LHX Balanced Long Hold

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

October 2023

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 **65.09% in Equity** (Analytics, 1st October 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	5 Years	Since Launch 31/08/2018
LHX Balanced	-0.32%	0.38%	1.48%	7.80%	3.94%	4.73%	19.96%	19.31%
Benchmark	-0.51%	0.08%	-0.07%	4.80%	0.92%	6.73%	10.16%	9.49%
UK Gilts	-0.93%	-0.68%	-6.20%	-2.82%	-4.45%	-29.14%	-17.23%	-18.45%
UK Equities	1.56%	1.91%	1.20%	13.67%	4.09%	37.89%	17.45%	17.62%

Source: FE Analytics, 1st October

Asset Allocation

- MONEY MARKET (7.93%)
- UK FIXED INTEREST (4.35%)
- GLOBAL FIXED INTEREST (17.95%)
- OTHER NON-EQUITY (2.22%)
- COMMODITIES (4.12%)
- PROPERTY (4.57%)
- UK EQUITY (17.18%)
- NORTH AMERICAN EQUITY (17.49%)
- EUROPEAN EQUITY (13.43%)
- OTHER INTERNATIONAL EQUITY (8.27%)
- ASIAN EQUITY (2.49%)

Equity 63.21% - Non-Equity 36.79%

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
3.07% per annum

Ongoing Strategy Charge
0.49% per annum

Rebalancing Frequency
Quarterly

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defaqto 5 RISK RATING BALANCED

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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

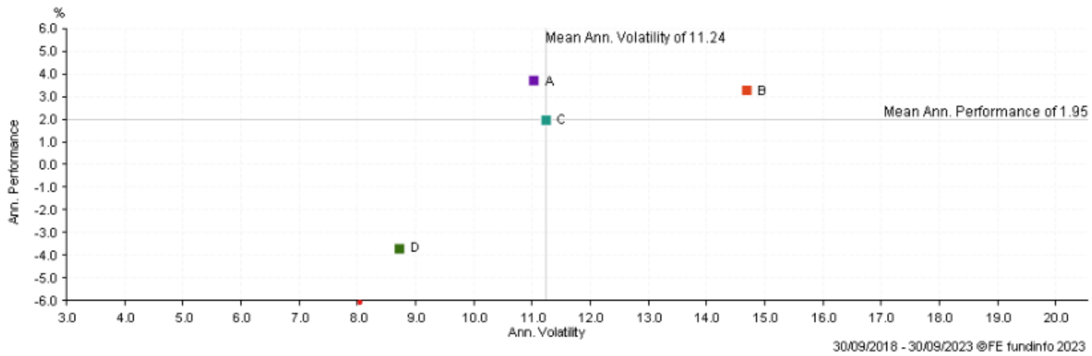
Throughout September, investor sentiment fluctuated between optimism that central banks had largely reached their expected peak interest rates and a more cautious view that rising oil prices may weigh on inflationary pressures, meaning rates may need to stay higher for longer. Several interest rate decisions throughout the month, led to further volatility as investors looked for clues on future policy, however whilst the ECB signalled a future pause, and the Fed and Bank of England leaving rates unchanged, an outlook of higher for longer rates weighed on risk appetite.

As we move into the final quarter of the year, we remain somewhat cautious towards equities ahead of upcoming corporate earnings. With equity markets cooling over the month, we believe that there remains a high level of optimism priced into valuations and therefore expect some further weakness moving into the end of the year, with corporate earnings expected to show a weakening of profitability. Although we expect upside potential in equities to be limited in the near-term, it is our view that there remains well positioned, attractively priced areas of the market, particular in more defensive sectors where resilient balance sheets provide both a strong dividend yield and resilience to rising interest rates. Over the longer-term, we believe any equity weakness presents us the opportunity to increase our exposure at more attractive prices, which we believe can drive positive portfolio returns throughout 2024 as macro headwinds continue to ease.

Portfolio Positioning

Following the changes to positioning made earlier in the year, the LHX portfolios hold a diversified exposure towards equities, bonds, property assets, and in the lower risk portfolios, money market assets. With a focus on quality and yield, we expect this allocation to remain resilient during periods of near-term volatility whilst taking advantage of higher yields available following the normalisation of interest rates over the last 18 months. We have retained a slight growth bias, given that we still expect these assets to outperform over the full market cycle, however 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



Key	Name	Annualised Performance	Annualised Volatility
A	LHX Balanced Portfolio (to be phased out) TR in GB	3.71	11.03
B	UK Psv UK Equities TR in GB	3.27	14.69
C	AFI Balanced TR in GB	1.95	11.24
D	UK Psv UK Gilts TR in GB	-3.71	8.72

This scatter chart reflects annualised volatility and return in GBP over the past 5 years. Over the long term, we would expect the LHX portfolio to exhibit a lower level of volatility than the benchmark.

Important Information

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

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