OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

January 2021

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 **54.13% in Equity** (Analytics, 4th January 2021) 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	1.44%	4.33%	7.12%	9.04%	-	9.77%	20.00%	32.72%	108.59%
Benchmark	1.94%	6.61%	9.16%	4.45%	-	11.47%	28.56%	40.52%	111.38%
UK Gilts	1.82%	0.99%	0.27%	8.48%	-	15.93%	28.95%	45.96%	79.40%
UK Equities	2.38%	12.24%	9.90%	-9.85%	-	-3.14%	25.05%	26.97%	119.47%

Source: FE Analytics, 4th January

Asset Allocation

- MONEY MARKET (7.03%)
- UK FIXED INTEREST (14.27%)
- GLOBAL FIXED INTEREST (20.13%)
- OTHER NON-EQUITY (6.19%)
- PROPERTY (18.13%)
- UK EQUITY (10.19%)
- NORTH AMERICAN EQUITY (15.30%)
- EUROPEAN EQUITY (6.87%)
- ASIAN EQUITY (1.89%)

Equity 34.25% - Non-Equity 65.75%

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
2.13% per annum

Ongoing Strategy Charge
0.81% per annum

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

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Pension TRANSFER Gold Standard

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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

After a turbulent 2020, we enter 2021 with optimism over what the global economy has in store for investors for the year ahead. It is no secret that markets have been looking forward to the economic recovery expected to take place over the year, with strong gains towards the end of December owing to vaccine optimism and abating political risks.

Towards the end of 2020, investors grappled with considerable uncertainty related to the continuing coronavirus pandemic as well as key political events: the US Presidential Election and Britain's long-awaited exit from the European Union. Both events added volatility to trading conditions in the final months of the year, however after court rulings quashed the remaining US election drama and a last-minute trade deal was made before the end of the year, we enter the new year with a considerably clearer outlook which continues to brighten despite remaining short term risks.

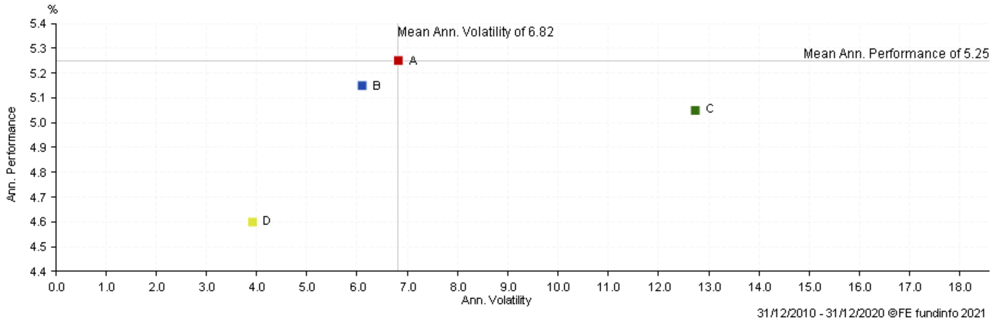
While challenges remain moving into 2021, we remain optimistic on global growth prospects as well as financial market performance over the year. Market momentum remains positive, and we continue to observe supportive conditions for risk assets moving forward. It is our view that we will experience a recovery in activity over the first half of the year, with aggressive vaccine rollouts allowing business and economic activity to return as lockdown restrictions ease. In the near term, we expect to see further volatility as economic weakness feeds through into the economic data, however we see sufficient fiscal and monetary stimulus on the horizon to maintain support for risk assets. Looking ahead over the year, although it is clear that volatility remains in the short-term, we remain optimistic and continue to see opportunities arising over the year as the outlook improves.

Portfolio Positioning

After experiencing strong performance over 2020, we are optimistic on 2021 returns and we are well positioned to benefit from an acceleration in key trends and rotations observed over 2020. It remains our view that at the transitional stages of the cycle we are able to add the most value to our client portfolios through active management and strong fund selection, while maintaining a high level of diversification to mitigate short term risks.

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	AFI Cautious TR in GB	5.25	6.82
B	UK Psv UK Gilts TR in GB	5.15	6.10
C	UK Psv UK Equities TR in GB	5.05	12.73
D	OBI Active 3 - Dec 2020 TR in GB	4.60	3.92

Important Information