OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

February 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 **49.17% in Equity** (Analytics, 1st February 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	-0.62%	5.06%	5.64%	7.43%	-0.22%	8.83%	21.68%	32.76%	108.14%
Benchmark	-0.98%	8.05%	7.34%	3.29%	-0.36%	10.47%	30.97%	41.03%	110.61%
UK Gilts	-1.02%	-1.06%	-2.03%	3.09%	-1.35%	15.89%	22.90%	41.51%	76.40%
UK Equities	-2.64%	16.76%	8.97%	-9.58%	-0.61%	-4.00%	30.13%	28.64%	118.08%

Source: FE Analytics, 1st February

Asset Allocation

- MONEY MARKET (6.99%)
- UK FIXED INTEREST (14.47%)
- GLOBAL FIXED INTEREST (20.02%)
- OTHER NON-EQUITY (6.32%)
- PROPERTY (18.12%)
- UK EQUITY (10.45%)
- NORTH AMERICAN EQUITY (14.97%)
- EUROPEAN EQUITY (6.75%)
- ASIAN EQUITY (1.87%)

Equity 34.06% - Non-Equity 65.94%

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
2.12% 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

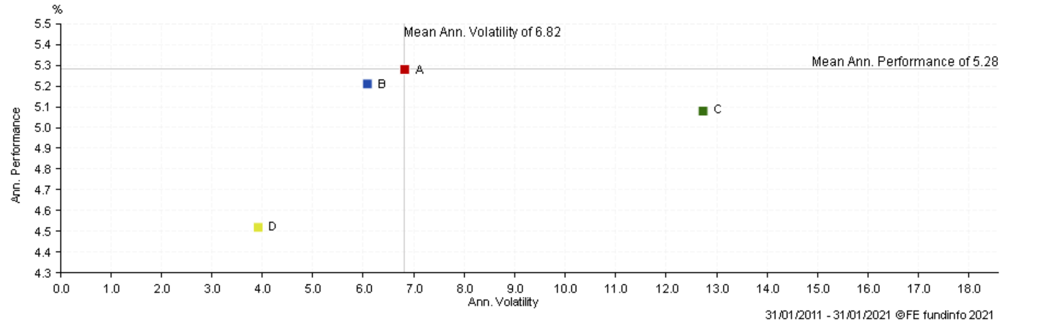
After a strong start to the year, global equities dipped as January came to a close, with returns turning negative for the year so far. The risk off move coincided with a combination of heightened concerns over the pace of vaccinations in Europe, fears of elevated valuations, and a temporary faltering of market confidence on the back of a coordinated retail short squeeze. We see no cause for concern on the back of the recent events, believing that risk off sentiment will be short lived for number of reasons. Firstly, despite delays in Europe, the vaccine rollout is progressing well in the UK and US while news flow remains positive on the development of new vaccines, with both the Novavax and Johnson & Johnson trials releasing promising results this month. Secondly, the unprecedented lower for longer interest rate backdrop amid strong growth on the economic recovery creates an extremely supportive environment for risk assets, despite elevated valuations in some areas of the market. As long-term investors, we view the recent market movements and events as short-term noise, with no changes to our underlying assumptions on global economic recovery, and market outlook.

It remains our view that we will observe a recovery in activity in the months ahead, with accelerating vaccine rollouts allowing business and economic activity to return as lockdown restrictions ease. Looking further ahead, although it is clear that volatility remains in the short-term, we remain optimistic and continue to see opportunities arising as the outlook improves, with global growth remaining well supported by governments and central banks that remain committed to accommodative policies as they tackle the economic and social fallout of the pandemic.

Portfolio Positioning

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 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. Over the month, the portfolio benefitted from its diverse asset allocation, while a focus on active bond management helped to add value to the portfolio, capitalising on a continuation in key trends and rotations identified towards the end of 2020. While we expect to see further volatility in the short term, we remain content with our positioning, and we remain well placed to benefit from an improvement in economic fundamentals over the year.

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	5.28	6.82
B	UK Psv UK Gilts TR in GB	5.21	6.08
C	UK Psv UK Equities TR in GB	5.08	12.73
D	OBI Active 3 - Dec 2020 TR in GB	4.52	3.92

Important Information

All data in this document has been extracted from Analytics as at 1st February 2021. 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.