OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

July 2022

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 **53.45% in Equity** (Analytics, 1st July 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 3 Portfolio	-2.80%	-2.69%	-7.18%	-4.41%	-7.18%	9.59%	9.84%	19.15%	105.56%
Benchmark	-4.65%	-7.26%	-10.76%	-7.57%	-10.76%	4.16%	11.03%	26.00%	104.47%
UK Gilts	-2.91%	-7.78%	-14.08%	-13.67%	-13.81%	-9.74%	-3.88%	7.23%	46.66%
UK Equities	-5.35%	-4.77%	-4.22%	1.88%	-4.76%	7.30%	15.97%	36.13%	147.21%

Source: FE Analytics, 1st July

Asset Allocation

- MONEY MARKET (32.97%)
- GLOBAL FIXED INTEREST (11.17%)
- UK GILTS (13.67%)
- OTHER NON-EQUITY (0.42%)
- PROPERTY (8.58%)
- COMMODITY & ENERGY (14.90%)
- UK EQUITY (0.95%)
- NORTH AMERICAN EQUITY (12.46%)
- EUROPEAN EQUITY (3.83%)
- OTHER INTERNATIONAL EQUITY (1.05%)

Equity 28.01% - Non-Equity 71.99%

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
1.33% per annum

Ongoing Strategy Charge
0.46% per annum

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

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Chartered Financial Planners

defaqto RISK RATING 3 CAUTIOUS

defaqto EXPERT RATED ★★★★★ 2022

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 challenging first half of the year due to rising inflationary concerns and rising geopolitical tensions, equity markets declined over the month as investors continued to weigh the outcome of a more hawkish stance from central banks. Upcoming central bank meetings in July will provide further clarity on how policymakers plan to bring inflation back towards the target rate without additional damage to economic growth forecasts, with volatility expected to remain in the short-term.

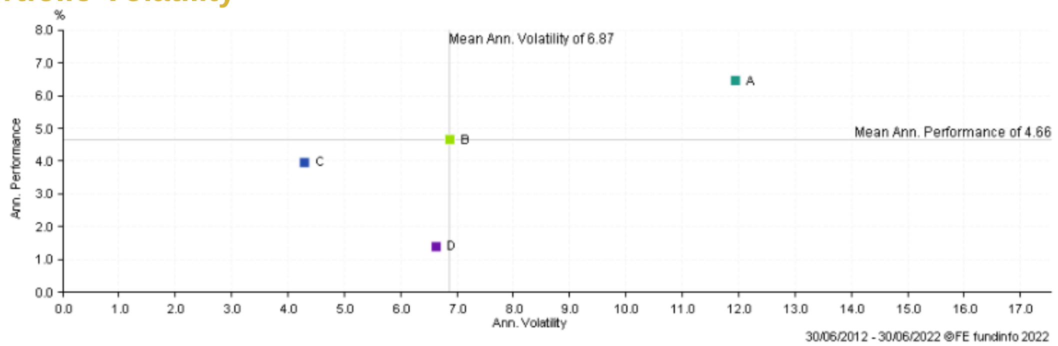
Geopolitical tensions remain a key driver in food and energy prices which continue to push inflation higher, with the reduction of Natural Gas supplies due to sanctions on Russia threatening to drive energy prices up further ahead of a strong demand increase in the winter months. China recently announced a reduction in quarantine requirements as well as a small expansion in industrial output which briefly boosted investor sentiment, although further breakouts of Covid cases reaffirmed the strong stance taken against the virus as lockdowns continue, weighing on economic growth expectations for the country in the years ahead. Bond yields declined sharply during the latter stages of the month as recessionary fears increased following the continued hawkish stance from central banks which saw investors rush to the safe haven asset.

Moving forward, we expect central banks to maintain their proposed rate hike cycles in a bid to tame inflation, with the first ECB set to increase interest rates for the first time in over a decade. We will continue to closely monitor news flows, analysing data releases as we await further clarity on the broader economic outlook.

Portfolio Positioning

Following a rapid repricing of risks across equity markets in recent months, it is our view that inflation expectations are now more accurately reflected in valuations, whilst recessionary concerns are expected to drive government bond yields down in the months ahead. Over June, we tentatively re-entered into US and Global equity exposure, avoiding the volatility expected to continue in Europe as the ECB begins its monetary policy tightening to counteract the bout of inflation which has been aggravated by the war, and the UK where political uncertainty and recessionary risks remain high. Overall, we remain cautious in our allocation approach while we await further clarity on inflation, central bank policy and geopolitical tensions, with elevated cash levels ready to take advantage of opportunities as they arise in the months ahead.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	6.46	11.94
B	AFI Cautious TR in GB	4.66	6.87
C	OBI Active 3 - May 2022 TR in GB	3.96	4.29
D	UK Psv UK Gilts TR in GB	1.40	6.63

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 July 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.