OBI Model Portfolio Active 4

OCM Asset Management
Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

June 2020

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to invest into a higher allocation towards equities than OBI Active 3. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry low market risks and using all assets that are available from the investment universe. The asset allocation on this portfolio will vary between a benchmark of 0% equity and 45% equity on average to achieve the portfolio objectives, provided economic conditions permit. As non-equity assets are in some cases becoming riskier than equity assets, we feel that the current positioning is acceptable when we take into account our mandate regarding a client's capital loss acceptance and by altering the asset allocation based on OBI and the ability to cyclically adjust the portfolios. **The portfolio will be managed to try and limit the indicative capital loss in any 12-month period to 8% in a significant event and 5% in normal market conditions and to target an annualised total return averaged out over an economic cycle (5 – 7 years) of 5% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **48.49% in Equity** (Analytics, 1st June 2020) and is therefore more aggressive than this portfolio. The benchmark also has no capital preservation mandate. It would therefore be expected that this 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.

Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch 01/06/2009
OBI Active 4 Portfolio	2.57%	1.99%	1.71%	2.85%	0.83%	0.87%	10.48%	24.09%	106.81%
Benchmark	2.99%	-2.14%	-4.93%	-1.38%	-5.89%	2.78%	14.55%	26.94%	90.44%
UK Gilts	0.38%	6.28%	12.27%	19.52%	14.52%	27.35%	55.07%	83.34%	166.68%
FTSE 100	4.75%	-4.86%	-14.80%	-11.05%	-16.31%	-6.86%	7.97%	20.76%	109.15%

Source: FE Analytics, 29th May

Asset Allocation

- MONEY MARKET (9.86%)
- UK FIXED INTEREST (12.10%)
- GLOBAL FIXED INTEREST (21.16%)
- UK GILTS (8.04%)
- OTHER NON-EQUITY (4.39%)
- PROPERTY (15.80%)
- UK EQUITY (7.68%)
- NORTH AMERICAN EQUITY (10.47%)
- OTHER INTERNATIONAL EQUITY (10.50%)

Equity 28.65% - Non-Equity 71.35%

Outcome Based Investing

At OCM, we believe that assets in a client portfolio should be adjusted through each phase of the economic cycle.

In line with the OBI strategy, at the extreme point when the cycle is at its most extended and the economies are overheating, it is our view that by moving defensively and focusing on the core portfolio assets, we are able to provide the desired outcome with the least amount of expected volatility.

The key with the strategy of "Outcome Based Investing" is to limit the surprises and capture as much of the upside as possible, with a focus on delivering the client's strategised outcome.

Key Facts

Benchmark
AFI Cautious

Inception Date
01 June 2009

Historic Yield
1.92% per annum

Ongoing Strategy Charge
0.62% per annum

Rebalancing Frequency
Quarterly (or as required as per the OBI strategy)

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OBI Active 4 is a cautious portfolio with a slightly higher equity allocation than OBI Active 3, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 5% per annum.

Market Outlook

At the beginning of March, as the global economy powered down in the midst of the coronavirus pandemic, the chances of a global recession became almost inevitable, as severe restrictions on businesses and households were imposed by governments desperately trying to contain the outbreak. Given this impending risk to the global economy and financial markets, the portfolio was placed into capital preservation mode on the 9th March as to protect capital the best we could amid the turmoil, helping to prevent further losses and limit extreme volatility throughout the month.

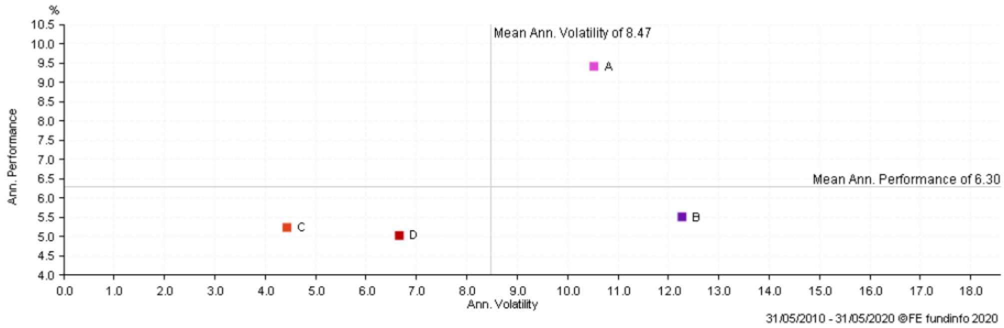
Economic data on a global scale continues to deteriorate as the impact of the coronavirus-induced lockdowns becomes clear, however markets now appear to be looking past the sharply deteriorating near term economic data to focus on expectations for a recovery. With governments across the globe now starting to reopen their economies, most economists are expecting to see a recovery in activity over the second half of the year, followed by strong growth in 2021. Expectations are that economic growth in 2021 will be bolstered by low international interest rates alongside continued support from central banks and governments as the global economy returns to the new normal following the coronavirus pandemic. While there will undoubtedly be further volatility ahead from here, with the medical news flow beginning to improve as key economies look to restart their economies, our medium term has begun to brighten.

Portfolio Positioning

After re-entering markets with a defensive allocation in April, following an in-depth analysis of the data and a continued improvement in our medium-term market outlook on risk assets, last month we implemented our return to investing more normally across the portfolios. We redeployed cash into equity and non-equity assets across the portfolios as part of the final stage of our re-entry strategy. In doing so, we took the opportunity to add exposure at attractive levels, while complementing our existing exposure and increasing the level of diversification within the portfolios, putting us in a strong position moving forward.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies, with a mix of bond, equity, and property exposure to meet the portfolios objectives over the long term. The bond exposure is gained through high quality, actively manged strategic bond funds and the equity exposure within the portfolio is gained through exposure to diverse, globally managed funds as well as passive trackers, while the property exposure is gained through UK direct property funds.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 10 years. Over the long term, we would expect the OBI portfolio to exhibit a lower level of volatility than the benchmark.

Key	Name	Annualised Performance	Annualised Volatility
A	FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB	9.41	10.52
B	FTSE 100 TR in GB	5.52	12.27
C	OBI Active 4 - April 2020 TR in GB	5.24	4.43
D	AFI Cautious TR in GB	5.04	6.66

Important Information

- All data in this document has been extracted from Analytics as at 1st June 2020.
- 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.