# OBI Model Portfolio Active 3

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

December 2020

## 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 **53.97% in Equity** (Analytics, 1st December 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 | 3.79% | 3.51% | 6.35% | 8.20% | 7.37% | 9.02% | 17.94% | 31.48% | 105.39% |
| Benchmark | 6.39% | 4.77% | 8.17% | 3.37% | 2.30% | 10.26% | 25.74% | 38.47% | 107.02% |
| UK Gilts | -0.19% | 1.46% | -1.86% | 5.72% | 7.25% | 16.38% | 26.02% | 42.78% | 77.37% |
| UK Equities | 14.10% | 7.37% | 6.82% | -9.82% | -12.41% | -2.50% | 19.95% | 25.28% | 113.25% |

Source: FE Analytics, 1st December

## Asset Allocation

- MONEY MARKET (7.67%)
- UK FIXED INTEREST (13.82%)
- GLOBAL FIXED INTEREST (20.64%)
- OTHER NON-EQUITY (6.01%)
- PROPERTY (18.44%)
- UK EQUITY (9.76%)
- NORTH AMERICAN EQUITY (15.24%)
- EUROPEAN EQUITY (6.87%)
- OTHER INTERNATIONAL EQUITY (1.58%)

Equity 33.44% - Non-Equity 66.56%

## 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**
2.10% per annum

**Ongoing Strategy Charge**
0.80% 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

Despite a challenging economic backdrop moving into the new year, we remain optimistic on global growth prospects as well as financial market performance. Momentum remains positive, and we continue to observe supportive conditions for risk assets moving forward. It is our view that we will continue to experience a recovery in activity over the coming months as the Covid-induced lockdowns ease across much of Europe, allowing business and economic activity to return to normal. Furthermore, with the approval of several promising vaccines and their rollouts expected to gain momentum in the new year, this is likely to provide a further boost to economic activity as the world returns to normal. That being said, we do expect the pace of economic recovery to slow and become less consistent across economies, but growth should remain well supported, bolstered by low international interest rates alongside continued support from central banks and governments as the global economy returns to the new normal.

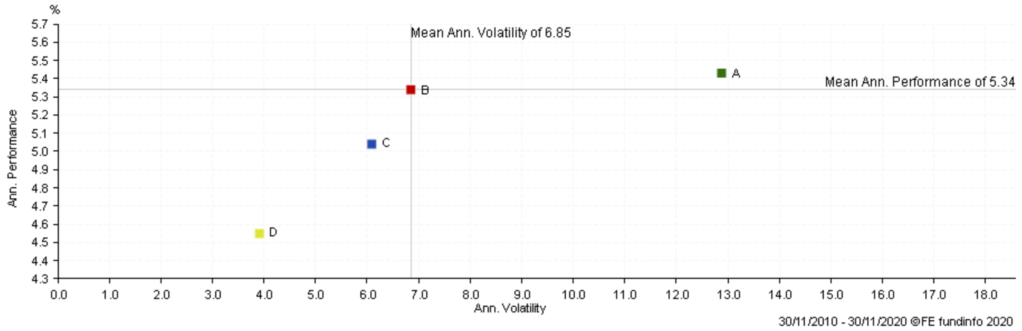
After a strong rebound in global equities in the second and third quarters, this quarter we have seen a return of heightened intraday volatility, as investors paused to weigh up political risks and a new surge in Covid cases. This is expected given market conditions and current economic landscape, and it is completely normal as we transition between the recession and recovery stages of the cycle. We view Brexit developments and ongoing virus-related risks as sources of near-term volatility, but positive vaccine developments, dovish central banks and an ongoing economic recovery should allow equity markets to push higher over the medium-term, with conditions remaining supportive for risk assets.

## Portfolio Positioning

Over the month, we took profits on some cautiously positioned funds in favour for more directional equity in areas of the market we believe are attractively valued and are set to benefit from positive market momentum moving into the new year. Our outlook remains positive and unchanged in terms of growth and return expectations moving forward, and we have not made any changes to positioning on the back of the changes in Brexit negotiations. We are optimistic on the medium-term outlook from here (accepting further volatility), and remain confident in our positioning, with well diversified portfolios which have 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 portfolio objectives over the long term. The exposure is gained through a high-quality mix of actively manged and passive, globally diverse equity and multi asset funds. The property exposure within the portfolio is gained through direct, bricks-and-mortar UK 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 | UK Psv UK Equities TR in GB | 5.43 | 12.88 |
| B | AFI Cautious TR in GB | 5.34 | 6.85 |
| C | UK Psv UK Gilts TR in GB | 5.04 | 6.09 |
| D | OBI Active 3 - Dec 2020 TR in GB | 4.55 | 3.91 |

## Important Information


All data in this document has been extracted from Analytics as at 1st December 2020. Past performance cannot be used as a guide to future performance and the value of your investment will fall as well as rise in value. You may not get back all of your investment and the final value of your investment will depend on the performance of your portfolio. Performance figures quoted include fund manager charges but exclude adviser, discretionary, custodian and switch charges. Unless stated, income is reinvested into the portfolio. The information contained in in this document is for information purposes only. It does not constitute advice or a recommendation or an offer or solicitation for investment. Portfolio Expense is based on the Fusion platform and may vary for other platforms.