

# Strong conviction STABLE RETURNS



## OBI Active 3 – July 2019 Portfolio Update

### Investment Objective

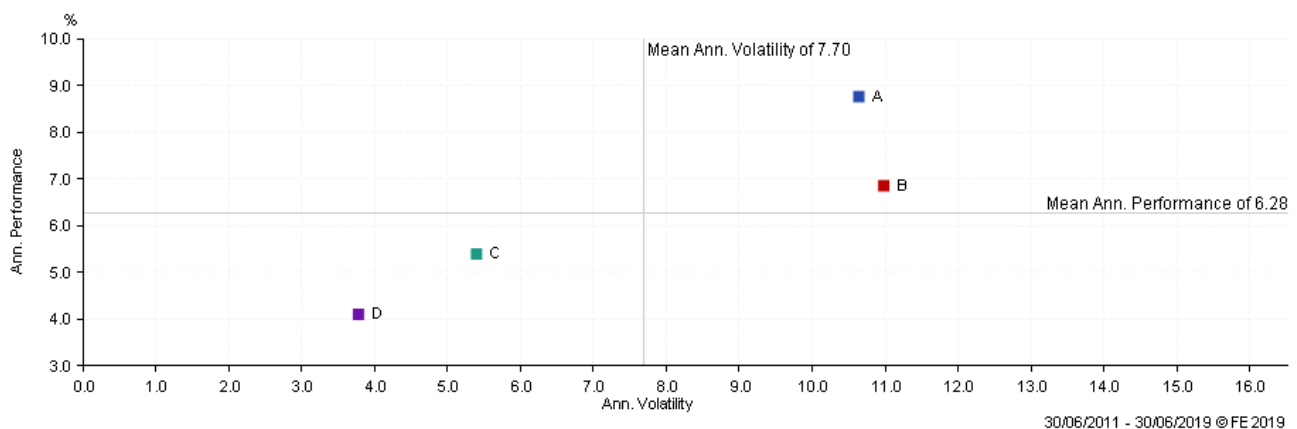
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses when markets are falling, based on the higher non-equity asset allocation. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry market risk and using all assets that are available from the investment universe. The asset allocation in this portfolio will vary between a benchmark of 0% equity and 35% equity on average to achieve the portfolio objectives, provided economic conditions permit. The portfolio will be managed to try and limit the **indicative capital loss in any rolling 12-month period to 6% in a significant event and 4% in normal market conditions** and to target an **annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 4% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges**. Despite the higher allocation in non-equity assets, these asset classes are in some cases becoming riskier than equity assets, however we feel that the current positioning is acceptable when we consider our mandate regarding a client’s capital loss acceptance.

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently **holds 50.06% in Equity (Analytics 1<sup>st</sup> Jul 2019)** and is therefore more aggressive than this portfolio and has no capital preservation mandate. It would be expected therefore that the benchmark would outperform the model and that the volatility of the benchmark would be higher. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 3 Performance – Source Analytics 1 <sup>st</sup> Jul 2019									
Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch (01/06/2009)
OBI Active 3 Portfolio	0.82%	1.34%	2.86%	-0.21%	2.90%	11.66%	15.08%	33.94%	87.65%
Benchmark	1.65%	3.38%	8.30%	3.14%	8.25%	19.97%	27.60%	52.14%	96.30%
UK Gilts	0.79%	1.79%	7.23%	7.01%	7.66%	11.00%	53.58%	52.04%	124.89%
FTSE 100	2.51%	3.97%	13.05%	1.84%	13.14%	36.80%	34.01%	77.21%	141.03%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over the past 8 years

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
■ A	FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB	8.76	10.64
■ B	FTSE 100 TR in GB	6.88	10.98
■ C	AFI Cautious TR in GB	5.40	5.40
■ D	OBI Active 3 - 21 May 2019 TR in GB	4.11	3.78

## Outlook & Positioning

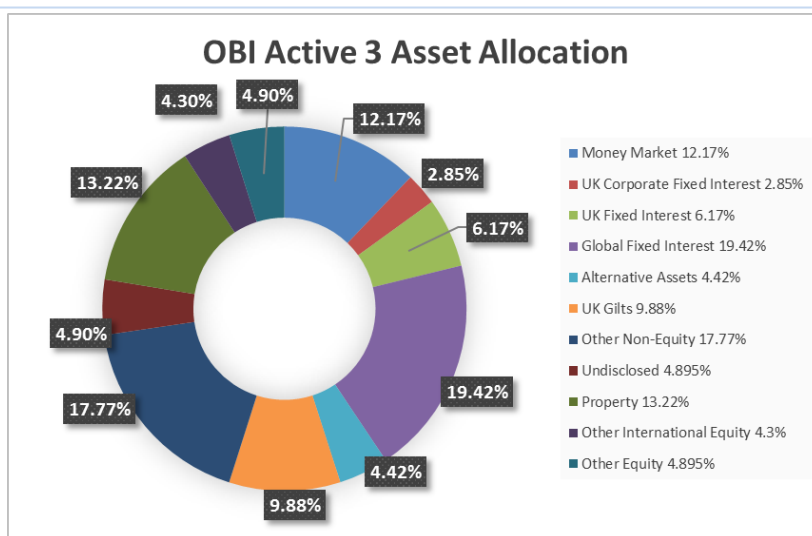
OBI Active 3 is a cautious portfolio with a higher non-equity allocation based on a low-risk mandate, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 4% per annum.

In December last year, following a series of more negative economic data and a continuation of uncertainty over future trade and political movements, an in-depth analysis of the economic situation highlighted excessive risks in the global economy. This prompted us to act on the capital preservation mandate and position our portfolios defensively in preparation for difficult trading conditions over the first half of 2019. As it stands, portfolios are defensively positioned, with low equity exposure as we await further clarity in markets.

Conditions over the first quarter of the year were extremely challenging, with markets regaining ground from last year's losses due to currency movements and speculation over US-China trade discussions despite an increasingly uncertain global economic outlook. In the second quarter of the year, portfolios held steady and performed consistently as volatility continued and economic data worsened. After a decline in May, equity markets remained volatile over June as economic uncertainty continued to feed through into corporate earnings expectations and geopolitical tensions remained. It is clear that investor sentiment has been shifting to the downside, with risk-off sentiment spreading through financial markets. The economic data now suggests that we are in bear market, with high volatility and significant risks persisting in the global economy, resulting in declining yields in bond markets.

Based on the indications of reduced spending and lower economic growth, our expectation is that economic data will become more negative as the second half of the year unfolds, as the performance of key lagging economic indicators and a continuation of geopolitical tensions results in a selloff in equities. When this selloff happens, our defensive positioning allows us to protect against downside and reduce volatility while gaining relatively consistent returns from the core holdings within the portfolio. Providing we get the re-entry point right for reinvesting into equities, we intend to capture upside returns in the recovery stage, and we remain optimistic about 2019 portfolio returns.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies. In the December rebalance, we moved more defensively, therefore portfolios are currently constructed with a higher weighting of non-equity exposure due to risks facing equity markets. The low level of equity exposure within the portfolio is gained through exposure to diverse, globally managed multi-asset funds, and short equity positions which seek to benefit from a decline in markets. We would expect the equity content within the portfolio to fluctuate over 2019 as we reinvest into equities, becoming more in line with the mandate of the portfolio as opportunities return.



\*Undisclosed asset sector represents the allocation to inverse ETFs and long/short equity assets which have been regarded here as non-equity due to their inverse relationship with equity markets.

**Equity: 9.20% – Non-Equity: 90.80%**

## Portfolio Facts

**Benchmark Index for Volatility –** AFI Cautious

**Historical Yield:** 2.13%

**Portfolio Expense:** 0.67% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1<sup>st</sup> July 2019**.
- The value of investments may fluctuate in price or value and you may get back less than the amount originally invested. Past performance is no guarantee of future performance.
- Unless otherwise instructed any accrued income is reinvested into the portfolio.
- Portfolio Expense represents the total strategy cost and does not include the adviser charge. This is based on the Fusion platform and may vary for other platforms.

OCM Asset Management is a trading name of OCM Wealth Management Limited which is authorised and regulated by the Financial Conduct Authority Number 418826. OCM Wealth Management Limited registered in England No 5029809. Registered Office @ 3 Bouverie Court, The Lakes, Northampton, NN4 7YD. Telephone 01604 621 467 - Web Address [www.ocmwealthmanagement.co.uk](http://www.ocmwealthmanagement.co.uk)