

LHX Balanced 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 the balanced-growth 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 50% equity and 65% 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 7% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

Management

The benchmark we use for comparison purposes for volatility is **AFI Balanced**, noting that this benchmark currently holds **70.23% in Equity** (Analytics, 1st January 2022) and is therefore currently more aggressive than this portfolio. It would therefore be expected that this benchmark would outperform the model and that the volatility of the benchmark would be higher. The model performance 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 Balanced	0.25%	0.50%	1.12%	8.11%	-	46.38%	34.07%
Benchmark	1.54%	1.79%	3.41%	9.88%	-	34.56%	22.83%
UK Gilts	-2.58%	2.21%	0.47%	-4.55%	-	9.91%	13.13%
UK Equities	4.60%	3.82%	6.37%	17.63%	-	26.21%	10.25%

Source: FE Analytics, 1st January

Asset Allocation

- MONEY MARKET (5.30%)
- UK FIXED INTEREST (6.06%)
- GLOBAL FIXED INTEREST (21.36%)
- OTHER NON-EQUITY (2.79%)
- UK EQUITY (27.69%)
- NORTH AMERICAN EQUITY (9.30%)
- EUROPEAN EQUITY (12.24%)
- OTHER INTERNATIONAL EQUITY (15.27%)



Equity 64.49% - Non-Equity 35.51%

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 Balanced

Inception Date
31 August 2018

Historic Yield
1.66% per annum

Ongoing Strategy Charge
0.76% per annum

Rebalancing Frequency
Quarterly

Portfolio ESG Exposure
12.49%



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LHX Balanced is a long hold portfolio with a balanced non-equity allocation based on a medium-risk mandate, with the delivery of outcome at its core which aims to achieve an annualised return outcome of 7% per annum.

Market Outlook

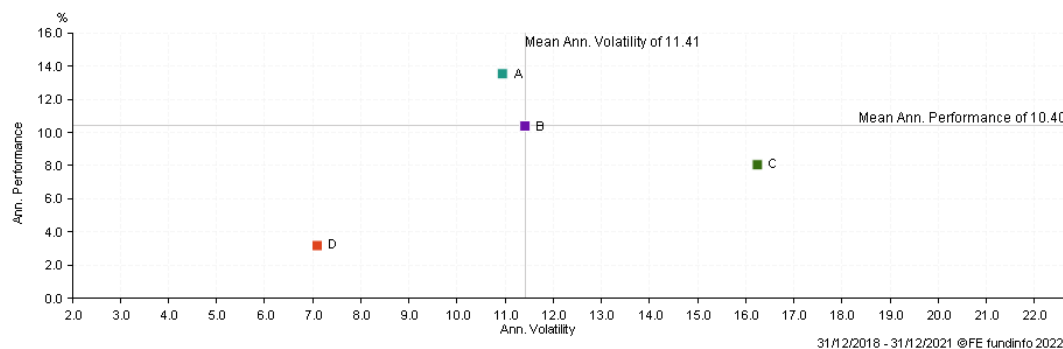
While turbulence has been a common theme over the past twelve months, 2021 has been a year of strong performance in financial markets, supporting investor optimism as we enter the New Year. Having experienced a healthy price correction in October, risk assets across the globe rebounded due to a broadly positive third-quarter earnings season and positive fiscal stimulus news flows. While the recovery in risk asset prices had been welcoming, monetary policy speculation, inflationary pressures and a new Covid-19 strain contributed to volatile equity and bond market conditions throughout December. Albeit, given the low hospitalisation rate of the Omicron variant, sentiment soon returned to financial markets, encouraging investors to capitalise upon discounted risk asset valuations.

After a cautious yet active fourth quarter for the OBI portfolios, the reinvestment of our elevated cash levels throughout December provided a welcome boost to 2021 performance, as financial markets benefitted from a 'Santa Rally' in the lead up to the end of the year. We remain optimistic on return potential in 2022, and the reinvested portfolios are well-positioned to benefit from an acceleration in key trends and rotations over the next 12 months. While monetary policy changes and rising inflationary pressures may contribute volatility to financial markets, we anticipate a stable improvement in earnings throughout the year, and we will look to capitalise on attractive opportunities as they arise.

Portfolio Positioning

Having mitigated volatility towards the end of 2021, we redeployed the elevated cash levels throughout December to reflect our renewed optimism. With the cash levels returning to 2% to 4%, the OBI portfolios are balanced between value and growth-oriented risk assets given the potentially uncertain macroeconomic backdrop as we transition through 2022. We are tilted towards UK equities, while the rest of our equity allocation is globally diversified, with a notable preference for exposure that leans towards sustainability. In addition, our non-equity exposure is well-diversified between investment strategies across the risk spectrum.

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 Balanced Portfolio - Sept 2021 TR in GB	13.54	10.94
B	AFI Balanced TR in GB	10.40	11.41
C	UK Psv UK Equities TR in GB	8.07	16.24
D	UK Psv UK Gilts TR in GB	3.20	7.09

Important Information

All data in this document has been extracted from Analytics as at 1st January 2022. 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 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.