

# MARKET UPDATE

March 2022

February saw the continuation of market volatility, with developing geopolitical uncertainty. The BAM portfolios all produced negative returns, but despite this, held up comparatively well against their respective benchmarks, due to their defensive positioning, including a preference for larger companies and higher than average cash weightings.

## WAR IN EUROPE

The worst-case scenario for geopolitical tensions has come to fruition as Russian military personnel have crossed Ukraine's sovereign borders. Currently the situation stands as a humanitarian crisis. The human cost is horrific and clearly this comes above any comments we could make with regards to the financial and investment implications.

BAM is very alert to avoiding any knee jerk reactions, as we believe the number of potential outcomes is vast and in truth, the only certainty is uncertainty. With regards however, to the potential financial implications, we can look to the past for guidance. Historically, war has the most severe financial consequences for nations directly involved, but does also often have negative implications for global investment markets. The most frequently occurring trend is that market downturns are significant, but short lived and that it is not unusual for market indices to have fully recovered within 12-18 months of the initial outbreak of a conflict. Whilst this might suggest that markets move with a degree of predictability, we maintain our stance that time in the market is more effective than timing the market, especially in this instance, due to the unpredictable nature of war itself. This is an appropriate time to stress that the BAM portfolios are truly global portfolios, meaning that risk is spread across many regions, and so our exposure to revenues from Ukraine and Russia is very minimal. We have no direct exposure to either of the countries. Where we have very small indirect exposure, the consensus is that managers are looking to reduce this for both moral and financial reasons. Over the past months, other than the Global Horizons Portfolio (due to its longer-term investment time horizon), we have been moving the BAM portfolios to a more defensive stance based on the outlook from an economic standpoint. We therefore feel comfortable that the BAM portfolios are well positioned to minimise the worst of the financial impacts of the conflict.

## RISING ENERGY PRICES & INFLATION

The European Union receives in the region of 40-50% of its gas supply from Russia and so any disruption to this supply is likely to result in higher prices. Whilst in the UK much of our gas is of domestic origin, this unfortunately does not make us immune to price changes, which was explicitly shown by the steep increase in the price of UK natural gas on the day of the invasion.

Energy prices are likely to continue to rise, which will push the cost of energy higher for individuals and businesses, as well as intensifying inflationary pressures. Whilst this creates a particularly unpleasant economic environment for the more traditional asset classes, it is for this reason that the BAM portfolios have exposure to alternative asset classes with the potential to perform in unfavourable conditions.

## END OF UK COVID RESTRICTIONS

For the first time in almost two years there are no covid restrictions in the UK, so providing some certainty that investment markets crave. We will wave goodbye to the Vallance and Whitty show, whose protagonists became household names as we learn to live with Covid. Whitty already has work underway on health inequalities, which were tragically exposed during the pandemic. A report on air quality is also expected, an issue which overlaps with health inequality and the underlying issues of deprivation, housing, lifestyle and employment. Vallance meanwhile has set up two new government bodies the National Science and Technology Council and the Office for Science and Technology strategy with the aim to help achieve net zero emissions.

## SOCIAL IMPACT MODEL

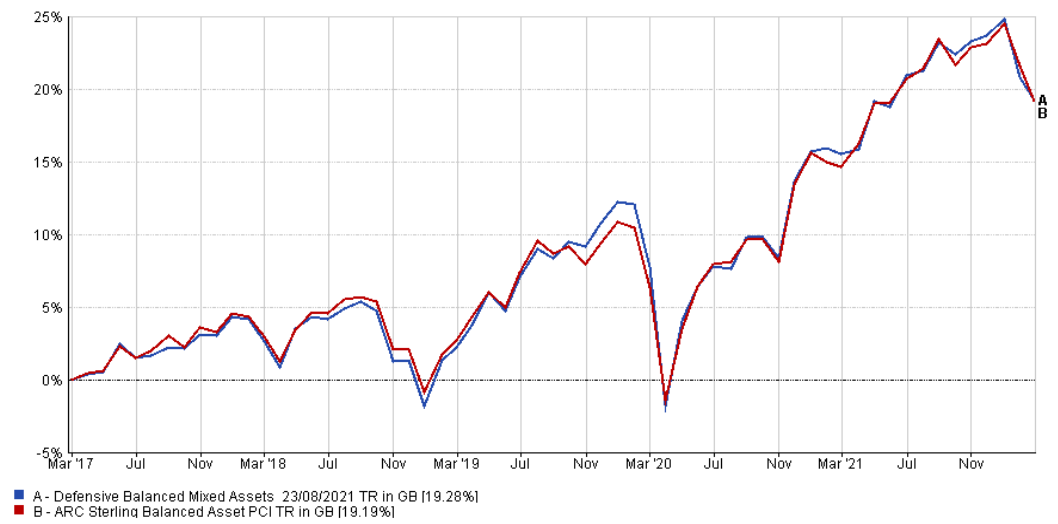


# 5 YEAR MODEL PERFORMANCE VS BENCHMARK\*

## DEFENSIVE MIXED ASSETS MODEL



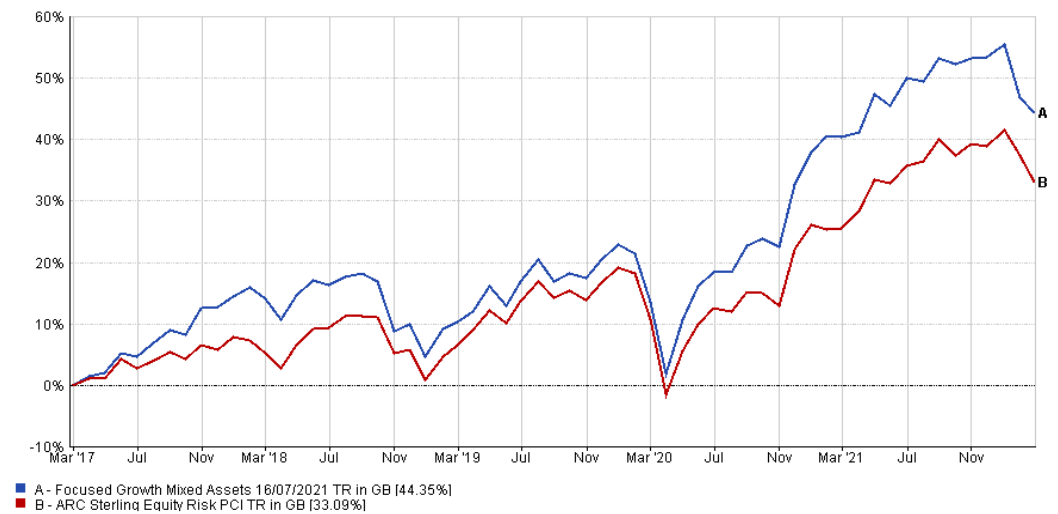
## DEFENSIVE BALANCED MIXED ASSETS MODEL



## BALANCED MIXED ASSETS MODEL



## FOCUSED GROWTH MIXED ASSETS MODEL



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

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