OBI Model Portfolio Cautious ESG

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

November 2020

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses when markets are falling, based on the higher non-equity asset allocation. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry market risk and using all assets that are available from the investment universe. The asset allocation within this portfolio will vary between a benchmark of 0% equity and 35% equity on average to achieve the portfolio objectives, provided economic conditions permit. **The portfolio will be managed to try and limit the indicative capital loss in any rolling 12-month period to 6% in a significant event and 4% in normal market conditions and to target an annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 4% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.** Despite the higher allocation in non-equity assets, these asset classes are in some cases becoming riskier than equity assets, however we feel that the current positioning is acceptable when we consider our mandate regarding a client's capital loss acceptance.

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **53.99% in Equity** (Analytics, 2nd November 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	-0.37%	0.65%	5.23%	3.66%	2.59%	5.82%	14.79%
Benchmark	-1.42%	-0.18%	4.20%	-1.70%	-3.84%	3.28%	11.27%
UK Gilts	-0.17%	-1.50%	-1.51%	6.12%	7.56%	17.12%	17.49%
UK Equities	-3.96%	-4.89%	-3.76%	-19.56%	-23.23%	-15.42%	-4.41%

Source: FE Analytics, 2nd October

Asset Allocation

- MONEY MARKET (8.30%)
- UK FIXED INTEREST (26.07%)
- GLOBAL FIXED INTEREST (24.24%)
- OTHER NON-EQUITY (2.69%)
- PROPERTY (7.17%)
- UK EQUITY (10.07%)
- NORTH AMERICAN EQUITY (8.48%)
- EUROPEAN EQUITY (4.31%)
- OTHER INTERNATIONAL EQUITY (8.68%)

Equity 31.54% - Non-Equity 68.46%

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
2.36% per annum

Ongoing Strategy Charge
0.86% per annum

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

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OBI ESG Cautious 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 4% 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 despite the new Covid-induced restrictions across much of Europe and rising virus cases elsewhere in the world. We believe that the latest lockdown measures will be less economically damaging than we saw earlier in the year due to their less stringent nature, while businesses have adapted in recent months, with more companies able to continue operating as normal during the lockdown period. That being said, we do expect the pace of economic recovery to slow and become less consistent across economies. Moving into 2021, we still expect that growth will remain well supported, bolstered by low international interest rates alongside continued support from central banks and governments as the global economy returns to the new normal.

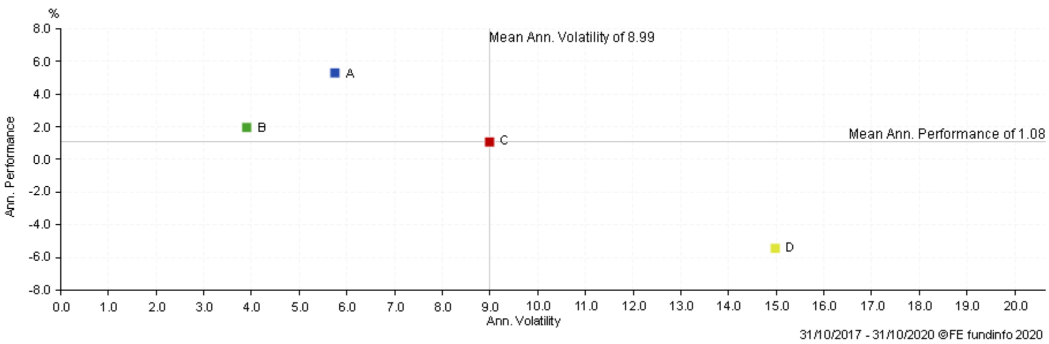
We view Brexit developments, a second wave of virus cases and the US election as sources of near-term volatility, but positive COVID-19 vaccine developments, dovish central banks and an ongoing economic recovery should allow equity markets to push higher over the medium-term, with conditions remaining supportive for risk assets..

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 throughout the coronavirus pandemic.

ESG Focus & Positioning

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 manged strategic bond funds while the equity exposure within the portfolio is gained through exposure to diverse, globally managed funds.

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	5.29	5.75
B	OBI ESG Cautious - Sept 2020 TR in GB	1.95	3.90
C	AFI Cautious TR in GB	1.08	8.99
D	UK Psv UK Equities TR in GB	-5.41	14.98

Important Information

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

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