MARKET UPDATE

February 2021

A WORD ON UNITISATION

January saw the completion of Beckett Asset Management's Unitisation process, whereby we launched the Blenheim range of funds, which are Open-Ended Investment Companies known as OEICs. This is a very exciting development, which will ensure the continued positive evolution of BAM as your discretionary fund manager. Pooling our funds in this way has several advantages from an investment management point of view; it will enable us to manage each individual portfolio in a more focused and efficient manner and widen our investable universe. However, the main advantage for you is that the cost of running your portfolio will reduce, as a result of our improved economies of scale. The preparation preceding the launch of the Blenheim funds has spanned more than one and a half years and the smooth transition was a testament to the preparation and hard work that was carried out.

US RETAIL INVESTOR MADNESS

January saw tribulations in the US equity market, where 'retail investors' took on the 'Wall Street hedge funds'. The rhetoric goes as follows: Wall Street bullies have been 'shorting' (betting on the decline in share prices) a few US companies, and in a bid to rectify this abhorrent feat, retail investors, headed up by certain accounts on Reddit and Twitter, bought, and bet on the shares of these heavily shorted companies in a bid to push up the share prices. The idea being to force the Wall Street bullies to close their short positions at a loss and thus return financial markets to their just and fair equilibrium. If you can forgive the slightly flippant and sarcastic tone of this explanation, the irony really strikes when we consider that this strategy of forcing hedge funds to cover (close out) their short positions by pushing share prices higher is one primarily carried out by hedge funds themselves. The sad part of this story is that while there is no honour amongst thieves, or in this case hedge funds, the retail investors are inevitably going to and, in some cases already have, come out of this worse off. It's important to say that these idiosyncratic, stock specific, headline grabbing David vs Goliath stories are nothing more than noise. Long term, well-diversified and professionally managed investment strategies will do well to continue with their compounding of returns with little regard for this type of speculation and excitement. True investment should be rather boring and when we get emotional, sub-optimal decision making is very often the outcome.

MARKETS GO HIGHER, SUSTAINABLY?

The vaccine roll out, supportive monetary and fiscal policy, combined with a financially healthy consumer have given investors a rather positive outlook at the outset of 2021. This has materialised in higher equity prices; a backdrop which has been benefiting our portfolios. This fairly universal positive outlook does leave the contrarian concerned when markets appear to have this level of shared optimism. The sustainability of this 'risk on' period in markets is sure to be ended by something no one foresees, yet it shall seem so obvious in hindsight. We remain vigilant to any changes in the roll out of vaccines or their effectiveness against new strains, which would likely de-rail this recovery. Equally, geopolitics, valuations and inflation all remain top of mind.

CRYPTOCURRENCIES; FEASIBLE INVESTMENTS OR TOTAL SPECULATION?

Cryptocurrencies continue to make headlines as they reach new all-time highs, their allure and the pull of 'FOMO' (Fear of Missing Out) continues to rage. CG Asset Management wrote a brilliant piece on Bitcoin, covering the 'asset' from a variety of different angles so, for any reader with the inclination to do so, you can read more here: cg-asset-management-limited_a-special-report-on-cryptocurrency.

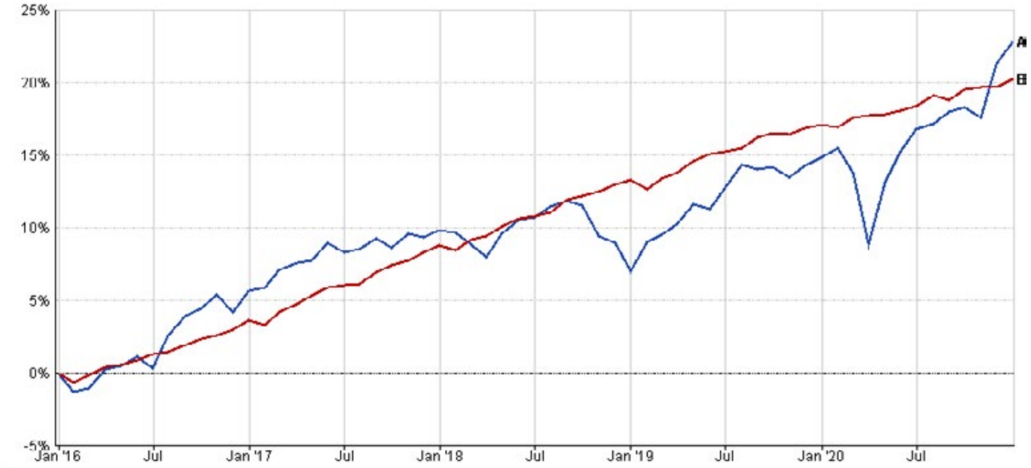
NEGATIVE RATES?

Recently, headlines emerged following the Monetary Policy Committee meeting that the Bank of England were all but implementing negative interest rates; similar to those currently in existence across many European countries. Conversely, market interest rates actually rose around the time of the announcement. Looking deeper into it, the headlines slightly misconstrue the outcome of the meeting, whereby the UK's prudential regulator made the statement that it would be appropriate to start the preparations for negative interest rates, rather than any imminent implementation.

SOCIAL IMPACT MODEL

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

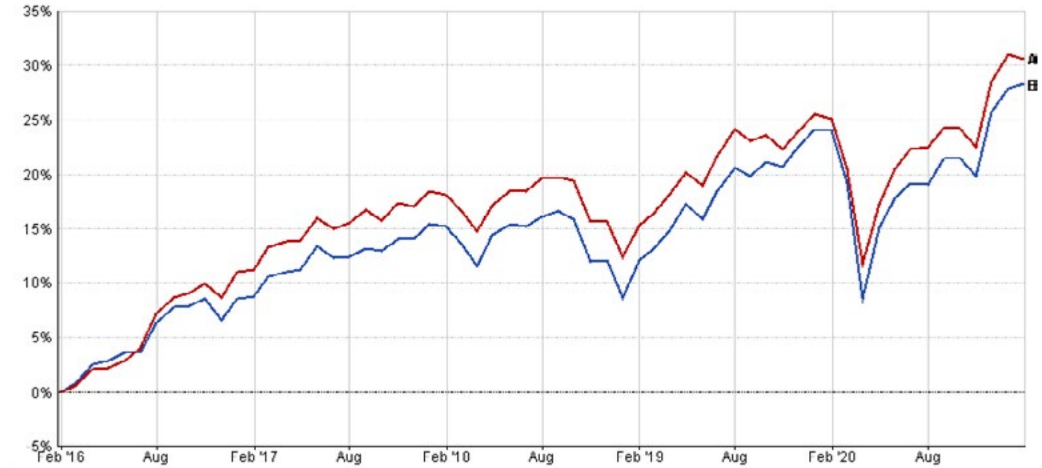
DEFENSIVE MIXED ASSETS MODEL



A - Defensive Mixed Assets 22/01/2021 GTR in GB [22.80%]
B - UK Consumer Price Index + 2% TR in GB [20.21%]

*5 Years to 31/12/2020 (last CPI point)

DEFENSIVE BALANCED MIXED ASSETS MODEL



A - ARC Sterling Balanced Asset PCI TR in GB [30.59%]
B - Defensive Balanced Mixed Assets 22/01/2021 GTR in GB [28.29%]

BALANCED MIXED ASSETS MODEL

A - Balanced Mixed Assets 22/01/2021 GTR in GB [44.67%]
B - ARC Sterling Steady Growth PCI TR in GB [42.19%]

FOCUSED GROWTH MIXED ASSETS MODEL

A - Focused Growth Mixed Assets 22/01/2021 GTR in GB [72.69%]
B - ARC Sterling Equity Risk PCI TR in GB [52.89%]

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