MARKET UPDATE

In April, core BAM portfolios rebounded as fears around banks eased resulting in a recovery from the March lows. UK equities were the main contributor to returns with overseas equities being the sole detractor. DBMA, Social Impact, BMA and FGMA all generated positive returns as well as beating their respective benchmarks. DMA continues to lag its UK CPI +2% benchmark due to UK inflation remaining significantly elevated and the Global Horizon Portfolio remains out of favour due to its natural growth bias. However, with the imminent peak of interest rates there is likely to be a more favourable economic environment on the way.

US DEBT CEILING

In the past few weeks, US politicians have been engaging in political tit for tat in an attempt to thrash out a solution to the current limitations imposed by the US debt ceiling. The US debt ceiling is a limit set by the US Congress on the amount of money that the US government can borrow to finance its spending. Should the debt ceiling not be raised, the US government won't be able to meet its spending commitments as currently the government currently spends more than it receives in taxes. Treasury Secretary Janet Yellen has warned the US may default on debt as early as 1st June and Oxford Economics published that they see no way the Treasury can meet its obligations by early August without action. House Republicans have unveiled their solution which involves significant spending cuts which the Democrats have described as draconian. It's worth noting that with US elections coming up next year, both parties will be hoping to engineer a compromise that swings the balance in their favour, as the strength of the US economy in the run up to an election has the potential to sway otherwise undecided voters. BAM believes that whilst a technical default isn't outside of the realms of possibility, anything particularly sinister would be too confidence shattering to be allowable, regardless of political orientation. In the lead up to the ceiling being reached, the team expect elevated volatility but for the situation to ultimately be resolved.

US BANKING WOES

Banks continued to hog the headlines in April as First Republic Bank became the latest US regional bank to fail. Whilst any bank failing generates some concern, based on what is currently known, BAM maintain the opinion that the current situation remains under control as US regulators acted swiftly with JPMorgan taking on the majority of First Republic's business. What this does mean, however, is that in the US the big are getting bigger and smaller banks are likely to see increasing pressures over the coming weeks as deposit outflows continue. In recent months the team have been in frequent contact with economists and subject matter experts and continue to monitor the situation closely, both from a risk and opportunity perspective.

ARTIFICIAL INTELLIGENCE*

Recent developments in artificial intelligence such as OpenAI's 'ChatGPT' and Microsoft's 'Bard' have the potential to revolutionise the investment management industry. With the help of AI, investment managers can analyse large volumes of data in real-time and identify market trends which may be missed by humans. While the full potential of AI in investment management is yet to be realised, experts predict that it will continue to play an increasingly important role in the industry in the coming years. AI developments often come with complex ethical considerations. Geoffrey Hinton, a leading AI expert and considered as the godfather of AI, has quit Google over concerns about the dangers of AI-generated misinformation, its impact on human employment, and the existential risk from the creation of true digital intelligence that may soon become more intelligent than humans.

The BAM team is exploring options which would allow them to integrate AI language models into the investment process to assist with data capture and decision making.
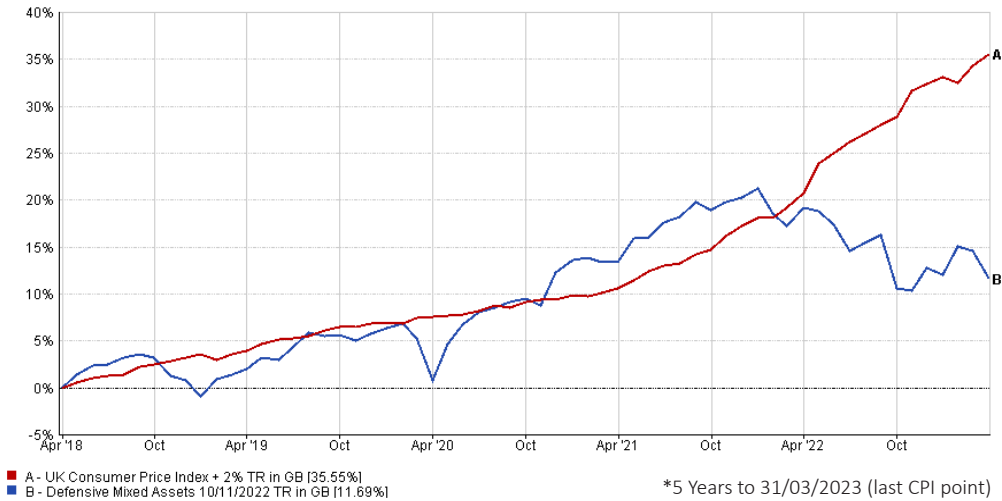
*Paragraph written by ChatGPT.

SOCIAL IMPACT MODEL

A - Social Impact Portfolio 10/11/2022 TR in GB [22.06%]
B - ARC Sterling Balanced Asset PCI TR in GB [11.48%]

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL

A - UK Consumer Price Index + 2% TR in GB [35.55%]
B - Defensive Mixed Assets 10/11/2022 TR in GB [11.69%]

*5 Years to 31/03/2023 (last CPI point)

DEFENSIVE BALANCED MIXED ASSETS MODEL

A - ARC Sterling Balanced Asset PCI TR in GB [11.48%]
B - Defensive Balanced Mixed Assets 10/11/2022 TR in GB [11.14%]

BALANCED MIXED ASSETS MODEL

A - Balanced Mixed Assets 10/11/2022 TR in GB [16.86%]
B - ARC Sterling Steady Growth PCI TR in GB [16.49%]

FOCUSED GROWTH MIXED ASSETS MODEL

A - Focused Growth Mixed Assets 10/11/2022 TR in GB [24.25%]
B - ARC Sterling Equity Risk PCI TR in GB [21.13%]

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.

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.