OBI Model Portfolio Active 7

OCM Asset Management
Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

July 2023

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client whose is prepared to 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

The benchmark we use for comparison purposes for volatility is **AFI Balanced** noting that this benchmark currently holds **67.43% in Equity** (Analytics, 1st July 2023) and is therefore less 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 16/02/2007
OBI Active 7 Portfolio	0.92%	0.44%	2.61%	3.02%	2.61%	20.28%	15.69%	40.42%	226.32%
Benchmark	0.18%	-0.15%	0.84%	2.71%	0.84%	9.30%	11.36%	37.51%	96.43%
UK Gilts	-0.45%	-5.56%	-3.79%	-13.69%	-3.79%	-29.36%	-18.13%	-17.48%	44.67%
UK Equities	0.32%	-0.69%	2.14%	7.24%	2.14%	31.09%	14.01%	47.48%	97.12%

Source: FE Analytics, 1st July

Asset Allocation

- MONEY MARKET (4.69%)
- UK GILTS (4.64%)
- GLOBAL FIXED INTEREST (13.60%)
- OTHER NON-EQUITY (2.11%)
- PROPERTY (6.56%)
- COMMODITY & ENERGY (4.39%)
- UK EQUITY (19.57%)
- NORTH AMERICAN EQUITY (24.19%)
- EUROPEAN EQUITY (12.22%)
- ASIAN EQUITY (3.97%)
- OTHER INTERNATIONAL EQUITY (4.06%)

Equity 68.40% - Non-Equity 31.60%

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
16 February 2007

Historic Yield
3.09% 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 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

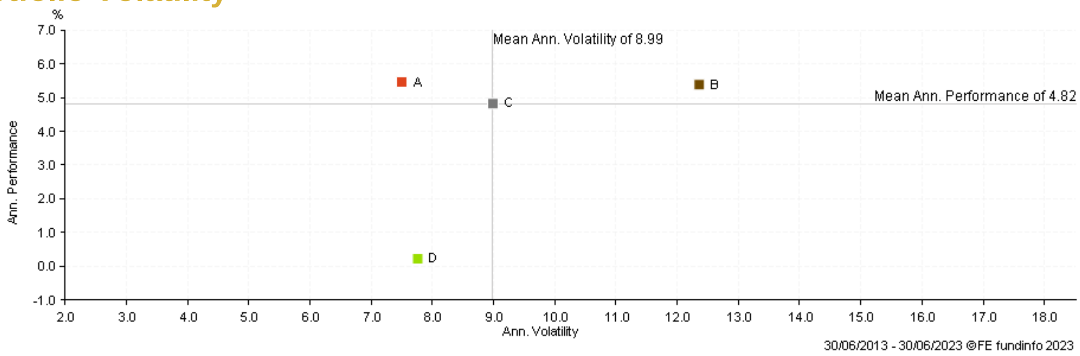
With debt ceiling concerns now resolved, focus returned to economic data this month, as investors looked for signs that inflationary pressures were continuing to cool across developed markets. With a number of key data points and interest rate decisions over the month, investors had plenty to digest, however global equity indices have broadly ended the month in positive territory, supporting returns across the OBI portfolios. Whilst interest rates have continued to rise in the UK and Europe, adding to uncertainty within bond markets, it is our view that we are seeing a normalisation of interest rates across developed markets providing a welcome opportunity to position the portfolios to generate a greater yield as we move through the second half of 2023.

Despite tighter financial conditions weighing on the outlook for corporate profitability, the US tech sector has continued to be a key outperformer in June, supported by investor optimism surrounding developments in Artificial Intelligence alongside the Federal Reserve's pause in policy tightening. Following a period of sustained strength in equity markets, particularly in the US, we will be closely monitoring the equity positions within the portfolio this week, with a view to take profit where valuations now appear extended. Moving forward we expect ongoing economic data releases to drive market volatility in the near-term, however more broadly we are optimistic for returns over long-term, noting that there in our view equity and fixed income markets offer attractive areas of value.

Portfolio Positioning

With stubborn inflationary pressures, uncertainty over peak interest rates and geopolitical tensions between the US and China, we expect markets to remain volatile in the near term. Against this backdrop the portfolios maintain a diversified asset allocation with exposure to a wide range of asset classes. The portfolio's equity exposure is balanced between investment styles, noting that despite recent growth outperformance in the US tech sector, we expect value to remain resilient amid tighter financial conditions. On the non-equity side, it is our view that fixed income assets offer an attractive opportunity on a value-at-risk basis, not only providing an attractive yield, but offering the potential for capital growth as we near peak interest rates. Finally, exposure to natural resources also provides the portfolios with a hedge against production supply cuts, increased demand from China's reopening and geopolitical tensions.

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	OBI Active 7 TR in GB	5.46	7.50
B	UK Psv UK Equities TR in GB	5.38	12.36
C	AFI Balanced TR in GB	4.82	8.99
D	UK Psv UK Gilts TR in GB	0.23	7.76

Important Information