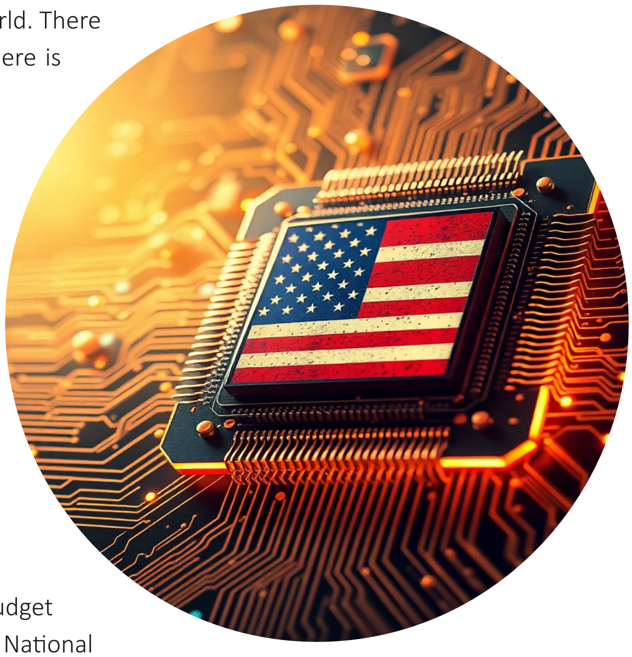
# INVESTMENT REVIEW

Quarter 4 2024

US equities had another strong quarter but came under pressure towards the end of the year as cautious comments from the US Federal Reserve dampened interest rate cut expectations. This was prudent given the potential impact of new trade and immigration policies from Trump 2.0 on employment and inflation.

## US DOMINANT AGAIN

Despite the mini-correction, 2024 was a good year. Trump's victory has driven investors to increase overweights to US equities, drawing in capital from the rest of the world. There are high expectations, high valuations, and high allocations to the US, but there is comparatively cautious positioning, valuations, and allocations to Europe.



Political upheaval in Germany and France is weighing on business and consumer sentiment in Europe, but helping will be a decline in interest rates, which many expect to be sub 2% by the summer. It seems likely Friedrich Merz will become Chancellor of Germany in February and is committed to a pro-growth agenda. France has to wait until July to get their parliamentary elections. More widely in Europe, large investments are planned in solar and wind, green hydrogen, and electrification, as the sector benefits from the region's energy transition under the EU Green Deal, with a Clean Industrial Deal to be published in the first quarter. Industries like electronics, engineering, aerospace, and pharmaceuticals should also experience above-average growth, which will help the performance of our Ethical and Global Horizon portfolios and some of our Alternatives, which lagged in 2024.

Rate cuts are also expected in the UK as the cost increases unveiled in the budget weigh on the jobs market and companies adjust to the increase in employer National Insurance contributions and National Living Wage. The appeal of money market funds and short-term deposits should finally recede in 2025. Credit markets will offer investors potentially attractive returns in 2025, particularly compared to some stretched equity valuations. Entering the new year, credit spreads (the difference between corporate bond yields and government bond yields) are "tight", reflecting the strength of much of the corporate universe. Nevertheless, we think there is enough yield on offer to continue to attract money into the asset class.

## YEAR OF THE SNAKE – AUSPICIOUS, NOT DUPLICITOUS?

2025 is the Year of the Snake. In Western culture, snakes are malevolent and duplicitous, as attested by the serpent's role in the expulsion of Adam and Eve from the Garden of Eden. Not so in East Asia, where they are considered wise and auspicious. The last Year of the Snake, 2013, was great for Japan. There is less excitement around the policies of current Prime Minister Ishiba compared with the late Shinzo Abe's "Abenomics". Yet, there is every possibility that the Snake will deliver prosperity, safety and stability. We still have an overweight to Japan in our Overseas fund.

Global geopolitical uncertainty, with the US-Chinese relationship at its centre, boosted gold demand all year. It's a way to hedge against what could be the very negative economic effects of an all-out trade war, which took the yellow metal to new highs. We have some exposure in our Alternatives fund.

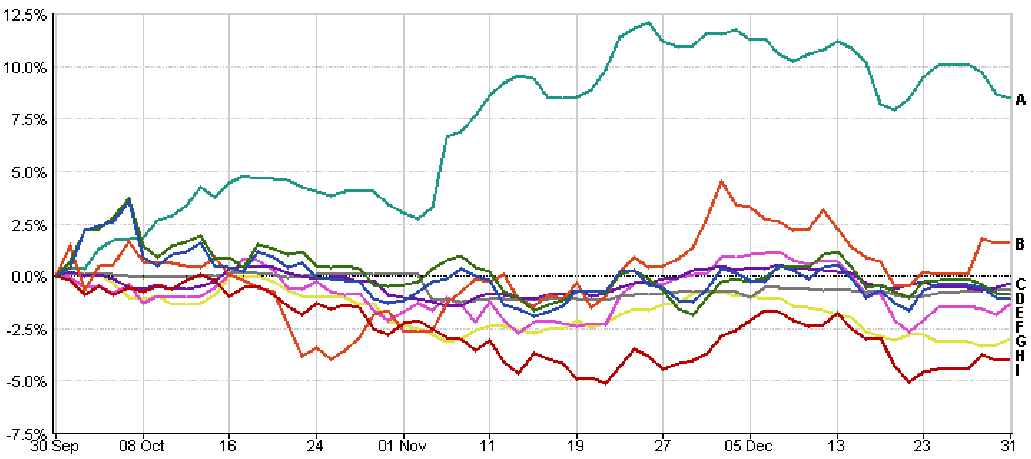
## INFLATION LURKING

As we usher in 2025, Trump's return suggests that market risks are rising. With both the US stock market and retail investor optimism at all-time highs, backed by record inflows to US equities, the sensible option is a balanced portfolio. The "Magnificent 7" was already a phenomenon as 2024 began. The giant tech companies have built dominant platforms. Optimism about artificial intelligence combined with hopes that Trump 2.0 would lessen the regulatory attention on them helped drive another massive year of returns. Getting a market call right these days has involved getting the tech call right and little to nothing else. We are still uncomfortably reliant on these few dominant platform groups. This surely must reverse at some point. Inflation lurks, especially with Trump 2.0 on the horizon. If, in six months' time, inflation is close to 2%, then good returns can be made; however, come Spring, if the CPI reading is closer to 4%, the current bullishness might quickly evaporate.

# Annual Investment Performance

| | | 31/12/2019 to 31/12/2020 | 31/12/2020 to 31/12/2021 | 31/12/2021 to 31/12/2022 | 31/12/2022 to 31/12/2023 | 31/12/2023 to 31/12/2024 |
|---|---|---|---|---|---|---|
| CORE | Defensive Mixed Assets | +6.91 | +6.58 | -7.59 | +4.60 | +4.33 |
| | ARC Sterling Cautious PCI | +4.20 | +4.23 | -7.6 | +3.68 | +4.37 |
| | Defensive Balanced Mixed Assets | +3.07 | +7.88 | -8.65 | +5.49 | +6.22 |
| | ARC Sterling Balanced Asset PCI | +4.31 | +7.64 | -9.14 | +5.79 | +6.81 |
| | Balanced Mixed Assets | +7.69 | +10.75 | -9.27 | +6.79 | +8.75 |
| | ARC Sterling Steady Growth PCI | +4.56 | +10.24 | -10.23 | +7.20 | +8.38 |
| | Focused Growth Mixed Assets | +12.16 | +12.78 | -9.77 | +7.67 | +10.43 |
| | ARC Sterling Equity Risk PCI | +5.82 | +12.31 | -11.4 | +8.30 | +9.80 |
| | Global Equity | | | -10.77 | +8.44 | +12.21 |
| | IA Global | +15.27 | +17.68 | -11.06 | +12.68 | +12.59 |
| THEMATIC | Ethical Opportunities Portfolio | +6.86 | +7.61 | -7.41 | +6.09 | +1.47 |
| | ARC Sterling Balanced Asset PCI | +4.31 | +7.64 | -9.14 | +5.79 | +6.81 |
| | Ethical Growth Portfolio | | | | | +1.10 |
| | ARC Sterling Equity Risk PCI | +5.82 | +12.31 | -11.4 | +8.30 | +9.80 |
| | Global Horizon Portfolio | +28.01 | +8.07 | -18.33 | +7.09 | -0.18 |
| | IA Global | +15.27 | +17.68 | -11.06 | +12.68 | +12.59 |

# Q4 Investment Performance




- **A** IA North America TR in GB
- **B** IA Japan TR in GB
- **C** IA UK All Companies TR in GB
- **D** IA Sterling Corporate Bond TR in GB
- **E** IA Asia Pacific Excluding Japan TR in GB
- **F** IA Global Emerging Markets TR in GB
- **G** IA UK Direct Properly TR in GB
- **H** IA UK Gilts TR in GB
- **I** IA Europe Excluding UK TR in GB

Figures shown are for a sterling denominated investor for the 3 month period to 31/12/2024. Source: Financial Express Analytics

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 YARD-STICKS FOR DISCRETIONARY PORTFOLIO MANAGERS. THIS DATA INCLUDES PLATFORM FEES AND MAY BE ESTIMATED AND SUBJECT TO REVISION.

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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