OBI Balanced Growth

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

January 2025

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a medium to large 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 75% 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 25% 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 **70.03% in Equity** (Analytics, 1st January 2025) 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

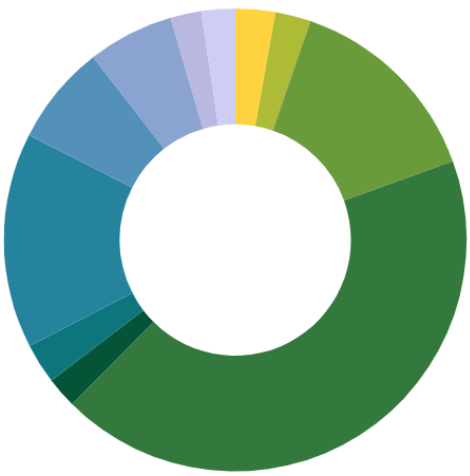
Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch 08/03/2016
OBI Balanced Growth	-2.37%	-2.70%	-0.08%	2.08%	0.00%	-1.81%	24.60%	21.14%	51.70%
Benchmark	-1.50%	0.04%	1.98%	7.19%	0.00%	1.28%	19.25%	28.14%	59.56%
UK Gilts	-2.34%	-3.24%	-1.22%	-3.83%	0.00%	-23.10%	-20.63%	-15.18%	-9.60%
UK Equities	-1.12%	-0.79%	1.49%	8.92%	0.00%	17.17%	24.22%	33.60%	74.49%

Source: FE Analytics, 1st January

Performance shown since inception on 08/03/16

Asset Allocation

- MONEY MARKET (2.79%)
- UK FIXED INTEREST (2.49%)
- GLOBAL FIXED INTEREST (14.20%)
- UK GILTS (42.99%)
- OTHER NON-EQUITY (2.15%)
- PROPERTY (2.81%)
- UK EQUITY (15.06%)
- US EQUITY (6.99%)
- EUROPEAN EQUITY (6.01%)
- OTHER INTERNATIONAL EQUITY (2.15%)
- ASIAN EQUITY (2.36%)



Equity 32.57% - Non-Equity 67.43%

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
08 March 2016

Historic Yield
3.97% per annum

Ongoing Strategy Charge
0.33% per annum

Volatility
9.23%

Max Loss
-12.80%

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

Jason Stather-Lodge

Founder/CEO/CIO

Georgina Stone

Deputy CIO

Contact Us

OCM Wealth Management Limited
St Clair House, 5 Old Bedford Road,
Northampton, NN4 7AA
T: 01604 621467
E: info@ocmwealthmanagement.co.uk
W: ocmwealthmanagement.co.uk

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Market Outlook

Investors faced elevated levels of volatility throughout Q4 2024 as political uncertainty drove concerns surrounding increasing budget deficits and a rebound in inflationary pressures. US equities outperformed over the quarter following Donald Trump's victory in the presidential election and the accompanying 'Red Sweep' which saw the Republican Party take control of Congress. With the expectations for Trump's protectionist policies to lift growth, lower taxes and cut regulation, small caps in particular delivered robust returns.

UK assets faced headwinds over the quarter, with bond yields rising on the back of the Labour Party's Autumn Budget in which the government announced a greater level of spending and borrowing than markets had initially expected. Whilst economic growth concerns remain, with the Bank of England continuing to cut interest rates, investor concerns surrounding a rebound in inflation amid an expansionary fiscal policy has fed into a challenging period for UK fixed income and equity investors.

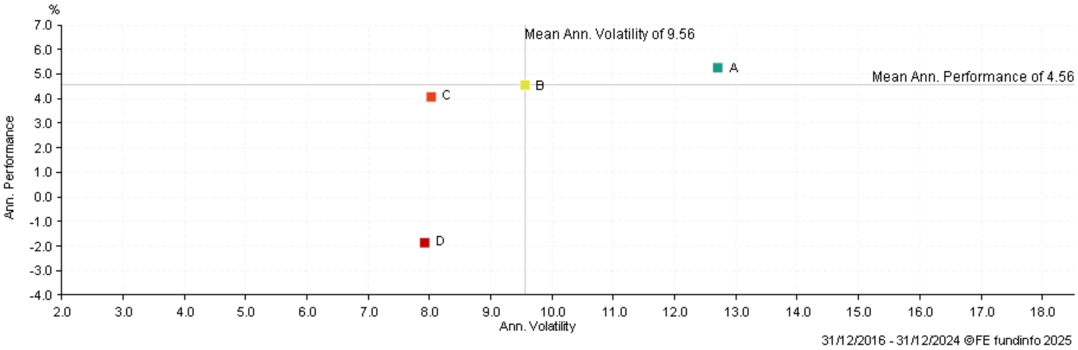
Political uncertainty remained a key theme across Europe, weighing on risk appetite as recession fears also spiked. Despite the ECB continuing to cut interest rates in October and December, the collapse of the governing party in Germany and the vote of no-confidence in France saw investors scale back their expectations for a rebound in economic growth as the bloc's largest economies remain without a governing majority.

Portfolio Positioning

Despite the recent volatility across the government debt market on the back of political and fiscal uncertainty, our expectations remain for bond yields to decline meaningfully over the coming quarter as economic growth in the UK in particular continues to underwhelm. As risks to the global economy become more pronounced over Q1 2025, we expect investors to take advantage of the attractive yields available in government debt assets, and as a result we believe that these assets remain well positioned to perform strongly over the first half of the year.

Alongside the UK Gilt exposure, the OBI portfolios continue to hold an 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. A small exposure to global equities offers a natural hedge against the overweight position within UK Gilts, and therefore can help reduce portfolio volatility over the upcoming quarter as financial market uncertainty remains elevated.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 8 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	5.26	12.70
B	AFI Balanced TR in GB	4.56	9.56
C	OBI Balanced Growth TR in GB	4.07	8.03
D	UK Psv UK Gilts TR in GB	-1.86	7.92

Important Information

All data in this document has been extracted from Analytics as at 1st January 2025. 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.

T: 01604 621 467 | W: www.ocmassetmanagement.co.uk