

LHX Cautious Long Hold



Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to accept capital losses when markets are falling, based on a cautious asset allocation. The portfolio has been constructed based on a long-term investment horizon with a long hold investment strategy. The portfolio is therefore suitable for clients with a long-term investment horizon who prefer to remain fully invested throughout the market cycle and are comfortable with high levels of volatility. The asset allocation in this portfolio will vary between a benchmark of 30% equity and 45% equity on average to achieve the portfolio objectives. **Due to the long hold nature of the portfolio, the indicative capital loss in any rolling 12-month period is not limited, however the portfolio is expected to return an annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 5% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.** Despite the higher allocation in non-equity assets, these asset classes are in some cases becoming riskier than equity assets, however we feel that the current positioning is acceptable when we consider our mandate regarding a client’s risk tolerance.

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious**. The benchmark currently holds **52.27% in Equity** (Analytics, 1st November 2021) and is therefore more aggressive than this portfolio in terms of the equity/non-equity split. It would therefore be expected that this benchmark would outperform the model and that the volatility of the benchmark would be higher. The model therefore cannot be directly compared to the benchmark.

Performance

| Asset | 1 Month | 3 Months | 6 Months | 12 Months | YTD | 3 Years | Since Launch 31/08/2018 |
|--------------|---------|----------|----------|-----------|--------|---------|-------------------------|
| LHX Cautious | 0.93% | -0.19% | 2.01% | 11.35% | 4.08% | 33.38% | 29.68% |
| Benchmark | 0.37% | 1.00% | 3.54% | 15.80% | 6.61% | 20.67% | 16.77% |
| UK Gilts | 1.99% | -2.19% | 1.28% | -3.91% | -4.75% | 10.69% | 9.83% |
| UK Equities | 1.52% | 3.42% | 5.41% | 35.03% | 15.02% | 16.64% | 10.90% |

Source: FE Analytics, 1st November

Asset Allocation

- MONEY MARKET (9.29%)
- UK FIXED INTEREST (6.13%)
- GLOBAL FIXED INTEREST (38.25%)
- OTHER NON-EQUITY (2.45%)
- UK GILTS (1.66%)
- UK EQUITY (15.97%)
- NORTH AMERICAN EQUITY (7.66%)
- EUROPEAN EQUITY (3.45%)
- OTHER INTERNATIONAL EQUITY (15.14%)



Equity 42.22% - Non-Equity 57.78%

Long Hold Investing

The assets in this portfolio have been selected based on a long hold approach, with a recommended minimum Investment horizon of 5 years. Unlike OCM’s OBI proposition, the asset allocation within this portfolio will remain consistent over the long term, with low portfolio turnover.

In line with the Long Hold strategy, the general asset allocation within the portfolio will be maintained over the long term, however underlying funds may be switched at the discretion of the Investment Committee in cases of consistent underperformance or positioning shifts.

Key Facts

Benchmark
AFI Cautious

Inception Date
31 August 2018

Historic Yield
2.00% per annum

Ongoing Strategy Charge
0.66% per annum

Rebalancing Frequency
Quarterly

Portfolio ESG Exposure
9.29%



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LHX Cautious is a long hold cautious portfolio with a higher non-equity allocation based on a lower-risk mandate, with the delivery of outcome at its core which aims to achieve an annualised return outcome of 5% per annum.

Market Outlook

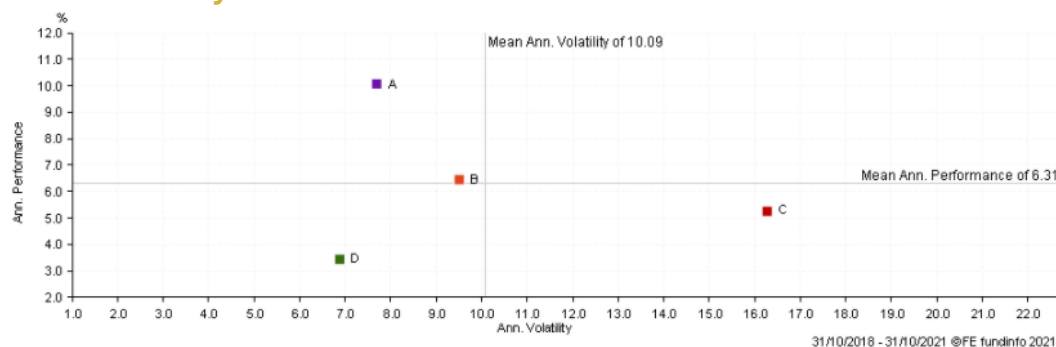
Following a strong performance in the first half of 2021, financial markets became increasingly turbulent towards the end of the third quarter, with decelerating global growth, policy speculation, mixed economic data flows and idiosyncratic events contributing to September's risk-off sentiment. This risk-off sentiment continued into October, a historically volatile month for equities, resulting in a 5% pullback in equity markets. Since this healthy price correction, we have witnessed equity market prices begin to improve, driven by a broadly positive third-quarter earnings season and the progression of President Biden's new social spending framework. While the recovery in risk asset prices over recent weeks is welcoming, we are cautious of financial market conditions in the short term, given the more hawkish tone taken by central banks as inflationary pressures surpass policymaker expectations. As a result, investors anticipate that November's monetary policy decisions from the Bank of England and the Federal Reserve could hold important implications for financial markets.

While the medium to long term outlook remains positive, we expect policy movements, the impact of supply chain issues and a slowing pace of recovery to contribute to uncertainty in the short term. Looking beyond November, we expect risk assets to recover towards the end of 2021 and beyond. Consequently, we will continue to watch incoming data and market sentiment closely to capitalise on attractive opportunities as short-term clarity improves.

Portfolio Positioning

While our long-term outlook remains positive, the material increase in short term risks and the recent jump in government bond yields has encouraged us to become more prudent, such that we have made several changes to the portfolios throughout September. We removed regional assets that were susceptible to elevated idiosyncratic risks, in addition to dialling down our equity and non-equity risk asset exposure. This has created elevated cash levels that are expected to provide sufficient protection and flexibility to navigate changes in the economic backdrop in the weeks ahead, and we will look to reposition the portfolio accordingly as we move into the next stage of the economic cycle.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 3 years. Over the long term, we would expect the LHX portfolio to exhibit a lower level of volatility than the benchmark.

| Key | Name | Annualised Performance | Annualised Volatility |
|-----|---------------------------------------------|------------------------|-----------------------|
| A | LHX Cautious Portfolio - Sept 2021 TR in GB | 10.08 | 7.69 |
| B | AFI Cautious TR in GB | 6.48 | 9.51 |
| C | UK Psv UK Equities TR in GB | 5.28 | 18.27 |
| D | UK Psv UK Gilts TR in GB | 3.44 | 8.88 |

Important Information

All data in this document has been extracted from Analytics as at 1st November 2021. Past performance cannot be used as a guide to future performance and the value of your investment will fall as well as rise in value. You may not get back all of your investment and the final value of your investment will depend on the performance of your portfolio. Performance figures quoted include fund manager charges but exclude adviser, discretionary, custodian and switch charges. Unless stated, income is reinvested into the portfolio. The information contained in this document is for information purposes only. It does not constitute advice or a recommendation or an offer or solicitation for investment. Portfolio Expense is based on the Fusion platform and may vary for other platforms.