MARKET UPDATE

November 2022

October was a tumultuous month for UK politics in particular, although by the end of the month much of the dust appeared to have settled. All portfolios, other than the Defensive Mixed Assets portfolio, produced positive returns for the month and all but the Defensive Mixed Assets and Global Horizons portfolios remain ahead of their benchmarks year to date. Equity and fixed income allocations were the primary drivers of positive returns, with alternatives and property creating a drag on performance.

UK POLITICS

October will likely go down as one of the worst months in history for UK politics, which naturally has created some scathing news headlines, but the impact on investment portfolios has been comparatively minimal. One of the key threats to market stability came in the form of rapidly rising costs of government debt, brought about by the mini-budget. Thankfully, the Conservative party has encouraged Liz Truss and Kwasi Kwarteng to take their outrageously optimistic policies with them and we now find ourselves with what markets appear to consider a palatable alternative in Rishi Sunak and Jeremy Hunt. Impacts of the substitution won't be felt immediately, as the government aren't due to reveal the finer details of the autumn budget until 17th November, but we can expect higher tax rates and reduced levels of public spending. This will put pressure on household incomes in the short term, but hopefully provide greater financial stability in the long term, which investment markets so dearly crave. Political instability and undesirable economic conditions are undoubtedly negative for financial markets but we believe that most, if not all, of the bad news is now priced in and whilst remaining extremely vigilant, our optimism is slowly but steadily rising.

INFLATION

Inflation has long been top of mind for investors but we are now starting to see the initial signs that inflation may be abating. In the US, the Bureau of Labour Statistics released data showing the number of job vacancies has dropped very sharply in October, far more than economists had expected. Tightness in the labour market puts upward pressure on wages and hence inflation. It could be argued that a tight labour market is forcing the Federal Reserve to continue with interest rate hikes and so this improves the likelihood that interest rates in the US will peak sooner than previously expected. This naturally feeds our optimism that more favourable market conditions are coming, but it's important not to get carried away and to appreciate that at the moment, this is no more than an encouraging development. Therefore, we have no intention to make drastic changes to the BAM portfolios in the near future, but we are open to adding incrementally to riskier assets where we believe that we are likely to be sufficiently compensated for the level of risk taken.

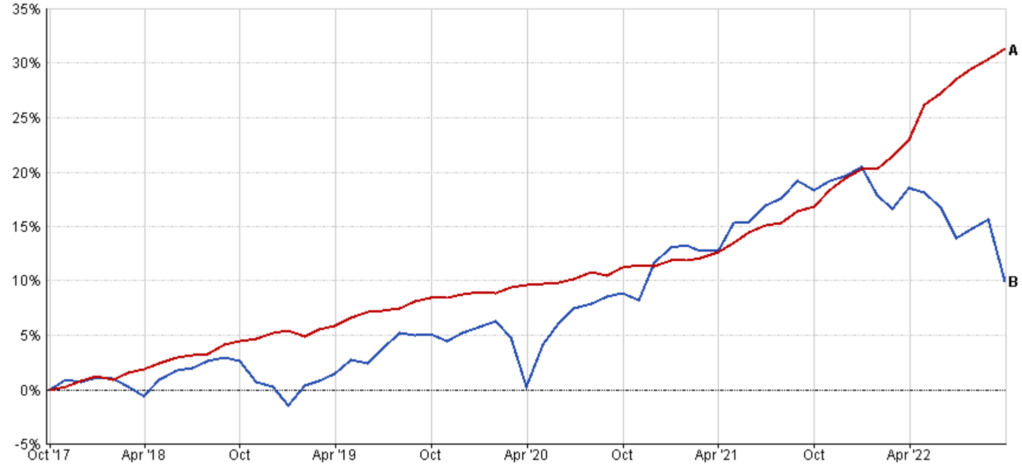
COP 27

November will see world leaders descend on Sharm el-Sheikh in Egypt for the annual COP Climate Summit. In one of the more forgiveable u-turns, Rishi Sunak has confirmed his attendance for what has the potential to be one of the more polarising climate conferences in recent times. Currently there are greater than average pressures on public finances in the majority of nations globally and therefore we would anticipate that we may see some leaders choosing to put finance over climate change. Our views align with our current Prime Minister who recently said "there is no long-term prosperity without action on climate change or energy security without investment in renewables" and this view is reflected in the BAM portfolios through investment in renewable energy and companies with ethical mandates. The United Nations have stated that "nations are expected to demonstrate they are in a new era of implementation by turning commitments into action", and so we hope to hear positive news regarding action on climate change in the coming weeks.

SOCIAL IMPACT MODEL

5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



A - UK Consumer Price Index + 2% TR in GB [31.31%]
B - Defensive Mixed Assets 16/07/2021 TR in GB [9.98%]

*5 Years to 30/09/2022 (last CPI point)

DEFENSIVE BALANCED MIXED ASSETS MODEL

A - Defensive Balanced Mixed Assets 23/08/2021 TR in GB [9.09%]
B - ARC Sterling Balanced Asset PCI TR in GB [8.03%]

BALANCED MIXED ASSETS MODEL

A - Balanced Mixed Assets 16/07/2021 TR in GB [12.69%]
B - ARC Sterling Steady Growth PCI TR in GB [12.14%]

FOCUSED GROWTH MIXED ASSETS MODEL

A - Focused Growth Mixed Assets 16/07/2021 TR in GB [21.66%]
B - ARC Sterling Equity Risk PCI TR in GB [16.09%]

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

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