OBI Model Portfolio Active 4

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

June 2022

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to invest into a higher allocation towards equities than OBI Active 3. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry low market risks and using all assets that are available from the investment universe. The asset allocation on this portfolio will vary between a benchmark of 0% equity and 45% equity on average to achieve the portfolio objectives, provided economic conditions permit. As non-equity assets are in some cases becoming riskier than equity assets, we feel that the current positioning is acceptable when we take into account our mandate regarding a client's capital loss acceptance and by altering the asset allocation based on OBI and the ability to cyclically adjust the portfolios. **The portfolio will be managed to try and limit the indicative capital loss in any 12-month period to 8% in a significant event and 5% in normal market conditions and to target an annualised total return averaged out over an economic cycle (5 – 7 years) of 5% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **53.64% in Equity** (Analytics, 1st June 2022) 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.

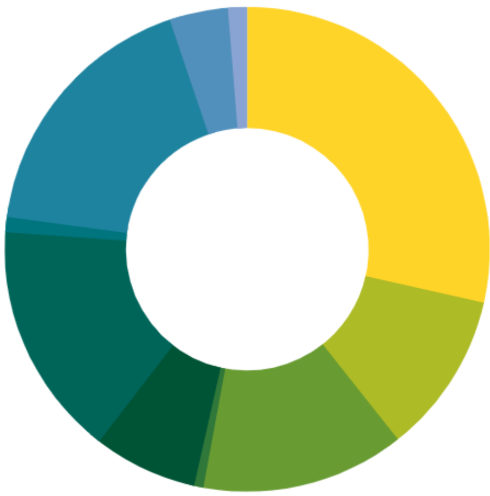
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch 01/06/2009
OBI Active 4 Portfolio	-0.09%	1.00%	-4.67%	-0.88%	-5.47%	12.17%	10.29%	20.87%	126.12%
Benchmark	-1.18%	-0.76%	-5.08%	-1.46%	-6.41%	11.55%	15.84%	28.21%	113.71%
UK Gilts	-2.65%	-6.85%	-13.79%	-10.45%	-11.50%	-6.92%	-3.28%	8.55%	50.42%
UK Equities	0.86%	2.52%	5.85%	7.60%	1.19%	17.33%	19.59%	35.93%	160.02%

Source: FE Analytics, 1st June

Asset Allocation

- MONEY MARKET (28.54%)
- GLOBAL FIXED INTEREST (10.79%)
- UK GILTS (13.57%)
- OTHER NON-EQUITY (0.62%)
- PROPERTY (6.93%)
- COMMODITY & ENERGY (15.67%)
- UK EQUITY (1.02%)
- NORTH AMERICAN EQUITY (17.68%)
- EUROPEAN EQUITY (3.90%)
- OTHER INTERNATIONAL EQUITY (1.28%)



Equity 34.55% - Non-Equity 65.45%

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
1.26% per annum

Ongoing Strategy Charge
0.44% per annum

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

Jason Stather-Lodge
Founder/CEO/CIO

Georgina Stone
Deputy CIO

Contact Us

OCM Wealth Management Limited
St Clair House, 5 Old Bedford Road,
Northampton, NN4 7AA
T: 01604 621467
E: info@ocmwealthmanagement.co.uk
W: ocmwealthmanagement.co.uk

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OBI Active 4 is a cautious portfolio with a slightly higher equity allocation than OBI Active 3, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 5% per annum.

Market Outlook

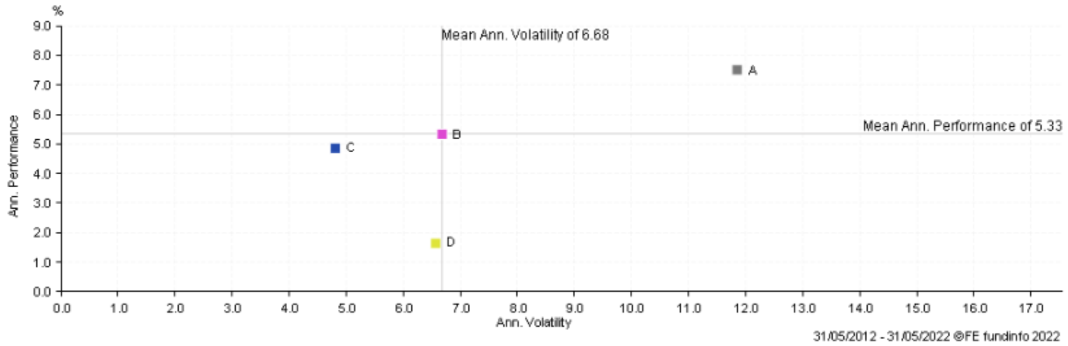
After a turbulent start of the year due to geopolitical tensions and rising inflationary concerns, markets appeared to be following a downward trend in May until a rally towards the end of the month as a result of a shift in tone from the Federal Reserve left equities largely unchanged moving into June. Upcoming central bank meetings are expected to provide further clarity of plans to continue the fight against inflation whilst attempting to avoid dampening economic growth expectations. Geopolitical tensions continue to drive investor sentiment, with a key emphasis being placed on how the EU's plan to ban 90% of Russian oil exports will potentially lead to an increase in commodity market volatility as well as the impact this may have on inflationary pressures. China's easing of Covid restrictions in Shanghai has lifted investor sentiment as supply chain constraints now show signs of easing, providing a boost in consumer demand and a reduction in supply side pressure on inflation. Volatility has remained high in fixed income markets, with UK Gilt yields rising reflecting the concerns of a more hawkish tone from central banks.

Moving forward, we expect central banks to continue with their proposed interest rate hikes cycles to tackle inflation, with the ECB also set to provide further clarity on their outlook as inflationary pressures feed through into weaker consumer confidence. Moving forward, we will continue to monitor news flows closely, analysing highly anticipated data releases from central banks as they are released to gain further clarity on the macroeconomic outlook.

Portfolio Positioning

Following an acceleration in government bond yields across the US and UK, we took the decision this month to redeploy elevated cash levels by re-introducing exposure to government debt. It is our view that inflation expectations are now sufficiently reflected in current valuations and government bonds are likely to benefit from a flight to safety should recessionary fears be realised. In addition, we have also taken the decision to add exposure to global equities with a slight bias towards the US, as a shift in momentum and positive investor sentiment has now, in our view, resulted in upside potential outweighing downside risk, with the US being the most protected from ongoing geo-political tensions. We consider this redeployment as a tentative re-entry noting that market volatility is expected to continue in the near term. Currently our positioning remains somewhat cautious of the increased recessionary concerns in both the UK and Europe, and we will look to gain further clarity regarding the ECB's monetary policy stance and evolving geopolitical backdrop before increasing equity exposure in these areas.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	7.52	11.85
B	AFI Cautious TR in GB	5.33	6.68
C	OBI Active 4 - May 2022 TR in GB	4.86	4.81
D	UK Psv UK Gilts TR in GB	1.64	6.57

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 June 2022. 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.