BOWMORE ASSET MANAGEMENT

Mid –Quarter Review ESG

Published September 2023

MAIN MARKET MOVERS

RECESSION PROSPECT	INFLATION	MONETARY TIGHTENING	BUSINESS SURVEYS (PMI)

Western developed central banks have aggressively tightened monetary policy trying to reduce demand and bring down inflation. The consequence being a meaningful slowdown in global growth and several corporate failures, like US regional banks. However, consumer demand and wage growth remain resilient continuing the interest rate debate and concerns of a US or global recession.

At this stage we feel like a shallow slowdown can be achieved with further weakness in Q4, before moving in 2024 into more positive growth territory. Statistically the US will hold for around six months before the first rate cut. As is normal, we expect the UK and Eurozone will follow the US, with a lag of around two to six months.

Jonathan Webster-Smith, Chief Investment Officer

LATEST VIEWS

US Equity

Markets are still pricing in the risk of a recession; however, this risk is easing, even with the recent credit rating downgrade of US government debt from Fitch. In fact, yields continue to rise on the back of strong economic data prints in the US.

Fixed Income

With inflation and rising rates across the globe, fixed income assets have become more attractive, with higher yields on offer. With the new regime we have entered and with increased volatility, we continue to believe that investors should remain well diversified, including utilising fixed income in their portfolios.

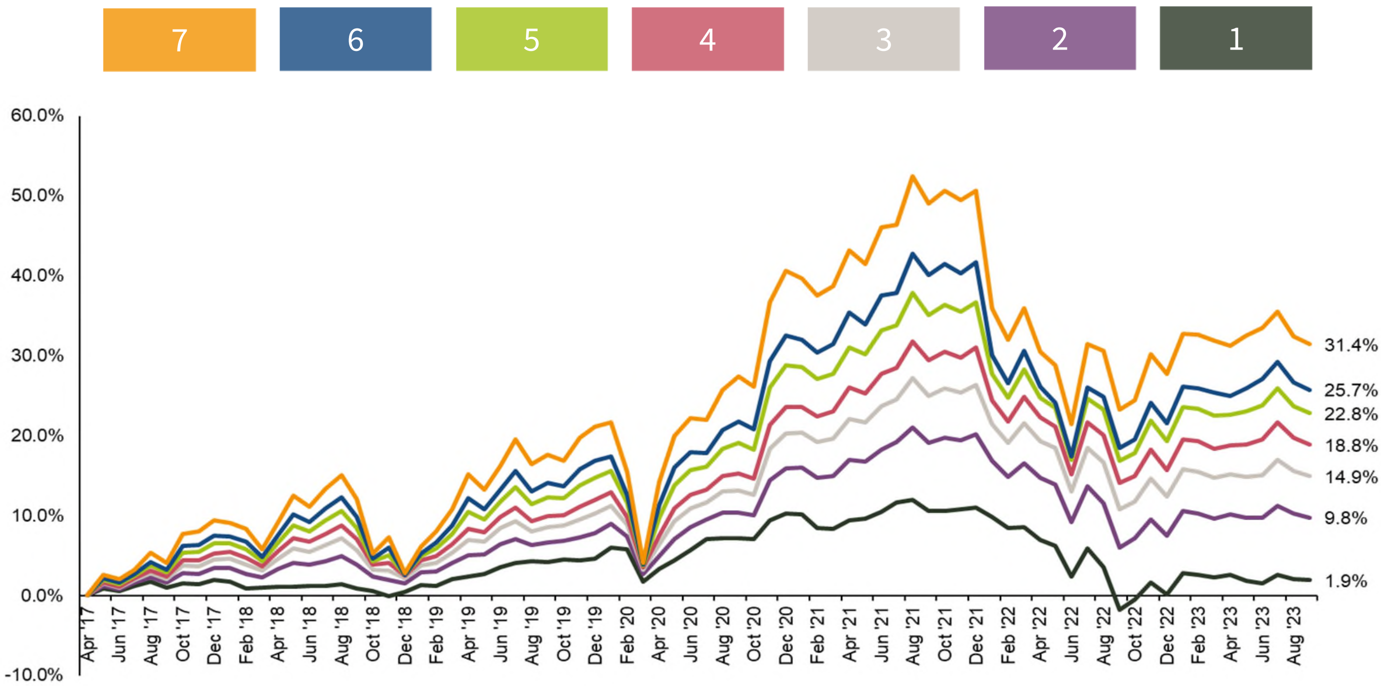
China

China is the only major economy currently experiencing negative inflation, with low business confidence. Markets have started to price in a possible real estate collapse, with a massive fall in investment into the sector. The two biggest property developers in China have heavily stretched balance sheets.

Bowmore Asset Management Limited
Birchin Court, Birchin Lane, London EC3V 9DU
Tel: +44 (0)20 3617 9206 | www.bowmorewealth.com

TOP PERFORMING FUNDS	ASSET CLASS	PERFORMANCE		COMMENTS
GS Commodities	Alternative (Commodity)	3 month 1 year 3 year	+6.90% +10.80% n/a	Global oil prices increased over the quarter, and European natural gas prices rose by 23% in the last month due to possible strikes in three LNG plants in Australia.
Brown Advisory US Sustainable	Equity (US)	3 month 1 year 3 year	+6.90% +8.45% +33.56%	Markets in the US suggest the Fed could deliver a final rate rise before the year-end, followed by four or five cuts in 2024. Business surveys are also suggesting more positive outlooks.
Man GLG Japan	Equity (Japan)	3 month 1 year 3 year	+5.68% +13.58% +65.83%	The Japanese economy expanded by 6% quarter on quarter in Q2 of 2023, due to strong net trades. Activity indicators are in the green and inflation is now well above 4%.
WORST PERFORMING FUNDS	**ASSET CLASS**	**PERFORMANCE**		**COMMENTS**
T. Rowe Price Dynamic Global Bond	Bond (Global)	3 month 1 year 3 year	-3.82% -7.28% -1.03%	The downgrade of the US government from AAA to AA+ and the federal reserve's intention to increase rates have caused yields to rise. Investment grade assets across developed markets underperformed due to wider spreads relative to government bonds.
Impax Asian Environmental Markets	Bond (Global)	3 month 1 year 3 year	-4.40% -9.91% +3.41%	Asian equities recorded a sharply negative performance in August. Philippines, Hong Kong and China were the weakest index markets.
Guinness Sustainable Energy	Equity (Global)	3 month 1 year 3 year	-7.39% -7.11% +41.50%	Industrial metals was the most recent performing component, driven by lower prices from nickel, zinc, aluminium and copper. Precious metals also fell in the last months.

OUR SEVEN RISK PROFILES



PERFORMANCE

	1 year	3 year	5 year	Since Inception
Bowmore ESG 1	3.80%	-4.87%	1.08%	1.92%
Bowmore ESG 2	3.53%	-0.52%	5.71%	9.77%
Bowmore ESG 3	3.73%	1.54%	8.74%	14.89%
ARC Cautious	2.67%	0.36%	5.34%	8.08%
IA Mixed Investment 0-35%	2.66%	-3.77%	1.32%	3.74%
Bowmore ESG 4	4.21%	3.13%	11.07%	18.85%
ARC Balanced	3.57%	4.42%	8.69%	13.99%
IA Mixed Investment 20-60%	4.24%	3.55%	6.51%	11.30%
Bowmore ESG 5	5.09%	3.15%	13.25%	22.82%
Bowmore ESG 6	6.09%	3.21%	14.43%	25.71%
ARC Steady Growth	4.79%	8.34%	12.30%	21.08%
IA Mixed Investment 40-85%	5.27%	10.30%	15.01%	24.37%
Bowmore ESG 7	6.62%	3.17%	17.29%	31.41%
ARC Equity Risk	5.94%	12.09%	16.11%	27.72%
IA Flexible Investment	4.76%	12.32%	17.08%	27.00%

HOW DID OUR PORTFOLIOS PERFORM?

Over the course of the last three months portfolios have moved higher, notwithstanding market volatility seen in August, where gains were trimmed.

Strongest contributors to portfolio returns over the period include commodities, hedge funds and a broad allocation to global equities. Commodity indices rose, with supply concerns boosting prices. Pleasingly, hedge funds added value when equities came under pressure, and global equity indices enjoyed a strong June and July as momentum built in risk assets, before being pared back in August.

Detractors from portfolios included sustainable energy, long dated gilts and corporate bonds. With the Bank of England suggesting rates will be held higher for longer, and credit downgrades affecting bond markets, yields moved higher, with prices coming down.

Bowmore portfolios	Corresponding benchmark

Source: Bowmore Asset Management, Morningstar Direct as at 30/09/2023, Net of fees

MARKET OVERVIEW

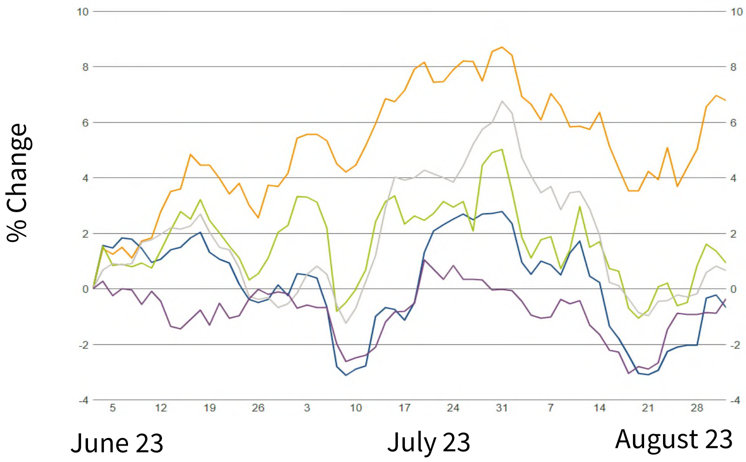
Volatility has picked up during the summer, reflecting stress coming from China due weak macroeconomic data and CPI turning negative in July, at -0.3% year on year. Retail sales in China continue to miss expectations significantly, business confidence is low and real estate continues to be the weakest sector. Difficulties experienced by Evergrande and the largest property developers in China also highlight weakness in August. To address deflationary risks, the People's Bank of China (PBoC) continued to lower its interest rate in August, but credit demand continues to be weak. The Chinese government did take some initiatives to support the financial market, such as halving stamp duty on stock trading.

Not too far away, the Japanese economy continues to grow, activity indicators are showing strong momentum for coming quarters. The deflationary period in Japan seems to be over, with inflation reaching 4.3% year on year in July. Additionally, the country saw its biggest wage increase in 30 years.

Eurozone inflation stayed surprisingly flat in August at 5.3% year on year, while core inflation did fall modestly, though remains well above the European Central Bank's target. Markets continue to expect ECB rate increases before the end of the year. European markets did fall during the summer, not helped by the Italian government announcing a tax on banks' excess profits.

The credit rating agency Fitch downgraded the US government's credit rating from AAA to AA+. Yields rose due to strong and better than expected economic data and growth, pricing in expectations of further rate rises. The labour market in the US is still strong (unemployment ticked down to 3.5%), while the average hourly wage is still growing. The latest minutes from the Federal Reserve show the committee is still worried about inflation and are ready to increase rates if needed.

Index Performances



US 500	AC ASEAM	Europe 50
UK 100	UK Gilt	

Source: Refinitiv

FOR FURTHER INFORMATION

Jonathan Webster-Smith
Chief Investment Officer
T: 0203 617 9206
E: Jws@bowmoream.com

Owen Moore
Investment Manager
T: 0203 617 9206
E: Owen@bowmoream.com

Max Petite, CFA
Investment Manager
T: 0203 617 9206
E: Max@bowmoream.com

Stephanie White
Trainee Investment Manager
T: 0203 617 9206
E: Stephanie@bowmoream.com

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