase in February 2022 (from May 2022 previously) with a second increase in August 2022. The US, which is focused first on restoring jobs and looking to address inflation later, presents a greater risk of policy error. While there are readjustments to bond yields as they race to price in inflation and future interest rate rises, we continued to tilt our holdings toward lower duration, index-linked and asset backed investments.

Although we are already starting to look ahead to 2022 we have one last quarter of 2021 lingering, which will no doubt present challenges along the way. The worry list is ever present and we remain alert to changes in data and sentiment and can adjust the Blenheim funds quickly if necessary.

BAM Portfolio Models' Investment Performance

	30/09/2016-30/09/2017	30/09/2017-30/09/2018	30/09/2018-30/09/2019	30/09/2019-30/09/2020	30/09/2020-30/09/2021
Defensive Mixed Assets*	+4.78%	+2.50%	+1.29%	+4.09%	+9.72%
UK CONSUMER PRICE INDEX + 2%*	+4.93%	+4.65%	+3.82%	+2.83%	+5.28%
Defensive Balanced Mixed Assets	+4.56%	+2.53%	+4.58%	+0.43%	+11.35%
Social Impact Portfolio	+9.76%	+5.59%	+6.36%	+3.66%	+10.87%
ARC Sterling Balanced Asset t	+6.13%	+3.10%	+4.15%	-0.33%	+10.34%
Balanced Mixed Assets	+8.71%	+3.30%	+1.92%	+2.58%	+17.55%
ARC Sterling Steady Growth PCI	+8.67%	+5.15%	+4.84%	-1.20%	+14.43%
Focused Growth Mixed Assets	+15.85%	+7.95%	+1.26%	+4.76%	+22.86%
ARC Sterling Equity Risk PCI	+10.69%	+6.53%	+5.24%	-1.66%	+19.10%

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.

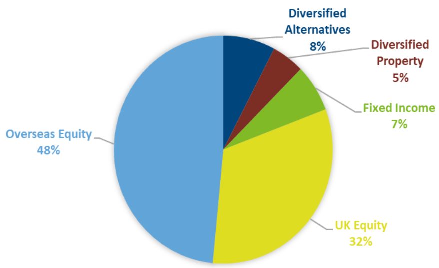
Please note that the Defensive Mixed Assets model aims to outperform the stated benchmark over 36 month rolling periods. *DMA and CPI+2 data 12 months to the last available inflation print.

OVERSEAS EQUITY RETURNS FOR A STERLING DENOMINATED INVESTOR

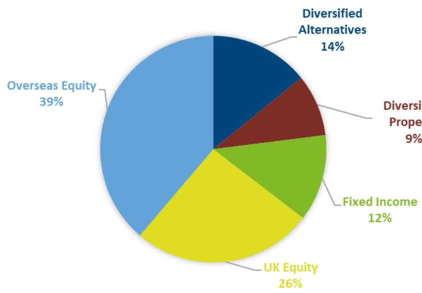
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures

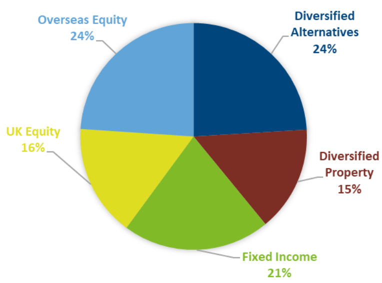
Focused Growth Mixed Assets



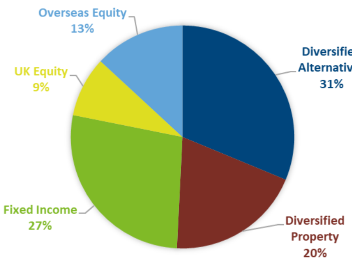
Balanced Mixed Assets



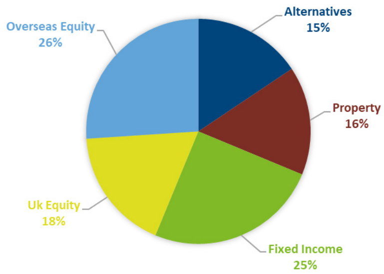
Defensive Balanced Mixed Assets



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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