OBI Model Portfolio Active 3

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

May 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 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 **50.06% in Equity** (Analytics, 1st May 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	0.47%	-0.94%	0.86%	-2.57%	0.84%	9.12%	9.25%	20.53%	106.27%
Benchmark	0.84%	-1.16%	4.73%	-2.98%	1.81%	12.74%	11.67%	27.88%	110.54%
UK Gilts	-1.75%	-2.38%	-1.52%	-14.77%	0.09%	-26.78%	-13.76%	-7.98%	33.29%
UK Equities	2.89%	1.74%	12.31%	5.35%	5.82%	40.47%	21.09%	54.05%	172.81%

Source: FE Analytics, 1st May

Asset Allocation

- MONEY MARKET (9.82%)
- GLOBAL FIXED INTEREST (29.91%)
- UK FIXED INTEREST (17.14%)
- OTHER NON-EQUITY (1.32%)
- PROPERTY (9.13%)
- COMMODITY & ENERGY (5.84%)
- UK EQUITY (7.88%)
- NORTH AMERICAN EQUITY (9.07%)
- EUROPEAN EQUITY (4.89%)
- OTHER INTERNATIONAL EQUITY (5.00%)

Equity 32.68% - Non-Equity 67.32%

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
3.36% per annum

Ongoing Strategy Charge
0.49% 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

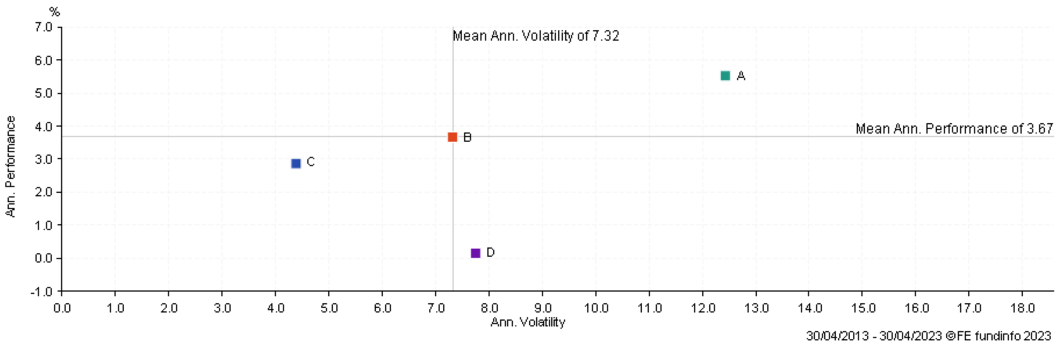
Global equity markets remained relatively flat over April, as positive earnings data reports and promising economic data was overshadowed by lingering concerns over the stability of the US regional bank sector. Investors have also been awaiting key interest rate decisions from central banks, and perhaps more importantly, any forward guidance policy makers are willing to disclose. Given the recent turmoil within the financial sector in the US, alongside signs that the economy is slowing, and inflation is cooling, it is our view that following a small rate hike in May, the Federal Reserve will look to pause. At this stage, we cannot rule out further hikes if economic data on inflation and the tightness of the labour market do not show sufficient signs of easing, however, in the near-term this expected pause provides a greater sense of clarity for investors that monetary policy will remain unchanged moving forward.

In the EU and the UK, the outlook for future policy is a little more clouded, given the stickiness of inflation mixed with slowing growth. However, we expect to see meaningful declines in inflation in the coming months, notably in the UK as last year's increase to the energy price cap falls out of the year-on-year comparison, potentially easing some of the headaches faced by policymakers and supporting investors' risk appetite.

Portfolio Positioning

Following the removal of our direct exposure to US Government bonds last month, we have redeployed this cash across the portfolio suite, moving back to fully invested levels, a decision that was based on our view that we are nearing the end of the Fed's interest rate hiking cycle, which we expect to support investor sentiment as we move through the year. In OBI 3 – 5, we have increased exposure to UK Investment Grade Corporate Bonds, noting that these assets provide both an attractive yield and the potential for capital growth, given our expectations for yields to fall back over the longer term as risks abate. Across the portfolio suite, we have increased exposure to UK Equities, whilst in OBI 5 - 8 we have also increased exposure towards Asian Equities, an area which we previously held an underweight exposure to when compared to the portfolios' respective benchmarks. The reason for increasing exposure to these areas stems from what we see as attractive valuations on a value at risk basis, despite some near-term uncertainties on the outlook for economic growth and monetary policy. We remain slightly underweight towards Asia and Emerging markets in comparison to the benchmarks, as we still see potential risks and uncertainties across the region however it is our view that during times of uncertainty, diversification remains key. Through taking steps to reduce some of our underweight positions, we believe the portfolios are best positioned to benefit from a lift in investor sentiment, maximising the opportunity for growth moving forward.

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	5.52	12.43
B	AFI Cautious TR in GB	3.67	7.32
C	OBI Active 3 TR in GB	2.87	4.39
D	UK Psv UK Gilts TR in GB	0.16	7.75

Important Information

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