MARKET UPDATE

December 2020

When people look back on the Covid-19 crisis, November 2020 will likely be seen as the turning point. We saw one of the strongest months for equities of all time as news broke of extremely positive late-stage trial data on three Covid-19 vaccines. For example, the MSCI Asia ex Japan Index recorded its highest return in more than four years as US dollar weakness amplified returns. (source Schroders.)

POST US ELECTION VACCINE BOOST

This added fuel to the post-US election rally, eclipsing worries about the near-term economic outlook and the escalating number of new infections in the US. Although Mr. Biden's victory in the US presidential elections did not bring about the expected blue-wave control of Congress, Janet Yellen's proposed appointment as Treasury Secretary has kept alive the prospect of a material fiscal stimulus package from the new administration.

Also importantly for all of us, the US will reunite with its global peers in the effort to combat climate change, with the president-elect intending to re-join the Paris Climate Agreement on day one of his administration. We expect this to help drive the green agenda and shape the policies for global economic recovery in 2021. We don't expect the US-China trade tensions to disappear; they are very much a natural derivative of the fact that the world's two largest economies have very different political and social structures.

VALUE STYLE RALLIES

The long-mooted value rally finally took place as the equity markets rewarded those companies which can benefit most from the re-opening of the economy. Travel and hospitality sectors, in particular, rebounded. And, in fixed income too, it was the riskier high yield and emerging markets that out-shone lower risk investments.

Growth investing as a style has significantly outperformed value for years. Although this has been challenged in recent weeks, whether this is a temporary phenomenon or something more durable remains unclear. We welcome the return of some breadth to a stock market which had become too reliant upon a limited number of stocks and sectors. The UK and Europe performed strongly in this environment with Europe a particular beneficiary given its high exposure to global trade.

Our portfolios retain a bias towards quality growth for the time being but we can move quickly if necessary. Property transactions continued to pick up and another of the Property funds owned in BAM Defensive Mixed Assets, BMO, is reopening this month. Aegon (Kames) and Time have a number of properties up for sale in order to raise sufficient cash to allow them to reopen in Q1 2021.

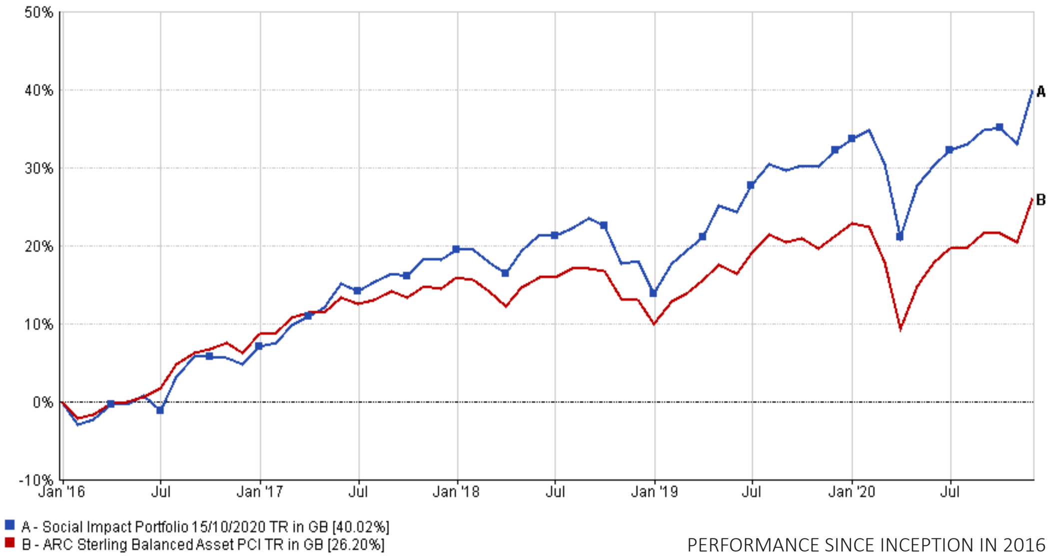
SANTA CLAUS RALLY?

We wouldn't be surprised to see markets tread water for a bit following the exceptional rally in November as we are not out of the woods with Covid and the longer-term economic ramifications are yet to be felt. The extraordinary debt burden for companies and governments coming out of the pandemic is likely to result in an extended period of low interest rates and continued central bank asset purchases.

Brexit trade negotiations are also going to the wire. If there is no deal by the 31st December 2020, the UK will automatically fall back on the rules of the World Trade Organization (WTO) which means the EU would impose tariffs on imported UK goods and the UK would do the same to the EU. Services aren't even covered by this. As both the UK and Europe still grapple with the Covid 19, there is likely to be some sort of deal in everyone's interest. Markets have so far been more than able to look beyond a tough winter period but could run out of steam before reawakening in the Spring.

Wishing you all a happy and healthy Christmas, and thank you for investing with us.

SOCIAL IMPACT MODEL



PERFORMANCE SINCE INCEPTION IN 2016

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL

*5 Years to 30/10/2020 (last CPI point)

DEFENSIVE BALANCED MIXED ASSETS MODEL

BALANCED MIXED ASSETS MODEL

FOCUSED GROWTH MIXED ASSETS MODEL

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