

# OBI Model Portfolio Cautious Balanced ESG



February 2021

## 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 **49.17% in Equity** (Analytics, 1st February 2021) 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	-0.67%	7.08%	8.67%	11.01%	-0.36%	13.86%	27.32%
Benchmark	-0.98%	8.05%	7.34%	3.29%	-0.36%	10.47%	20.43%
UK Gilts	-1.02%	-1.06%	-2.03%	3.09%	-1.35%	15.89%	16.52%
UK Equities	-2.64%	16.76%	8.97%	-9.58%	-0.61%	-4.00%	11.53%

Source: FE Analytics, 1st February

## Asset Allocation

- MONEY MARKET (6.34%)
- UK FIXED INTEREST (16.60%)
- GLOBAL FIXED INTEREST (14.69%)
- OTHER NON-EQUITY (12.90%)
- PROPERTY (6.33%)
- UK EQUITY (14.42%)
- NORTH AMERICAN EQUITY (11.55%)
- EUROPEAN EQUITY (9.71%)
- OTHER INTERNATIONAL EQUITY (7.46%)

Equity 43.14% - Non-Equity 56.86%



## 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**  
1.63% per annum

**Ongoing Strategy Charge**  
0.90% per annum

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



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OBI ESG Cautious Balanced is a cautiously balanced portfolio with the delivery of outcome and capital preservation at its core, which aims to achieve a return outcome of 6% per annum.

## Market Outlook

After a strong start to the year, global equities dipped as January came to a close, with returns turning negative for the year so far. The risk off move coincided with a combination of heightened concerns over the pace of vaccinations in Europe, fears of elevated valuations, and a temporary faltering of market confidence after a coordinated retail short squeeze. We see no cause for concern on the back of the recent events, believing that risk off sentiment will be short lived for number of reasons. Firstly, despite delays in Europe, the vaccine rollout is progressing well in the UK and US while news flow remains positive on the development of new vaccines. Secondly, the unprecedented lower for longer interest rate backdrop amid strong growth on the economic recovery creates an extremely supportive environment for risk assets, despite elevated valuations in some areas of the market. As long-term investors, we view the recent market movements and events as short-term noise, with no changes to our underlying assumptions on global economic recovery, and market outlook.

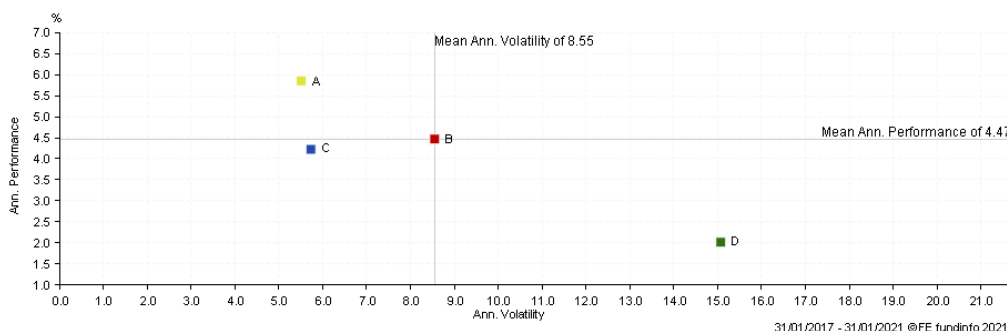
It remains our view that we will observe a recovery in activity in the months ahead, with accelerating vaccine rollouts allowing business and economic activity to return as lockdown restrictions ease. Looking further ahead, although it is clear that volatility remains in the short-term, we remain optimistic and continue to see opportunities arising as the outlook improves, with global growth remaining well supported by governments and central banks that remain committed to accommodative policies as they tackle the economic and social fallout of the pandemic.

ESG investments appear set to benefit strongly from accelerating consumer and investor trends over 2021. 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, with record sums from institutional and retail investors flowing into sustainable investment funds since the start of 2020.

## 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. After experiencing strong performance in 2020, our outlook remains positive and unchanged in terms of growth and return expectations moving forward. 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.

## 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.

## Important Information

All data in this document has been extracted from Analytics as at 1st February 2021. 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.