



### 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

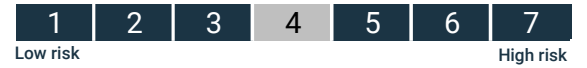
- Seek meaningful long-term capital growth and income.
- Recognise the benefits of direct offshore exposure, in foreign currency.
- Are comfortable with a medium level of risk and short-term market fluctuations.
- Typically aim to invest for a period of 5 years or longer.

### Performance

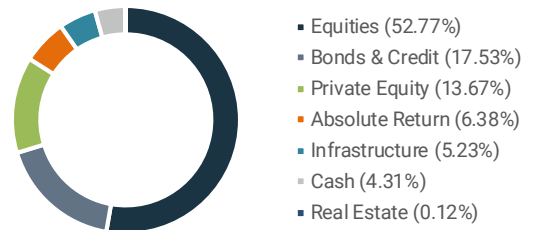
Growth	OAM*	Benchmark**	FX Rate	OAM
Annualised (%)	GBP	GBP	GBP/ZAR	ZAR
Inception 2003	7.17	6.71	2.38	9.72
10 years	7.11	7.44	2.36	9.64
5 years	5.84	5.37	4.41	10.50
3 years	2.68	4.08	4.39	7.19
YTD	8.54	8.32		
Yield***	1.73			

\* 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

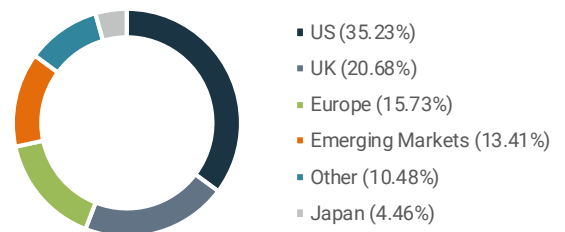
### Risk Rating



### Asset Allocation (see through basis)



### Global Allocation (see through basis)



### Top 5 Holdings

JP MORGAN AMERICA	3I INFRA
RIT CAPITAL PARTNERS	BH MACRO
ALLIANZ	





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

Global financial markets suffered a sharp sell-off in early August coinciding with disappointment over US economic data. An interest rate hike from the Bank of Japan provided the catalyst, prompting a rapid unwinding of the yen carry trade. When the BOJ lifted its key interest rate from 0.1% to 0.25%, investors who had borrowed Japan's cheap currency to invest in countries offering higher yields, were under pressure to close their trades. In US markets, the sell-off centred on the Magnificent Seven shares amid debate over the benefits of AI and earnings falling short of ever demanding expectations. The correction in M7 shares reduced their weighting in the S&P 500 index from 35% to 31%, restoring value as the shares returned to their 10-year average based on the price-earnings multiple: earnings growth ratio (PEG ratio). Yet, profit margins are higher than their 10-year average and PE multiples are less than half those reached by the tech champions of the 2001 dotcom boom. The Mag 7 share prices remain backed by solid fundamentals and a mania could still develop over coming months.

Equity markets rebounded swiftly from their August lows, taking comfort from solid second quarter (Q2) earnings results and the prospect of lower interest rates. In the US, S&P 500 Q2 company earnings grew by an impressive 13% year-on-year, up from 8% growth in Q1 and above the consensus forecast of 10% growth at the start of the quarter. Approximately 80% of companies exceeded earnings forecasts. There was a noticeable shift in leadership away from the technology sector, which remained amongst the fastest growing sectors, but beaten by financials which grew earnings by 21% and the healthcare sector which generated 20% earnings growth. Earnings growth for the S&P 500 will slow to 6% in Q3 but due to tough year-on-year comparisons rather than deteriorating economic prospects, before re-accelerating in subsequent quarters.

The MSCI All Country World index (USD) gained for a fourth straight quarter, increasing 6.21% in Q3 and 17.11% year-to-date (YTD). The Nikkei index was the only loser, falling 4.29% in Q3 due to a sharp strengthening in the yen which affected the export competitiveness of Japanese companies, although the benchmark maintained a YTD gain of 13.21%. The S&P 500 increased 5.53% in Q3 adding to its 20.81% YTD return, as market gains broadened from the technology sector. Despite the German economy teetering on the edge of recession, the Dax index gained in Q3 and YTD by 5.97% and 15.36%, respectively, helped by a late quarter burst from China, its key trading partner. China's CSI 300 index surged by 25% in the last week of September in response to massive monetary and fiscal stimulus, culminating in Q3 and YTD gains of 16.07% and 17.11%, respectively. The MSCI Emerging Market index (USD) benefitted, posting a 7.79% Q3 return and 14.37% YTD. The UK's FTSE 100 returned a mediocre 0.92% in Q3 and 6.54% YTD due to the index's heavy weighting in energy companies, which suffered from a pullback in the oil price. Despite the escalation in the Middle East conflict, the Brent crude price fell 16.94% in Q3 from \$86.41 to \$71.77 per barrel, down 6.84% from its end 2023 price of \$77.04. Bonds performed well, helped by the prospect of interest rate cuts. The S&P Global Developed Sovereign Bond index (USD) gained 6.90% in Q3 although by a lesser 2.61% YTD. The US 10-year treasury bond yield eased steadily in Q3 from 4.34% to 3.78%, slightly below its end 2023 level of 3.87%. The US dollar index fell by a sizeable 4.77% in Q3 as the start of Federal Reserve monetary easing loomed, resulting in a 0.50% YTD depreciation.

The Fed began monetary easing at the September policy meeting with a bumper half percentage point rate cut to 5.0%, its first reduction in borrowing costs since March 2020. It signalled an additional 50 basis points of rate cuts by the end of the year, followed by 100 basis points cuts in 2025, and a final 50 basis points in 2026. The Fed lowered its favoured PCE inflation forecast for 2024 to 2.3% from its June forecast of 2.6% and for 2025 from 2.3% to 2.1%. It lowered its GDP growth forecast for 2024 slightly from 2.1% to 2.0% but kept its 2025 forecast steady at 2%. Monetary easing cycles are normally associated with recessions, but at the meeting Fed Chair Jerome Powell said: "The US economy is in good shape. It's growing at a solid pace. The labour market is at a strong place." The ECB followed its 25 basis points rate cut in June, the first of its easing cycle with a further 25 basis points rate cut to 3.5% in September, while the Bank of England initiated its easing cycle in August with a 25 basis points rate cut to 5%, the first rate reduction in four years.

The easing in monetary policy has raised concerns that economies could be tipping into recession. Indeed, with inflation steadily falling back to central bank targets, the debate has turned from inflation risks to risks of economic slump. US inflation excluding shelter has slowed to 1.7% year-on-year, below the Fed's 2% target and is close to zero on a 3-month annualised basis. Yet US economic growth accelerated to 3% quarter-on-quarter annualised in Q2 versus 1.4% in Q1. Projections show the economy has been growing at a steady pace in Q3. The closely watched Atlanta Fed GDPNow tracker



projects Q3 annualised growth of 2.9%. On a quarter-on-quarter unannualized basis, the UK economy grew in Q2 by 0.6%, Japan by 0.7% and the Eurozone by 0.2%, due to weakness in Germany, its largest economy which shrank 0.1%. The G7 economies grew 0.5% and the OECD economies by 0.5%, equivalent to 2% annualised. In its latest forecasts published on 25<sup>th</sup> September, the OECD struck a positive tone saying the global economy is “turning a corner” amid “ongoing growth momentum.” The US economy was solid before the start of monetary easing with high frequency indicators pointing to stronger rather than weaker growth ahead. Interest rate cuts will serve to extend the economic expansion. The pickup in the unemployment rate has resulted not from increased job losses but by a surge in immigration which has dramatically increased the size of the labour force. If immigration had remained at its pre-Covid trend, the unemployment rate would be 3.7% instead of 4.2%.

Fed policy easing and a weaker dollar are helpful for the broader global economy, enabling other central banks to ease their own policy settings without fear of depreciating their currencies. Within a week of the Fed’s rate cut, the People’s Bank of China announced a large monetary stimulus programme accompanied by fiscal measures to shore up the property market, local government finances and to underwrite the stock market with financing for share buyback programmes. President Xi Jinping indicated that the week’s stimulus actions are the first instalment, with more to come. Active stimulus in the world’s two largest economies will improve cyclical conditions for the global economy, lifting prospects for regions outside the US, the main engine of growth so far in the current recovery. The lower oil price will provide an additional stimulus. Importantly, the fall in the oil price is due to the increase in supply rather than diminished demand.

The US presidential election is cited as a key risk to the favourable equity market outlook. Both candidates have voiced radical policies, Donald Trump’s extreme trade tariff threats and Kamala Harris’s threatened price caps. These policies would be highly inflationary and therefore likely to be heavily diluted once the election is over. Rather than implementing the worst-case tariff scenario Trump will use the threat to gain concessions from trading partners. Making deals is his preferred strategy. Harris will err on the side of caution, leaning towards increased competition as a means of lowering prices rather than setting price ceilings. There is a considerable range in opinion among financial analysts on which presidential candidate would most benefit financial markets, but they are agreed on one thing: That earnings growth and the cost of capital (Federal Reserve policy) are of far greater consequence than the outcome of the November 5<sup>th</sup> election. US equity markets have historically performed well during election years, regardless of the winning party or whether it’s a clean sweep across the White House and Congress. Negative years are rare and typically associated with other factors such as recessions, World War 2 in 1940, the dotcom bust in 2000 and the Global Financial Crisis in 2008.

The outlook for world equity markets is favourable. The monetary easing cycle has begun in earnest and yet economies are steady and building cyclical momentum. The start of Fed easing has normally coincided with recessionary conditions, yet this easing cycle is more reminiscent of the last time the Fed eased into an expanding economy, in the second half of the 1990s. The similarities between now and then are striking. The economy was undergoing a huge technology boom, in the form of the internet versus AI now, there was a surge in labour productivity growth, and continued disinflation. During the 1990s period stocks surged. When coupled with a recession, interest rate easing cycles have been followed by falling stock prices, but the opposite has been the case whenever the first Fed rate cut did not precede a recession. We expect equity markets to continue making strong gains over the next year or so in the US and more broadly as the cyclical recovery catches hold in other regions.