

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 within 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.

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **48.41% in Equity** (Analytics, 1st July 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 3 Portfolio	1.08%	5.04%	1.93%	4.08%	2.05%	4.32%	13.17%	28.92%	95.24%
Benchmark	1.53%	10.21%	-4.42%	-1.02%	-3.98%	5.51%	19.73%	34.78%	94.31%
UK Gilts	-1.03%	1.87%	14.94%	18.13%	14.08%	31.47%	58.47%	90.94%	165.67%
FTSE 100	1.66%	11.27%	-17.36%	-13.80%	-16.87%	-4.82%	15.51%	30.04%	107.76%

Source: FE Analytics, 1st July

Asset Allocation

- MONEY MARKET (9.83%)
- UK FIXED INTEREST (11.66%)
- GLOBAL FIXED INTEREST (21.63%)
- UK GILTS (7.94%)
- OTHER NON-EQUITY (4.16%)
- PROPERTY (17.09%)
- UK EQUITY (7.48%)
- NORTH AMERICAN EQUITY (10.00%)
- OTHER INTERNATIONAL EQUITY (10.19%)

Equity 27.68% - Non-Equity 72.32%



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
1.93% per annum

Ongoing Strategy Charge
0.81% per annum

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



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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.

Market Outlook

Economic data on a global scale has rebounded sharply from the unprecedented shock to economic activity resulting from the coronavirus-induced lockdowns, although overall data still remains below long-term averages. Markets are continuing to focus on recovery expectations 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.

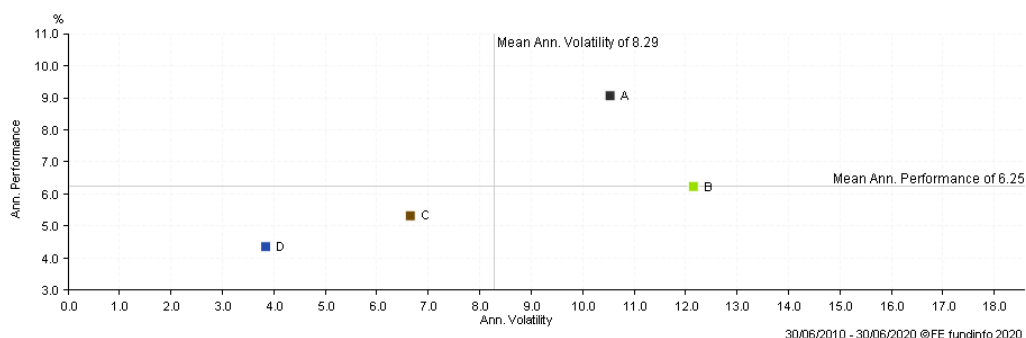
While there will undoubtedly be further volatility ahead from here, with medical and recovery news flow influencing markets significantly, we are optimistic on the medium-term outlook from here, with the view that stimulus in the US and other major global economies will provide support to markets in the short term, and enable a strong recovery over the medium term. We expect and accept further volatility ahead, but remain confident in our positioning with well diversified portfolios which has been designed to weather these market conditions.

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, in May we implemented our return to investing more normally across the portfolios. Over the coming weeks, as we are now normally invested, we expect intraweek performance to be more in line with the benchmark once again, and we are optimistic on the medium-term outlook from here, accepting further volatility as we remain confident in our positioning with well diversified portfolios which has been designed to weather these market conditions.

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 managed 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	9.07	10.53
B	FTSE 100 TR in GB	6.24	12.15
C	AFI Cautious TR in GB	5.33	6.65
D	OBI Active 3 - April 2020 TR in GB	4.36	3.84

Important Information

- All data in this document has been extracted from Analytics as at 1st July 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, including the adviser charge. This is based on the Fusion platform and may vary for other platforms.