OBI Model Portfolio Active 6

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

February 2023

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to invest into equities at the right time and is focused on both the risk and return and looking to achieve a balance. 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 65% 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 12% in a significant event and 7% in normal market conditions and to target an annualised total return averaged out over a full economic cycle (5 – 7-year period) of 7% before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

Management

The benchmark we use for comparison purposes for volatility is **AFI Balanced** noting that this benchmark currently holds **68.61% in Equity** (Analytics, 1st February 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 08/03/2016
OBI Active 6 Portfolio	2.64%	2.89%	0.03%	-0.37%	2.64%	16.58%	12.74%		37.99%
Benchmark	4.01%	7.75%	1.12%	-3.04%	4.01%	8.54%	16.30%	47.04%	44.64%
UK Gilts	2.55%	0.90%	-10.08%	-17.96%	2.55%	-20.83%	-10.78%	-5.60%	-6.68%
UK Equities	4.01%	10.39%	4.53%	4.28%	4.01%	13.64%	19.97%	60.15%	54.72%

Source: FE Analytics, 1st February

Performance shown since inception on 08/03/16

Asset Allocation

- MONEY MARKET (6.93%)
- GLOBAL FIXED INTEREST (20.29%)
- UK GILTS (6.87%)
- OTHER NON-EQUITY (1.85%)
- PROPERTY (6.87%)
- COMMODITY & ENERGY (5.53%)
- UK EQUITY (13.25%)
- NORTH AMERICAN EQUITY (21.97%)
- EUROPEAN EQUITY (12.09%)
- OTHER INTERNATIONAL EQUITY (4.35%)

Equity 57.19% - Non-Equity 42.81%

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 Balanced

Inception Date
08 March 2016

Historic Yield
2.82% per annum

Ongoing Strategy Charge
0.49% per annum

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

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Our OBI Active 6 portfolio is a balanced portfolio with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 7% per annum.

Market Outlook

Financial markets have begun 2023 on the front foot, driven by a renewed sense of investor optimism and backed by promising economic data. Whilst we are expecting tough economic conditions throughout the year, the outlook for the global economy is improving, with a several key developments helping to support sentiment during the first month of the year. In Europe, a milder than anticipated winter has improved the outlook for the energy story and expectations of lower demand for natural gas has caused prices to cool, alleviating inflationary headaches. Whilst the outlook for the UK is a little more uncertain, investors have not shied away from attractive valuations in domestic markets, as the outlook for the global economy improves.

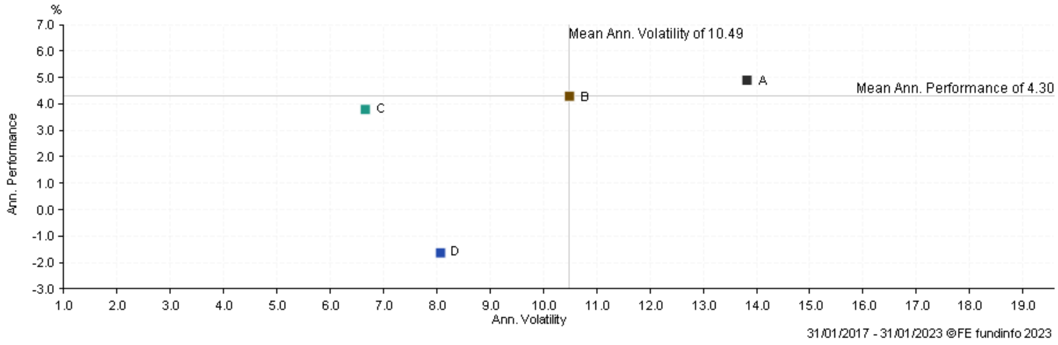
Results from earnings season in the US have been somewhat mixed, with some key tech companies missing earnings estimates whilst some financials exceeded forecasts. However, at the time of writing, of the 50% constituents of the US Large cap index that have reported results thus far, 70% have posted a positive EPS surprise. Whilst expectations have been low, US corporate earnings have signalled a level of resilience in US economy, whilst forward guidance and increased loss provisions suggests companies are well prepared for an economic slowdown. In the UK, energy giants continue to post record profits, supporting the UK large cap index.

Portfolio Positioning

Our optimistic outlook for markets continues to be reflected in our portfolio allocation, and whilst in recent months we have held an overweight towards US assets, our outlook for European and UK assets has become more optimistic. As such, we have increased UK and EU equity exposure within the portfolios, having reduced some of our global equity exposure that consists of approximately 60% US assets. It should be noted that we remain positive on the outlook for US assets, however in reducing this overweight, we are looking to increase diversification and take advantage of the attractive valuations currently seen in UK and European equities, which in turn helps us to manage currency risk moving forward.

Whilst we have left our positioning in fixed income broadly unchanged, we have reduced some dollar exposure in the high yield portion of this allocation, favouring sterling exposure which in our view will further reduce currency headwinds moving forward. As a whole, we remain optimistic for the performance of fixed income assets as we move through 2023, given their attractive yields as well as the opportunities for capital growth across both government and corporate debt.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 6 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	4.90	13.82
B	AFI Balanced TR in GB	4.30	10.49
C	OBI Active 6 TR in GB	3.79	6.66
D	UK Psv UK Gilts TR in GB	-1.63	8.07

Important Information

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