OBI Model Portfolio Cautious ESG

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

April 2021

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 45% 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 8% in a significant event and 5% in normal market conditions and to target an annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 5% 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 **50.71% in Equity** (Analytics, 1st April 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	0.90%	-0.52%	5.05%	13.22%	-0.52%	13.38%	21.04%
Benchmark	1.63%	0.54%	7.66%	21.57%	0.54%	15.52%	21.52%
UK Gilts	0.14%	-6.31%	-5.97%	-4.77%	-6.31%	8.12%	10.67%
UK Equities	3.64%	5.13%	18.52%	27.18%	5.13%	8.90%	17.97%

Source: FE Analytics, 1st April

Asset Allocation

- MONEY MARKET (7.12%)
- UK FIXED INTEREST (22.53%)
- GLOBAL FIXED INTEREST (19.10%)
- OTHER NON-EQUITY (7.61%)
- PROPERTY (7.00%)
- UK EQUITY (10.19%)
- NORTH AMERICAN EQUITY (10.51%)
- OTHER INTERNATIONAL EQUITY (15.93%)

Equity 36.63% - Non-Equity 63.37%

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
1.85% per annum

Ongoing Strategy Charge
0.92% 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 the delivery of outcome and capital preservation at its core, which aims to achieve a return outcome of 5% per annum.

Market Outlook

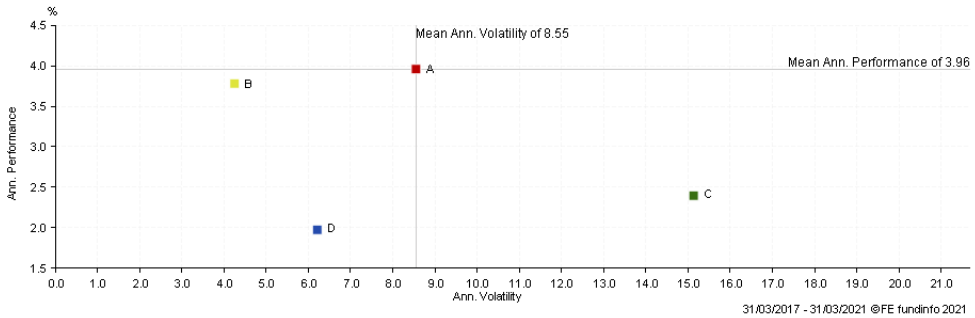
Having started the year on strong footing, global financial markets have experienced heightened volatility over the past two months, despite company and economic fundamentals continuing to improve. Although market conditions have remained fragile, the vaccine distribution programmes in both the US and UK have strengthened expectations of a robust recovery upon the release of pent-up demand, which has subsequently driven both inflation and interest rate expectations. As a result, investors have baked in these expectations into government bond yields, which have subsequently accelerated over February and March along with the outperformance of value over growth stocks. Towards the end of March, we have seen the lacklustre vaccination response from Europe, coupled with the rise of a third wave, add further short-term volatility to markets as investors consider the effects of potential virus mutations. Despite these factors, we see the portfolios benefitting going forward for a number of reasons. Bond yields appear to have levelled off, business surveys improved across the board in March, and although virus cases have risen in Europe, the majority of forecasts expect developed nations to achieve herd immunity by H2 2021. If further threats do arise, it is our view that markets will be reassured by accommodative policy makers and favourable market conditions.

As long-term investors, we view the recent market movements and events as short-term noise, with no changes to our underlying assumptions on the global recovery and market outlook. 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 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	AFI Cautious TR in GB	3.96	8.55
B	OBI ESG Cautious - Feb 2021 TR in GB	3.78	4.25
C	UK Psv UK Equities TR in GB	2.40	15.13
D	UK Psv UK Gilts TR in GB	1.98	6.21

Important Information

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