

In July, all core portfolios produced positive returns, with ethical strategies outperforming their core counterparts. The performance of GHP continued to be challenging due to sector-specific headwinds, particularly in technology. Property assets were the predominant driver of returns, leading to strong performance in the lower-risk portfolios which have greater allocations. It was also pleasing to see UK equities outperform the majority of international equity markets, benefiting all portfolios due to their 'home bias'.

DON'T CRY BECAUSE IT'S JOEVER

In a surprising move, President Joe Biden has decided not to seek re-election, shaking up the political landscape as the 2024 presidential election approaches. Despite this, the consensus is that this decision will not significantly alter existing election forecasts. Vice President Kamala Harris is stepping into his shoes and intends to continue many of Biden's policies, including the infrastructure bill and the Inflation Reduction Act. Market reactions have been relatively stable, with investors focusing more on broader economic fundamentals. On the other end of the political spectrum, Donald Trump's campaign was looking strong against Biden, but the emergence of Harris as the Democrat candidate has led to key swing states being very evenly split between the two candidates. As the race unfolds, the markets may react to key endorsements, campaign promises, and the overall political climate. For now, the financial impact remains muted, but the landscape is ripe for potential shifts as new developments emerge and we'll see if the economic backdrop is helping or hindering.

ECONOMIC DETERIORATION IN THE US

At the moment, the US economy is showing signs of weakening, with recent data indicating a slowdown in job growth and a rise in the unemployment rate to 4.1%. The July employment report, coupled with a disappointing manufacturing activity survey, has fuelled market fears of a potential recession. However, analysts argue that while the labour market is cooling, the economy is not yet in recession territory. The Federal Reserve is expected to respond by cutting interest rates, potentially as early as September, to stimulate economic activity. The underlying fundamentals of the US economy remain robust, with consumer spending and housing affordability showing resilience, suggesting that a severe economic downturn may still be avoidable. The upcoming months will be crucial in determining whether the US can navigate these economic headwinds without tipping into recession, with attention focused on consumer behaviour and the monetary policy response. The BAM portfolios maintain an underweight position in the US due to stretched valuations, poor sentiment, and weakening economic indicators.

RACHEL REEVES' FISCAL FIASCO

The UK's new Chancellor, Rachel Reeves, has conducted an audit of government spending, revealing a substantial £22bn gap in the budget, although nearly £10bn of this is due to public sector pay rises granted by Reeves. This audit sets the stage for potential tax increases in the upcoming October Budget. Reeves has already announced several immediate measures, including cuts to some transport projects and means-testing winter fuel payments, which will likely marginally dampen GDP growth next year.

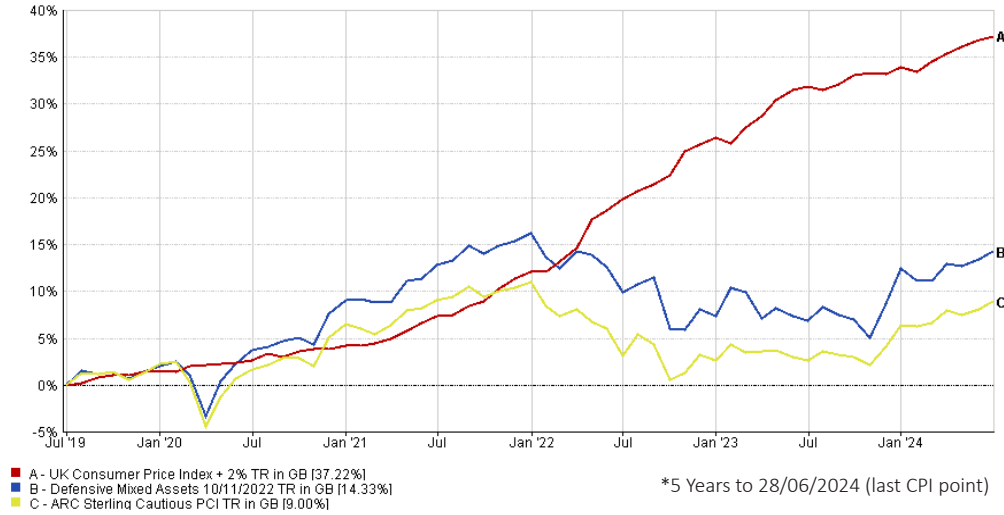
The review has highlighted significant fiscal challenges ahead, emphasising the need for tough decisions in the forthcoming multi-year spending review. With a focus on balancing the budget and addressing high public sector pay awards driven by inflation, Reeves is paving the way for a fiscally conservative approach that could impact investment in public services and infrastructure. By arguing that existing current spending commitments are unfunded and initiating a spending review to identify further medium-term challenges, Reeves is building a case for further tax rises, possibly above those set out in Labour's election manifesto. Investment markets have reacted positively to the proposals as they signal fiscal stability, but Reeves is likely to feel a political backlash from affected sectors.

SOCIAL IMPACT

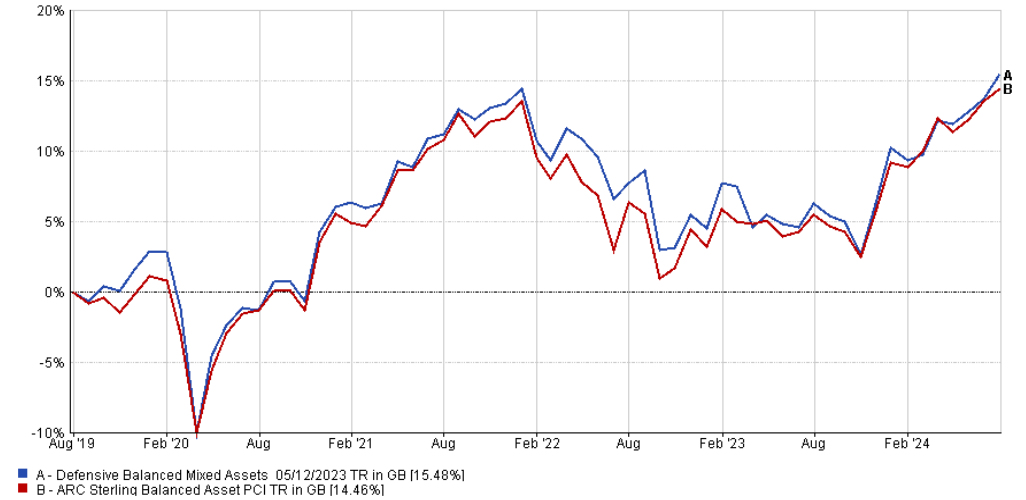


5 YEAR MODEL PERFORMANCE VS BENCHMARK*

DEFENSIVE MIXED ASSETS MODEL



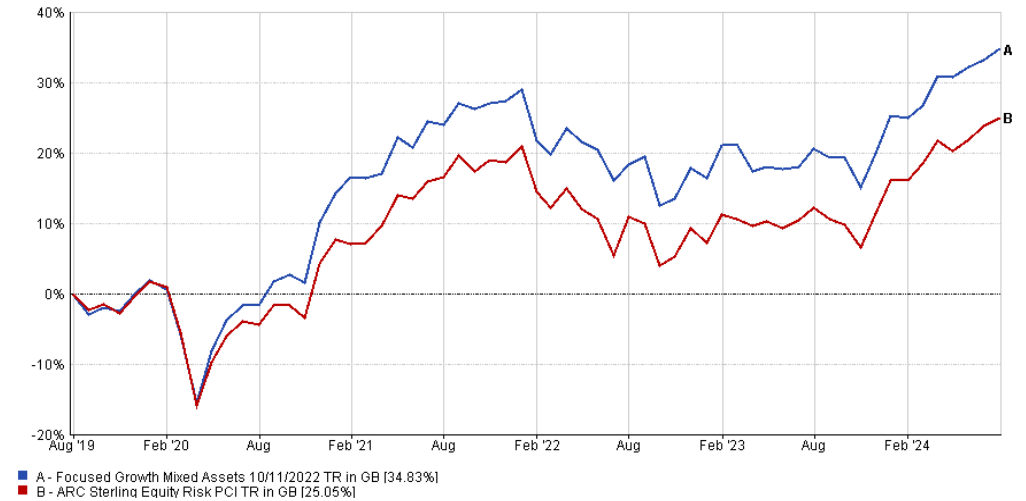
DEFENSIVE BALANCED MIXED ASSETS MODEL



BALANCED MIXED ASSETS MODEL



FOCUSED GROWTH MIXED ASSETS MODEL



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.

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