

# Model Portfolio Balanced



August 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 **68.23% in Equity** (Analytics, 1st August 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	0.53%	3.36%	7.36%	11.44%	7.20%	-0.43%	28.92%	35.25%
Benchmark	1.40%	3.51%	7.29%	10.97%	6.57%	3.64%	19.59%	23.70%
UK Gilts	1.49%	3.40%	1.36%	5.35%	-1.19%	-22.56%	-18.47%	-13.07%
UK Equities	3.20%	4.68%	12.02%	13.82%	10.75%	26.02%	30.65%	34.20%

Source: FE Analytics, 1st August

## Asset Allocation

- MONEY MARKET (4.81%)
- UK GILTS (5.00%)
- GLOBAL FIXED INTEREST (18.43%)
- PROPERTY (3.31%)
- OTHER NON-EQUITY (3.76%)
- COMMODITY (4.35%)
- UK EQUITY (14.82%)
- US EQUITY (20.59%)
- EUROPEAN EQUITY (13.04%)
- OTHER INTERNATIONAL EQUITY (7.14%)
- ASIAN EQUITY (4.75%)



Equity 64.69% - Non-Equity 35.31%

## 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%

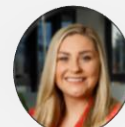
### Rebalancing Frequency

Quarterly



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## Market Outlook

Following a positive June, the Long-Hold portfolios were subject to elevated levels of volatility over the month as US earnings season brought US large-cap tech names into focus following a prolonged period of market optimism. With valuations sitting near record highs, investors began to speculate over how corporate profitability is holding up as interest rates remain elevated, whilst consumers are showing signs of becoming increasingly cost conscious. Economic data releases in the US over the month, whilst pointing to a moderation in inflationary pressures, stoked fears that the world’s largest economy is at risk of falling into a recession, as a mixed period for US earnings coupled with the risk of a slowdown in economic growth, weighing on risk appetite and dampening the recent optimism across equity markets.

With the US Presidential Election edging closer, it is likely that we will continue to see further volatility in the build up to November’s polling day, with investors awaiting further clarity regarding the economic policies of both parties following President Biden’s decision to stand down from the race. However, we believe that the Long-Hold portfolios remain well positioned to deliver strong risk-adjusted returns over the long-term as financial conditions ease amid a decline in interest rates.

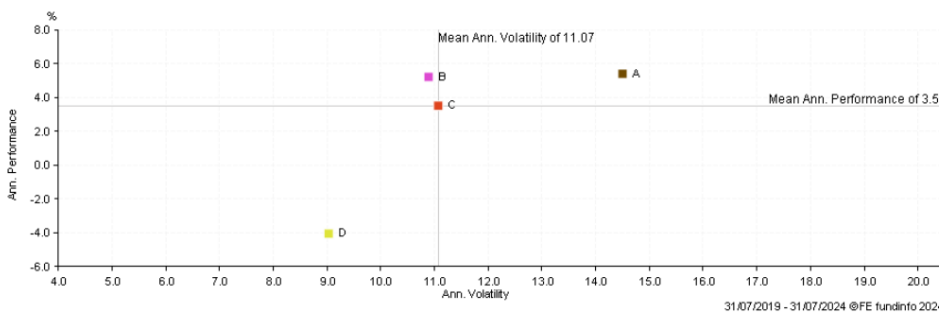
Whilst it remains our view that further volatility is likely over the short-term, it is our belief that with central banks now looking to cut interest rates, a more supportive investment backdrop can help drive portfolio performance over the medium-term. On a regional basis, a decline in price pressures as well as a loosening of monetary policy is expected to boost the economic recovery in the UK and Europe following a period of subdued growth, providing a more supportive backdrop for risk assets moving forward.

## Portfolio Positioning

Following the Bank of England’s decision to cut interest rates on August 1st, we remain optimistic on the outlook for UK equity and fixed income assets over the short to medium-term, with the Long-Hold portfolios carrying an exposure to domestically focussed assets which appear well positioned to perform positively as the economic backdrop brightens. Following a period of subdued sentiment towards the UK and Europe in particular as economic growth stagnated, the Long-Hold portfolios carry an exposure to those assets which we believe will benefit from a loosening of financial conditions, a greater sense of political stability and a more attractive growth profile.

Despite valuations in the short-term appearing stretched in the US, the Long-Hold portfolios continue to carry an exposure to those US assets which we believe will benefit from economic outperformance moving forward, whilst also taking advantage of attractive upside potential across Asian equities following a challenging period for China which has weighed on sentiment towards the region.

## 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	UK Psv UK Equities TR in GB	5.40	14.50
B	Balanced TR in GB	5.21	10.89
C	AFI Balanced TR in GB	3.51	11.07
D	UK Psv UK Gilts TR in GB	-4.04	9.03

## Important Information

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