



### Investment Objective

The OAM Global Balanced Portfolio aims to improve the long-term wealth of investors by holding investments which deliver both capital growth and income, while maintaining a medium-risk investment level. Investments are extensively researched to assess their intrinsic value over the longer-term.

### Portfolio Description

This actively managed share portfolio aims to provide a balanced investment solution across asset classes. The underlying investments include a well-diversified mix of equities, bonds, real estate, private equity, absolute return funds, infrastructure, commodities and cash. Total equity exposure is unlikely to exceed 70% of the portfolio, primarily comprising offshore investment companies listed on the London Stock Exchange.

The portfolio is flexible and fully global in nature, providing exposure to a broad range of geographies, industries, economic sectors, and currencies. The base currency is British Pound Sterling.

### Investor Criteria

- Seek meaningful long-term capital growth and income.
- Recognise the benefits of direct offshore exposure, in foreign currency.
- Are comfortable with a medium level of risk and short-term market fluctuations.
- Typically aim to invest for a period of 5 years or longer.

### Performance

Growth	OAM*	Benchmark**	FX Rate	OAM
Annualised (%)	GBP	GBP	GBP/ZAR	ZAR
Inception 2003	7.11	6.79	2.59	9.88
10 years	7.12	7.61	3.11	10.46
5 years	6.61	6.82	4.77	11.69
3 years	2.35	5.61	5.40	7.87
YTD	3.58	6.42		
Yield***	1.72			

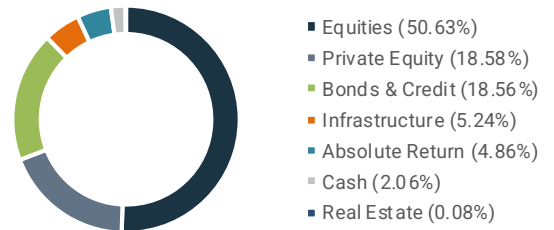
\* Performance figures are based on a typical portfolio.  
 \* Performance figures are net of all fees. (Including asset management, platform, trading, and advisor fees).  
 \*\* The Benchmark is comprised of 60% MSCI ACWI, 40% WorldBIG index  
 \*\*\*Income yield since inception



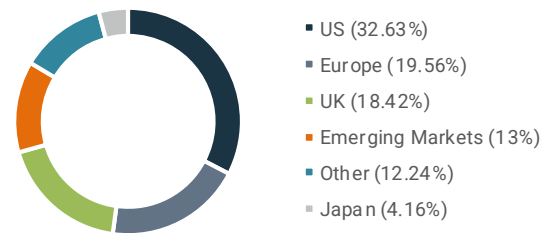
### Risk Rating



### Asset Allocation (see through basis)



### Global Allocation (see through basis)



### Top 5 Holdings





## Global Market Review and Strategy Outlook for the quarter ended March 2024

Resilient growth, improving earnings and the prospect of interest rate cuts, continued to power global equity markets higher, maintaining the trend started in the fourth quarter (Q4) last year. The S&P 500 index gained 10.18% in Q1 boosted by strong earnings and Germany's Dax by a similar 10.4%, helped by compelling valuations and a recovery in global export demand. Japan's Nikkei was the outlier with a gain of 20.63%, helped by an official end to the country's struggle with deflation. The Bank of Japan lifted its benchmark interest rate for the first time in 17 years, announcing that the "price stability target of 2% would be achieved in a sustainable and stable manner". Japan's economy is showing broad-based improvement and rising business and consumer confidence with wages increasing at a historically rapid pace. Companies are enjoying high returns on equity and strong profit growth. By contrast, China's business and consumer confidence remains depressed due to real estate market woes and a lack of confidence in government's economic policy, causing the CSI 300 index to return a subdued 3.1% in Q1.

The UK's FTSE 100 index only delivered 2.84% due to weak economic performance relative to other G7 economies. GDP contracted for the 2nd straight quarter, meeting the official definition of a recession, by -0.3% quarter-on-quarter in Q4 and -0.1% in Q3. The MSCI Emerging Market index increased in Q1 by 1.90%, held back by China's underperformance while the MSCI All Country World index increased by a solid 7.78%. Government bonds fared less well, with yields under rising pressure from recovering global trade and higher than expected inflation data from the US. As bond yields rise, prices drop. The US 10-year Treasury bond yield, the world's de facto risk-free rate used for valuing financial assets, increased between end December 2023 and end March 2024 from 3.86% to 4.20%. The S&P G7 Sovereign Bond index lost 2.30% in the quarter.

Financial market concerns have shifted since the end of last year from there being too little to too much growth, which has again raised the spectre of undesirable inflation. US GDP grew at an annualised rate of 3.4% in Q4. Two successive strong inflation reports from the US for January and February together with continued economic resilience have forced the forward market to trim its expectations for interest rate cuts this year. Fed funds futures are now pricing in three 25 basis point rate cuts compared with six at the start of the year. The adjustment has occurred without any fallout to equity markets as earnings growth has been solid.

At its latest policy meeting concluded on 20th March, the Federal Reserve left its benchmark interest rate unchanged as expected but signalled 75 basis points of easing this year, despite a stronger growth and inflation outlook. Compared with its previous policy meeting held at the end of January, the Fed lifted its GDP growth forecast for 2024 from 1.4% to 2.1% and its core PCE inflation forecast for 2024 from 2.4% to 2.6%. The Fed has effectively lowered the bar for its planned policy easing, firm in its conviction that a recession is not necessary for inflation to return to its 2% target. The Congressional Budget Office meanwhile raised its estimate of 10-year potential real GDP growth from 1.8% to 2.1%, to account for higher immigration flows.

The combination of resilient growth and an easing in interest rates is a powerful cocktail for further equity market gains, although the positive outlook depends on inflation dropping to central bank targets. In the US, job creation is losing momentum, which should trim wage cost pressures. The labour market is cooling, businesses are replacing full-time jobs with temporary jobs and the unemployment rate has risen from a recent cyclical low of 3.4% to 3.9%. Small businesses, which account for 50% of the country's employment, have reported a sharp decline in job openings. Meanwhile, unit labour cost growth should benefit over coming quarters from rising productivity with an acceleration in adoption of artificial intelligence (AI) applications. Disinflation is broadening, evidenced by the increasing fraction of items and expenditures showing price declines. Pipeline inflation pressures are also easing. Headline and core producer price inflation have returned to their pre-pandemic levels.

Inflation elsewhere is already at or rapidly closing in on central bank target ranges. Inflation in Canada plunged in February pushing core consumer price inflation to a 2.06% annual rate, already in line with the Bank of Canada's target. In the UK, the official measure of inflation surprised to the downside in February with a decline from 4% to 3.4%. Further steep declines are in prospect after shop price annual inflation eased to 1.3% in March, down from 2.5% in February. In Switzerland, inflation is already below the Swiss National Bank's target, prompting a 25-basis point rate cut on 21st March to 1.50%. Downside surprises in inflation could be replicated in the US amid the lagged response to monetary tightening.



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US company earnings strengthened for the second consecutive quarter, confirming that the overall profit cycle is improving. Aggregate earnings of the S&P 500 index grew in Q4 by 10% year-on-year on a 4% increase in revenue, up from the previous quarter's earnings and revenue growth of 7.5% and 2%, respectively. Most of the earnings growth is in the communication services, consumer discretionary and technology sectors, which reported year-on-year earnings growth of 36.6%, 24.2% and 53.4%, respectively. These sectors are home to the high-flying mega-cap technology shares. Earnings performance is expected to broaden out over time as improving manufacturing and trade activity enhance the earnings outlook of more cyclical sectors.

The US ISM manufacturing purchasing managers' index exceeded the neutral 50-level in March, jumping into expansionary territory for the first time since September 2022. The global economy is also gaining momentum, with manufacturing activity and global trade both firming, which bodes well for an expansion in economic growth and earnings outside the US. However, US markets are expected to outperform on a 2-year view due to stronger earnings growth and the likelihood of a bubble forming on the back of enthusiasm around AI.

US mega-cap technology shares are expensive, trading at an estimated forward price: earnings multiple (PE) of 29x, although this is well below peak dot.com levels. Unlike then, earnings are rising rather than falling and interest rates are about to be cut rather than being hiked. The S&P 500 index excluding the mega-cap tech shares is trading on a 19x forward PE, which is close to the long-term average of 17x. According to the Fed Stock Valuation Model, which calculates fair value for the S&P 500 index by dividing the current aggregate forward earnings per share (\$250) by the 10-year bond yield (4.4%), the implied fair value for the equity index is around 5682 compared with its Q1 closing level of 5255. Other equity markets are far cheaper, with most trading at their long-term averages despite the positive outlook of improving earnings and interest rate cuts. China is the valuation outlier, trading on a forward PE multiple of 9x compared with its cyclical peak of 17x in 2021.