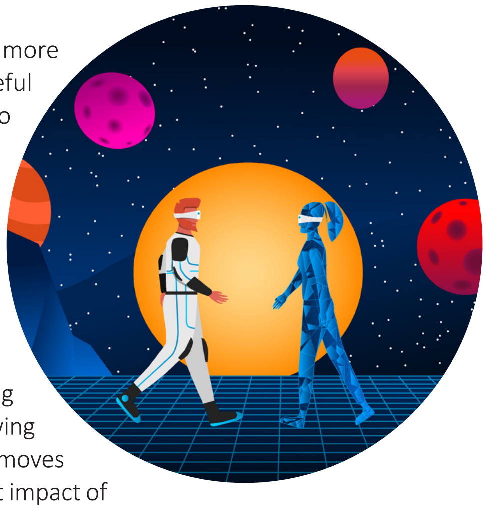
INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 4 2021

“Chin-chin!” We welcome in the new year and toast decent 2021 returns for the portfolios according to risk profile. While equities in China and much of Latin America struggled against a backdrop of growing political risks, the US stock market delivered strong returns. The S&P 500 reported 70 record-high closes which is the second-highest figure ever recorded. The strength of the revival in profits has been spectacular and the rebounding earnings proved that even the most optimistic projections from analysts were, in fact, too pessimistic. US Treasuries have been remarkably resilient considering the surprisingly sharp rise in inflation.



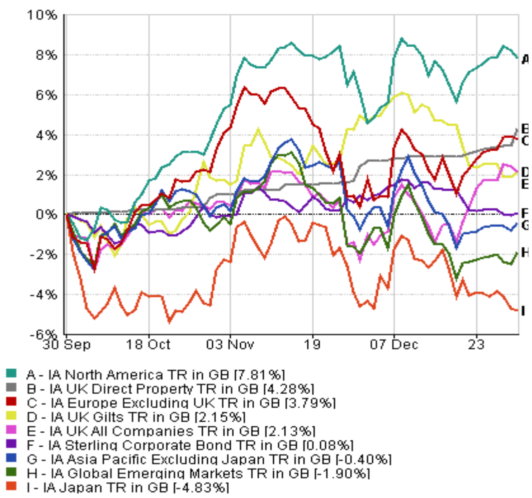
Within periods of higher inflation, the performance of stocks and bonds tends to become more closely correlated. This is one of many reasons why we think alternatives are particularly useful in diversifying portfolios. Alternatives can also offer a direct path to investing in the net zero transition. After more than a century of filling the atmosphere with greenhouse gases, our carbon budget is largely depleted. Innovation is now needed across sectors to minimise any further rise in global temperatures and the corresponding consequences. We have all seen charts which show that even if all countries were to achieve their respective commitments to reducing carbon emissions (nationally determined contributions), it isn’t nearly enough to meet the target of the Paris Agreement. The current planned emission reduction path requires two Covid-like reductions to emissions each year.

One of the ways we have found to make a direct positive impact is through our new small holding in SparkChange Physical Carbon EUA ETC. ‘EUAS’ (European Union AllowanceS) are permits allowing the holder to emit one tonne of carbon dioxide equivalent greenhouse gas. By us investing, it removes credits from the system which companies use as permission to pollute, therefore having a direct impact of reducing carbon emissions and reducing the impact of climate change. Investing now increases pressure on companies to invest in known technologies today rather than relying on future innovation.

A YEAR OF ALL TIME HIGHS FOR THE S&P 500

MAKING AN IMPACT ON CLIMATE CHANGE

RISE OF THE METAVERSE AND DIGITAL UTILITIES



Figures shown are for a sterling denominated investor, for the 3 month period to 31/12/2021. Source: Financial Express Analytics

2021 saw innovation in the rise of the digital utilities, to which the portfolios had exposure. Existing utilities, like power and water, provide basic amenities for daily living and tend to have a monopolistic share of the market. Today, however, cloud infrastructure-as-a-service (“IaaS”), software-as-a-service (“SaaS”) and platform-as-a-service (“Paas”) companies are fast becoming the utilities of the digital age. An interesting ‘cloud as a utility’ example is Facebook (now called ‘Meta’) which relies on Arista Networks for its data centres. Facebook is set to ramp up its capex by over 60% in 2022 to build out the ‘metaverse’ including hiring 10,000 people over the next 5 years. They are not alone in betting big on the so-called ‘metaverse’ and it could end up being as significant a leap forward as the internet was back in the 1990s. There’s no single agreed definition for what the metaverse is: some see it as a sort of ‘Web 3.0’ that will connect people, spaces and assets in the physical world; others, however, see it as a fully virtual world where you can work, play, shop or go to concerts. It seems likely the metaverse will grow and develop into something that would have been considered pure fantasy just two decades ago.

2021’s equity market returns provide zero insight into what we can expect in 2022. The end of a calendar year is arbitrary as, in the long run, markets get it right – but, in the shorter term, it is more like a random walk. Nothing is certain in the circumstances we find ourselves in with this pandemic. Omicron has been a reminder, if any were needed, of the uncertain road that investors will have to navigate in 2022. According to the Eurasia Group, just eight percent of people in developing countries have received even one vaccine dose. As ever, this leads us to build diversified portfolios with careful asset selection for resilience. The risks around central economic activity and policy mix are tilted towards stronger short-term inflation, weaker growth and tighter policy- a combination that markets can potentially cope with but, nevertheless, a somewhat less palatable cocktail than the one we saw at the start of 2021.

BAM Portfolio Models' Investment Performance

	31/122016-31/12//2017	31/12/2017-31/12/2018	31/12/2018-31/12//2019	31/12/2019-31/12/2020	31/12/2020-31/12/2021
Defensive Mixed Assets*	+5.01%	+0.01%	+4.13%	+6.11%	+7.15%
UK CONSUMER PRICE INDEX + 2%*	+5.22%	+4.34%	+3.43%	+2.38%	+7.24%
Defensive Balanced Mixed Assets	+6.24%	-5.85%	+14.30%	+3.11%	+7.88%
Social Impact Portfolio	+11.61%	-4.81%	+17.49%	+6.86%	+7.61%
ARC Sterling Balanced Asset t	+6.84%	-5.10%	+11.33%	+4.84%	+7.90%
Balanced Mixed Assets	+9.75%	-7.44%	+14.24%	+7.69%	+10.75%
ARC Sterling Steady Growth PCI	+9.86%	-5.64%	+14.44%	+4.85%	+10.76%
Focused Growth Mixed Assets	+18.64%	-8.63%	+17.54%	+12.16%	+12.78%
ARC Sterling Equity Risk PCI	+12.20%	-6.50%	+17.27%	+5.21%	+13.32%

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.

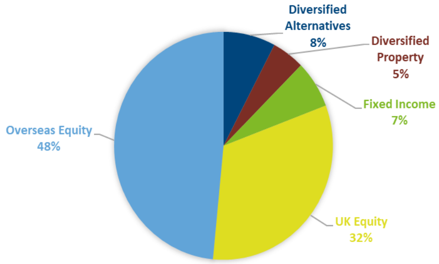
Please note that the Defensive Mixed Assets model aims to outperform the stated benchmark over 36 month rolling periods. *DMA and CPI+2 data 12 months to the last available inflation print.

OVERSEAS EQUITY RETURNS FOR A STERLING DENOMINATED INVESTOR

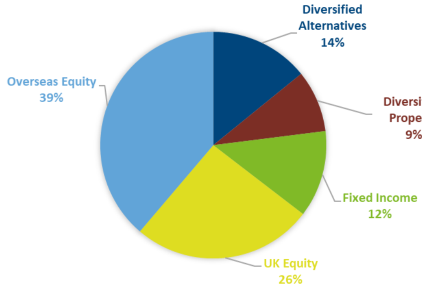
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures

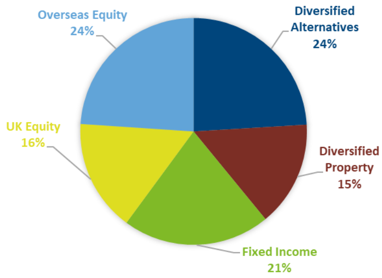
Focused Growth Mixed Assets



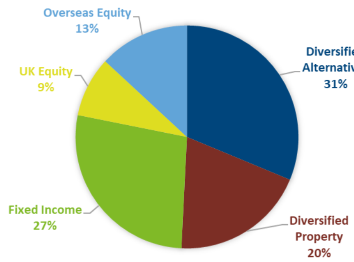
Balanced Mixed Assets



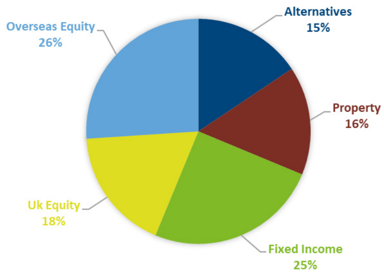
Defensive Balanced Mixed Assets



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.

BECKETT ASSET MANAGEMENT LIMITED
DETTINGEN HOUSE, DETTINGEN WAY, BURY ST EDMUNDS, SUFFOLK, IP33 3TU
T: 01284 754500 E: INFO@BECKETTINVEST.COM WWW.BECKETTINVEST.COM