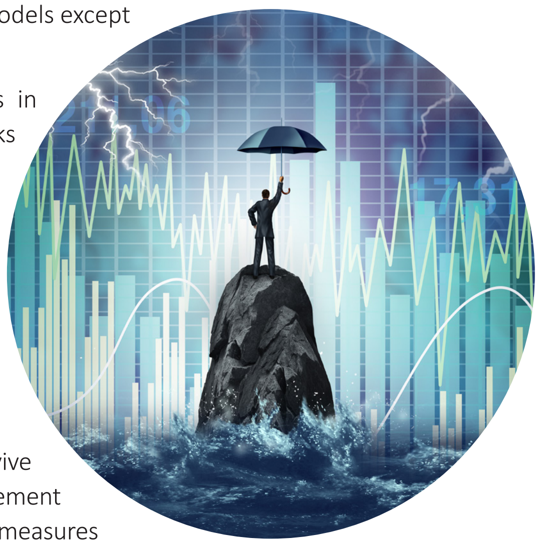
INVESTMENT REVIEW

BECKETT ASSET MANAGEMENT

Quarter 3 2024

Market volatility surged in late summer, with the CBOE Volatility Index (VIX) reaching its highest level since November 2020. A significant pullback in global markets, particularly in Asia and Europe, rattled investors. However, this wasn't a panic signal. Historically, market turbulence creates opportunities, especially for disciplined investors. Weakness in U.S. economic data may have sparked fears, but not all signs indicate doom and gloom. U.S. GDP exceeded expectations in Q2, and some sectors, like services, are still growing. Periods of indiscriminate selling often result in attractive entry points for long-term investors. Volatility, while unsettling, is part and parcel of the market cycle. "Crisis" sentiment is usually overblown, and all models except for Global Horizons delivered a positive return in Q3.



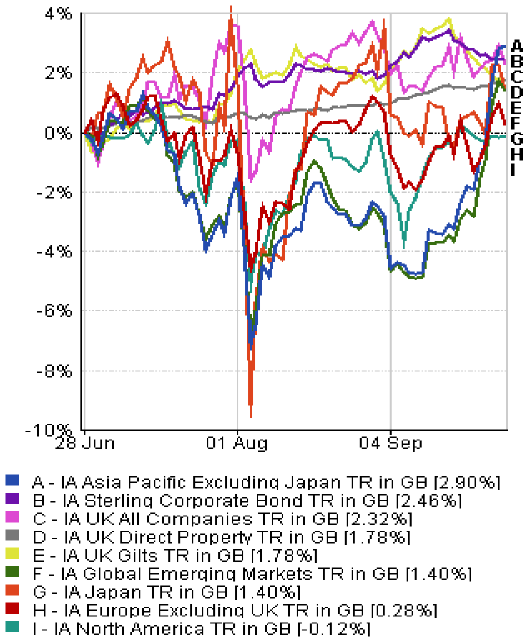
In a dramatic shift, the Federal Reserve slashed interest rates by 50 basis points in September, bringing the federal funds rate down to a range of 4.75% to 5%. This marks the Fed's first rate cut after over a year of holding rates at their highest levels in two decades. The move was widely anticipated following softer inflation data and weaker-than-expected job growth. Chair Jerome Powell stressed that this is not necessarily a precursor to a broader rate-cutting cycle but reflects a desire to support the labour market and moderate inflation. While some sectors, particularly smaller-cap stocks, reacted positively, bond markets saw significant movement as yields fell. With the Fed signalling further cuts in 2025, the environment is becoming more favourable for credit and equity markets.

China's government also recently unveiled a sweeping package of stimulus measures to revive its struggling economy. The People's Bank of China (PBoC) reduced the reserve requirement ratio (RRR) by 50 basis points, injecting around CNY 1 trillion into the banking system. The measures targeted the beleaguered property sector, with relaxed mortgage requirements and extended support for real estate companies. The Chinese stock market responded favourably, helping to boost our Asia and Emerging market exposures, but concerns remain over the lack of fiscal stimulus. As China remains a vital engine of global growth, investors should keep a close eye on how these measures translate into real economic recovery.

MARKET VOLATILITY: DON'T HIT THE PANIC BUTTON

THE FED AND CHINA GO BIG

INVESTMENT TRUST COST DISCLOSURE GAMECHANGER



Figures shown are for a sterling denominated investor, for the 3 month period to 30/09/2024. Source: Financial Express Analytics

In a long-awaited move, the Financial Conduct Authority (FCA) announced plans to revise how funds that invest in investment trusts reflect the costs of those trusts within their overall fund charges. HM Treasury and the FCA announced it was applying forbearance immediately on 19 September 2024. This issue has been hotly debated, particularly among the wealth manager community, as many believed that double-counting these costs was misleading and deterring investment. The new measures should improve transparency, preventing the costs of the underlying investment trusts from being aggregated unfairly into the charges of the investing fund. The announcement is being hailed as a "game changer" by some. We expect a renewed interest and demand in investment trusts, helping narrow some significant discounts (difference between the share price and the net asset value) remaining in renewable and property assets.

As we enter the final quarter of 2024, investors face an environment of mixed signals. On one hand, the Federal Reserve's rate cuts and China's stimulus package suggest monetary support will underpin growth. On the other hand, economic data across Europe and the U.S. remains soft, and geopolitical risks—ranging from U.S. election uncertainties to the ongoing Middle East conflict—loom large. Bond yields spiked earlier this year and are starting to look attractive again as inflation eases. Yet, with higher rates still a factor, longer-duration bonds might continue to see volatility. For equities, much will depend on how global markets digest the Fed's next moves and the extent of China's recovery. Small-cap stocks and value-oriented sectors may outperform if the economy avoids a significant downturn. Maintaining a diversified portfolio with allocations across bonds, equities, and alternative assets remains the best current strategy. With volatility here to stay, our focus remains on long-term resilience and flexibility in navigating the changing market landscape.

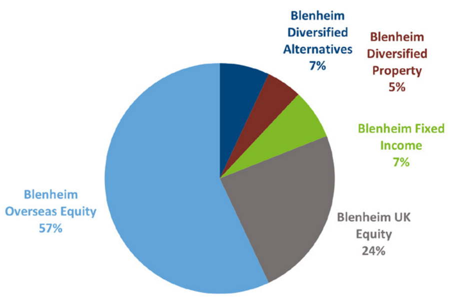
BAM Portfolio Models' Investment Performance

	30/09/2019 to 30/09/2020	30/09/2020 to 30/09/2021	30/09/2021 to 30/09/2022	30/09/2022 to 30/09/2023	30/09/2023 to 30/09/2024
Defensive Mixed Assets	+3.63	+8.58	-7.04	+0.90	+10.31
ARC Sterling Cautious PCI	+1.52	+6.33	-8.07	+2.38	+7.83
Defensive Balanced Mixed Assets	+0.40	+11.35	-8.27	+2.00	+11.38
Social Impact Portfolio	+3.66	+10.87	-6.1	+1.68	+8.97
ARC Sterling Balanced Asset PCI	+0.51	+10.93	-9.11	+3.30	+10.87
Balanced Mixed Assets	+2.58	+17.55	-9.98	+4.60	+13.02
ARC Sterling Steady Growth PCI	-0.16	+15.04	-10.12	+4.56	+12.84
Focused Growth Mixed Assets	+4.76	+22.86	-10.9	+5.98	+13.99
ARC Sterling Equity Risk	-0.25	+19.42	-11.39	+5.53	+14.63
Global Horizon Portfolio	+20.10	+18.55	-16.5	+0.31	+5.98
IA Global	+7.19	+23.20	-8.9	+7.77	+16.19

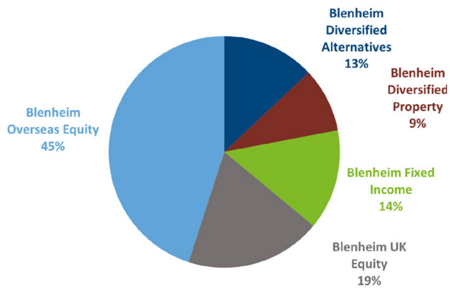
Notes: BAM MPS performance figures take into account the ongoing charges of the underlying holdings but exclude adviser charges and platform fees. Inclusion of these will result in a lower return to the end investor, depending on the client agreement and the platform used.
ARC PCI: Asset Risk Consultants (ARC) operate the Private Client Indices (PCI) across the risk spectrum as performance measurement and yardsticks for discretionary portfolio managers. This data includes platform fees and may be estimated and subject to revision.

Target Model Portfolio Structures

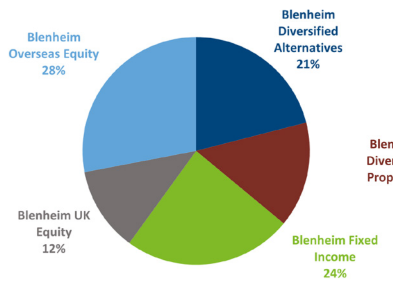
Focused Growth Mixed Assets



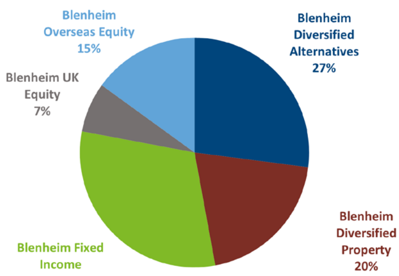
Balanced Mixed Assets



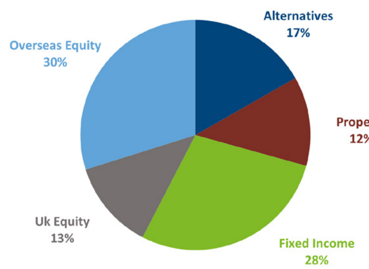
Defensive Balanced Mixed Assets



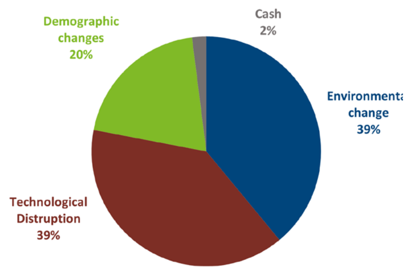
Defensive Mixed Assets



Social Impact



Global Horizon



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.

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