OBI Model Portfolio Balanced ESG

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

December 2020

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client whose is prepared to invest into equities for most of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater long-term returns. 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 75% 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 15% following a significant event and 8% in normal market conditions and to target an annualised total return averaged out over a full economic cycle (5 – 7 years) of 8% plus, 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 Balanced** noting that this benchmark currently holds **68.21% in Equity** (Analytics, 1st December 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 Balanced	6.15%	6.24%	11.25%	12.89%	12.37%	14.42%	27.50%
Benchmark	7.68%	6.23%	10.90%	5.70%	4.28%	13.63%	25.62%
UK Gilts	-0.19%	1.46%	-1.86%	5.72%	7.25%	16.38%	17.16%
UK Equities	14.10%	7.37%	6.82%	-9.82%	-12.41%	-2.50%	9.07%

Source: FE Analytics, 1st December

Asset Allocation

- MONEY MARKET (6.56%)
- UK FIXED INTEREST (6.14%)
- GLOBAL FIXED INTEREST (5.92%)
- OTHER NON-EQUITY (4.19%)
- PROPERTY (8.91%)
- UK EQUITY (24.00%)
- NORTH AMERICAN EQUITY (16.59%)
- EUROPEAN EQUITY (16.89%)
- ASIAN EQUITY (4.04%)
- OTHER INTERNATIONAL EQUITY (6.76%)

Equity 68.28% - Non-Equity 31.72%

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
01 November 2016

Historic Yield
1.23% per annum

Ongoing Strategy Charge
0.93% per annum

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
3 Bouverie Court,
The Lakes, Northampton, NN4 7YD
T: 01604 621467
E: info@ocmwealthmanagementco.uk
W: ocmwealthmanagement.co.uk

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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 8% per annum.

Market Outlook

Despite a challenging economic backdrop moving into the new year, we remain optimistic on global growth prospects as well as financial market performance. 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 recovery in activity over the coming months as the Covid-induced lockdowns ease across much of Europe, allowing business and economic activity to return to normal. Furthermore, with the approval of several promising vaccines and their rollouts expected to gain momentum in the new year, this is likely to provide a further boost to economic activity as the world returns to normal. That being said, we do expect the pace of economic recovery to slow and become less consistent across economies, but growth should 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.

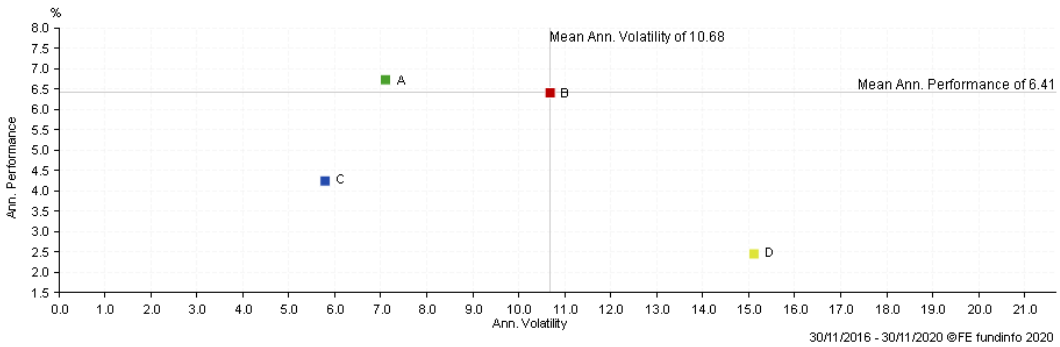
After a strong rebound in global equities in the second and third quarters, this quarter we have seen a return of heightened intraday volatility, as investors paused to weigh up political risks and a new surge in Covid cases. This is expected given market conditions and current economic landscape, and 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 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. Over the month, we took profits on some cautiously positioned funds in favour for more directional equity in areas of the market we believe are attractively valued and are set to benefit from positive market momentum moving into the new year. 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 4 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	OBI ESG Balanced - Dec 2020 TR in GB	6.73	7.10
B	AFI Balanced TR in GB	6.41	10.68
C	UK Psv UK Gilts TR in GB	4.25	5.79
D	UK Psv UK Equities TR in GB	2.46	15.11

Important Information

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