

OBI Passive Cautious Balanced



October 2022

Objective

This type of portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to passively invest into equities at the right time, with a balanced focus on both the risk and return. The portfolio is managed dynamically by altering the asset allocation using assets that carry market risk and using all assets that are available from the investment universe. The asset allocation in this portfolio will vary between a benchmark of 0% equity and 55% equity to achieve the portfolio objectives, provided economic conditions permit. **The portfolio will be managed to try and limit the indicative capital loss in any 12-month period to 10% in a significant event and 6% in normal market conditions and to target an annualised total return averaged out over a full economic cycle (5 – 7-year period) of 6% before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

Management

A part of our 'Managed Passive' portfolio suite, this portfolio is a low-cost alternative to the existing OBI Active 5 portfolio.

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **50.58% in Equity** (Analytics, 1st October 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 | Since Launch 17/01/ 2020 |
|-------------------------------|---------|----------|----------|-----------|---------|--------------------------------|
| OBI Passive Cautious Balanced | -3.99% | -2.27% | -5.21% | -5.83% | -7.51% | 8.94% |
| Benchmark | -5.89% | -2.29% | -9.38% | -11.01% | -12.81% | -2.76% |
| UK Gilts | -8.56% | -13.08% | -19.50% | -23.35% | -25.00% | -24.15% |
| UK Equities | -6.21% | -3.89% | -9.09% | -5.07% | -8.57% | -4.45% |

Source: FE Analytics, 1st October

Asset Allocation

- MONEY MARKET (25.35%)
- GLOBAL FIXED INTEREST (20.86%)
- UK GILTS (6.41%)
- OTHER NON-EQUITY (1.02%)
- PROPERTY (4.56%)
- COMMODITY & ENERGY (5.30%)
- UK EQUITY (4.67%)
- NORTH AMERICAN EQUITY (21.78%)
- EUROPEAN EQUITY (5.17%)
- OTHER INTERNATIONAL EQUITY (4.88%)



Equity 41.80% - Non-Equity 58.20%

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 January 2020

Historic Yield
1.49% per annum

Ongoing Strategy Charge
0.33% per annum

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



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Our OBI Passive Cautious Balanced portfolio is a cautiously balanced portfolio with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 6% per annum.

Market Outlook

UK markets experienced heightened levels of volatility towards the end of last month as a government fiscal support package added to concerns surrounding the economic growth outlook with inflation already at multi-decade highs. The Bank of England announced a bond buying programme to support pension funds after expectations for increased government borrowing led to a sharp rise in interest rate expectations, causing a surge in bond yields. Expectations for further US Federal Reserve interest rate hikes have continued to weigh on equity valuations over the month following a hotter than expected inflation reading. Whilst headline inflation levels declined for a second consecutive month, an unexpected increase in core inflation led to a fall in global equity prices as hopes of a dovish pivot were pushed back.

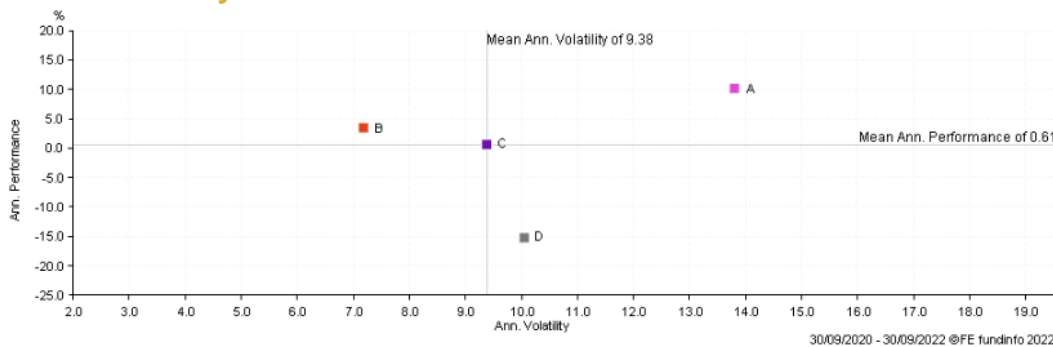
Moving into Q4, we continue to expect further monetary policy tightening, with the US Fed likely to continue with their hawkish rhetoric and the Bank of England and ECB both facing increasing pressure to raise rates at a faster pace to support their respective currencies. Investors will also be looking to earnings season in order to assess how elevated inflation levels have affected corporate profitability and forward guidance.

Portfolio Positioning

With intraday market volatility continuing across all asset classes during the recent market sell-off, our cautious portfolio positioning has mitigated some of the downwards pressures when compared to the benchmark, as investors continue to price in a weakening economic growth outlook. Whilst we are nearing a more normalised level of equity exposure across the OBI portfolios amid a more optimistic outlook for 2023, we remain underweight in key areas which in our view will continue to face significant headwinds moving forward.

The recent volatility across all asset classes further highlights the importance of our cautious approach, however as financial markets price in further hawkish Federal Reserve interest rate hikes and recessionary risks, we are becoming increasingly optimistic on the outlook for Q4 and beyond. As such, we will continue to review opportunities on a value at risk basis and look to utilise elevated cash levels to take advantage of attractive valuations in opportunities that, in our view, exhibit strong upside potential against limited downside risk.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 2 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 | UK Psv UK Equities TR in GB | 10.14 | 13.80 |
| B | OBI Passive Cautious Balanced TR in GB | 3.49 | 7.18 |
| C | AFI Cautious TR in GB | 0.61 | 9.38 |
| D | UK Psv UK Gilts TR in GB | -15.21 | 10.05 |

Important Information

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