OBI Model Portfolio Balanced

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

June 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 **68.40% in Equity** (Analytics, 1st June 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.

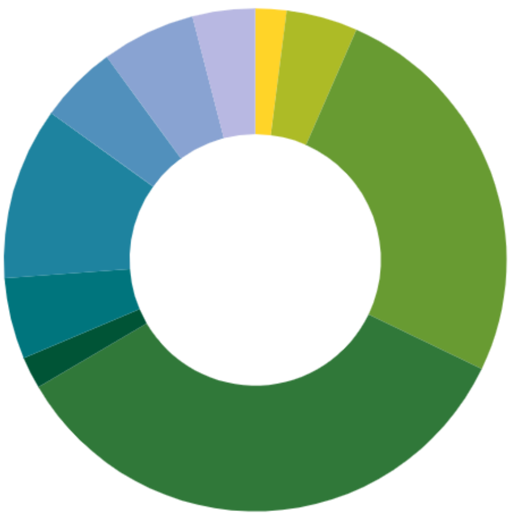
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch 16/02/2007
OBI Balanced Portfolio	0.47%	1.23%	3.15%	4.86%	1.09%	2.59%	24.95%	23.57%	239.14%
Benchmark	1.20%	3.74%	9.03%	10.75%	4.20%	3.93%	22.92%	29.97%	116.20%
UK Gilts	0.36%	-0.45%	1.02%	2.51%	-4.09%	-22.40%	-19.34%	-16.18%	49.03%
UK Equities	2.39%	9.64%	13.46%	14.58%	8.33%	23.91%	35.11%	37.72%	124.51%

Source: FE Analytics, 1st June

Asset Allocation

- MONEY MARKET (2.00%)
- UK FIXED INTEREST (4.60%)
- GLOBAL FIXED INTEREST (25.54%)
- UK GILTS (34.43%)
- OTHER NON-EQUITY (2.05%)
- PROPERTY (5.24%)
- UK EQUITY (11.07%)
- US EQUITY (5.03%)
- EUROPEAN EQUITY (6.02%)
- OTHER INTERNATIONAL EQUITY (4.03%)



Equity 26.15% - Non-Equity 73.85%

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
3.99% per annum

Ongoing Strategy Charge
0.39% per annum

Volatility
7.97%

Max Loss
-9.71%

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

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Market Outlook

An uplift of investor sentiment fed into a positive month for the OBI portfolios, with the long-dated Gilt exposure a key driver of performance following a broad decline in government bond yields. Positive inflation reports from key global economies largely calmed fears that stubborn inflation data in the US would derail the potential for key central banks to cut interest rates over the coming months.

Global equity markets benefitted from positive earnings reports over the month, with US large-cap tech companies reaping the rewards from the significant investment being made towards generative AI, offsetting pockets of weakness appearing within consumer facing sectors. UK equities delivered strong returns, with mid-cap companies outperforming as inflation shows further signs of moderation. Despite commodity market volatility, companies with a large exposure to the domestic UK economy outperformed as the medium-term outlook begins to brighten as inflation cools and growth begins to pick up.

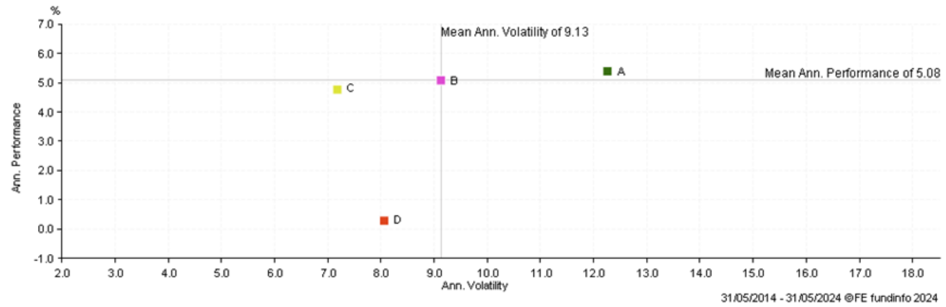
Fixed income markets remained volatile over the month, with comments from US Fed officials feeding into sentiment as bond yields rose before inflation data out of the US and UK largely quelled fears of stagflation as price pressures continue to moderate. With further price declines expected in the UK over the coming months, with energy prices in particular expected to fall, inflation is forecast to fall below 2% over the summer, opening the door for the Bank of England to begin its rate cutting cycle, feeding into our conviction that the long-dated Gilt exposure within the portfolios is well positioned to outperform over the short-term.

Portfolio Positioning

With renewed optimism surrounding the potential for interest rate cuts in the UK and Europe over the summer, we believe that the medium to long-term outlook for risk assets within these regions are beginning to brighten, and therefore these assets now appear attractively priced following years of subdued economic growth. In order to take advantage of the upside potential within pockets of the equity market, we have introduced an actively managed exposure to assets which we believe can drive portfolio performance moving forward as interest rates decline, adding to our conviction stance on interest rates as we move through the summer months.

We believe that a sense of calm surrounding the UK political backdrop, together with a decline in inflationary pressures and interest rates should provide a favourable environment for domestically focussed assets which have been shunned by investors in favour of their US counterparts in recent years.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	5.39	12.26
B	AFI Balanced TR in GB	5.08	9.13
C	OBI Balanced TR in GB	4.77	7.18
D	UK Psv UK Gilts TR in GB	0.29	8.06

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