OBI Managed Passive 7

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

February 2022

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to passively invest into equities for most of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater long-term returns. 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 75% 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 15% following a significant event and 8% in normal market conditions and to target an annualised total return averaged out over a full economic cycle (5 – 7 years) of 8% plus, 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 7 portfolio.

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 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.

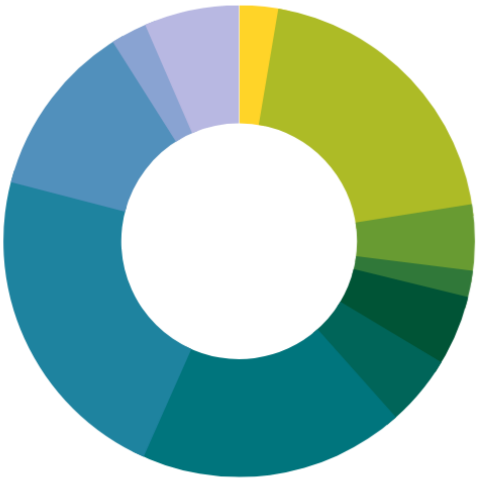
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	Since Launch 17/01/2020
OBI Managed Passive 7	4.08%	3.65%	0.54%	-2.07%	4.08%	21.74%
Benchmark	3.64%	6.02%	0.77%	-8.46%	3.64%	5.69%
UK Gilts	2.45%	0.37%	-11.08%	-20.69%	2.45%	-19.80%
UK Equities	4.46%	9.23%	4.69%	4.34%	4.46%	9.04%

Source: FE Analytics, 1st February

Asset Allocation

- MONEY MARKET (2.66%)
- GLOBAL FIXED INTEREST (19.83%)
- UK GILTS (4.52%)
- OTHER NON-EQUITY (1.80%)
- PROPERTY (4.77%)
- COMMODITY & ENERGY (4.83%)
- UK EQUITY (18.23%)
- NORTH AMERICAN EQUITY (22.38%)
- EUROPEAN EQUITY (11.98%)
- ASIAN EQUITY (2.47%)
- OTHER INTERNATIONAL EQUITY (6.53%)



Equity 66.42% - Non-Equity 33.58%

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
01 January 2020

Historic Yield
2.27% per annum

Ongoing Strategy Charge
0.32% per annum

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

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Our OBI Managed Passive 7 portfolio is a balanced portfolio with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 8% 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.

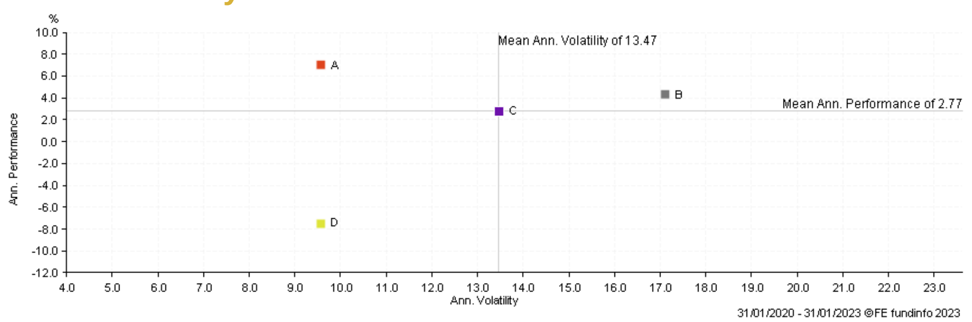
Results from earnings season in the US have been somewhat mixed, with some key tech companies missing earnings estimates whilst some financials exceeded forecasts. However, at the time of writing, of the 50% constituents of the US Large cap index that have reported results thus far, 70% have posted a 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

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



Key	Name	Annualised Performance	Annualised Volatility
A	OBI Passive 7 TR in GB	7.04	9.57
B	UK Psv UK Equities TR in GB	4.35	17.11
C	AFI Balanced TR in GB	2.77	13.47
D	UK Psv UK Gilts TR in GB	-7.50	9.57

This scatter chart reflects annualised volatility and return in GBP over the past 3 years. Over the long term, we would expect the OBI portfolio to exhibit a lower level of volatility than the benchmark.

Important Information