OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

January 2023

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 **50.76% in Equity** (Analytics, 1st January 2023) 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	-1.23%	0.87%	-0.49%	-7.63%	-	6.93%	7.65%	17.68%	104.55%
Benchmark	-0.69%	3.52%	1.15%	-9.73%	-	2.20%	9.07%	25.80%	106.82%
UK Gilts	-4.11%	1.69%	-10.30%	-22.60%	-	-20.12%	-14.63%	-5.00%	32.13%
UK Equities	-1.11%	9.31%	5.10%	-0.02%	-	5.99%	13.99%	47.01%	157.80%

Source: FE Analytics, 1st January

Asset Allocation

- MONEY MARKET (14.10%)
- UK FIXED INTEREST (3.78%)
- GLOBAL FIXED INTEREST (31.78%)
- UK GILTS (6.68%)
- OTHER NON-EQUITY (2.72%)
- PROPERTY (9.01%)
- COMMODITY & ENERGY (5.87%)
- NORTH AMERICAN EQUITY (16.18%)
- EUROPEAN EQUITY (4.29%)
- OTHER INTERNATIONAL EQUITY (5.59%)

Equity 31.93% - Non-Equity 68.07%

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
2.75% per annum

Ongoing Strategy Charge
0.50% 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

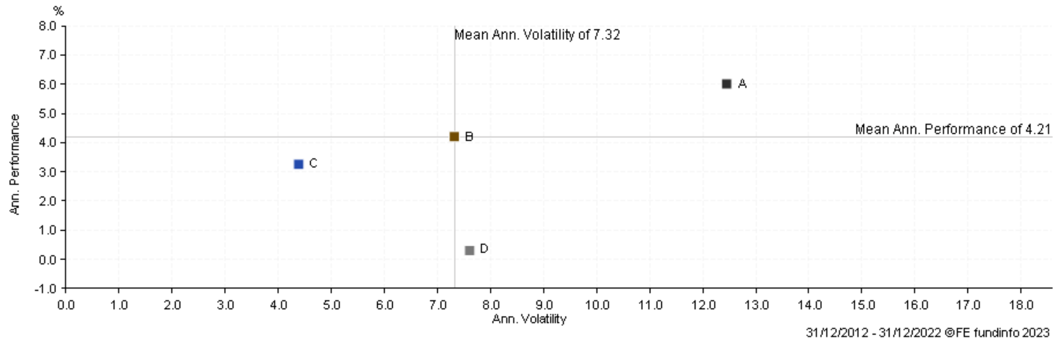
As we enter 2023, we are looking forward to what in our view will be a brighter year for markets, as inflationary pressures continue to ease, and the pace of central bank interest rate hiking slows. Whilst from an economic point of view, we expect to see challenging conditions for consumers, with inflationary pressures leading to the biggest squeeze on living standards in the UK on record, the forward-looking nature of markets means we now see many reasons to be optimistic for portfolio performance over the next twelve months. With inflation appearing to have peaked across the majority of developed countries and with evidence of a slowdown in interest rate hikes in the US, it is our view that investor focus will shift towards cuts to interest rates as we move towards the end of this year, with central banks look to stimulate growth within their respective economies as recessions loom.

As we approach earnings season in the US, investors will be watching reports closely for signs of how inflation has impacted corporate profitability in Q4 2022, as well how accurate analysts have been in forecasting downward earnings revisions. Analysts will also be looking to assess how companies have updated their forward guidance, to provide an insight for how future earnings may be affected by the macroeconomic headwinds faced this year.

Portfolio Positioning

Our key themes for this year for the positioning of the OBI portfolios are quality and yield, noting that whilst we expect a more positive year for markets, conditions are likely to remain volatile across most asset classes as investors continue to digest key economic data releases. We are fully invested in terms of our cash levels, but at present, remain underweight towards equities with the view that yields on fixed income assets currently look more attractive, reflecting a level of caution within our asset allocation as we wait to see how inflation has impacted corporate profitability. Our equity exposure focuses on a core approach, blending both value and growth styles to ensure diversification within the portfolios, whilst on a regional basis the portfolios hold a slight overweight towards US equities when compared to the benchmark. Our non-equity exposure remains diversified across government debt, investment grade corporate bonds and some high yield exposure which allows the portfolios to take advantage of attractive yields with the expectation 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 and thematic assets at attractive valuation points when looking at a long-term investment horizon.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	6.01	12.45
B	AFI Cautious TR in GB	4.21	7.32
C	OBI Active 3 TR in GB	3.26	4.39
D	UK Psv UK Gilts TR in GB	0.31	7.61

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 January 2023. 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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