OBI Model Portfolio Active 3

OCM Asset Management
Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

September 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 **50.37% in Equity** (Analytics, 1st September 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	-0.14%	-1.18%	-0.12%	-4.86%	-5.63%	9.23%	10.50%	22.54%	108.25%
Benchmark	-0.45%	-1.00%	-1.75%	-6.65%	-7.35%	6.94%	13.53%	32.00%	109.33%
UK Gilts	-9.01%	-7.74%	-16.39%	-19.85%	-18.69%	-19.01%	-10.89%	-0.27%	38.78%
UK Equities	-3.77%	-4.80%	-1.69%	-1.73%	-4.09%	8.98%	13.49%	42.71%	147.55%

Source: FE Analytics, 1st September

Asset Allocation

- MONEY MARKET (30.07%)
- UK FIXED INTEREST (2.06%)
- GLOBAL FIXED INTEREST (21.04%)
- UK GILTS (6.73%)
- OTHER NON-EQUITY (1.96%)
- PROPERTY (8.76%)
- COMMODITY & ENERGY (5.29%)
- NORTH AMERICAN EQUITY (15.35%)
- EUROPEAN EQUITY (3.50%)
- OTHER INTERNATIONAL EQUITY (4.88%)

Equity 29.02% - Non-Equity 70.98%

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
1.46% per annum

Ongoing Strategy Charge
0.46% 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

Risk appetite dissipated this month the US Federal Reserve pointed to a continuation of hawkish rate hikes at the Jackson Hole Economic Symposium last month, souring investor sentiment. The hawkish rhetoric forced investors to reassess their interest rate expectations and led to declines across broad range of asset classes. Equity markets were the worst affected, finishing the month in negative territory after strong gains in the previous month as the Fed reiterated its determination to curb inflation despite some signs of a slowing economy.

Whilst inflation levels fell in the US as a result of cooling commodity prices, inflation readings in the UK and Euro-Area continue to remain under pressure as Natural Gas supply concerns persist, supporting elevated price levels. Russia has again closed the instrumental Nord Stream pipeline with little sign of reopening for as long as Western Sanctions remain in place, applying further pressure on European gas supplies heading into winter, when demand typically increases.

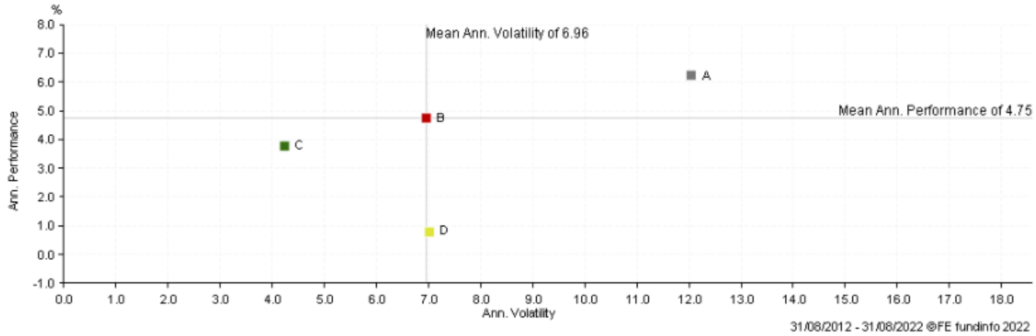
As a result, we continue to expect central banks to raise rates further, with the US Fed resisting calls for a shift in policy as they confirm their willingness to leave rates elevated. Preliminary European inflation readings have pointed to a greater than expected growth in inflation, further weakening consumer disposable income levels increasing the likelihood of a forthcoming recession.

Portfolio Positioning

With the persistent volatility being seen across all asset classes during the recent sell-off, we have maintained our cautious approach and continue to implement a greater level of diversification across the portfolios. Although we are reaching a more normalised level of equity exposure, we continue to hold elevated levels of cash that will enable us to take advantage of attractive valuations should the opportunity arise. At present we remain underweight in key areas which we believe face significant headwinds moving forward, and assets that we feel have not appropriately priced in downside risk.

As financial markets continue to price in further interest rate increases and recessionary risks, we will continue to look at valuations on a value at risk basis, taking advantage of strong upside potential against a limited downside risk where we see appropriate. The recent market volatility further strengthens our barbell approach, which has supported the portfolios throughout our re-entry into equity markets.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	6.24	12.04
B	AFI Cautious TR in GB	4.75	6.96
C	OBI Active 3 TR in GB	3.77	4.24
D	UK Psv UK Gilts TR in GB	0.79	7.02

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 September 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.