GLOBAL PERFORMANCE FACTSHEET

OAM Global Balanced Portfolio

Technical Details

2019 Q4

- Base currency: GB Pounds
- Benchmark: FTSE 100 (2003 - 2018); 60% FTSE 100, 40% FTSE World Broad Investment Grade Bond (2019 -)
- Asset Allocation: Flexible mix of closed-end funds, bonds and cash
- Individual portfolio representing Global Income investment style
- All performance figures include income and are net of fees and expenses

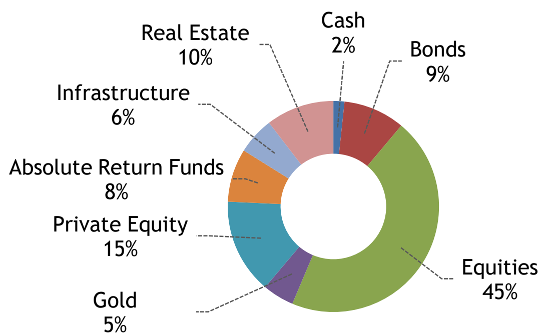
Investment Objective

- Conservative growth using medium risk strategy
- Consistent annual returns
- Low volatility

Annualised Growth (%)	OAM	Bench
Inception 2003	7.47	3.88
10 years	8.21	3.36
7 years	8.90	3.56
5 years	8.28	2.78
3 years	8.24	1.78
2019 YTD not annualised	13.54	11.95

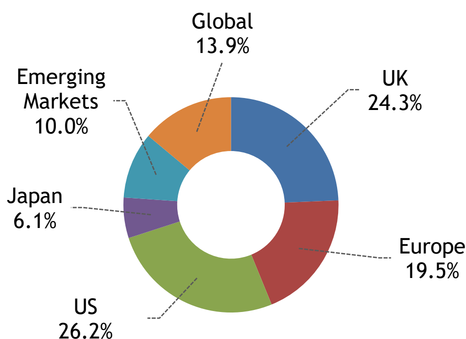
Annualised Income Yield	1.42		
	$	€	R
2019 YTD return in (%)	17.98	20.56	14.82

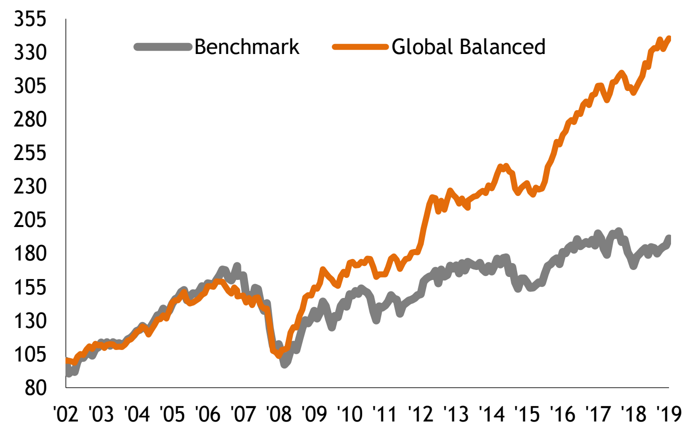
ASSET ALLOCATION
(see through basis)



Top 5 Holdings	
Ruffer Investment Company Ord	
BH Macro	
RIT Capital Partners	
3I Infrastructure	
Schroder European Real Estate Investment Trust	
Total number of holdings	23

GLOBAL ALLOCATION
(see through basis)





Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

Global Market Review and Strategy Outlook

Equity markets soared in the fourth quarter (Q4) of the year, powered by the combination of renewed quantitative easing from the world's major central banks, signs of recovery from the global manufacturing slump, reduced Brexit uncertainty and improved trade relations between the US and China. Over Q4, the MS World Index increased by 9.02% capping a substantial gain of 24.91% in 2019. Amid renewed investor risk appetite, emerging markets outperformed in Q4, pushing the MS Emerging Market Index higher by 12.01% although by just 15.82% for the year as a whole. The standout emerging market was Russia with Q4 and 2019 gains of 14.57% and 28.50%. Despite the trade war, the Shanghai Composite Index also fared well with gains of 4.65% for the quarter and 21.58% for the year. The US led developed market gains with the S&P 500 index posting stellar returns of 9.56% in Q4 and 28.50% for the full year, closely pursued by the German Dax with respective gains of 8.03% and 25.48%. The Nikkei returned 8.09% and 18.20%, respectively, while the UK's FTSE 100, hampered by continued Brexit uncertainty, was the relative laggard with gains of 3.08% and 12.77%.

Global central bank liquidity increased sharply in Q4, led by the Federal Reserve, the European Central Bank (ECB) and Bank of Japan. The People's Bank of China also joined the party in December, emboldened by recent stability in the yuan exchange rate resulting from solid prospects for a phase-one trade agreement with the US. Rising global central bank liquidity strengthens investors' risk appetite and lifts business confidence. Meanwhile, from recessionary multi-year lows in Q3, the JPMorgan Global Manufacturing Purchasing Managers' Index (PMI) regained the critical 50-level, which demarcates expansion from contraction. The bond market is sending a positive signal, with yields rising sharply towards year-end in anticipation of strengthening economic activity. The total value of global bonds in negative yield territory has decreased to $12.5 trillion from a peak of $17 trillion in mid-September. The inverted yield curve, which has a good track record in predicting recessions and had been in place in the US since November 2018, has now un-inverted, with the 10-year US Treasury bond yield comfortably above both 2-year and 3-month rates. Provided bond yields do not spike significantly higher from current levels and geopolitical risk does not flare up unexpectedly, the conditions are ripe for further equity market gains.

US and Chinese delegates have signed a first-stage trade agreement, which according to president Trump will cover 60% of the issues under broader negotiation. While leaving out the more contentious issues such as protection of intellectual property and China's subsidies of state-owned enterprises, the mini trade deal should de-escalate the conflict between the two countries, helping to restore business and financial market confidence. Both sides are under increasing pressure to de-escalate the trade war, given the slowdown in China's economy and the approaching 2020 US presidential elections. Trump will be anxious that the trade war, which has so far affected the manufacturing and agricultural sectors of the US economy, does not spread to the household consumer sector.

US GDP growth was unexpectedly strong in Q3, at 2.1% quarter-on-quarter annualised, up from 2.0% in Q2 and well above the consensus forecast of 1.6%. There was a 3% slump in non-residential fixed investment, its second straight quarterly decline, due to the impact of trade and geopolitical uncertainty on business confidence, forcing companies to hold-off on key investment decisions. However, other sectors of the economy showed resilience, especially personal consumption expenditure, which grew by 2.9%. The consumer-driven economy continues to be supported by robust household spending, while business spending is likely to recover following any breakthrough in US/China trade talks. November survey indicators confirm a recovery in economic activity across both the manufacturing and services sectors of the economy. The IHS manufacturing purchasing managers' index (PMI) gained from 51.3 to 52.2 and the services PMI from 50.6 to 51.6, feeding into a solid improvement in the composite PMI from 50.9 to 51.9, its highest

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

since July and well above the neutral 50-level. Encouragingly, the PMI upturn was led by forward-looking new orders sub-indices, signaling increased activity in the months ahead. The outlook for home construction has recently turned extremely positive, with building permits rising at the highest annual pace since 2007. Following months of declines, non-defence capital goods orders excluding aircraft, a proxy for business investment spending, unexpectedly surged higher in October, by 1.2% on the month, indicating a recovery in capital spending. Non-farm payrolls also surged in November by 266,000, well above the prior month's 156,000. The unemployment rate fell from 3.6% to 3.5%, matching September's figure, which was the lowest since 1969. However, wage growth was moderate, subsiding from 3.2% year-on-year to 3.1%, below the recent peak of 3.4% recorded in February. Wage growth remains conspicuously absent, keeping inflation at bay and the Fed from considering any reversal of recent monetary easing.

As expected, the Fed cut its benchmark fed funds interest rate by 25 basis points to a range of 1.5-1.75%, its third such rate cut since July. However, Fed chairman Jay Powell signaled a pause in further rate cuts and indicated that the global geopolitical outlook, encompassing the US/China trade war and Brexit negotiations, was improving, which may boost business confidence and global growth. Nonetheless, the Fed remained committed to its stealth quantitative easing programme until the second quarter of 2020. Introduced in mid-October, the QE programme involves a monthly purchase of $60 billion of Treasury Bills. Fed Chairman Jerome Powell, in his congressional testimony, indicated little risk of this year's interest rate cuts being reversed, stating that "there's no sign that things are overheating or anything like that."

China's GDP growth slowed in Q3 to 6.0% year-on-year, down from 6.2% in Q2, 6.4% in Q1 and 6.6% in 2018, now at the bottom of the government's 6-6.5% target range and its slowest rate of growth since the current data series began in 1992. However, there were signs of recovery in some sectors. The pace of industrial output and retail sales improved in Q3, and the housing and residential construction markets remained buoyant, while fixed-asset investment in technology sectors grew by a solid 14%. China's manufacturing survey data was surprisingly strong in November at both the official purchasing managers' index (PMI) level, which focusses on larger state-owned enterprises, and the private sector Caixin PMI level, which focusses on smaller private sector companies. The official manufacturing PMI gained from 49.3 to 50.2, breaking above the expansionary 50-level for the first time since April and bolstered by stronger forward-looking new orders and new export orders sub-indices, which indicate continued improvement in activity levels over coming months. The Caixin manufacturing PMI built on October's increase, rising in November from 51.7 to 51.8 its highest level since December 2016. Meanwhile, the official non-manufacturing PMI, which measures conditions in the services sector of the economy, surged higher from 52.8 to 54.4 its highest since March. November's PMI data are consistent with an improvement in GDP growth in Q4 to around 6.2%, up from 6.0% recorded in Q3. China's trade data has also shown a moderation in the rate of decline suggesting a recovery in China's domestic demand and a stabilisation in global demand.

Despite the improving economic outlook, authorities are likely to maintain their fiscal and monetary stimulus over coming months. In November, the People's Bank of China (PBOC) announced the first cut in its benchmark one-year medium-term lending facility (MLF) since early 2016, likely representing the start of a protracted rate cutting cycle. The PBOC will be emboldened by encouraging trade talks with the US and a resulting stabilisation of the yuan, which has regained the psychologically important 7.0 level versus the dollar. Fiscal stimulus, aimed at lifting infrastructure spending, is gaining momentum. The allocation to local government special-purpose bonds, which are used to finance infrastructure projects, has already reached the 1 trillion-yuan target, well ahead of the usual cut-off date in March.

Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

Japan's economy grew by a modest 0.2% quarter-on-quarter annualised in Q3, missing analysts' forecasts of a 0.8% expansion. It was the fourth straight quarterly rise, but the slowest rate in a year and markedly down from the 1.8% printed in Q2. The key drivers for the growth came from private consumption, business investment and government spending. Private consumption makes up roughly 60% of Japan's GDP and has been an important source of growth in the last year. However, subsequent data shows Japan's capital investment by non-financial firms rose by an impressive 7.1% year-on-year in Q3 up strongly from 1.9% growth in Q2, which suggests the potential for a substantial upward revision to initial Q3 GDP estimates. Despite a modest increase, inflation remains well below the Bank of Japan's (BOJ) 2% target. The BOJ kept its benchmark interest rate, currently at -0.1%, on hold at its most recent monetary policy meeting but indicated that, if necessary, it would make further rate cuts into negative territory to achieve its 2% inflation target. Its forward guidance on inflation for the period until March 2020 was lowered from 0.8% to 0.5% and for the following year to March 2021 from 1.2% to 1%. Meanwhile, Prime Minister Shinzo Abe announced his first fiscal stimulus since 2016, surprising analysts with a larger than expected package of ¥13.2tn. The stimulus is aimed at reigniting Japan's economy and to stave off an expected slowdown after the 2020 Olympics. Described as a "15-month budget", the headline figure is about 1.9% of Japan's expected GDP over the period and is one of the largest spending plans since the 2008/09 global financial crisis. Mr Abe will be taking advantage of ultra-low interest rates, a trend seen amongst other developed economies as governments start to loosen their purse strings to reignite growth through fiscal stimulus.

Europe's single currency area continued its steady but modest economic growth, expanding in Q3 by a stronger than expected 0.2% quarter-on-quarter and 1.1% year on year. The GDP data eased fears that the uncertainty of Brexit and the ongoing US-China trade war would further negatively impact the Eurozone. However, inflation for October fell to 0.7%, well below the 2% target set by the ECB. The inflation data vindicated the central bank's earlier decision in September to cut interest rates further into negative territory and launch a fresh round of quantitative easing. Against expectations, Germany, the Eurozone's largest economy, narrowly avoided a technical recession, albeit with negligible quarter-on-quarter growth of 0.1% in Q3 compared with a contraction of -0.1% in Q2. Despite the industrial production and export sectors experiencing a sharp slowdown, domestic demand has been buoyed by high employment and rising income. According to the latest Ifo Institute's Business Climate Index (BCI), Germany's business confidence improved for a third consecutive month in November, which could be an early sign that the German economy has bottomed out and is on the mend. The Ifo Institute expects German GDP growth to rise to 0.2% in Q4, helped by reduced Brexit uncertainty and improved US/China trade relations. Improved growth prospects are likely to spread across the Eurozone in 2020 amid better trade conditions combined with ECB stimulus and the likelihood of increased fiscal stimulus.

Whilst the UK avoided a technical recession in Q3, classified as two consecutive quarters of economic contraction, it reported the worst two-quarter economic growth figures since the 2008/09 global financial crisis. Q3 GDP growth of 0.3% quarter-on-quarter marked a rebound from the 0.2% contraction in Q2, but still suffered from Brexit uncertainty and the general lack of business investment. This year's quarterly growth figures have been distorted by stockpiling ahead of the original Brexit deadline and the subsequent unwinding of inventory. In Q3, fixed capital formation fell again due to ongoing Brexit uncertainty. Meanwhile, the UK manufacturing purchasing managers' index remained below the contractionary 50-level for a ninth straight month in November. The UK has been falling behind other developed nations, which recently reported a slight turnaround in industrial production. Most purchasing managers have adopted a "wait and see" approach before restocking. However, the outlook for manufacturing, business and investor confidence, and GDP growth should enjoy a boost, at least over the short-term after the Conservative Party secured a large majority in December's General Election, handing the Labour Party its worst defeat since 1935. As a

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

result, the recent political deadlock will end, supporting Boris Johnson's pledge to "get Brexit done" by 31st January. Moreover, the threat to financial markets of a far-left Labour government and widespread nationalisations has been removed. However, Mr. Johnson has promised an extremely tight and perhaps unrealistic deadline of 31st December 2020 to renegotiate a trade agreement with the EU, which may add renewed Brexit stress later in the year.

The International Monetary Fund (IMF) forecasts that emerging market (EM) GDP will grow by 4.6% in 2020, up from 3.9% expected this year. The sharp pickup, which would be the fastest recovery since the global financial crisis, is expected to emanate mainly from Latin America, the Middle East and Central Asia. Countries like Argentina and Turkey, both hit by recent currency crises, have the potential to rebound from a low base, while other economies including India, Russia, Brazil and Mexico have recently been growing well below trend and have the potential to show accelerating growth. EM currencies have stabilized over recent months providing the potential for both monetary easing and fiscal stimulus. Moreover, synchronized quantitative easing from the world's largest central banks should encourage an increase in global liquidity and a decline in demand for the US dollar, which tends to boost capital inflows into emerging markets. Since the global financial crisis, there have been several periods of relative weakness followed by periods of extremely powerful surges in risk assets. These surge periods include 2011-2014, following the Eurozone debt crisis and 2016-2018, following China's currency devaluation. There are similarities between the conditions prior to the previous two booms and current conditions, which have caused financial markets to be subdued. However, Brexit and the US-China trade war, although still unresolved, have both moved in the right direction recently. In addition, global central bank liquidity is once again on the rise amid quantitative easing. An increase in risk appetite stemming from the potential upswing in global equity markets will be especially positive for emerging market equities.

Despite strong gains across global equity markets in 2019, markets are positioned for a second straight year of gains in 2020, likely to be concentrated in the first half of the year. There are numerous potential catalysts to maintain the recent rally, especially from current valuations, with price-earnings multiples of major equity markets still comfortably below their historic peaks and earnings yields considerably higher than bond yields. Potential catalysts include continued quantitative easing by the world's major central banks across the US, China, Japan and Eurozone, the announcement of fiscal stimulus across the world's major economies, and breakthroughs in US/China trade and Brexit negotiations. Despite recent strong gains, investors overall remain jaundiced by the events of the global financial crisis 11 years ago and are cynical about geopolitical risks, hence market sentiment is at a low ebb, providing fertile ground for a continued re-rating and equity market rally. Meanwhile, fiscal stimulus and increased infrastructure spending are likely to provide helpful tailwinds to equity markets during the year. The IMF's chief economist, Gita Gopinath has called on governments to boost fiscal policy, especially in the current environment of negative interest rates, "A country like Germany should take advantage of negative borrowing rates to invest in social and infrastructure capital, even from a pure cost-benefit perspective."

With growing expectations of a cyclical economic recovery and rising long-term interest rates, interest in traditional "value shares", typically represented in the bank, financial and industrial sectors, is being rekindled. Bank shares have strongly outperformed over the past quarter as the bond yield curve has steepened from its previous inverted shape, in turn boosting bank interest margins. Value shares have performed poorly compared with "growth shares" over the current 10-year bull market but this may be changing. The value share and growth share components of the S&P 500 index have shown widely diverging performance over the past decade, of 120% versus 235%, and so a mean reversion could entail a considerable outperformance by value shares over coming months.

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.

As always, there are some concerns. As the saying goes, bull markets climb a wall of worry. Chief among these concerns is that bond yields move above comfortable levels, which may make equities less attractive on a relative basis. However, there is some distance to be covered before bond yields reach these levels. The 2020 US elections also hold the risk of a U-turn in economic policy, which could be damaging to financial markets, but recent polls suggest the probability of an Elizabeth Warren or Bernie Sanders democratic nomination is extremely remote. Encouragingly, a US election year is traditionally associated with positive equity market returns.

Reg No: 2001/019896/07 | Authorised Financial Services Provider. License No: 783
Disclosure: There is a risk associated with investing in our financial products. The value of the investments and income may rise as well as fall, and there is a risk that the client may suffer financial losses. Returns are dependent on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances.