

MARKET UPDATE

July 2023

July was a positive month for all of the BAM portfolios in absolute terms and with the exception of the Social Impact portfolio, all the rest outperformed their benchmarks. The main drivers of returns were Chinese and emerging market equities, where BAM have an overweight position, but it was pleasing to see the majority of asset classes positive for the month.

CLIMATE CHANGE DOES NOT CARE FOR RECESSIONS

We're undoubtedly in an economic environment whereby individuals, businesses and governments all have to spend more cautiously, but the month saw new worrying, climate change-related records set, which only reinforced the message that more investment is needed. July was officially the hottest month on record as global temperatures averaged 17 degrees Celsius. It was so warm that in Iran, the government felt forced to announce two public holidays due to the abnormally hot weather. Whilst not everyone appears to appreciate the threat of climate change (one US senator drives a Tesla with "Friends Of Coal" on the side, and Saudi Arabia has requested that fossil fuels aren't discussed at climate conferences due to it being a sensitive issue) it should be noted that investment in sustainable infrastructure is increasing, albeit currently not quickly enough to meet targets. Fingers are often pointed towards China, the biggest CO2 emitter since 2006. Despite this, China is also the nation doing the most to address the issue, as in 2022 alone \$546 billion was invested in energy transition assets, almost four times as much as the US. Ultimately, no matter how significant an issue you believe climate change to be, it is undeniable that more investment is needed, regardless of economic cycles. For this reason, all BAM portfolios have significant exposure to all facets of the energy transition, both directly through infrastructure assets, as well as indirectly through regional exposures and companies providing the 'picks and shovels'. BAM strongly believe that we are only at the beginning of a multidecade-long structural change.

US CONCENTRATION

For some time, concentration risk in the US, where a small handful of companies account for a significant proportion of the market, has been rising. To such an extent that Apple recently surpassed the entire valuation of the FTSE 100 companies combined. In July, the NASDAQ index was rebalanced to redistribute weightings away from the large technology holdings such as Microsoft and Apple to smaller companies in the index. This serves as a reminder that sensible active management can help to reduce risks that a passive investment may be unable

to avoid. The core BAM portfolios currently maintain an underweight position to the US due to both the market valuations as well as the risks posed by concentration.

CHINA RALLY

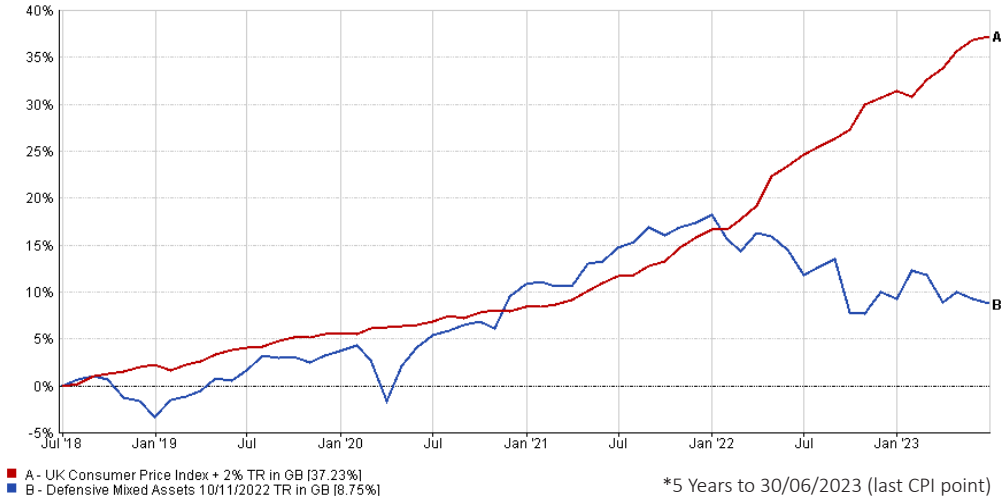
At the start of the year, many investors, BAM included, had high hopes for a Chinese post-COVID recovery due to the volume of pent-up savings, amongst other factors. However, Chinese growth this year has been somewhat muted relative to expectations, leading the government to intervene. Although it's unclear exactly what policies will be introduced to stimulate growth, the government has announced intentions to boost demand by improving electric vehicle infrastructure, expanding the supply of affordable housing and instructing local governments to cut admission fees at attractions. These proposals, and crucially the indication they give have significantly improved China's prospects; consequently, the equity allocation to China within the Blenheim Overseas fund returned 9.84% in just 5 days. Whilst this is only a short period of time, BAM are optimistic about the outlook and wider Asia as surrounding nations benefit from trade with China as well as tourism.

SOCIAL IMPACT MODEL



5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



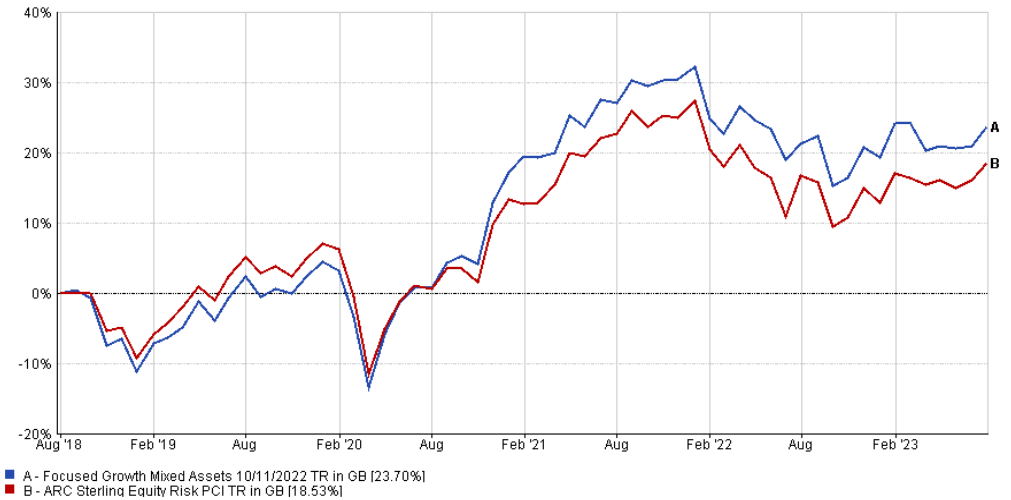
DEFENSIVE BALANCED MIXED ASSETS MODEL



BALANCED MIXED ASSETS MODEL



FOCUSED GROWTH MIXED ASSETS MODEL



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