MARKET UPDATE

February 2023

In February performance of the BAM portfolios was predominantly driven by UK equities with fixed income assets being the primary detractor. Over a 3-year period, only the Global Horizon and Defensive Mixed Assets portfolios lag their benchmarks, but BAM remains confident in the ability of these portfolios to produce superior long-term risk-adjusted returns. At one point, we were all slightly worried and confused about Chinese Balloons over the US, but there was plenty of central bank action to bring us back down to earth.

UK INTEREST RATE HIKES

The Bank of England raised interest rates by 50 percentage points to 4% in February. This was in line with expectations, but the language used in the meeting minutes was much softer than has been used in previous minutes. The tone appears to have changed, as the latest minutes focused on the fact that the full impact of interest rate hikes was yet to be seen and therefore, the Monetary Policy Committee believes that interest rates are now close to, or even at, their peak. The increase in interest rates that we have seen over the past year is likely to reduce inflation whilst at the same time cause a reduction in growth, which may well lead to a recession. Whilst this sounds ghastly, it's an economic environment that has been expected for some time and so asset prices have adjusted accordingly but the potential consequential actions generate optimism. Once inflation is under control, the BoE is likely to be forced to reduce interest rates to stimulate growth and therefore, create a more appealing investing environment. It is for this reason that the BAM portfolios are currently underweight to the UK but the team are keeping a keen eye on the interest rate outlook.

STRONG US ECONOMY

In the US, inflation looked as though it may have been on a trajectory that was cruising back to the Federal Reserve's 2% target, but since the turn of the year there have been numerous economic data prints that have surprised the market. In last month's BAM market update, it was stated that the team are looking for weakness in the US labour market as an indicator that inflation is likely to continue its downwards trajectory. Unemployment has in fact marginally fallen year to date, meanwhile inflation has also fallen, albeit it remains significantly above the 2% target. This, coupled with strong retail sales data and a rising number of job openings in the US, suggests that the US economy is likely to be in better shape than previously thought. Consequently, the Fed is likely to have to increase interest rates further, to bring inflation back to target, something that may result in further opportunities arising in the fixed income asset class. In addition to this, stubbornly strong consumer spending and a strong economy reduces the potential downside for certain equities, although rising interest rates will increase the vulnerability of companies reliant on debt. This environment creates a situation whereby BAM must be highly selective with regards to the US exposure within the Blenheim Overseas Fund, and for this reason we have halved our holding in an S&P 500 tracker.

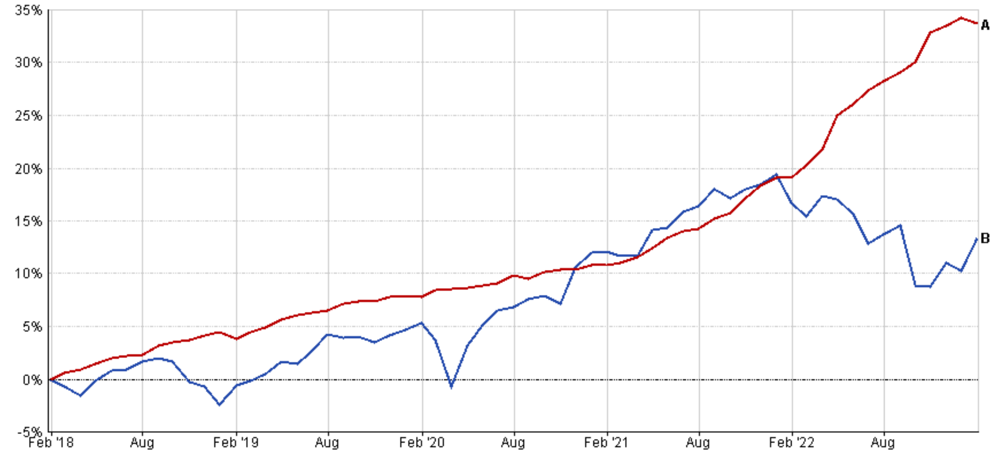
TECHNOLOGY WOES

One sector that has seen significant labour weakness is the technology sector. In recent months Google has cut 12,000 jobs, Meta is laying off 13% of its staff and Twitter's headcount is now below 2000 people, down from 7500 just 6 months ago. Despite recent poor performance, the technology sector still makes up over 25% of the wider American market. This is a stark reminder that an active management philosophy with greater sector diversification can reduce risk compared to passive investment offerings. Even as fears of a global slowdown depress sentiment, we think opportunities remain for long-term investors focusing on themes such as artificial intelligence (AI) and cybersecurity, which are growing increasingly prevalent, transformative and vital to everyday life.

SOCIAL IMPACT MODEL

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



A - UK Consumer Price Index + 2% TR in GB [33.67%]
B - Defensive Mixed Assets 10/11/2022 TR in GB [13.35%]

*5 Years to 31/01/2023 (last CPI point)

DEFENSIVE BALANCED MIXED ASSETS MODEL

A - Defensive Balanced Mixed Assets 10/11/2022 TR in GB [14.18%]
B - ARC Sterling Balanced Asset PCI TR in GB [12.02%]

BALANCED MIXED ASSETS MODEL

A - Balanced Mixed Assets 10/11/2022 TR in GB [20.43%]
B - ARC Sterling Steady Growth PCI TR in GB [17.59%]

FOCUSED GROWTH MIXED ASSETS MODEL

A - Focused Growth Mixed Assets 10/11/2022 TR in GB [28.26%]
B - ARC Sterling Equity Risk PCI TR in GB [22.80%]

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.