

It was a very mixed start to 2024 as strong economic data in the US lead investors to reconsider the timing and magnitude of future interest rate cuts. Consequently, market returns were weaker in January than prior months with assets that are particularly interest rate sensitive, such as fixed income and infrastructure, giving back some of the gains made in Q4 last year. The BAM portfolios posted marginal losses for the month, but the team maintain the view that the outlook continues to improve.

MISSION ACCOMPLISHED

At the start of January US Treasury Secretary Janet Yellen proclaimed victory, that an elusive soft landing had been achieved, whereby inflation is tamed without significantly damaging the labour market. History suggests that a soft landing has always been somewhat improbable but thus far the resilience of the American economy has continued to surprise, although it's worth noting that concerns have been raised about the potential weakness of US commercial real estate. Strong economic performance does not however, necessarily translate into strong stock market performance. BAM believe for the US stock market to truly be off to the races we need to see aggressive interest rate cuts, which simply are not necessary whilst the goldilocks scenario continues whereby inflation is falling, without weakening the labour market. Perversely, the S&P 500 index recently set an all time high but upon dissecting recent performance it becomes apparent that the main driver has been a select few technology giants. BAM currently maintain an underweight position to the US market due to the threat of concentration risk.

JAPAN TO THE MOON

Japan became only the fifth country to conduct a successful lunar landing in January but the 'SLIM Spacecraft' was not the only flying entity. In absolute terms, Japanese equity was the strongest performing element of the BAM models in January returning 3.07%. Naturally scepticism around the sustainability of performance creeps in when something has performed well for a period of time but there remain tailwinds in Japan. The Bank of Japan is becoming more tolerant of inflation which is supporting economic growth and giving a boost to company earnings. The country is also making improvements when it comes to ESG, albeit from a very low base. Having been historically associated with questionable governance practices, the Japan Stock Exchange is now taking measures to improve practices having revised their corporate governance code as well as encouraging listed companies to make numerous disclosures. In addition to this many companies are closely associated with the energy transition. Panasonic for example hold over 15,000

patents relating to energy transition technologies, only four companies globally hold more.

UK

The UK has long been out of favour, with UK companies given cheaper valuations than their international counterparts. Despite this, the team are starting to see the potential for a number of catalysts which could provide significant tailwinds for the UK market. The first potential catalyst is mergers and acquisitions (M&A). In recent months a number of UK businesses have been involved in M&A including homebuilder Barratt Homes and The Restaurant Group, owner of brands such as Frankie and Benny's and Wagamama. As the cost of borrowing is expected to decrease, transactions like this may well become more common as private investors seek to take advantage of cheap valuations. Secondly, as is the case in most election years, we are likely to see the introduction of new tax breaks in the chancellor's budget. Early rumours suggest that the government are keen to encourage UK investors to invest more domestically and naturally, significant inflows into the UK market would be very positive for share prices. Although currently the content of the spring budget remains rumour, BAM believes that encouraging domestic investment would be significant for the performance of the BAM portfolios, as well as the UK as a whole.

SOCIAL IMPACT MODEL



5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



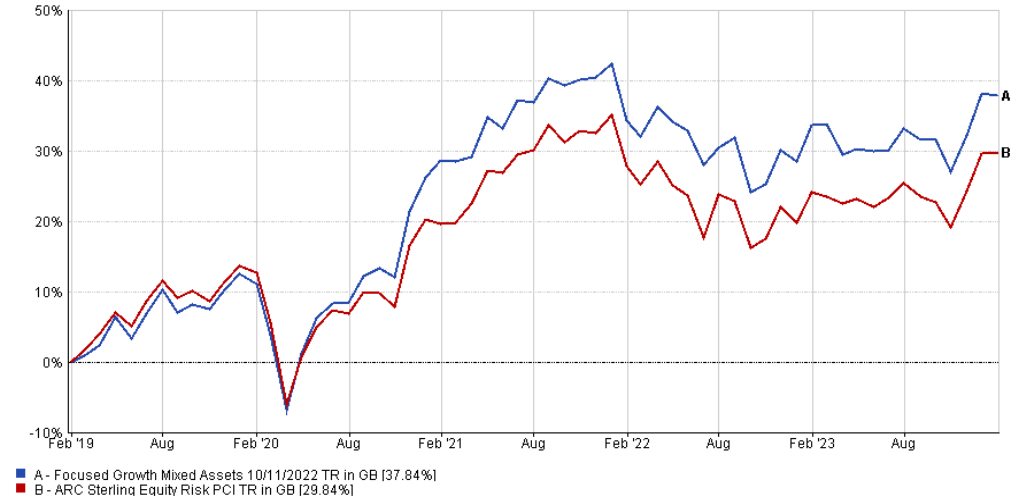
DEFENSIVE BALANCED MIXED ASSETS MODEL



BALANCED MIXED ASSETS MODEL



FOCUSED GROWTH MIXED ASSETS MODEL



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