

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 **50.71% in Equity** (Analytics, 1st April 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	0.24%	-0.33%	4.34%	11.88%	-0.33%	11.95%	21.12%	31.13%	107.90%
Benchmark	1.63%	0.54%	7.66%	21.57%	0.54%	15.52%	29.30%	39.71%	112.51%
UK Gilts	0.14%	-6.31%	-5.97%	-4.77%	-6.31%	8.12%	15.23%	33.71%	67.54%
UK Equities	3.64%	5.13%	18.52%	27.18%	5.13%	8.90%	31.93%	33.93%	130.67%

Source: FE Analytics, 1st April

Asset Allocation

- MONEY MARKET (8.08%)
- UK FIXED INTEREST (14.45%)
- GLOBAL FIXED INTEREST (19.51%)
- OTHER NON-EQUITY (7.05%)
- PROPERTY (17.60%)
- UK EQUITY (10.21%)
- NORTH AMERICAN EQUITY (14.66%)
- EUROPEAN EQUITY (6.71%)
- ASIAN EQUITY (1.73%)

Equity 33.31% - Non-Equity 66.69%



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
2.09% per annum

Ongoing Strategy Charge
0.86% 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

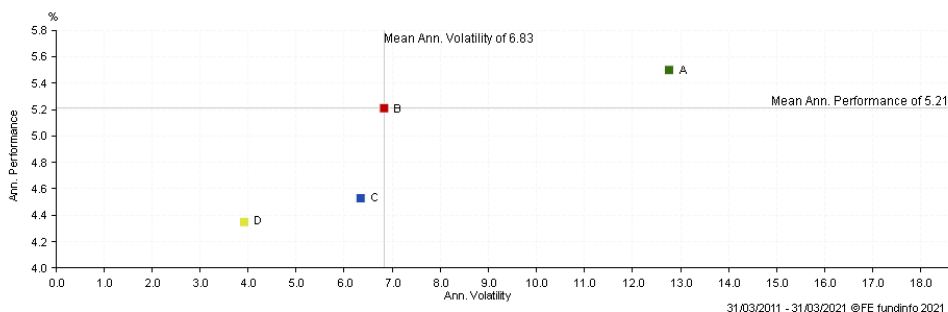
Having started the year on strong footing, global financial markets have experienced heightened volatility over the past two months, despite company and economic fundamentals continuing to improve. Although market conditions have remained fragile, the vaccine distribution programmes in both the US and UK have strengthened expectations of a robust recovery upon the release of pent-up demand, which has subsequently driven both inflation and interest rate expectations. As a result, investors have baked in these expectations into government bond yields, which have subsequently accelerated over February and March along with the outperformance of value over growth stocks. Towards the end of March, we have seen the lacklustre vaccination response from Europe, coupled with the rise of a third wave, add further short-term volatility to markets as investors consider the effects of potential virus mutations. Despite these factors, we see the portfolios benefitting going forward for a number of reasons. Bond yields appear to have levelled off, business surveys improved across the board in March, and although virus cases have risen in Europe, the majority of forecasts expect developed nations to achieve herd immunity by H2 2021. If further threats do arise, it is our view that markets will be reassured by accommodative policy makers and favourable market conditions.

As long-term investors, we view the recent market movements and events as short-term noise, with no changes to our underlying assumptions on the global recovery and market outlook. Looking further ahead, although it is clear that volatility remains in the short-term as early cycle dynamics unfold, we remain optimistic and continue to see opportunities arising as the outlook improves, with global growth remaining well supported by governments and central banks.

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 managed and passive, globally diverse equity and multi asset funds. The portfolio has recently benefitted from its diverse asset allocation, reducing recent market volatility when compared to the benchmark. 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.

Important Information

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