OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

November 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 **50.29% in Equity** (Analytics, 1st November 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	0.82%	-2.31%	-3.43%	-6.38%	-7.68%	7.80%	8.12%	18.02%	104.44%
Benchmark	0.62%	-5.74%	-7.36%	-10.79%	-12.26%	1.61%	6.70%	23.09%	101.03%
UK Gilts	3.71%	-10.58%	-13.16%	-20.89%	-21.06%	-20.22%	-11.50%	-3.27%	34.74%
UK Equities	2.78%	-5.42%	-6.30%	-3.84%	-5.99%	5.22%	9.85%	37.09%	142.64%

Source: FE Analytics, 1st November

Asset Allocation

- MONEY MARKET (30.43%)
- UK FIXED INTEREST (1.83%)
- GLOBAL FIXED INTEREST (21.71%)
- UK GILTS (6.88%)
- OTHER NON-EQUITY (1.79%)
- PROPERTY (8.29%)
- COMMODITY & ENERGY (5.58%)
- NORTH AMERICAN EQUITY (15.17%)
- EUROPEAN EQUITY (3.75%)
- OTHER INTERNATIONAL EQUITY (4.57%)

Equity 29.07% - Non-Equity 70.93%

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
1.51% 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

US corporate earnings season boosted investor sentiment over the month as better-than-expected earnings reports from large banks and retailers pointed to a resilient US economy. With unemployment in the US unexpectedly falling in October, the Federal Reserve is set to continue its hawkish monetary policy path in order to tackle elevated inflation levels, despite commodity prices cooling from their highs in June. As we edge closer to the expected terminal Fed fund's rate, we are becoming more optimistic on the market outlook moving into next year, noting that investors are likely to welcome a slowdown and pause in rate hikes that in our view will feed through into a boost in equity valuations.

The appointment of Rishi Sunak calmed UK markets this month following turmoil caused by Liz Truss's 'Mini Budget' and the new Conservative Party leader confirmed that a more fiscally responsible approach would be necessary in a bid to reduce the current account deficit. Later this month, Sunak will outline a medium-term fiscal plan, intended to plug the hole in the country's finances and achieve longer term economic growth.

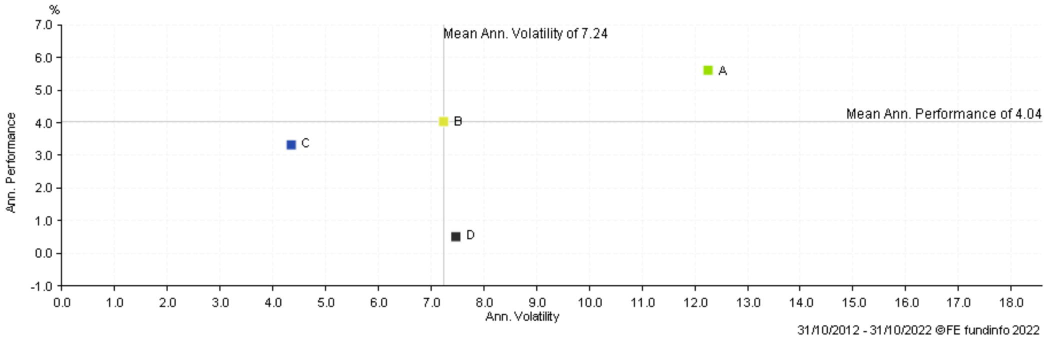
Moving forward, we continue to expect further monetary policy tightening, with a number of central banks set to raise their base rate within the first week of November as global inflation rates remain above target.

Portfolio Positioning

With economic data releases and corporate earnings fuelling volatility across a broad range of asset classes, we have maintained a somewhat cautious approach towards our asset allocation across the portfolios, continuing to hold an elevated cash position. Despite some key tech giants that make up a large portion of US benchmarks reporting disappointing earnings, we continue to hold an overweight position to US equities, with the longer-term view that economic conditions remain the strongest against other developed markets. Our exposure to fixed income is diversified and our infrastructure and commodities exposure continue to provide strong diversification benefits against ongoing geopolitical risks.

Following a consistent decline in energy prices alongside a cooling in manufacturing costs, we are becoming increasingly optimistic on the outlook for Q4 and beyond with the expectation that inflationary pressures will continue to subside. Therefore, we continue to review opportunities on a value at risk basis, looking to take advantage of attractive valuations, in areas of the market we believe offer strong upside potential against limited downside risk.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	5.61	12.25
B	AFI Cautious TR in GB	4.04	7.24
C	OBI Active 3 TR in GB	3.33	4.35
D	UK Psv UK Gilts TR in GB	0.52	7.47

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 November 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.

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