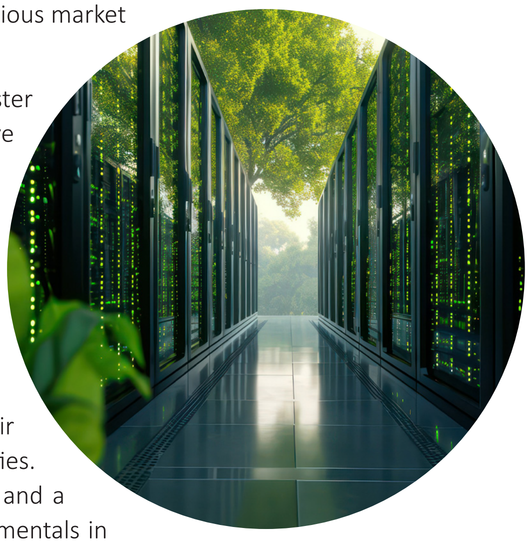
INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT

Quarter 2 2024

As we reach the halfway point of 2024, all model portfolios are in positive territory year to date. Risk appetite has been robust, and first-quarter earnings in the US saw 78% of companies report earnings above expectations, according to LSEG data. This positive backdrop also helped corporate bonds and High Yield to advance. Year to date, though, Government bonds have been poor, partly due to the rally at the end of 2023 that resulted in lower starting yields at the beginning of 2024 and sticky inflation, which had forced central banks to delay interest rate cuts. In June, several commodities like precious metals and industrial metals also had a pullback as the US Federal Reserve continued to push out rate cuts. However, as discussed in a previous market update, cocoa continued its climb due to a record-high supply deficit.



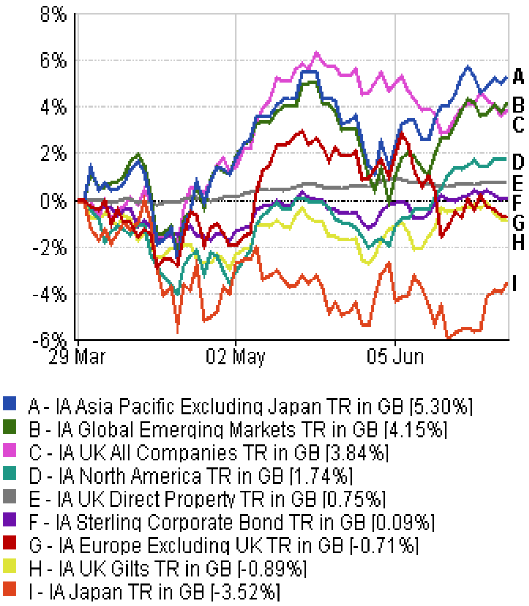
The UK election, just after the end of the quarter, has ushered in a new Prime Minister and the first female Chancellor. This political change could potentially open up positive opportunities for certain sectors like Housebuilders and Utilities. The UK equities had a strong quarter, with the FTSE 100 reaching all-time highs. The performance of small and mid-sized (SMID) companies was also bolstered by a flurry of bids. The annual consumer prices index inflation fell back to 2.0% in May, hitting the Bank of England's (BoE) target for the first time since July 2021, yet UK rates remain on hold.

A summer of sport is upon us, if not the summer weather to go with it. The men's Euros and Wimbledon are on, and the Paris Olympics are not far off. Some of the French excitement has perhaps been dampened, though, as they had a snap election of their own after European parliamentary elections saw gains for right-wing nationalist parties. This surprised markets, and there was a wobble right at the end of the quarter. This and a disastrous US presidential debate for Biden somewhat overshadowed economic fundamentals in the latter half of June. Property as an asset class has had a really tough time, and we get asked why we have exposure. We've had updates with several of our property holdings recently, and things are looking up regarding easing monetary conditions and increasing merger and acquisition activity. Given no recession, occupier stresses have been limited by ongoing jobs growth. This, coupled with low levels of development in most property sub-sectors because of high construction costs and limited and costly debt, the availability of high-quality newer space is set to remain low, and as demand stabilises, we expect uplifts in rental growth. Location will be all-important as we are already seeing dispersion in the performance of cities (on a global basis) because the property exposure in our models is not just UK; it is global in nature and also diversified across many subsectors from student accommodation to care homes, logistics to data centres.

POSITIVE HALF-TIME RESULTS

ALL TO PLAY FOR IN H2

AI AND CHINA, DOMINANT FORCES



Figures shown are for a sterling denominated investor, for the 3 month period to 30/06/2024. Source: Financial Express Analytics

Data centres and cables are playing a crucial role in the evolution of Artificial Intelligence (AI). It has been reported that a single Chat GPT query versus a Google search uses significantly more energy, highlighting the growing demand for efficient AI infrastructure. A recent call with one of our Alternatives holdings, involved with Data centres in Central Europe, revealed their focus on developing best-in-class facilities using the latest technologies to maximize efficiencies. This underscores the potential of AI in shaping the future of the financial market.

The rapid growth and rollout of the supply chain of artificial intelligence (AI), led by large U.S. tech firms, has been a supportive theme for emerging markets. While a handful of high-profile American firms, the 'Magnificent Seven' remain in the spotlight, the companies in the tech hubs of Taiwan and South Korea provide the infrastructure and hardware that is key to enabling services. Demand for AI-related chips and server hardware is the region's strong earnings and growth driver. Some investors are concerned about what might happen if the Chinese were to take a more hard-line approach with Taiwan, but we believe President Xi has no stomach for the sanctions Putin has been on the receiving end of. The upcoming Third Plenum is a crucial policy meeting of the Chinese Communist Party and whether we like it or not, the success or failure of these measures will shape China's economic future and influence global economic dynamics in the years to come.

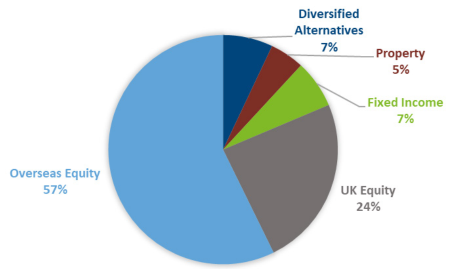
BAM Portfolio Models' Investment Performance

	30/06/2019 to 30/06/2020	30/06/2020 to 30/06/2021	30/06/2021 to 30/06/2022	30/06/2022 to 30/06/2023	30/06/2023 to 30/06/2024
Defensive Mixed Assets	+3.72	+8.79	-2.61	-2.71	+6.93
UK Consumer Price Index + 2%	+2.68	+4.53	+11.62	+10.12	+3.70
Defensive Balanced Mixed Assets	+0.66	+12.19	-3.86	-1.89	+8.72
Social Impact Portfolio	+3.64	+12.47	-3.44	+1.33	+4.11
ARC Sterling Balanced Asset PCI	+0.50	+11.84	-6.54	+1.25	+9.15
Balanced Mixed Assets	-0.18	+20.36	-5.67	+0.45	+11.29
ARC Sterling Steady Growth PCI	-0.51	+15.87	-7.54	+3.11	+10.88
Focused Growth Mixed Assets	+1.43	+26.57	-6.7	+1.63	+12.91
ARC Sterling Equity Risk PCI	-1.13	+20.57	-9.09	+4.76	+12.39
Global Horizon Portfolio	+13.46	+27.30	-19.06	+4.27	+4.40
IA Global TR	+5.36	+25.92	-8.77	+10.79	+14.89

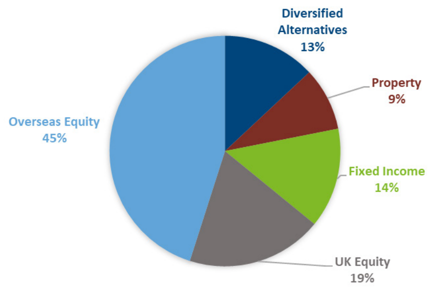
Notes: BAM MPS performance figures take into account the ongoing charges of the underlying holdings but exclude adviser charges and platform fees. Inclusion of these will result in a lower return to the end investor, depending on the client agreement and the platform used.
ARC PCI: Asset Risk Consultants (ARC) operate the Private Client Indices (PCI) across the risk spectrum as performance measurement and yard-sticks for discretionary portfolio managers. This data includes platform fees and may be estimated and subject to revision.
The Defensive Mixed Assets model aims to outperform the stated benchmark over 36-month rolling periods. *DMA and CPI+2% data is 12 months to the last available inflation print.

Target Model Portfolio Structures

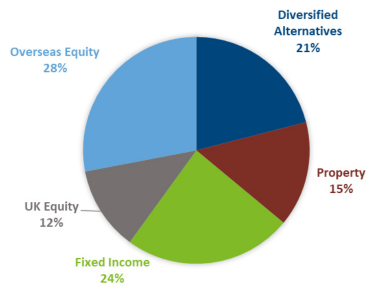
Focused Growth Mixed Assets



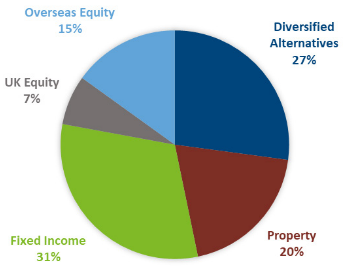
Balanced Mixed Assets



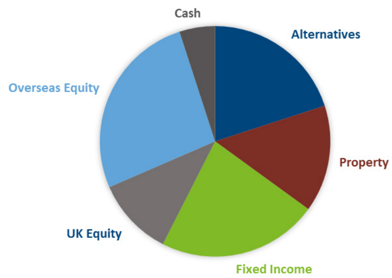
Defensive Balanced Mixed Assets



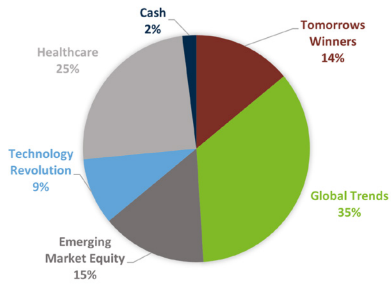
Defensive Mixed Assets



Social Impact



Global Horizon



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