

# Model Portfolio Balanced



July 2024

## Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to invest a larger portion of their overall portfolio into equities, whilst maintaining a balance between risk and reward. The primary objective of this portfolio is to generate a long-term total return and income above the Bank of England's base rate and real terms growth (above inflation) which is materially higher than the long-term return on cash after fees and costs. This portfolio can take up to 65% of the risk of investing in the world equity market, as measured by the worst expected loss and annualised volatility of returns. This portfolio has no defined capital preservation mandate and invests in all assets that are available from the investment universe to achieve the objectives, holding up to 15% in core, long-term assets which may be less liquid in nature, such investment trusts. The recommended time-horizon for this portfolio is a minimum of 7 years.

## Management

The benchmark we use for comparison purposes for volatility is **AFI Balanced**, noting that this benchmark currently holds **68.46% in Equity** (Analytics, 1st July 2024) and is therefore more aggressive than this portfolio. It would therefore be expected that the benchmark would outperform the portfolio 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 |
|--------------|---------|----------|----------|-----------|--------|---------|---------|-------------------------|
| OCM Balanced | 1.71%   | 2.20%    | 6.62%    | 13.19%    | 6.62%  | 0.15%   | 29.44%  | 34.54%                  |
| Benchmark    | 0.87%   | 1.76%    | 5.10%    | 11.51%    | 5.10%  | 2.70%   | 20.88%  | 21.99%                  |
| UK Gilts     | 1.60%   | -0.71%   | -2.52%   | 4.67%     | -2.59% | -21.69% | -18.12% | -14.07%                 |
| UK Equities  | -0.89%  | 4.08%    | 7.38%    | 13.23%    | 7.34%  | 22.87%  | 29.40%  | 30.68%                  |

Source: FE Analytics, 1st July

## Asset Allocation

- MONEY MARKET (4.17%)
- UK GILTS (4.95%)
- GLOBAL FIXED INTEREST (18.28%)
- PROPERTY (3.69%)
- OTHER NON-EQUITY (2.76%)
- COMMODITY (4.30%)
- UK EQUITY (14.30%)
- US EQUITY (22.91%)
- EUROPEAN EQUITY (13.60%)
- OTHER INTERNATIONAL EQUITY (6.02%)
- ASIAN EQUITY (5.03%)



Equity 66.15% - Non-Equity 33.85%

## Long Hold Investing

The assets in this portfolio have been selected based on a long hold approach, with a recommended minimum investment horizon of 7 years. Unlike OCM's OBI proposition, this portfolio has no capital preservation mandate, and portfolio changes are made on a strategic rather than tactical basis, taking a long-term view on key themes and opportunities within the asset allocation.

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 underperformance or positioning shifts.

## Key Facts

### Benchmark

AFI Balanced

### Inception Date

31 August 2018

### Historic Yield

2.73% per annum

### Ongoing Strategy Charge

0.48% per annum

### Volatility

10.89%

### Max Loss

-14.09%

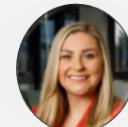
### Rebalancing Frequency

Quarterly



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## Market Outlook

June marked a positive month for the long-hold portfolios despite facing challenges from political turbulence in France which fed through to a dampening of sentiment towards European markets. US equities were the main driver of global equity market performance over the month, with the euphoria surrounding generative AI still feeding into key names such as Nvidia which was the main contributor to US equity indices over the first half of the year. The broad uplift in the US alongside a positive month for fixed income markets boosted portfolio performance over the month as inflation in the UK returned to the Bank of England’s 2% target and further bolstered the potential for an interest rate cut in August.

Looking ahead, we believe the long-hold portfolios remain well positioned to benefit from an easing of financial conditions which we expect in turn to support risk appetite across global financial markets. Whilst we may see further volatility arising from the ongoing political uncertainty across the US and Europe, we believe the portfolios are sufficiently diversified to weather any short-term turbulence.

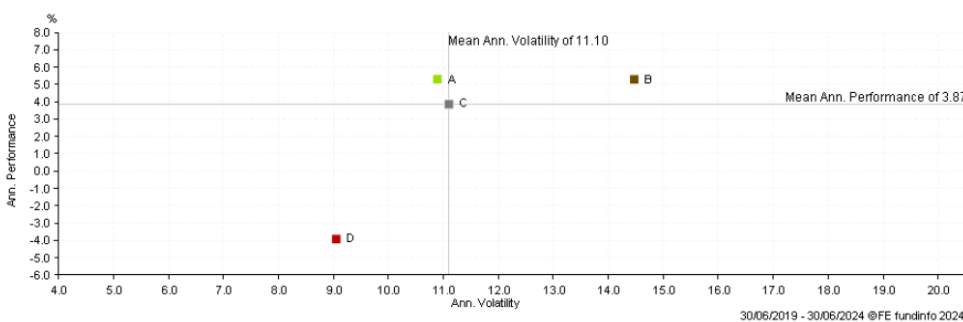
Whilst the recent US equity outperformance has seen valuations reach record highs, the expectation of long-term US economic outperformance continues to shape our asset allocation alongside the attractive valuations available in the UK and Europe following a period of subdued economic growth. We are optimistic regarding the outlook for risk assets over the medium to long-term as economic headwinds abate and economic growth picks up as central banks implement the first stages of their interest rate cutting cycles.

## Portfolio Positioning

As we move into the second half of the year, the long-hold portfolios remain well positioned to take advantage of an easing of financial conditions in key developed market economies following a period of elevated inflation and interest rates. With UK headline inflation now back at 2%, and with the European Central Bank having already implemented a cut to its interest rate, we believe that these assets remain attractive on a value at risk basis, with a pick-up in economic growth expected to feed into a period of positive sentiment and attractive returns.

Despite potential volatility laying ahead in the US as their Presidential Elections edge closer, we believe that the long-term outlook for the US economy remains supportive of our current portfolio positioning. With the recent euphoria surrounding generative AI continuing to drive US indices higher, we are cautious regarding the concentration risk of the US equity market, however, we believe that it is a region that remains favourable over the medium-term as growth remains robust and fears over a recession continue to recede.

## Portfolio Volatility



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

| Key | Name                        | Annualised Performance | Annualised Volatility |
|-----|-----------------------------|------------------------|-----------------------|
| A   | Balanced TR in GB           | 5.30                   | 10.89                 |
| B   | UK Psv UK Equities TR in GB | 5.29                   | 14.47                 |
| C   | AFI Balanced TR in GB       | 3.87                   | 11.10                 |
| D   | UK Psv UK Gilts TR in GB    | -3.92                  | 9.05                  |

## Important Information

All data in this document has been extracted from Analytics as at 1st July 2024. 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. Annualised Volatility and Max Loss Figures as detailed by FE Analytics over 5 years to period, where max loss represents the worst running return.