OBI Model Portfolio Balanced

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

April 2024

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a medium degree of risk by investing a larger portion of their overall portfolio into equities, whilst maintaining a balance between risk and reward. 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 materially higher than the long-term return on cash, after fees and costs. This portfolio can take up to 65% of the risk of investing in the global equity market, as measured by the worst expected loss and annualised volatility of returns. This portfolio has a capital preservation mandate of 100% in order to protect investors and mitigate volatility during severe market events, however, the portfolio may also hold 15% in core, long term assets which may be less liquid in nature, such as investment trusts, meaning portfolio volatility is likely to be higher than the more cautious models. The recommended time-horizon for this portfolio is a minimum of 5 years.

Management

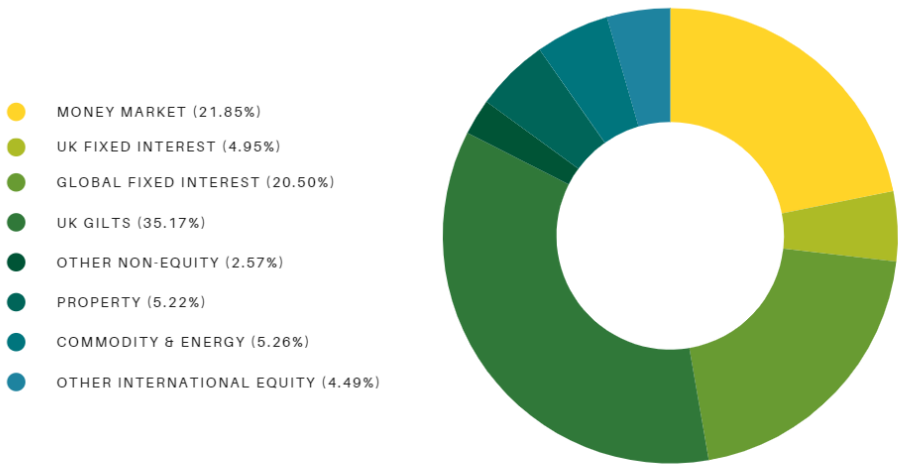
The benchmark we use for comparison purposes for volatility is **AFI Balanced** noting that this benchmark currently holds **67.22% in Equity** (Analytics, 1st April 2024) and is therefore more aggressive than this portfolio. The benchmark also has no capital preservation mandate. It would therefore 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 Balanced Portfolio	2.23%	2.09%	4.29%	5.39%	2.09%	7.33%	27.44%	30.76%	240.65%
Benchmark	2.83%	3.29%	9.49%	9.41%	3.29%	6.06%	23.57%	31.95%	114.31%
UK Gilts	1.91%	-1.82%	6.14%	-0.44%	-1.82%	-20.00%	-16.52%	-13.47%	52.56%
UK Equities	4.42%	3.17%	6.75%	8.03%	3.17%	24.23%	28.29%	36.61%	113.83%

Source: FE Analytics, 1st April

Asset Allocation



Equity 9.75% - Non-Equity 90.25%

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
4.60% per annum

Ongoing Strategy Charge
0.35% per annum

Volatility
7.96%

Max Loss
-9.71%

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

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Market Outlook

March played host to a number of key central bank meetings as investors await further clarity surrounding the path for interest rates moving forward. Whilst the US Federal Reserve, Bank of England and European Central Bank all left interest rates unchanged as expected, a mixed month of inflation data resulted in a turbulent month for financial markets. Within equity markets, whilst ongoing resilience within the US economy has supported sentiment over the year-to-date, a mixed set of inflation data saw US equity markets finish the month on a negative note as investors contemplated the impact of the data on the prospect for rate cuts. With US earnings season around the corner, we expect the short-term volatility within equity markets to persist as key US large-cap tech names remain a focal point in the coming weeks. With valuations near record highs, investors will be looking for how elevated interest rates have impacted consumers and whether the earnings reports justify valuations at their current levels.

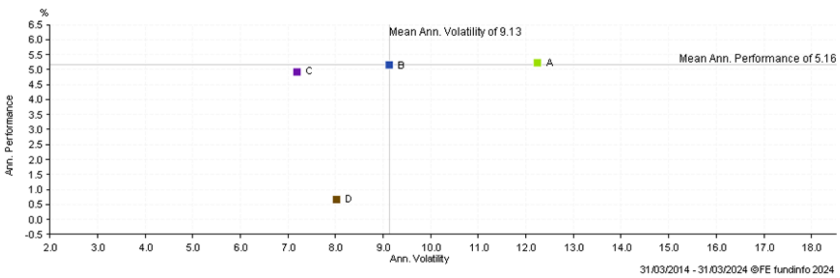
Fixed income markets were particularly volatile over the month as investors were forced to reconsider the outlook for central bank monetary policy over the remainder of 2024 as economic data out of the US continued to point to robust economic growth despite the ongoing feedthrough of previous rate hikes. Despite a volatile month, we continue to believe that the short-term outlook for fixed income markets is more positive as rate cuts edge closer, than that of equity markets which appear to be being driven by momentum rather than fundamentals.

Portfolio Positioning

Fixed income markets have more readily reflected the shift in investor sentiment towards interest rate cuts over 2024, with the volatility within bond markets largely reflecting the recent paring back of expectations for rate cuts in the US amid ongoing economic resilience. However, with key inflation data out of the UK boosting investors' hopes of a summer rate cut from the Bank of England, we believe that the OBI portfolios are well positioned to deliver positive returns as yields decline to reflect the upcoming rate cuts. A further spike in geopolitical tensions in the Middle East fed into a positive month for the Natural Resources exposure within the OBI portfolios which continues to act as a hedge to the geopolitical landscape whilst providing positive performance over the first quarter of 2024.

With financial market volatility expected to persist in the short-term, we believe that our defensive positioning remains appropriate, with a diversified exposure to fixed income assets alongside the Natural Resources holding and infrastructure assets. As we enter a potentially volatile period for equity markets with US earnings season approaching, we continue to believe that our focus on quality and yield within the portfolios can continue to generate positive performance without the need to introduce excess risk at this time.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	5.23	12.24
B	AFI Balanced TR in GB	5.16	9.13
C	OBI Balanced TR in GB	4.92	7.19
D	UK Psv UK Gilts TR in GB	0.67	8.02

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.

Important Information