OBI Model Portfolio Ultra Cautious

January 2024

Objective

This portfolio aims to deliver a return that is in line with the Bank of England's base rate whilst providing a greater level of liquidity than fixed term deposits. The portfolio will achieve this objective by investing solely in cash and money market securities, using a dynamic and diversified approach to fund selection to manage risk over the long term. **The portfolio is managed in line with an ultra-cautious risk profile, with the ability to move to 100% cash if required in line with market conditions. This portfolio will not take any risk other than investing in money market assets.**

Management

The benchmark we use for comparison purposes for total return is the **IA Standard Money Market** sector, which is representative of the combined performance of the money market sector.

Yield Comparison

Asset	Yield
Average IA Standard Money Market	4.61%
Bank of England Base Rate	5.25%
Gilts (UK 10 Year)	3.64%
Ultra Cautious Portfolio	5.09%

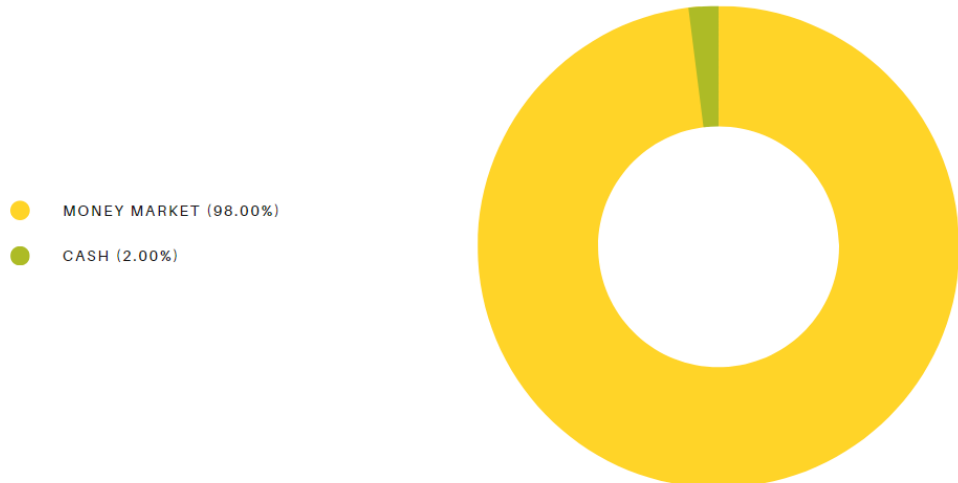
Source: FE Analytics, 1st January

Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch 01/09/2023
OBI Ultra Cautious	0.44%	1.36%	-	-	-	-	-	-	1.80%
Benchmark	0.45%	1.38%	2.77%	4.74%	-	6.03%	7.26%	7.90%	1.80%
UK Gilts	5.38%	8.15%	7.42%	3.35%	-	-23.64%	-12.07%	-10.44%	7.42%

Source: FE Analytics, 1st January

Asset Allocation



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
IA Standard Money Market

Inception Date
01 September 2023

Current Yield
5.09% per annum

Ongoing Strategy Charge
0.16% per annum

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

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OBI Ultra Cautious Portfolio is designed to deliver an ultra-low risk mandate, with the delivery of outcome and capital preservation at its core which aims to achieve a return in line with the Bank of England Base rate.

Market Outlook

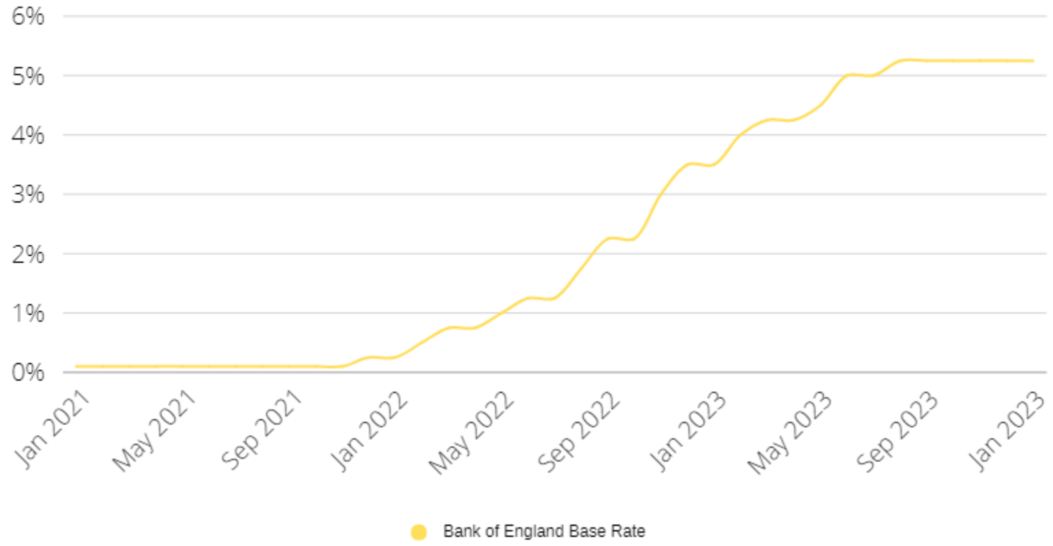
Global bond markets continued to rally in December on the back of ongoing optimism surrounding future rate cuts, with inflation data in key developed economies supporting the prospect of central banks delivering a ‘soft-landing’ in which inflation continues to moderate without significant economic weakness. 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, we are expecting to see interest rate cuts in the second half of the year. We are therefore more optimistic for multi-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

This portfolio holds a diversified blend of money market funds, that invest in short term money market instruments such as Certificates of Deposit, Government Bills and Time Deposits. Whilst this portfolio is positioned to hold 100% in money market instruments to generate a yield, we continually monitor the available money market funds for the best yield and lowest cost, to ensure this portfolio generates the highest yield possible. Through investing in open-ended money market funds, we believe the portfolio can continue to generate an attractive yield at a low cost, whilst allowing a greater sense of flexibility in comparison to fixed deposits.

Bank of England Base Rate



This chart highlights the Bank of England's base rate since 01/01/2021. The yield available on Money market assets typically reflect the Central Bank's underlying interest rate.

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.

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