

# OBI Model Portfolio Cautious Balanced ESG



## Objective

This type of portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to invest into equities at the right time and is focused on both the risk and return and looking to achieve a balance. 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 asset allocation in this portfolio will vary between a benchmark of 0% equity and 55% equity to achieve the portfolio objectives, provided economic conditions permit. **The portfolio will be managed to try and limit the indicative capital loss in any 12-month period to 10% in a significant event and 6% in normal market conditions and to target an annualised total return averaged out over a full economic cycle (5 – 7-year period) of 6% before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

## Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **54.04% in Equity** (Analytics, 1st October 2020) 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	Since Launch 01/11/16
OBI ESG Cautious Balanced	0.68%	3.33%	11.26%	5.25%	5.17%	9.09%	19.32%
Benchmark	-0.10%	1.59%	11.96%	-1.06%	-2.46%	6.31%	12.87%
UK Gilts	2.05%	-0.86%	0.43%	3.75%	7.87%	17.58%	17.84%
UK Equities	-1.98%	-3.08%	10.13%	-16.69%	-20.04%	-10.28%	-0.44%

Source: FE Analytics, 1st October

## Asset Allocation

- MONEY MARKET (7.37%)
- UK FIXED INTEREST (19.33%)
- GLOBAL FIXED INTEREST (17.45%)
- OTHER NON-EQUITY (4.59%)
- PROPERTY (6.00%)
- UK EQUITY (9.93%)
- NORTH AMERICAN EQUITY (11.27%)
- EUROPEAN EQUITY (10.02%)
- OTHER INTERNATIONAL EQUITY (14.03%)

Equity 45.25% - Non-Equity 54.75%



## 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 Cautious

**Inception Date**  
01 November 2016

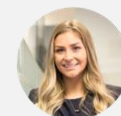
**Historic Yield**  
1.79% per annum

**Ongoing Strategy Charge**  
0.89% per annum

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



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OBI ESG Cautious Balanced is a cautious portfolio with a higher non-equity allocation based on a low-risk mandate, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 6% per annum.

## Market Outlook

Overall, momentum remains positive, and we continue to observe supportive conditions for risk assets moving forward. It is our view that we will continue to experience a further recovery in activity over the coming months. We expect this pace of economic recovery to slow and become less consistent across economies following the initial post-lockdown burst in growth due to the re-imposition of some restrictions on rising virus cases in certain parts of the world. We still expect that growth will be supported into 2021 however, bolstered by low international interest rates alongside continued support from central banks and governments as the global economy returns to the new normal.

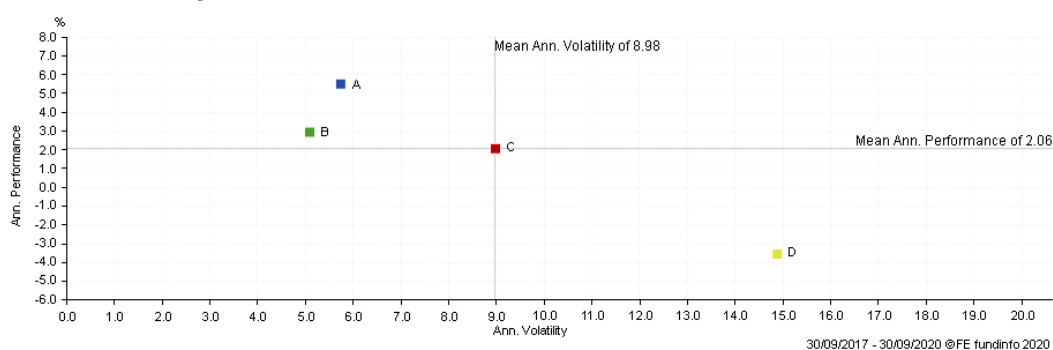
After a strong rebound in global equities in the second and third quarters, we are beginning to see a return of heightened intraday volatility, as investors pause to weigh up several upcoming risks, this is expected given the market conditions and current economic landscape, and it is completely normal as we transition between the recession and recovery stages of the cycle.

In terms of ESG investing, the outlook continues to brighten. Governments and corporates are using the recovery to align their strategies with green, social and sustainable financing goals. The shift is at the forefront of investors' minds also, with record sums from institutional and retail investors flowing into sustainable investment funds during the coronavirus pandemic.

## ESG Focus & Positioning

The OBI ESG portfolios are client-centric, focusing on delivering positive outcomes through investments which follow strict ESG (Environmental, Social, Governance) criteria for the ethical investor. Our aim is to provide robust and stable investment returns over the economic cycle and maintain a strong ethical ethos throughout. By putting the ESG criteria at the centre of our investment process, we look to deliver robust outcomes for our clients while also actively contributing to a fairer, more sustainable world. The portfolio has been constructed with a key focus on sustainability, with a high level of diversification in terms of asset classes and geographies, with a mix of bond, equity, and property exposure to meet portfolio objectives over the long term. The bond exposure is gained through high quality, actively managed strategic bond funds while the equity exposure within the portfolio is gained through exposure to diverse, globally managed funds as well as passive trackers.

## Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 3 years. Over the long term, we would expect the portfolio to exhibit a lower level of volatility than the benchmark.

Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Gilts TR in GB	5.50	5.74
B	OBI ESG Cautious Balanced - Sept 2020 TR in GB	2.94	5.09
C	AFI Cautious TR in GB	2.06	8.98
D	UK Psv UK Equities TR in GB	-3.53	14.88

## Important Information

All data in this document has been extracted from Analytics as at 1st October 2020. 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.