OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

December 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 **50.91% in Equity** (Analytics, 1st December 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	1.26%	-0.90%	-2.07%	-5.73%	-6.48%	9.10%	9.92%	18.92%	107.31%
Benchmark	3.60%	-1.90%	-2.89%	-7.82%	-9.11%	3.99%	10.92%	26.49%	108.23%
UK Gilts	2.59%	-1.95%	-8.80%	-21.37%	-19.29%	-17.89%	-9.60%	-2.12%	37.84%
UK Equities	7.42%	3.69%	-0.10%	5.74%	1.09%	10.43%	19.40%	46.89%	161.42%

Source: FE Analytics, 1st December

Asset Allocation

- MONEY MARKET (14.18%)
- UK FIXED INTEREST (3.64%)
- GLOBAL FIXED INTEREST (32.46%)
- UK GILTS (6.63%)
- OTHER NON-EQUITY (2.57%)
- PROPERTY (8.93%)
- COMMODITY & ENERGY (6.04%)
- NORTH AMERICAN EQUITY (16.08%)
- EUROPEAN EQUITY (4.03%)
- OTHER INTERNATIONAL EQUITY (5.44%)

Equity 31.59% - Non-Equity 68.41%

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
2.88% per annum

Ongoing Strategy Charge
0.50% per annum

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

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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

A greater than expected decline in US inflation has boosted investor sentiment throughout November, as investors moved to price in a slowdown in the US Federal Reserve's policy tightening. In the UK, the Autumn Budget laid out by Chancellor Jeremy Hunt received a tentative seal of approval from investors, as UK gilt and currency markets remained relatively muted. The new government outlined a plan that it hopes can cushion the upcoming recession, by providing a platform for growth over the medium term, whilst looking to reduce the budget deficit through a number of tax hikes. In Asia, Chinese government officials began to soften the Zero-Covid regime following mass protests across the country, laying out a 20-step programme to reduce the economic impact of the policy whilst looking to step up their vaccination programme. Chinese markets subsequently rallied as investors hoped a softening in lockdown restrictions would boost consumer demand across the region and help ease global supply chains.

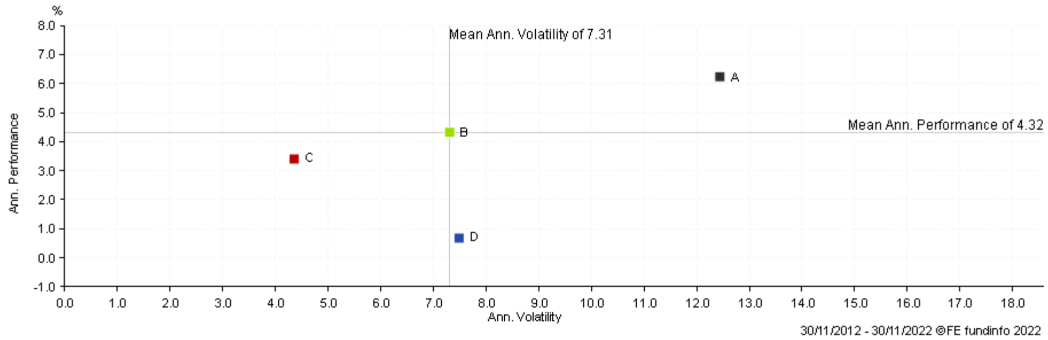
As we look towards year-end with a sense of optimism, we will be watching the upcoming economic data closely, looking for further signals that inflationary pressures are easing and indications of dovish tilts from central bank officials, both of which are expected to build on this month's boost to investor sentiment.

Portfolio Positioning

In November, we have taken steps to redeploy our excess levels of cash across the portfolios as we look to normalise our asset allocation. Whilst we broadly remain underweight towards equities as several near-term uncertainties remain, we can now look to 2023 and beyond with a greater sense of clarity, backed by positive economic data from the US, where we retain an overweight position in comparison to the benchmark. This month, we have increased our exposure to global equity income which not only enhances the yield across the portfolios but provides exposure to established companies with strong balance sheets. In the higher-equity weighted portfolios, we have increased exposure to European equities with a value tilt and introduced a small exposure to the Asia Pacific equities, noting that in our view, quality assets in both regions now look attractive when looking through a value-at-risk lens.

Regarding our non-equity exposure, we have continued to diversify our fixed income holdings, taking advantage of attractive yields with the expectations of a slowdown in hawkish monetary policy as inflationary pressures cool. Exposure to strategic bond, money market and clean energy infrastructure assets in the lower risk portfolios allows us to increase the portfolio yield, whilst gaining exposure to a diversified basket of fixed income assets at attractive valuation points when looking at a long-term investment horizon.

Portfolio Volatility



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.

Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	6.24	12.44
B	AFI Cautious TR in GB	4.32	7.31
C	OBI Active 3 TR in GB	3.41	4.36
D	UK Psv UK Gilts TR in GB	0.68	7.49

Important Information

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