

MARKET UPDATE

April 2022

April continued in a similar fashion to the previous few months, with heightened market volatility and global political uncertainty ever present. The BAM portfolios and their benchmarks all produced negative returns for the month. Despite the difficulties, all portfolio strategies other than the Global Horizons portfolio outperformed their benchmark on a relative basis.

STRUCTURAL TIPPING POINT

An era of cheap money appears to be drawing to a close as the Bank of England has raised its base interest rate to the highest level since 2009 in order to try to reduce the rate of inflation. The Federal Reserve followed suit by announcing a 50 basis point increase. The European Central Bank is yet to flinch, although it is widely expected to raise rates later this quarter. Whilst this isn't particularly good news for fixed income markets, it's certainly unsurprising and doesn't necessarily mean widespread doom and gloom. In times of high inflation, it could be argued that security selection comes into focus, since companies with significant pricing power are more immune to increases in input costs, as these can be passed on to the end consumer in the form of higher prices, without reducing demand. In April, BAM has continued to increase exposure to companies that exhibit good pricing power in order to best position the equity content of the portfolios. Companies not able to pass on rising costs look set to suffer as the UK consumer is currently looking worse for wear; research provider Oxford Economics expects 2022 to be the steepest fall in a calendar year for UK real household disposable income since the end of World War II. Some would argue that excess savings from Covid times will help to cushion the blow. However, on both sides of the pond, the most appealing potential protection against inflation can be found in the form of alternative investments, often with a direct revenue inflation link including selected Property and Infrastructure assets like data centres. According to a number of specialists, we are still in the foothills of the massive infrastructure spending required for things like EV charging, energy transition, 6G, and to mitigate the physical impact of storms.

UK OUTPERFORMANCE

Despite the BAM portfolios being global portfolios, they all have significant exposures to the UK. The UK equity market has been out of fashion for the best part of a decade but, as we are UK based investors, we feel that we have great access to information in order to pick through the rubble. The 'rubble' is becoming more appealing since the UK market has heavy weightings to miners and financials which are likely to respond well to a rising interest rate environment, thus currently making the UK relatively more appealing versus other developed markets.

EARTH DAY

On 22nd April we had the 52nd iteration of 'Earth Day', an annual event designed to promote and demonstrate support for environmental protection. The theme for this year was 'Invest In Our Planet' and so one could argue we won't come across a more appropriate time to speak about the issue.

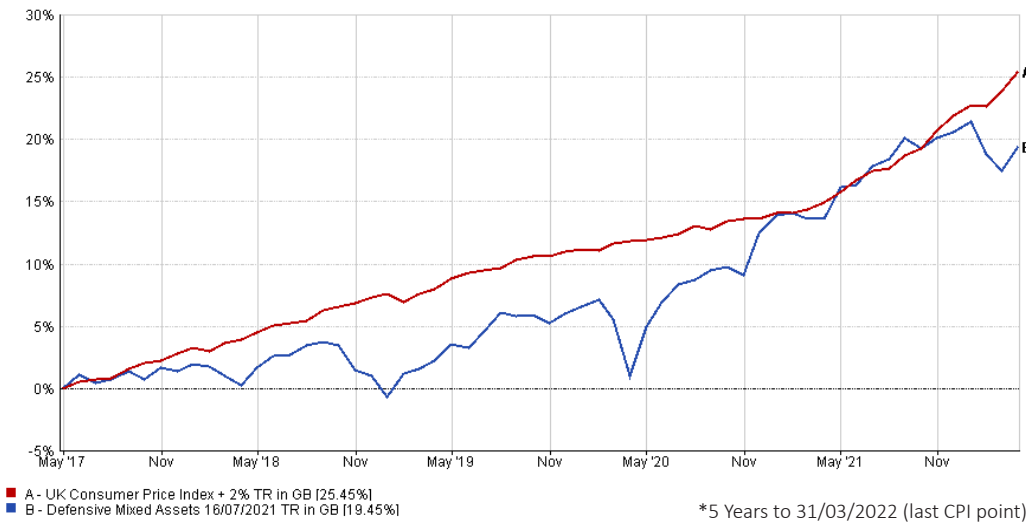
The energy sector has been in the spotlight recently with the EU proposing an embargo on Russian oil and Russia cutting off the gas supply to 'unfriendly nations'. Whilst it should not have taken such a dire situation to provoke change, this can only be a positive for the transition to cleaner energy production. Consequently, the UK government is set to introduce new legislation to enable a rapid expansion in renewables with the target to build 50 gigawatts of offshore wind farms (according to government sources the current offshore wind capacity is 10.4GW), as well as expanding hydrogen and solar ambitions. This is an ongoing theme we feel particularly passionate about, and so all of the BAM portfolios have exposure to companies both operating and producing clean energy assets.

SOCIAL IMPACT MODEL

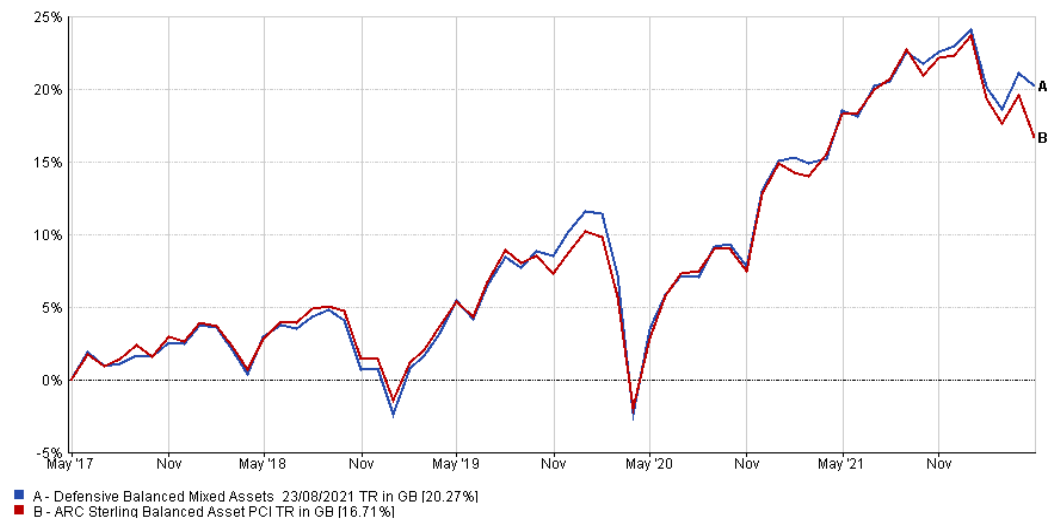


5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



DEFENSIVE BALANCED MIXED ASSETS MODEL



BALANCED MIXED ASSETS MODEL



FOCUSED GROWTH MIXED ASSETS MODEL



Total Return figures take into account normal dealing costs but not Adviser fees. Source: FE Analytics – Total Return.

Investments are intended for the long term. Their value is not guaranteed and may go down as well as up. The value of international holdings may also be affected by the fluctuation in the value of Sterling against other currencies. Past performance is no guide to future returns. This document should not be construed as an offer document or solicitation and is circulated because the contents may be of incidental interest. The opinions stated are those of Beckett Asset Management Ltd, which is authorised and regulated by the Financial Conduct Authority.