OBI Model Portfolio Balanced

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

October 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 **68.20% in Equity** (Analytics, 1st October 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	-0.03%	2.70%	2.76%	7.17%	4.91%	3.52%	28.60%	27.59%	250.05%
Benchmark	0.46%	1.94%	3.74%	13.58%	7.15%	3.06%	21.48%	32.44%	122.32%
UK Gilts	-0.07%	2.08%	1.23%	7.44%	-0.61%	-18.78%	-21.11%	-10.60%	54.44%
UK Equities	-1.18%	2.30%	6.42%	13.60%	9.79%	22.62%	30.56%	40.63%	127.72%

Source: FE Analytics, 1st October

Asset Allocation

- MONEY MARKET (3.68%)
- UK FIXED INTEREST (4.35%)
- GLOBAL FIXED INTEREST (22.04%)
- UK GILTS (35.03%)
- OTHER NON-EQUITY (3.02%)
- PROPERTY (4.48%)
- UK EQUITY (10.92%)
- US EQUITY (5.03%)
- EUROPEAN EQUITY (5.57%)
- OTHER INTERNATIONAL EQUITY (5.88%)

Equity 27.40% - Non-Equity 72.60%

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
4.11% per annum

Ongoing Strategy Charge
0.39% 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

Investors faced whipsawing sentiment over the month of September, with rising geopolitical tensions, shifting interest rate expectations and ongoing fiscal uncertainty in the UK and US feeding into risk appetite. Key central bank meetings over the month delivered further confirmation that interest rates in developed economies are likely to remain on a downward trend, sending government bond yields lower as the medium-term economic outlook brightens.

The US Federal Reserve announced a decline in their interest rate as it joined its peers in cutting interest rates this year. Whilst equity markets reacted positively, government bond yields increased over the latter half of the month as investors priced in lower odds of a US recession. The rise in bond yields weighed on portfolio performance for the OBI suite, with the higher risk portfolios finishing the month marginally lower. Whilst the Bank of England held interest rates at 5% in September, recent economic data has continued to point to further cuts over the remainder of 2024, with Governor Bailey highlighting the potential to move more aggressively should the need arise.

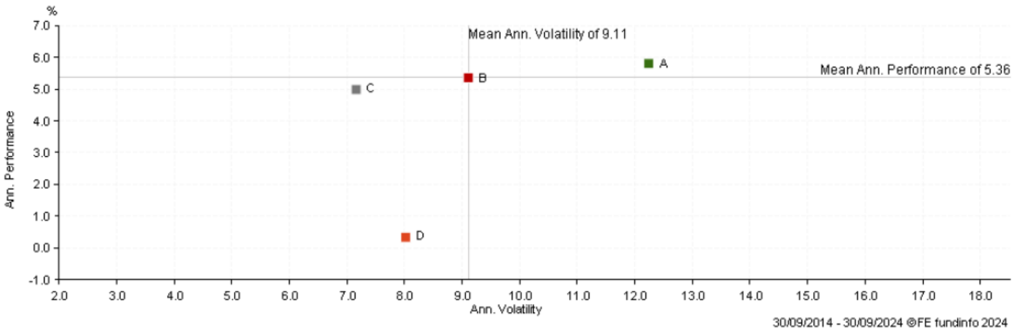
Overall, the economic backdrop remains one of economic weakness across key developed economies, and with central banks giving themselves room to cut more aggressively amid lacklustre growth, we are optimistic that the contrarian positioning of the OBI portfolios can deliver strong risk adjusted returns in the coming months as election campaigning, geopolitical tensions and potentially feed into a volatile period for investors.

Portfolio Positioning

With the prospect of further volatility ahead as we approach the US Election and UK Autumn Budget, we remain confident that despite the recent volatility within bond markets, that as interest rates continue to edge lower, the OBI's contrarian positioning within UK government debt can continue to perform strongly, offering equity like returns with minimal levels of risk.

Alongside the UK Gilt exposure, the OBI portfolios continue to hold a small exposure to actively managed UK and European equities which we believe will benefit from the decline in interest rates and pickup in economic growth following a challenging number of years, with valuations in these regions appearing attractive on a value at risk basis.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	5.80	12.24
B	AFI Balanced TR in GB	5.36	9.11
C	OBI Balanced TR in GB	4.99	7.16
D	UK Psv UK Gilts TR in GB	0.35	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

All data in this document has been extracted from Analytics as at 1st October 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.

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