OBI Model Portfolio Moderately Cautious (Formerly OBI 5)

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

January 2024

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a moderate degree of risk through investing in equities. 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 primary objective of this portfolio is to achieve a long-term total return and income above the Bank of England's base rate and generate growth in real terms (above inflation) over the medium term which is moderately higher than the long-term return on cash, after fees and costs. The asset allocation within this portfolio will vary between a benchmark of 0% equity and 50% equity on average to achieve the portfolio objectives, provided economic conditions permit. Noting that this portfolio has a capital preservation mandate of 100%, the portfolio allocation may be held solely in cash and cash-like securities during severe market events, in order to protect investors and mitigate volatility. The recommended time-horizon for this portfolio is a minimum of 4 years.

Management

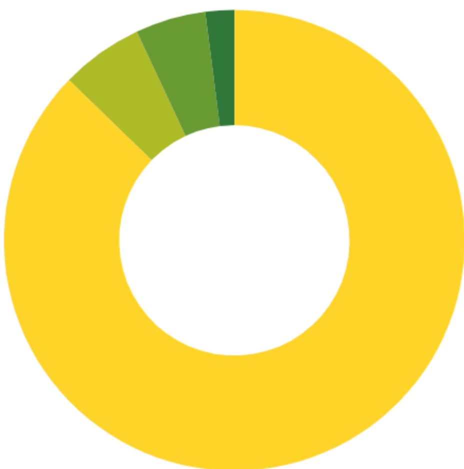
The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **50.60% in Equity** (Analytics, 1st January 2024) and is therefore more aggressive than this portfolio. The benchmark also has no capital preservation mandate. It would therefore 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 16/02/2007
OBI Moderately Cautious Portfolio	1.83%	2.44%	2.79%	3.29%	0.00%	3.26%	15.88%	21.99%	175.97%
Benchmark	4.05%	5.72%	6.05%	6.68%	0.00%	4.37%	21.65%	24.99%	83.59%
UK Gilts	5.38%	8.15%	7.42%	3.35%	0.00%	-23.64%	-12.07%	-10.44%	55.46%
UK Equities	4.72%	3.45%	5.43%	7.68%	0.00%	26.53%	35.76%	38.32%	107.23%

Asset Allocation

- MONEY MARKET (87.26%)
- PROPERTY (5.78%)
- COMMODITY & ENERGY (4.95%)
- OTHER INTERNATIONAL EQUITY (2.01%)



Equity 6.96% - Non-Equity 93.04%

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
16 February 2007

Historic Yield
5.15% per annum

Ongoing Strategy Charge
0.25% per annum

Volatility
5.94%

Max Loss
-5.97%

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

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Market Outlook

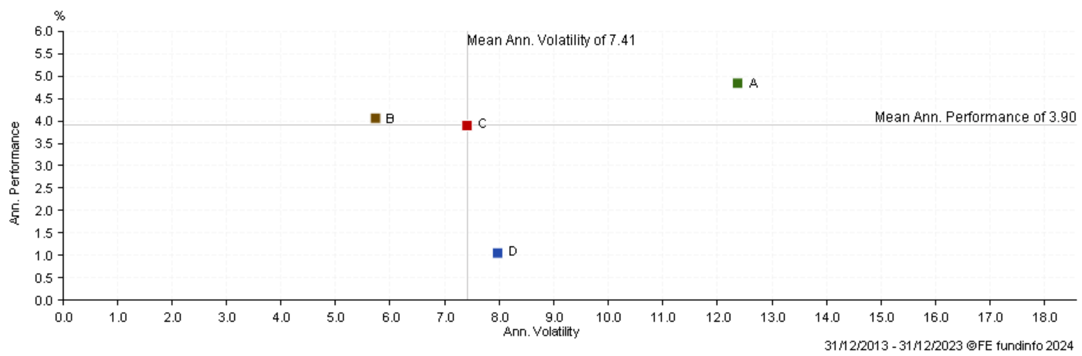
Global equity markets continued to rally in December on the back of ongoing optimism surrounding future rate cuts, with inflation data in key developed economies supporting the prospect of central banks delivering a ‘soft-landing’ in which inflation continues to moderate without significant economic weakness. China remained a key outlier to the broad rally in equity markets, as ongoing property sector woes and whipsawing policies saw sentiment to the region remain subdued. Despite the recent strength in equity markets over the past two months, we remain cautious on the outlook as valuations appear stretched, with a number of potential headwinds expected to weigh on valuations. With earnings season set to begin in the middle of January, we will be watching corporate profitability closely for any signs of pressure that could potentially cool the recent strength we've seen in equity markets.

We expect the first quarter of 2024 to remain volatile, with geopolitical tensions, slowing economic activity and declining corporate profitability weighing on markets in the short term, however as these short-term headwinds clear throughout the year, the outlook is beginning to brighten, with interest rate cuts expected in the second half of the year. We are therefore more optimistic for asset returns in the second half of the year and beyond, as the key headwinds that have weighed on sentiment over the last 2 years such as high inflation and restrictive policy continue to ease.

Portfolio Positioning

Alongside equity market strength, a strong rally in government debt throughout December presented us with an opportunity to lock in profits on our overweight position in gilts and we currently remain in capital preservation mode, noting that we are looking to avoid taking excess risk within the portfolios with equity and bond valuations now appearing stretched. The proceeds from our gilt exposure have been re-invested into money market assets, providing both stable, low risk returns and the flexibility to take advantage of any opportunities moving forward, as the value at risk equation on certain asset classes becomes more favourable. At present however, we are happy watch any potential volatility from a position of relative safety, whilst generating stable returns from our cash holdings in the near-term. Looking ahead we do see opportunities arising in markets as the investment environment becomes more favourable, and through active management and strong asset selection, we believe these opportunities can drive positive portfolio returns above the current return available on cash over the medium to long-term.

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	4.84	12.37
B	OBI Moderately Cautious TR in GB	4.06	5.73
C	AFI Cautious TR in GB	3.90	7.41
D	UK Psv UK Gilts TR in GB	1.06	7.97

Important Information

All data in this document has been extracted from Analytics as at 1st January 2024. 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. Annualised Volatility and Max Loss Figures as detailed by FE Analytics over 5 years to period, where max loss represents the worst running return.