INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT LTD

Quarter 4 2022

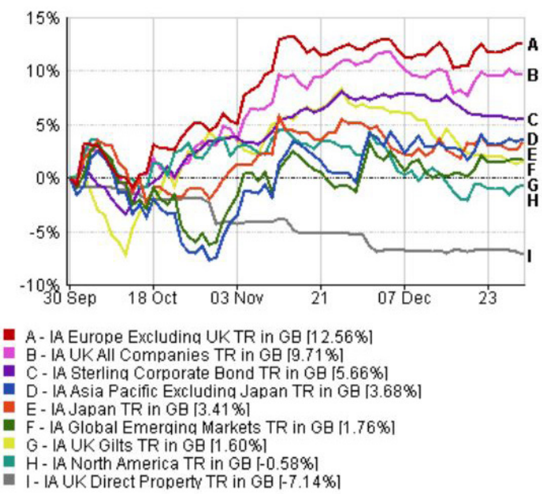
Appetite for stocks revived a little in Q4, with the Dow Jones index, for example, posting its largest monthly gain since 1976 in October. This mini rally carried on into November as US inflation finally started to cool. However, in December, Fed Chair Powell took a sledgehammer to expectations that interest rates would peak sooner rather than later. Asia rallied somewhat at the end of the year, led by China as they relaxed some of their stringent Covid 19 rules. We now dare to hope that we are at last into a post-pandemic era. Still, China's reopening is likely to be bumpy, with infections rising initially before hopefully stabilising around the lunar new year of the Rabbit. We will be watching infection data again. Despite the slightly brighter spots in Q4, 2022 was a terrible year. Even the Cryptocurrencies could not escape, with the once darling of the industry, FTX (a Cryptocurrencies exchange), filing for bankruptcy and investors pulling record amounts from Bitcoin across multiple exchanges. The founder of FTX, Sam Bankman-Fried, has been extradited from the Bahamas and faces eight criminal charges. The FTSE 100 was one of the few indices to scrape a positive return in 2022, mainly due to its energy content.

We look forward to 2023 with optimism as the investment environment slowly returns to normality, having been turned upside down. That isn't to say economies are off to the races: there could be stagnation or even shrinkage in developed world economies, but headline CPI (inflation) figures have started to slow their ascent. We enter the most anticipated recession in living memory, but the slowdown is expected to be much less painful than past recessions. Equities, in general, may spend a bit of time treading water until we see a peak in interest rates. While they have corrected in terms of valuation, we don't yet know the possible impact of a potential fall in profits. Shorter term, we still see opportunities within fixed income. Data shows that more than 80% of emerging market bonds offer real yields (bond yields adjusted for the effects of inflation) which are higher than those in the US. Starting yields are higher than they have been in many years, with investment grade (high-quality bonds) yielding the highest since 2009 and high yield (lower quality bonds) yielding the highest since 2012. After periods of volatility, quality typically leads the recovery.

HOPES FOR POST-PANDEMIC ERA

GOLD BECOMES ATTRACTIVE

GLOBAL TRANSFORMATION TO A LOW-CARBON ECONOMY



Figures shown are for a sterling denominated investor, for the 3 month period to 31/12/2022. Source: Financial Express Analytics

We recently increased the gold exposure in our Diversified Alts Fund on a technical view (valuation basis). Longer term, gold should be supported by a weaker dollar, mild recession and weaker earnings. Geopolitical flare-ups should also continue to make gold a valuable tail risk hedge. Gold is both a consumer good and an investible asset and Chinese economic growth should improve, boosting consumer gold demand. The exposure we have taken is in the Royal Mint Responsibly Sourced Physical Gold ETC which is considerate of its environmental, social and governance impact. A combination of newly-mined and recycled metal meets the annual demand for gold. Recycled gold generally makes up between 25% and 30% of the annual supply. The Royal Mint works with refiners on the LBMA (London Bullion Metals Association) 'Good Delivery List'. It aims to increase its use of recycled gold on a best endeavours basis. All suppliers are subject to thorough background checks and must also agree to The Royal Mint's stringent policies on employment practices, anti-money laundering and anti-child labour practices, amongst others.

Considering all the costs, not just the financial ones, is part of our investment approach. We have seen a more significant improvement in human prosperity in the last 30 years than in the past centuries combined. However, such progress has come at a high cost. (Source: Pictet.) The COP 15 Biodiversity Summit was held in Montreal in December, following COP 27 in Egypt in November. It concluded with a landmark agreement to put 30% of the planet and 30% of degraded ecosystems under protection by 2030. To put that in perspective, only 17% of land and 8% of marine areas are currently under protection (Source: Protected Planet). The "Sharm el-Sheikh Implementation Plan" from COP highlights that a global transformation to a low-carbon economy requires investments of at least 4-6 trillion USD annually. Delivering such funding will require a continued transformation of the financial system. For example, thanks to the finance channelled into the development of Agri-tech, the world can produce almost three times as much cereal from a given piece of land as it did in 1961. (Source: Our world in data.) We have a huge part to play.

We wish all our investors a happier and more profitable 2023.

BAM Portfolio Models' Investment Performance

	31/12/2017-31/12/2018	31/12/2018-31/12/2019	31/12/2019-31/12/2020	31/12/2020-31/12/2021	31/12/2021-31/12/2022
Defensive Mixed Assets*	+0.01%	+4.13%	+6.11%	+7.15%	-7.60%
UK CONSUMER PRICE INDEX + 2%*	+4.34%	+3.43%	+2.38%	+7.24%	+12.09%
Defensive Balanced Mixed Assets	-5.85%	+14.30%	+3.11%	+7.88%	-8.65%
Social Impact Portfolio	-4.81%	+17.49%	+6.86%	+7.61%	-7.41%
ARC Sterling Balanced Assets	-5.10%	+11.33%	+4.84%	+7.90%	-8.75%
Balanced Mixed Assets	-7.44%	+14.24%	+7.69%	+10.75%	-9.27%
ARC Sterling Steady Growth PCI	-5.64%	+17.54%	+4.85%	+10.76%	-9.76%
Focused Growth Mixed Assets	-8.63%	+17.54%	+12.16%	+12.78%	-9.75%
ARC Sterling Equity Risk PCI	-6.50%	+17.27%	+5.21%	+13.32%	-10.86%

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.

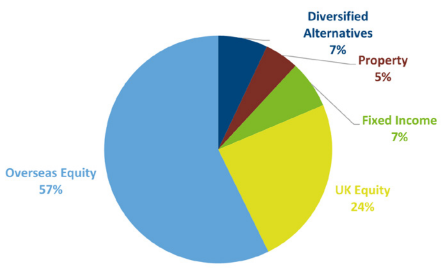
Please note that the Defensive Mixed Assets model aims to outperform the stated benchmark over 36 month rolling periods. *DMA and CPI+2 data 12 months to the last available inflation print.

OVERSEAS EQUITY RETURNS FOR A STERLING DENOMINATED INVESTOR

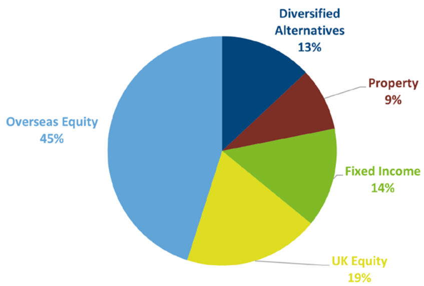
PAST PERFORMANCE IS NO INDICATOR OF FUTURE PERFORMANCE

Target Model Portfolio Structures

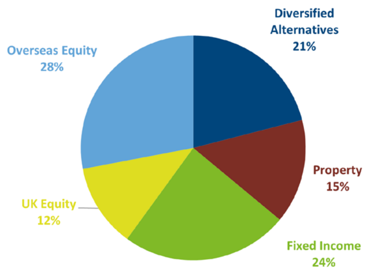
Focused Growth Mixed Assets



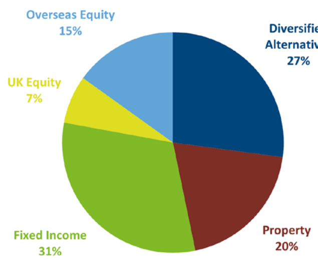
Balanced Mixed Assets



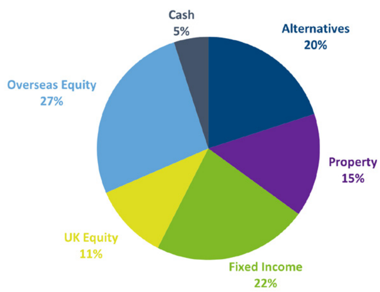
Defensive Balanced Mixed Assets



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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