BOWMORE ASSET MANAGEMENT

Market Review

Published June 2022

MAIN MARKET MOVERS

COVID-19 CASES	INFLATION	MONETARY TIGHTENING	UKRAINIAN CRISIS

"The last three months have seen elevated volatility with some gains over the last couple of weeks. Why is this? Our view is that the relief rally comes from a combination of more attractive valuations and some encouraging macro economic news: Like the rolling back of some US tariffs on China, combined with an ending of lockdown in China. This is so important to allow global supply chains to recover. With inflation falling from its peaks can central banks bring us a soft landing? The next few months should give us a better indication of this."

Jonathan Webster-Smith, Chief Investment Officer

LATEST ASSET ALLOCATION CHANGES

EMERGING MARKETS

We have reduced our exposure to Emerging Markets, increasing the liquidity profile of our portfolios and reducing risk exposure. In the short to medium term we expect supply chain issues to continue to weigh on Emerging countries.

ALTERNATIVES

Alternatives play a vital role when wider equity and fixed interest markets are under pressure. Our exposure to Alternatives has shown its value this year, providing an uncorrelated return (compared to more traditional assets) and in many cases generating positive returns in falling markets. Our commodity and infrastructure allocations have served as a hedge against inflation and have been the stand out performers year to date.

UK

The risk of recession in the UK has increased. Consumers are feeling the squeeze and as a result sentiment has weakened. UK fiscal policy is less supportive and there doesn't appear to be appetite to offer further support to struggling households. As such, we reduced our domestic UK equity allocation, whilst increasing our allocation to UK large cap, an area of the market more sheltered from a slowing UK economy.

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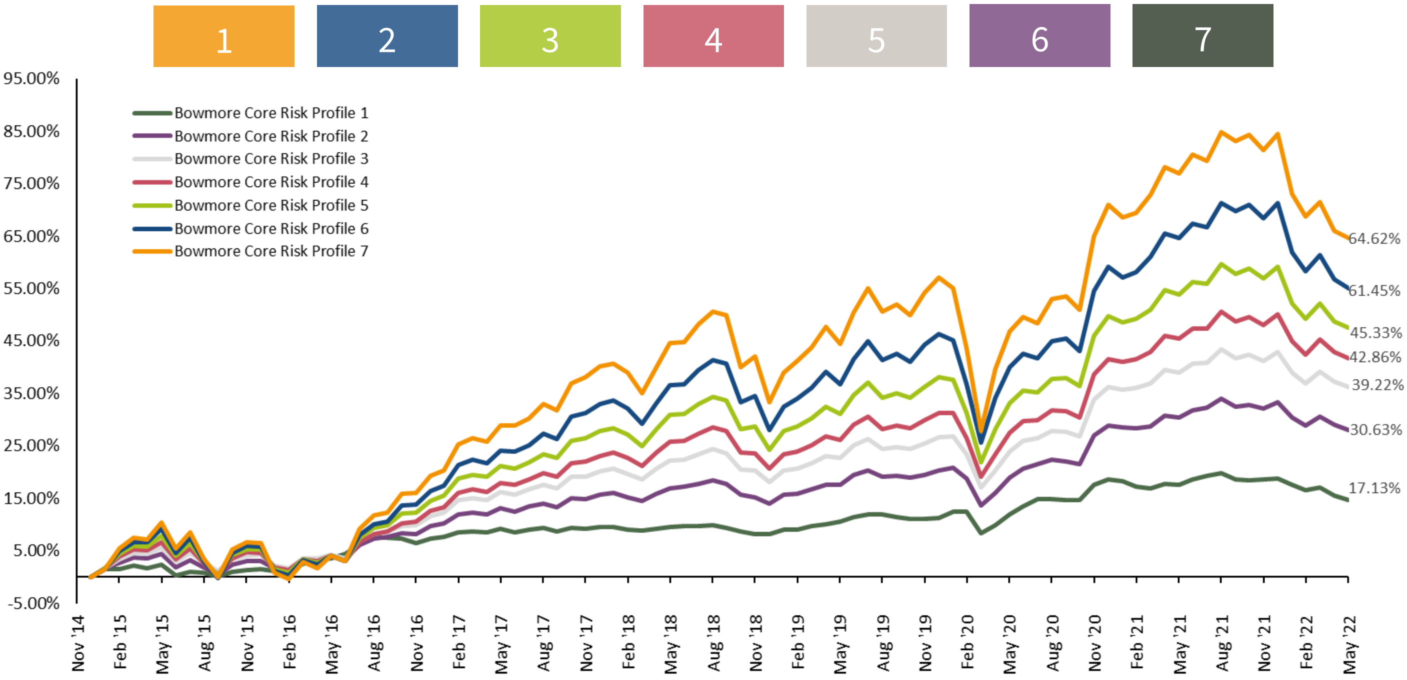
Top performers 3 months

Worst performers 3 months

TOP PERFORMING FUNDS	ASSET CLASS	PERFORMANCE		COMMENTS
NN Commodity Enhanced Hedged GBP	Alternative (Commodity)	3 month 1 year 3 year	+10.97% +38.13% n/a	Commodity prices have been driven higher amidst inflationary pressures caused by prolonged Covid-related supply chain issues. This has been compounded by the war in Ukraine pushing energy and food prices higher still.
Graham Macro Fund	Alternative (Hedge Fund)	3 month 1 year 3 year	+9.67% +18.03% n/a	Positive performance was largely driven by commodities during the quarter. Specifically the funds positions in precious metals, energy and agricultural commodities.
Cullen US High Dividend Value	Equity (US)	3 month 1 year 3 year	+6.64% +13.52% +20.79%	Sectors such and Banks and Utilities fall under the category of value stocks. Rising interests rates and slowing economic growth actually favour these sectors, hence strong positive returns that have been achieved against a backdrop of falling markets.
WORST PERFORMING FUNDS	**ASSET CLASS**	**PERFORMANCE**		**COMMENTS**
Granahan US Focused Growth	Equity (US)	3 month 1 year 3 year	-14.85% -28.29% +31.17%	In contrast to the above, growth stocks have suffered this year and smaller companies have been hit harder than larger ones. This is a targeted small cap fund that has been challenged in the prevailing market conditions.
Matthews China Small Companies	Equity (Asia)	3 month 1 year 3 year	-12.53% -24.72% +54.16%	Chinese equities fell during the first quarter of 2022. This was primarily due to China's zero Covid policy resulting in yet more lockdowns this year. This, combined with fears of a wider economic slowdown in China, has caused Chinese equity markets to retreat.
First Trust Cybersecurity Index	Equity (Global Themes)	3 month 1 year 3 year	-10.61% 8.29% +33.03%	This index fund is designed to track the performance of companies engaged in the cybersecurity sector. Whilst cybersecurity is an area that will continue to experience significant growth moving forwards, the sector has been hamstrung over the past few months by the wider sell off for growth-orientated stocks.

OUR SEVEN RISK PROFILES



PERFORMANCE

	1 year	3 year	5 year	Since Inception
Bowmore Core 1	-2.51	3.79	5.04	17.13
Bowmore Core 2	-1.75	9.04	13.38	30.63
IA Mixed Investment 0-35%	-3.94	4.69	7.19	22.01
Bowmore Core 3	-1.83	11.38	17.57	39.22
Bowmore Core 4	-2.36	12.76	20.50	42.86
IA Mixed Investment 20-60%	-2.66	9.87	12.83	32.33
Bowmore Core 5	-4.00	12.73	22.07	45.33
Bowmore Core 6	-5.78	13.45	25.04	61.45
IA Mixed Investment 40-85%	-0.90	17.62	23.39	52.07
Bowmore Core 7	-6.93	14.01	27.82	64.62
IA Flexible Investment	-1.29	19.96	25.34	54.65

Source: Bowmore Asset Management, Morningstar Direct

HOW DID OUR PORTFOLIOS PERFORM?

Covid-related fears now seem like a thing of the past, only to be replaced by Russia's invasion of Ukraine and the subsequent impacts on economic growth. Investors' primary focus is on the inflationary issues now faced around the world and how central banks are combating this.

Positive contributors within portfolios include commodities, real estate and hedge funds, with exposure to value stocks a key component to limiting downside.

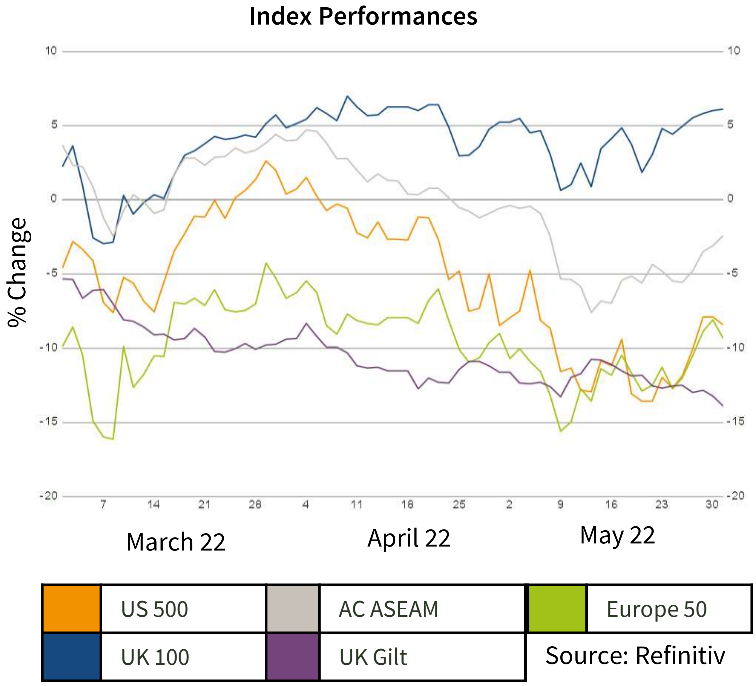
We have made changes to our portfolio composition over the period, reducing our UK mid-cap weighting and reallocating to larger capitalisation stocks. This allows us to increase exposure to sectors such as energy and banks, which are benefiting from the prevailing macroeconomic trends. We have also reduced our direct allocations to the Chinese equity market due to recent data indicating slowing economic growth.

MARKET REVIEW

The Federal Reserve (Fed) had clearly signalled its intention to raise base rates by 0.5% ahead of its last meeting. Therefore, despite first quarter US GDP data contracting, the largest and unanimously agreed increment in over 20 years had little market impact. The Fed also mentioned that they expect to implement similar increases over the next couple of meetings and announced that it would start the process of unwinding its balance sheet holdings of Treasuries and Mortgage-Backed Securities in June. Whilst inflation in the US slightly slowed from 8.5% in March to 8.3% in April, the deceleration was less than expected and was primarily due to rises in housing costs and air fares. It is widely expected that inflation will continue to moderate as we go through the rest of the year, but the Fed may adjust policy depending on the speed of decline.

The Bank of England (BoE) also hiked rates as expected, this time by a further 0.25% to 1%, but it was one of the most split Monetary Policy Committee decision for some time. The committee is looking to balance a very tight labour market with the rising cost of living. A tight labour market risks wages rising materially higher, adding to inflationary pressures; and given the steep rise in energy costs, they now forecast inflation to peak above 10% in the fourth quarter of this year. The BoE is predicting that the UK economy will slow and even shrink by 0.25% next year.

Whilst the US and UK push ahead with tightening, the European Central Bank (ECB) is also expected to make similar moves as soon as July. Although it is likely to act slower than the US, the European economy has been hit harder by the war in Ukraine. Elsewhere around the world, tightening is not universal. The Bank of Japan has made no policy move despite a sharply weaker Yen. Meanwhile, China's government announced they will continue to support the economy by sticking to their growth target, given latest pandemic-related lockdowns in the country.



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