

28 February 2023

Octagon Global Balanced

Fund Details

Currency	GBP (£)
Risk profile	Moderate
Investment period	5 years
Launch date	01-Aug-13

Fund Objectives

The investment objective of the Fund is to provide long-term capital growth through a moderate exposure to equity markets over a market cycle. This Fund is suitable for investors who require average capital growth over a 5-year or longer timeframe. Total equity exposure limited to 75%.

Holdings as at Month End

	%
Cash	
Ninety One GSF Sterling Money I Acc GBP	5.00

European Funds

Allianz Continental European	1.50
Man GLG Continental European Growth	1.50
Polar Capital European Ex UK	2.50

Corporate Bond Funds

Allianz Strategic Bond I Acc	5.50
Hermes Global High Yield Credit	2.50
Jupiter Strategic Bond	4.40
Ninety One Global Total Return Credit K GBP Acc	3.50
Vontobel - TwentyFour Absolute Return Credit	7.30

Global Emerging Markets Funds

Aubrey Global Emerging Markets Opportunities	1.80
Fidelity Fast Emerging Markets	1.80
Pacific North of South EM All Cap Equity	2.30

Japanese Funds

Baillie Gifford Japanese	2.80
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North American Funds

Brown Advisory Beutel Goodman U.S. Value	4.00
Brown Advisory US Mid Cap Growth B GBP Acc	3.00
Dodge & Cox Worldwide - U.S Stock	4.00
Fidelity Funds - American Special Situations Fund	1.40
Granahan US Focused Growth	1.10
Legg Mason ClearBridge US Equity Sustainability Leaders	2.50
Loomis Sayles U.S. Growth Equity	4.50
M&G North American Dividend	3.10
Polen Capital Focus US Growth	4.50

UK Equity Funds

Franklin UK Managers Focus	0.50
Invesco UK Opportunities	0.50
Schroder Recovery	1.10

Govt Bond Fund

iShares GiltTrak Index	11.00
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Alternative Funds

Legg Mason Western Asset Macro Opportunities Bond	3.50
Protea ECO Advisors ESG Absolute Return	5.00
Sanlam Multi Strategy Fund	3.80

Global Equity Fund

Sanlam Real Assets	2.70
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Developed Asia ex Japan Funds

Schroder ISF Asian Total Return	1.40
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Key Information

%

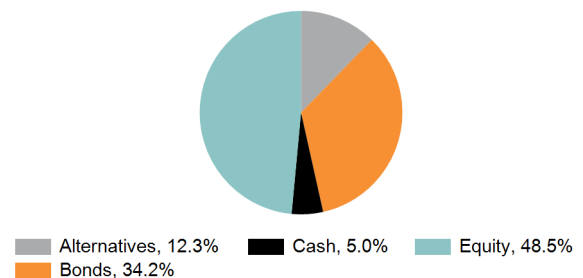
Benchmark

MSCI AC World	50.00
Barclays Global Aggregate UK Government Bond Index	22.50
Barclays Global Aggregate Corporate Bond Index GBP Hedged	22.50
GBP Cash	5.00

Fees (incl. VAT)

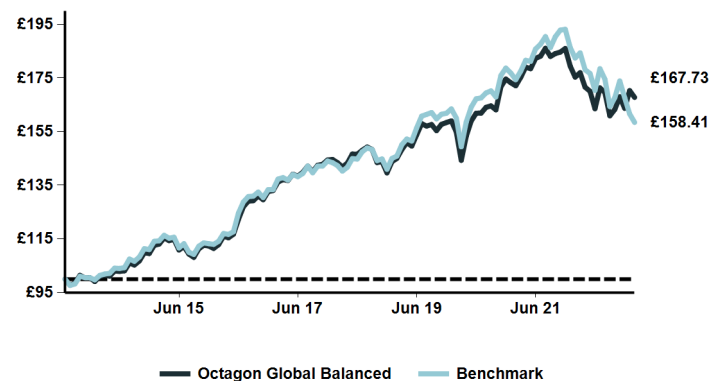
Annual Wrap fee	0.46
Underlying Manager TER's	0.65

Global Asset Allocation



Cumulative performance since launch*

Growth of £100 investment



Performance (%)	Fund*	Benchmark
1 Month	-1.50	-1.95
3 Months	-0.13	-8.88
6 Months	-1.08	-9.23
YTD	2.48	-5.48
1 Year	-4.32	-13.16
2 Years (annualised)	-1.27	-4.68
3 Years (annualised)	2.70	-0.34
5 Years (annualised)	3.18	2.16
Since Launch (annualised)	5.54	4.92

Risk statistics (since launch)	Fund*	Benchmark
Returns (annualised)	5.54%	4.92%
Standard deviation (annualised)	7.26%	7.55%
% Positive months	62.61%	61.74%
Maximum drawdown	-13.54%	-17.97%
Sharpe ratio	0.67	0.56

* The investor is liable for CGT on any transactions in the units of the underlying unit trusts within the wrap funds. Compulsory investments are not subject to CGT. Performance is calculated using net returns (after fees) of the underlying unit trusts, and quoted excluding wrap fund fees. Performance quoted is pre-tax. Fund performance numbers shown are for a notional portfolio and does not reflect the actual performance of the client invested in the wrap fund due to timing differences of investments or disinvestments of the client. The information contained in this document has been recorded and arrived at by Octagon Asset Managers (Pty) Ltd (FSP) Licence No. 45236 in good faith and from sources believed to be reliable, but no representation or warranty, expressed or implied, is made as to the accuracy, completeness or correctness. Performance figures are calculated using net returns (after-fee) of underlying managers but are quoted gross of wrap fund fee. Performance figures for periods greater than 12 months are annualised. All data shown is at the month end. Changes in currency rates of exchange may cause the value of your investment to fluctuate. Past performance is not necessarily a guide to the future returns. The value of investments and the income from them may go down as well as up and are not guaranteed. You may not get back the amount you invest.

Commentary

Market Review

Markets cooled off in February after resilient economic data, combined with hawkish central bank rhetoric on inflation, demonstrated investors had been over-optimistic at the turn of the year. The MSCI World Index ended the month down 0.8% in GBP terms.

Regionally, the UK led the way for developed regions in GBP terms, up 1.75%, though dollar strength seen in the month provided a headwind to returns expressed in the US currency. For the UK market, which has significant overseas earnings, the weakening pound was a tailwind in the month, while both business and consumer sentiment also continued to pick up despite inflation remaining high. Europe ex UK was the next best region, up 0.8%, and again with positive local returns. Here, too, there was a mixture of hawkish rhetoric on inflation by the European Central Bank (ECB), while also much improved positivity from households and firms, largely driven by the drop-off in energy prices in recent months. North America was down 0.9% as inflation came in higher than expected, though still declining. The labour market also remained highly resilient, which supported the US Federal Reserve (Fed)'s ability to prolong their rate hiking cycle before any pause or eventually cuts are made. Japan was down 2.2% while Pacific ex Japan was down a significant 4.9%, largely driven by Hong Kong, which was caught up in the China weakness in the month.

Emerging markets saw a large underperformance versus their developed peers in February, with the MSCI Emerging Markets Index down 4.9% in GBP Terms. China contributed a lot to this, with the MSCI China Index down 8.9% in GBP terms. It was an unusual month, as despite continued positive signs of a strong domestic-led post-Covid recovery, an escalation in tensions with the US saw investors de-risk after several months of strong returns. Tensions were centred around multiple Chinese balloons intruding US airspace, while the backdrop of the Taiwan situation also continued to add uncertainty to relations.

Global aggregate bonds also suffered in the month as the optimism over rate cycles was quashed. They lost 1.7%, undoing all of January's gains. Intra-bonds, treasuries were hit hardest, down 1.9%, with credit not far behind at 1.3%. High yield comfortably beat these but was still down 0.2%. Interestingly, high yield has outperformed in both January and February, despite the contrasting sentiment and market outcomes across the two months, which have continued to be centred on expectations around inflation and interest rates.

Positioning and Outlook

The renewed optimism at the start of 2023 has been doused somewhat throughout February, seen in the retracement across both equity and bond markets. Interestingly, most of the economic data released in the month showed signs of resilience and recovery across many countries, which under alternative market conditions would be conducive to a further rally. However, all eyes are fixed on the path going forward for inflation, which will directly feed the path for interest rate cycles and, in turn, how quickly central banks will reach a pause and ultimately start to cut rates at some point down the line. Central banks have been quite hawkish in their rhetoric year to date, and the market appears to have caught up somewhat from where it was at the beginning of the year, hence the downturn in February.

Looking forward, the current consensus from investors is for the Fed to hike several more times (albeit in smaller increments) before reaching a pause during the third quarter, with very little sentiment for rate cuts before 2024. Continually strong economic data only adds to both expectations from the market and the Fed's resolve to push ahead with further hikes, until they see a material and prolonged downward shift in inflation. Certainly, cuts seem a long way off, noting the lagging effects of the prior hikes that are only rolling through now, and will continue to do so. Hence the Fed will likely pause first and allow these lags to play out before any downward moves. China and Japan are still showing no signs of change from their accommodative policies, noting the divergence in goals across the two – China is looking to restart their growth after the Covid disruption, while Japan is still searching for assurances that they have come through the deflationary structural issues of the past, though expectation is building for a further relaxation of yield curve controls to materialise.

In many ways the overarching outlook is the same for markets, however, while most participants are looking for similar outcomes, these will diverge across regions, which could result in large disparities in performance ? certainly for much of 2023 ? before a normalisation takes place down the line. As every inflation and economic data print gets released there will be regular reassessments by both central banks and investors as to how the interest rate trajectory has evolved. Hence both bonds and equities face positive and negative scenarios, highly dependent on data. Divergence could come from an environment where recession picks up in combination with inflation declining, in which case bonds, particularly government bonds, will outperform. Alternatively, if the economy continues to hold up while inflation moderates ? the soft-landing scenario ? this will likely encourage a risk-on rally for equities. There is also the tail-risk scenario of inflation showing severe stubbornness, or even reacceleration, however, this would potentially require an exogenous shock linked to geopolitical events, though this is not a base-case scenario.