

You Plan **WE DELIVER**

Outcome Based Investing for your clients from one
of the fastest growing DFM Houses in the UK



Contents

<i>Introduction to OCM Asset Management</i>	3
<i>What Makes Us Different?</i>	4
<i>Our Investment Philosophy</i>	5
<i>Outcome Based Investing (OBI)</i>	6
<i>Outcome and Risk Assessment</i>	7
<i>Modern Portfolio Theory and OBI</i>	8
<i>Our Investment Process</i>	9
<i>Model Portfolio Service (MPS)</i>	10
<i>Bespoke Portfolio Service</i>	11
<i>Quantamental Analysis; Our Stock Selection</i>	13
<i>The Result; Shift and Squeeze</i>	14
<i>Specific Details - Establishing the Clients' Objectives</i>	15
<i>On & Off Platform Strategy</i>	17
<i>Seamless Integration</i>	18
<i>Working As Partners</i>	19
<i>Working in Partnership with You</i>	20
<i>Ring Fenced; Protecting Your Relationship</i>	21

Introduction to **OCM ASSET MANAGEMENT**

CLIENTS AND CUSTOMERS *of OCM*

Asset Management can expect a personalised service that is backed up by strong process and well researched asset allocation, designed to deliver strong risk adjusted returns with an underpin of action, when something unexpected happens.

Advisers today are obliged to ensure the initial and continuing suitability of a client's underlying asset allocation within any financial solutions recommended in terms of risk, capacity for loss, outcome required and long term performance objectives.

Whilst there is no single solution to help an adviser achieve this objective, we believe that OCM's Outcome Based Investment Strategy, (OBI) underpinned by a Quantamental Analysis (please refer to page 13) of the investment universe, is a perfectly aligned Centralised Investment Proposition (CIP) that firms can adopt. The CIP works in partnership with the firm's TCF and supports the modern strategic financial planning concept, of strategising required investment return outcomes for clients using cash flow modelling.

Adopting a clearly defined CIP that is focused on delivering the agreed client strategised annual return and by having secondary indicative target to protect portfolios against significant event risk, and over expansion risk, should meet the needs of the majority of your clients, giving each and every one of them exactly what they need, at the sametime making your life as a professional adviser easier.

We do this by linking the outcome that is strategised when conducting the long term financial plan with an Investment Strategy which has the deliverance of that outcome at the very centre of the proposition.



WHY WE ARE DIFFERENT:

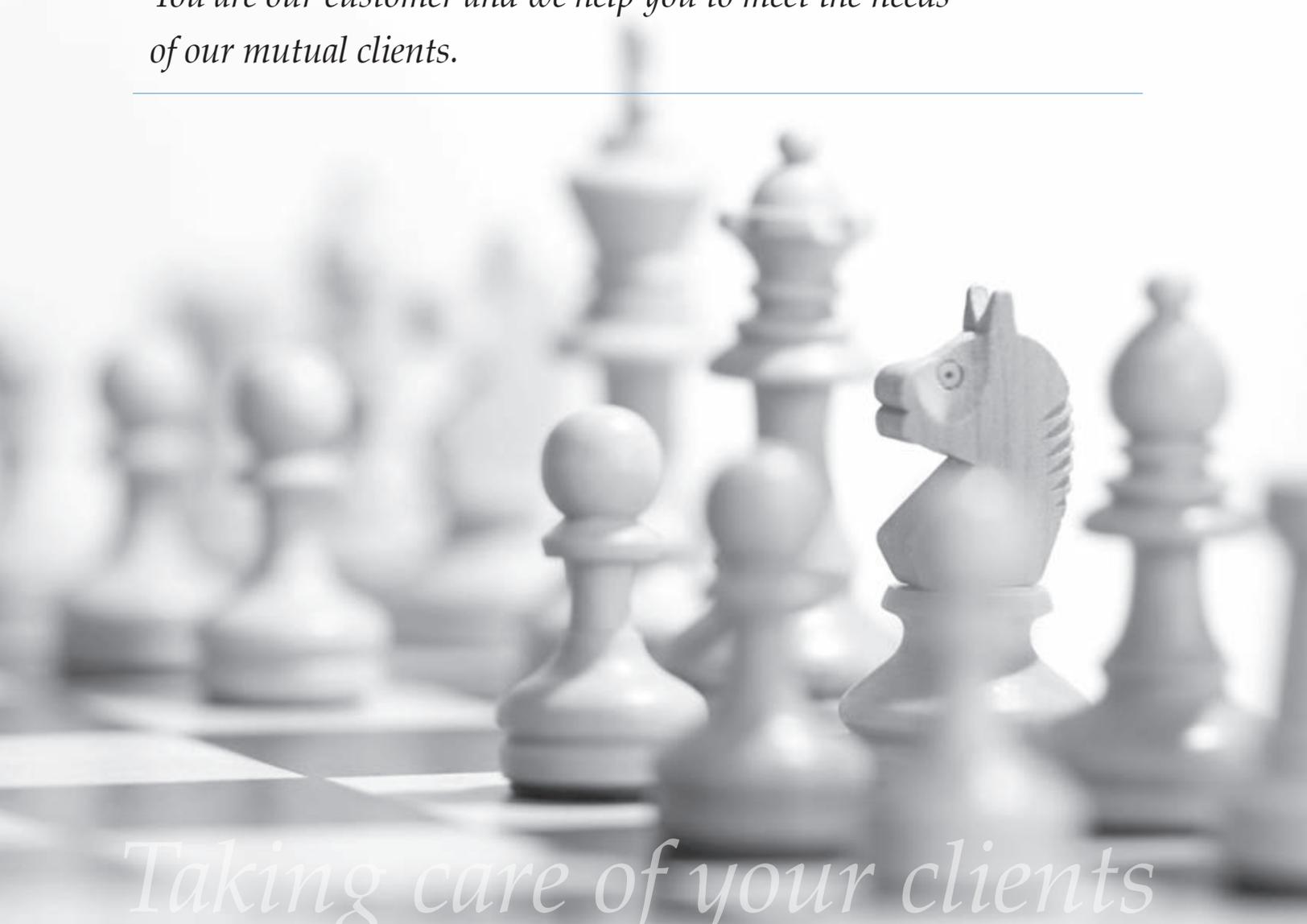
- *We have evolved from the in-house investment team of an IFA.*

- *We have walked in your shoes – a DFM designed by an IFA for IFAs.*

- *Our whole focus is to deliver at least the Outcome required by each client, as established through your Cash Flow Modelling.*

- *Frequent communication enables you to continuously assess the suitability of the investment proposition to the investment needs of each of your clients, as required by the FCA.*

- *You are our customer and we help you to meet the needs of our mutual clients.*



Taking care of your clients



Our Investment PHILOSOPHY

OUTCOME BASED INVESTING (OBI) looks at the macro-economic environment and makes decisions based on cycle rotation and forward guidance as regards to which asset classes are likely to offer a positive contribution and a negative contribution to portfolio performance, over the coming 6 to 12 months and longer. As a result of that analysis, the Asset Management (AM) team will select from the investment universe a collection of assets either passive or active, or in some cases individual shares, based on the forecast or forward guidance and volatility expectation.

Due to our focus on outcomes, we also look at the extremes of cycle development or more important, when a significant market event occurs to hold overweight cash and non-equity positions to try and avoid the significant drawdown in portfolio valuations.

We have identified two scenarios that if left unattended will cause clients to suffer unnecessary significant losses:

1. *At the end of an economic cycle in any geographic region, due to remaining invested in equities when the yield curve tells you there is no value left.*
2. *When a significant market event occurs staying invested and riding the market down is not a better solution than selling to cash or fixed interest assets finding a floor and then repurchasing equity. If we cannot tell you what is going on, would it not be foolish to stay invested and lose multiple years of gains, through fear of being wrong.*

Using Relative Strength Index (RSI) mechanics, we will also on both the macro cycle and short term cycle peaks, take tactical positions to short indices using collectives. As well as making the big decisions, we also make small decisions through the economic cycle development to be in the right assets at the right time.

Outcome and Risk ASSESSMENT

THE FUND MANAGEMENT STRATEGIES employed by OCM's Asset Management team include an additional layer of investment control, which taken together with the above-mentioned model portfolios, accommodates the precise need of the investor. This layer is termed **Outcome Based Investing**.

Outcome Based Investing requires the client to specify three needs:

- A targeted annualised performance requirement over a rolling period of 3 years.
- A targeted short term loss target over a rolling period of 12 months.
- Specific consent to the use of one or more of the model portfolios in pursuit of the above mentioned targeted client specific outcomes.

We then manage the use of one or more of the model portfolios. In this way, we believe the investment management requirements of each individual client are specifically met and that volatility and a client's capacity for loss are considered as part of the overall strategy.

Whole of Market

OCM Asset Management, due to its relationship with Pershing as the custodian, can buy any asset in any currency for any client, as long as they are not a US citizen.

OBI as a strategy is not passive or active and will use Investment Trusts and individual equities for sophisticated investors. Generally, we will buy collectives that have the ability to go both long and short the market and the internal research starts with true open architecture, noting focus will not be on individual equities at a model portfolio level.

Modern PORTFOLIO THEORY AND OBI



AT OCM *we have a fundamental view that you can make strategic asset allocation decisions, both in the medium and short term, by cyclically adjusting the asset allocation model, not necessarily timing the markets.*

Although similar to Modern Portfolio Theory (MPT), the outcome Based Investing (OBI) theory is different and challenges the long established assumption that forms the foundation of MPT expressed as “you cannot make strategically timed assets allocation decisions and that investors are better off investing and staying invested in a fixed portfolio of assets, which are rebalanced at fixed points, back to the original weightings”.

The argument put forward by Markowitz, who was the author of MPT, is that no one can time the markets continuously and eventually the strategy will fail if you try, so you might as well hold a portfolio of assets that will, through a full economic cycle provide a balanced return with different assets providing a positive and negative contributions during the cycle, but overall the contribution will be balanced.

At OCM we have a fundamental view that you can make strategic asset allocation decisions, both in the medium and short term, by cyclically adjusting the asset allocation model, not necessarily timing the markets. We focus on the macroeconomic environment and have a clear and concise understanding of how assets and fund managers have historically performed in similar periods in history.

This depth of experience and knowledge, coupled with a further understanding of what we expect to happen in the future, (noting that this is an educated and informed opinion, based on many data inputs), gives us an “Investment Position” that we then have conviction in implementing across the board, on our portfolios’ asset allocations.

The OCM Asset Management team prides itself on being nimble and aligning asset allocation decisions with economic conditions, using data available in all geographic regions. If all assets are toxic and directly correlated then we will in all portfolios, irrespective of tolerance and acceptance of risk, go to the asset that will display the lowest level of volatility, and least level of risk, as we did in 2008 and 2011.

Our Investment PROCESS

AS A TEAM we have many data inputs that look at a combination of market analysis, momentum, risk management, global economic fundamentals, technical analysis and geo political data feeds, to define our portfolio positioning and event risk analysis.

We then once that position has been defined, complete individual asset analysis focussing on future returns and expected contribution per asset class for the coming six and twelve months using a top down analysis.

As soon as we have defined the top level asset weightings and specific sector weightings geographically, we will then decide whether we are going to go long or short within that sector and use passive, active or ETF's as well as whether or not we will use investment trusts, single equity positions or for bespoke portfolios, leveraged boosters.

The individual assets are selected using a bottom up analysis using Reuters, Trustnet, Financial Express Analytics and in depth knowledge and experiences with many of the world's leading investment houses to identify managers that excel in this particular phase (or the next if transitioning) of the economic cycle.

This results in a "Conviction Led Asset Allocation Decision" focussing on delivering:

1. Consistent long term returns with less volatility
2. A focus on protecting capital in times of high event risk or when economic conditions are reaching over expansion either globally or in individual geographic regions or individual assets

Although we do this at fixed quarterly points, it is something the team do continually, in that we monitor daily valuations and economic data from the whole of the investment universe.

We do this to identify opportunities using Bloomberg, Reuters, Capital Economics and all of the investment houses in the UK and abroad to whom we subscribe to for data.



Model Portfolios for MODEL PORTFOLIO SERVICES (MPS)

AT OCM ASSET MANAGEMENT we offer four main model portfolios. In recent publications, the FCA has indicated concern that model portfolio investment solutions may not meet the requirements of the individual client. It is recognised that maintaining a static allocation to a single model portfolio is unlikely to sufficiently satisfy the “shoehorning” concerns of the regulator.

Model Portfolios are all operated with an equity allocation from 0% up to a maximum position of 85% equity and will invest in the whole of the investment universe, using passive and active strategies when appropriate.

Clients do not get fixed into a model and remain static based on a single evaluation of risk, using a standard risk profiling questionnaire. We run the portfolios as standalone models with clear objectives and clients are individually allocated to one at a time and switched between them based on the following:

1. Outcome we are trying to achieve for that individual client.
2. The clients' indicative / emotional acceptance of capital losses over a 12 month period.
3. Our analysis of where the market is in relation to perceived capital at risk.
4. House view of expected volatility and short / medium term momentum.

“The aim is to deliver the clients’ required outcome and protect capital and move the client between portfolios, based on our perception of asset and portfolio volatility and the clients’ acceptance of it”



Bespoke Portfolio SERVICES

BESPOKE MODEL PORTFOLIOS are all operated in a variety of ways on your platform of choice or Pershing. The principle behind offering bespoke portfolios is to ensure that OCM Asset Management are flexible and ensure we deliver to clients what they want and not try and make a square peg fit a round hole.

Based on our experiences clients are looking for us to have the ability to build a portfolio with many specific objectives in mind, but still operate them with an OBI overlay.

Bespoke Portfolio Services therefore provide clients and customers with an option to build a portfolio that is designed to:

- *Be 100% passive for firms who prefer low cost portfolios*
- *Use specialist assets that can only be delivered on an individual basis and not as a model as they contain leverage or different risk warnings that only experienced investors should be using.*
- *Hold assets that are more aggressive or specialist for UHNW clients*
- *Be focussed on delivering high levels of income and accept price volatility*
- *Be tailored and have specific operational mandates*
- *Be Ethical as defined individually with the client using modern screening techniques*
- *Be focussed portfolios for Charities that exclude certain asset classes and are gross yielding where applicable*
- *To operate a traditional stockbroker portfolio using individual stocks and shares*



“The aim therefore of the bespoke portfolio is to be flexible and provide clients and customers with a personalised service, taking into account their preferences but still overlaying that individuality with OBI as an overriding principle”.



Quantamental Analysis our STOCK SELECTION PROCESS

IT IS IMPORTANT to remember that for the majority of clients using the on or off platform Model Portfolio Service we are not looking to for example pick Rio Tinto over BHP Billiton, we are focussed on using a combination of active and passive strategies with a global mandate to build a portfolio of assets that we believe based on our thesis will deliver the outcome for clients in the coming six to twelve months and ultimately over a rolling 36 month period.

To deliver this objective we use a combination of market analysis, momentum, risk management, YTD and rolling three year returns and combine that with a deep economic insight, individual fund analysis and focus on future returns and expected contribution per asset class.

This results in a Conviction Led Asset Allocation Decision focussing on:-

1. *Expected contribution per asset class to forecasted future outcome;*
2. *Our view of capital at risk.*

Quantamental Analysis Benefits

Results in better performance

Increase Diversification

Reduces Risk

Factor	Quantitative	Fundamental
Style	Objective	Subjective
Economically Driven	No	Yes
Back Testing	Yes	No
Approach	Backward Looking	Forward Looking
Analysis	Significant	Linked to Manager
Input	Statistics	Research

The Result SHIFT & SQUEEZE

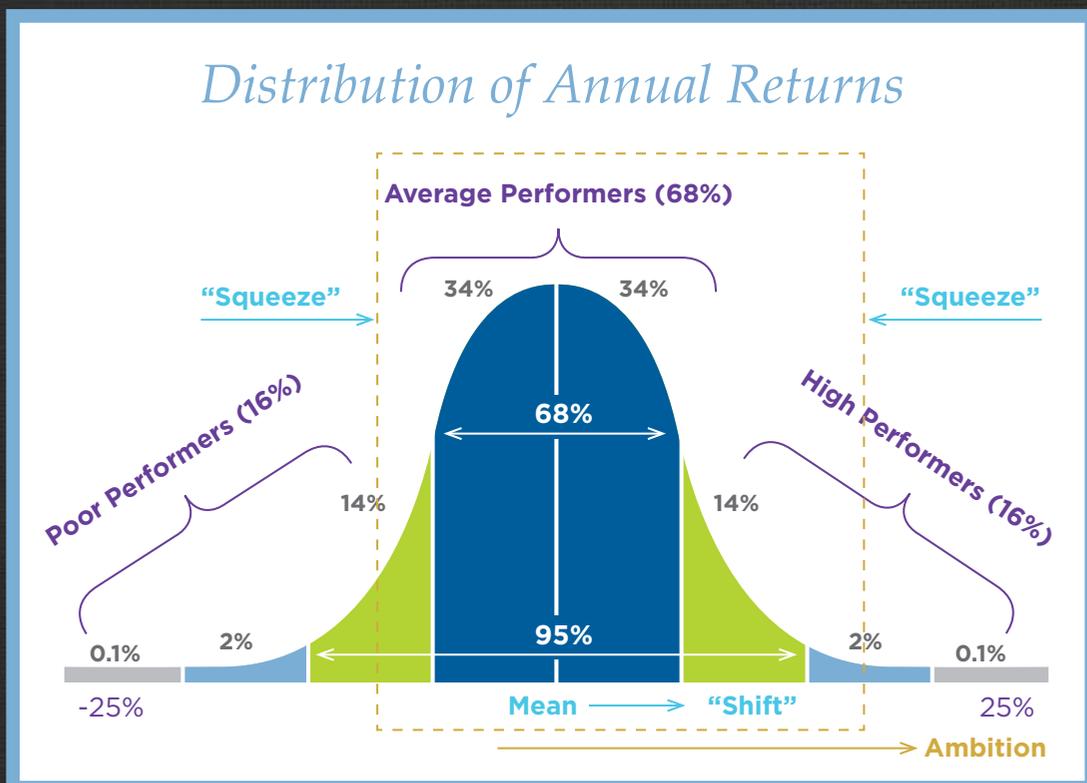


OCM in operating OBI for your clients has three clear objectives that are when put in order of priority:

1. Deliver the Outcome;
2. Protect capital from overexpansion and significant market event risk;
3. Beat the benchmark indicies.

As a result we are focussed on protecting capital for clients at the extremes of the economic cycle or when there is a high probability of a significant market event or even immediately upon one occurring. We have historically provided a narrower range of returns on the bell curve and the result is that the mean has shifted to the right.

Focus of OBI "Shift the Mean" & "Squeeze the Range"



Establishing THE CLIENT OBJECTIVES

MODERN FINANCIAL PLANNING *involves working with a client to develop a coherent long term strategy. Within the context of that financial planning process a Certified or Chartered Financial Planner will look at inflows and outflows of capital to define a cash flow for the client to deliver the objectives, as well as planning and putting in place financial solutions to both minimise taxation and underpin the financial situation for the family.*

Within the context of that cash flow you will have calculated an annualised investment return that is mathematically required to deliver the strategy for the client. Therefore, having understood the mathematical number an advisor will then look at understanding a client's capacity to accept portfolio volatility and losses to define a portfolio of assets that will be built to deliver that outcome.

The problem then is that the portfolio of assets will go up and down in line with changing macro-economic conditions and the success or failure of the strategy is left at the behest of volatile indices funds with institutions whose mandate is defined by the regulator and not therefore focussed on your client.

At OCM we see it as our mandated job to build and monitor portfolios and make changes based on the changing macroeconomic environment which is positive. In addition, we believe that it is our decision also to sit between the client and the fund management industry and to act to ensure the objectives are delivered and put capital preservation above staying invested in all market conditions.

This means that all of our model portfolios can hold 100% non-equity and just because a client has the appetite to stay invested, does not mean they should. Having a high acceptance of risk still means we should be trying to sell high and buy low in times of high volatility and in times of severe risk and uncertainty, advise them to have a high allocation to assets that concentrate on capital preservation, then giving us the ability to buy in when markets are, in our opinion, offering value again.





On & Off **PLATFORM STRATEGY**

OCM CAN operate on platforms and also off platforms with Pershing and have arrangement with many individual financial solutions in the pensions and offshore bond sectors. It is our strategy to provide all DFM IFA customers with a Platform research pack every six months so that you can see exactly what services are offered.

Our Platform can be accessed by third party wrappers, therefore ensuring that you are not tied into a restricted range of in-house Platform wrappers. This way you can remain truly independent. Pershing also has the data feeds in place to meet the reporting and compliance requirements of third party providers.

With us, funds can be liquidated without cost or penalty and remitted to the clients' bank accounts, enabling clients to take advantage of any fixed term deposit offers suitable to their needs directly with third party providers.

Seamless INTEGRATION

OUR EXPERIENCE

on both sides of the industry means that we have a thorough understanding not only of what the FCA wants to see, but also what the client is focused on.

With each firm we work with we spend time with your process team and compliance to understand the sales process and where your clients are invested today and provide each firm with our due diligence on the UK Platform market. We then produce a process map using Gantt charts to plan the integration of our Centralised Investment Proposition (CIP) into the firm's sales process from a risk profiling and model portfolio selection basis to ensure strong TCF process management and to ensure consistency.

We also provide IFA / FA partner firms with the facility to work with your existing Platform or new Platforms and will build firm specific models if the firm has a tendency to offer low cost passive portfolios or specialist services. The aim is to ensure that we work with you to provide seamless integration of our services into your sales process to ensure strong and consistent process that support any firms drive for an excellent TCF outcome.



Working with THE IFA/FA AS A PARTNER

AT OCM ASSET MANAGEMENT we pride ourselves on being a partner firm. Established by an IFA for IFAs, we intrinsically understand what an IFA and their clients want. We are focused on linking the investment strategy with your sales process and will work with compliance to create an on-boarding map for all the different elements, as well as providing you with whole of market research on all of the Platforms. We will work with you to ensure the solution is embedded into your firm and is robust to help with governance.

The process from discussion to implementation based on our experience is as follows:

- *1st Meeting to discuss OCM Asset Management Partnership programme with Relationship Manager.*
- *2nd Meeting with Relationship Manager and Investment Manager to discuss in depth the OBI strategy and how it can benefit your firm, reduce risk and make the business more scalable by introducing an outsourced centralised investment proposition.*
- *3rd Meeting to introduce the Implementation and Compliance team that will work with your internal compliance to build an on boarding map for seamless integration of your existing sales process.*

At the end of this meeting it is expected that you sign a letter of intent to work with OCM.

Once the Letter Of Intent is completed our implementation team will look to work with you to:

- 1. Appoint an Account Manager so you have a contact point of contact at OCM;*
- 2. Build a robust due diligence document to justify the use of OCM AM;*
- 3. Review existing sales process and seamlessly integrate our processes in a compliant manner;*
- 4. Provide you with our Whole of Market Platform due diligence;*
- 5. Agree a strategy for new clients and segmentation to identify clients that will be on and off platform*

Whilst we are looking at helping you build a robust sales process for new clients to OBI we will in tandem work with you at your existing clients to identify:

- 1. Identify those clients that you have requiring our MPS "On Platform"*
- 2. Identify any that are off platform or inside non platform financial solutions*
- 3. Agree an on boarding process map for all clients that will be benefit from the strategy*

Throughout the whole process our implementation team and account managers will be focussed on managing the process to ensure that TCF from your perspective is matched with TCF from our perspective, therefore ensuring the clients' needs are at all times put at the very centre of the activity.

We also recognise that all IFA and FA Partners are different and therefore, our service to you is an organic one which is tailored to your needs and those of your clients.

Ongoing Support & Your Team

Each firm will have a relationship manager who will be part of the investment committee to ensure all questions as regards to the IC decisions and economic environment can be answered. They will also look after the customer relationship (between firm and OCM AM) and ensure that all of your needs are satisfied and the partnership approach remains the focus.

In addition, each customer will have an office based account manager that works with the clients on and off platform for each customer, as well as access to the investment managers who are making the asset allocation decisions.

Ongoing services will include:

- 1. Administration support*
- 2. Weekly Market and portfolio updates*
- 3. Monthly market commentary and Model Portfolio factsheets*
- 4. Regular meetings with Investment Managers*
- 5. Platform Due Diligence every six months*
- 6. Access to our white labelled products with leading providers at enhanced terms*
- 7. Compliance and process development support*
- 8. Quarterly CGT reporting*



Ring Fenced **PROTECTING YOUR RELATIONSHIP**

OUR RELATIONSHIP *with your clients is completely ring fenced with no direct contact by OCM unless directed by you. As part of the contract you can define our level of contact with your clients, and should a client approach us and wish to become an OCM client directly, we would decline them.*

We have no interest in destroying the relationship of trust between our firms and although the clients' needs are at the centre of everything we do, the focus of our activities is to build brand and reputation, and to do that we are focussed on delivering a robust and TCF focussed service to you. For that to work there has to be trust.

We also provide on-going training support in the form of face to face training, reading material and online help guides, as well as six month due diligence on platforms, produced internally and research if required on SIPP and Offshore bonds as well as details of the terms we have with some of the product providers, as they may be better than you can obtain yourself.

All in we are a partnership proposition built around a unique understanding of what you, your clients and our needs are and we bring them together into one client and firm focussed service, that has strong TCF and Client Outcomes at the core of everything we do.



OCM Asset Management

Discretionary Asset Managers | Stockbrokers

Head Office

3 Bouverie Court, The Lakes,
Northampton NN4 7YD

Telephone: 01604 238 884

Email: info@ocmassetmanagement.co.uk

London Office

New Broad Street House, 35 New Broad Street,
London EC2M 1NH

Telephone: 0207 194 7608

Fax: 0207 194 7501

www.ocmwealthmanagement.co.uk

OCM Asset Management is a trading name of OCM Wealth Management Limited
which is regulated by the Financial Conduct Authority
FCA No. 418826