

# 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 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 **67.35% in Equity** (Analytics, 1st July 2023) and therefore currently more aggressive than this portfolio. It would 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

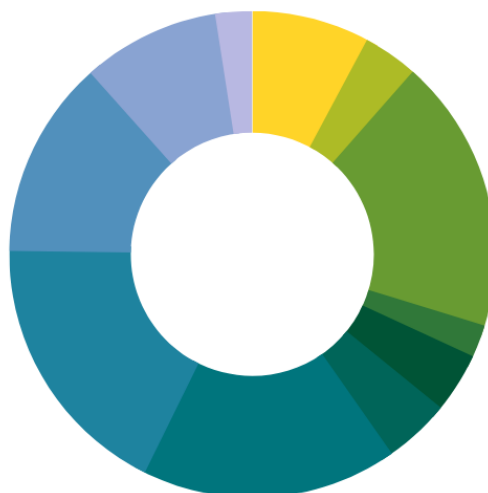
Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	Since Launch 31/08/2018
LHX Balanced	-0.13%	-0.81%	1.30%	-2.55%	2.62%	12.15%	17.79%
Benchmark	-1.02%	-1.72%	-0.04%	-2.95%	0.66%	11.32%	9.20%
UK Gilts	-3.53%	-2.53%	-7.40%	-15.55%	-3.45%	-29.42%	-17.60%
UK Equities	-3.74%	-3.82%	0.63%	0.54%	1.86%	31.54%	15.10%

Source: FE Analytics, 1st July

## Asset Allocation

- MONEY MARKET (7.82%)
- UK FIXED INTEREST (3.65%)
- GLOBAL FIXED INTEREST (18.26%)
- OTHER NON-EQUITY (2.16%)
- COMMODITIES (3.97%)
- PROPERTY (4.40%)
- UK EQUITY (17.03%)
- NORTH AMERICAN EQUITY (17.93%)
- EUROPEAN EQUITY (13.17%)
- OTHER INTERNATIONAL EQUITY (9.15%)
- ASIAN EQUITY (2.46%)

Equity 63.71% - Non-Equity 36.29%



## 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**  
2.66% per annum

**Ongoing Strategy Charge**  
0.49% per annum

**Rebalancing Frequency**  
Quarterly



**Jason Stather-Lodge**  
Founder/CEO/CIO



**Georgina Stone**  
Deputy CIO

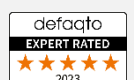
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LHX Balanced is a long hold portfolio with a balanced non-equity allocation based on a medium-risk mandate, with the delivery of outcome at its core which aims to achieve an annualised return outcome of 7% per annum.

## Market Outlook

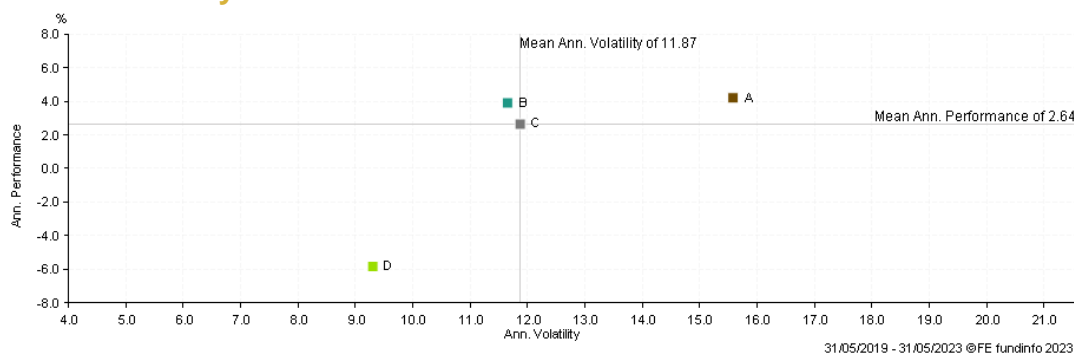
Throughout May, optimism on cooling inflation and peak interest rates was somewhat overshadowed by concerns over the US debt ceiling, as global financial markets struggled for traction amid key macroeconomic uncertainties. However, following a deal struck between the White House and Speaker McCarthy that has now passed a vote in both The House and The Senate, a US default appears to have been avoided. The deal will suspend the debt ceiling, which caps the total amount of money the government is allowed to borrow, until January 2025 and implements a range of cuts to spending, with non-defence discretionary spending being cut, whilst limiting the 2025 increase to just 1%. Investors have welcomed a greater sense of clarity on the issue; however, focus will now likely return to a number of key data points and central bank decisions on the horizon, and we therefore expect markets to remain volatile in the near-term.

The US tech sector has continued to be a key outperformer in May, as resilient earnings combined with a renewed sense of optimism surrounding developments in Artificial Intelligence drove tech-heavy benchmarks higher, helping to offset some of the headwinds from the portfolio's fixed income exposure over the month. Whilst volatility remains high and near-term headwinds may persist, it is our view that the longer-term outlook is becoming more positive, with larger key-risks appearing to be priced into asset valuations following a difficult 2022, and we therefore remain optimistic portfolio returns throughout 2023 and beyond.

## Portfolio Positioning

Over the month, we have made some slight changes to the positioning of the LHX portfolios. Whilst we do not look to actively manage exposure based on near-term outlooks, it is our view that we are seeing a longer-term structural shift in markets, to a period of higher interest rates and potentially more volatile levels of inflation. With this in mind, we do not feel that growth assets will necessarily enjoy the same levels of outperformance seen in the ultra-low interest rate environment, such as the likes of 2021. Therefore, we have looked to slightly reduce our growth exposure in favour of a more diversified, yield generating allocation which includes adding money market assets in the lower risk model, as well as increasing exposure to commodities, infrastructure, and more value-oriented equity exposure across the portfolio suite. Whilst we have retained a slight growth bias, given that we still expect growth assets to outperform over the full market cycle, it is our view that this more diverse allocation will help the portfolio remain resilient against what we expect to be a more volatile market environment moving forward.

## Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 4 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	UK Psv UK Equities TR in GB	4.21	15.58
B	LHX Balanced Portfolio TR in GB	3.91	11.65
C	AFI Balanced TR in GB	2.64	11.87
D	UK Psv UK Gilts TR in GB	-5.82	9.30

## Important Information

All data in this document has been extracted from Analytics as at 1st July 2023. 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.