BECKETT ASSET MANAGEMENT

INVESTMENT REVIEW

Quarter 4 2023

While the last quarter of 2023 was soggy in terms of the Great British weather along with periodic strike action, markets and portfolios finished 2023 brightly. In fact, it was one of the strongest quarters for decades. This was because investors quickly realised that interest rates were too high and are due to fall sharply in 2024, supported by Fed Chair Powell's comments after the December Fed meeting. There is quite a wide dispersion about the magnitude and pace of interest rate cuts from economists, and actions will be very data-dependent. This short-term exuberance is likely to be followed by a period of correction, and we aren't getting too carried away and still have some "dry powder", which will be put to work opportunistically.

As we look back on 2023, our fixed income fund produced the best risk-adjusted return of all the Blenheim funds. Many fixed-income specialists are banging the drum, saying to buy fixed income, shut your eyes, and bask in your profits in a year. 2024 should be a strong year for fixed income instruments and, increasingly, this can be done the green way, with the Green Bond universe recently surpassing $2.3 trillion in size (Source GSAM).

Domestic equities have been unloved for some time, but the better inflation outlook and the substantial discount to history could be a positive for the UK market. One of our UK Income holdings recently announced an income increase of 22% on 2022 levels, a valuable tool in beating cash. It is getting to the time to "cash out" of cash! We expect a resurgence for balanced multi-asset portfolios as cooling inflation and the end of monetary tightening lead to a more normalised investing environment and put a floor on some listed asset prices, which have had a torrid time.

2024 is a big election year, with Americans going to the polls on the 5th of November. January sees the formal nominee selection process. In the blue corner, it looks like it will be Joe Biden, and in the red corner, it will probably be Donald Trump, despite him facing four criminal trials covering a whopping 92 felonies. The US has to agree on another debt ceiling deal more imminently, and rate cuts would help keep this colossal debt burden manageable. The UK is also set to have an election this year and, should our election coincide with the US, a possible change of administration on both sides of the Atlantic could alter the NATO dynamics and shift global geopolitical tectonic plates and currencies.

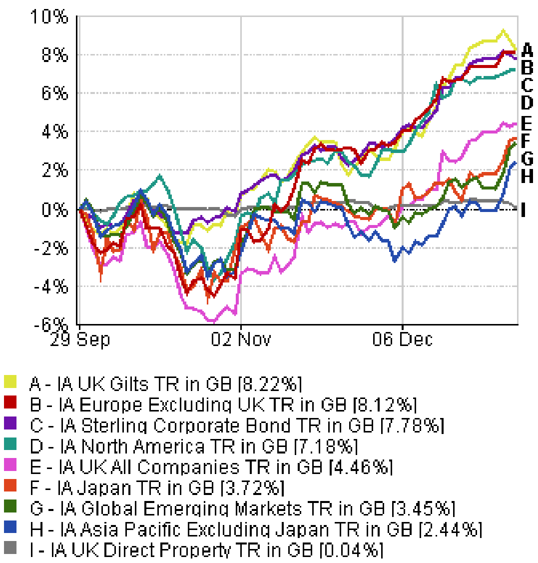
It will be the Year of the Dragon in China - maybe more like Toothless from "How to Train Your Dragon" than Smaug from "The Hobbit". It is set to be a tightly managed clean-up year for the economy, with growth more like 4% than 5%, but that doesn't mean money can't be made. For some time, China has been part of the BRIC group (Brazil, Russia, India, China). As of 1 January, this has expanded to include Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE. The Johannesburg II Declaration signed at the end of the BRIC Summit in South Africa last year promised peace, a fairer international order, sustainable development and inclusive growth. Let's hope they achieve it.

Despite the strong end to 2023, the coming year looks set to mirror the same uncertainty of 2023, and there are several questions we continue to debate: Positive growth or recession? When will rate cuts start? What will inflation do? to name just a few. We still have ongoing conflicts in Ukraine and the Middle East, which could rattle markets and maybe the inflation picture. The Middle East conflict is disrupting some Red Sea shipments, which some 30% of all container ships pass. Also, as we write, yet another named storm is battering the UK; the human and natural impacts of extreme weather often make headlines, but the economic consequences are growing there, too. While we are contemplating rowing to work, Panama is experiencing the worst droughts in the 143-year history of the canal, which have pushed water levels to critical levels, leading to fewer and slower passages.

SOGGY UK WEATHER BUT BUOYANT MARKETS

RESURGENCE OF MULTI ASSET PORTFOLIOS

BIG ELECTION YEAR



Figures shown are for a sterling denominated investor, for the 3 month period to 31/12/2023. Source: Financial Express Analytics

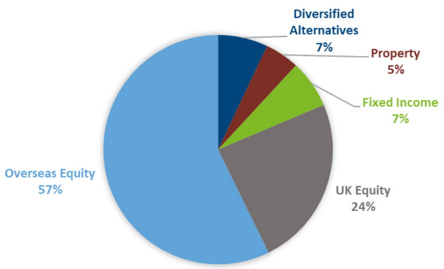
BAM Portfolio Models' Investment Performance

	31/12/2018 to 31/12/2019	31/12/2019 to 31/12/2020	31/12/2020 to 31/12/2021	31/12/2021 to 31/12/2022	31/12/2022 to 31/12/2023
Defensive Mixed Assets	+7.32	+6.91	+6.62	-7.60	+4.70
UK Consumer Price Index + 2%	+3.33	+2.66	+7.51	+12.72	+5.44
Defensive Balanced Mixed Assets	+14.28	+3.07	+7.88	-8.65	+5.44
Social Impact Portfolio	+17.49	+6.86	+7.61	-7.41	+6.09
ARC Sterling Balanced Asset PCI	+11.73	+4.31	+7.64	-9.14	+5.98
Balanced Mixed Assets	+14.24	+7.69	+10.75	-9.27	+6.79
ARC Sterling Steady Growth PCI	+15.00	+4.56	+10.24	-10.23	+7.26
Focused Growth Mixed Assets	+17.54	+12.16	+12.78	-9.75	+7.59
ARC Sterling Equity Risk PCI	+18.04	+5.82	+12.31	-11.40	+8.10

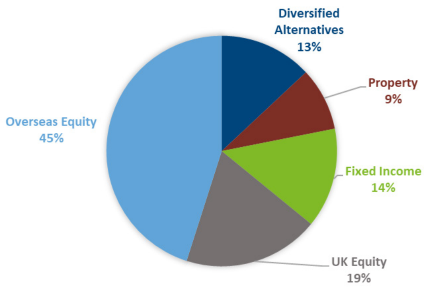
Notes: BAM MPS performance figures take into account the ongoing charges of the underlying holdings but exclude adviser charges and platform fees. Inclusion of these will result in a lower return to the end investor, depending on the client agreement and the platform used.
ARC PCI: Asset Risk Consultants (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

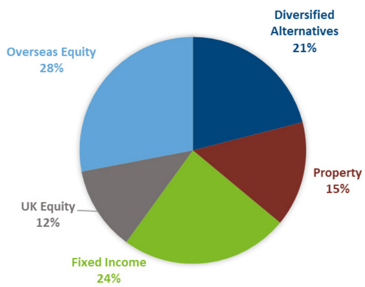
Focused Growth Mixed Assets



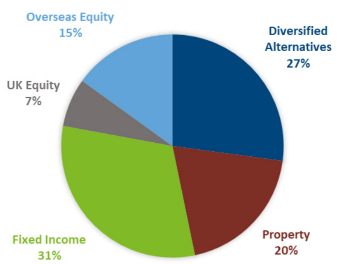
Balanced Mixed Assets



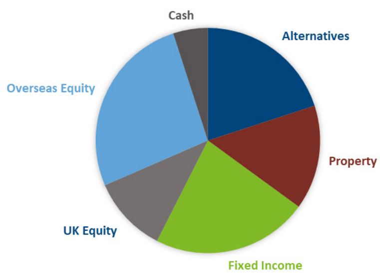
Defensive Balanced Mixed Assets



Defensive Mixed Assets



Social Impact



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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