

Long Hold Cautious Income



January 2025

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a small degree of risk by investing a small portion of their overall portfolio into equities. The primary objective of this portfolio is to generate natural income in line with the Bank of England base rate and some capital growth but not expected to see assets grow in real terms (i.e above inflation) over the medium term. This portfolio can take up to 35% of the risk of investing in the world equity market, as measured by the worst expected loss and annualised volatility of returns. This portfolio has no defined capital preservation mandate and invests in all assets that are available from the investment universe to achieve the objectives, including Money markets, debt market, multi asset portfolio and regional equity investments. The recommended time-horizon is a minimum of 5 years.

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious**, noting that this benchmark currently holds **51.05% in Equity** (Analytics, 1st January 2025) and is therefore more aggressive than this portfolio. It would therefore be expected that the benchmark would outperform the portfolio and that the volatility of the benchmark would be higher. The model performance therefore cannot be directly compared to the benchmark.

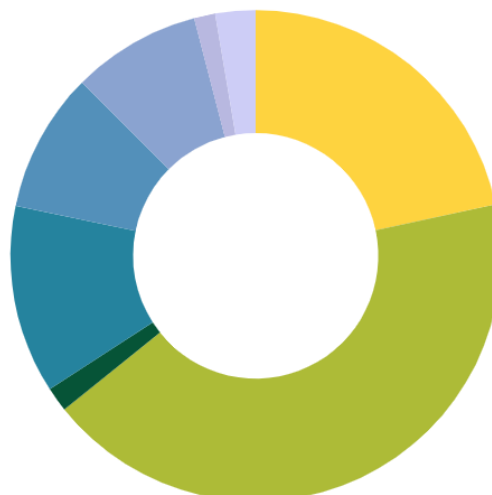
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	Since Launch 01/01/2024
OCM Cautious Income	0.00%	1.71%	3.91%	-	0.00%	11.05%
Benchmark	-1.24%	0.14%	2.56%	6.62%	0.00%	6.62%
UK Gilts	-2.34%	-3.24%	-1.22%	-3.83%	0.00%	-3.83%
UK Equities	-1.12%	-0.79%	1.49%	8.92%	0.00%	8.92%

Source: FE Analytics, 1st January

Asset Allocation

- MONEY MARKET (21.65%)
- GLOBAL FIXED INTEREST (42.60%)
- OTHER NON-EQUITY (1.62%)
- UK EQUITY (12.38%)
- US EQUITY (9.21%)
- EUROPEAN EQUITY (8.49%)
- ASIAN EQUITY (1.41%)
- OTHER INTERNATIONAL EQUITY (2.64%)



Equity 34.13% - Non-Equity 65.87%

Long Hold Investing

The assets in this portfolio have been selected based on a long hold approach, with a recommended minimum investment horizon of 5 years. Unlike OCM's OBI proposition, this portfolio has no capital preservation mandate, and portfolio changes are made on a strategic rather than tactical basis, taking a long-term view on key themes and opportunities within the asset allocation.

The general asset allocation within the portfolio will be maintained over the long term, however underlying funds may be switched at the discretion of the Investment Committee in cases of underperformance or positioning shifts.

Key Facts

Benchmark
AFI Cautious

Inception Date
01 January 2024

Historic Yield
5.18% per annum

Ongoing Strategy Charge
0.53% per annum

Volatility
3.18%

Max Loss
N/A

Rebalancing Frequency
Quarterly



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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.

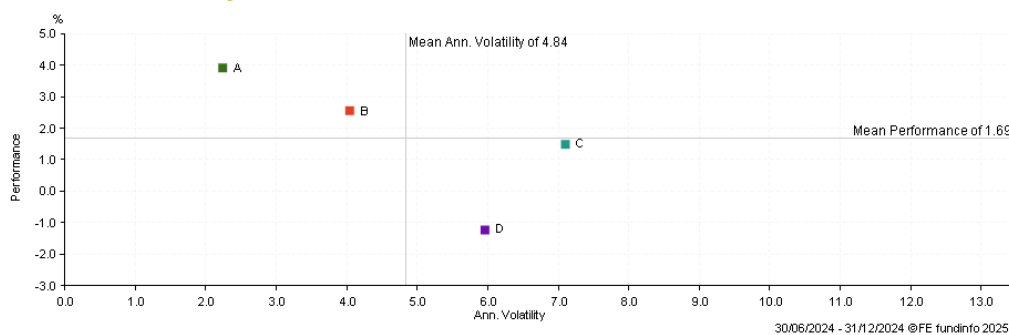
Political uncertainty remained a key theme across Europe, weighing on risk appetite as recession fears also spiked. Despite the ECB continuing to cut interest rates in October and December, the collapse of the governing party in Germany and the vote of no-confidence in France saw investors scale back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

Portfolio Positioning

The OCM income portfolios are positioned to take advantage of attractive, yield generating assets across a range of asset classes. Through a diverse exposure to income producing assets such as bonds, dividend paying equities and short-term deposits, these portfolios are designed to be long hold in nature whilst paying an attractive rate of natural income. The portfolio holds exposure to several actively managed strategic bond funds that look to generate a higher-than-average yield through rotating their exposure and investing in global debt markets from Government debt and corporate credit to high yield and emerging market bonds. Following the rapid rise in interest rates over the last 2 years, the OCM income portfolios also have exposure to money market assets that generate an attractive yield at a very low level of downside risk.

On the equity side, a focus on high quality, dividend payers ensures that the portfolios maximise their income potential. Through strong diversification across sectors and geographies, it is our view that these portfolios are well positioned to weather any market volatility that may occur during the holding period, whilst a focus on quality in the underlying companies is expected to support dividend growth and consistency.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 6-months. Over the long term, we would expect the Cautious Income portfolio to exhibit volatility in line with the benchmark.

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 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 6 months, where max loss represents the worst running return.