OBI Model Portfolio Cautious Balanced ESG

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

March 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 50.63**% in Equity** (Analytics, 1st March 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	-1.89%	2.58%	6.73%	14.88%	-0.89%	14.91%	26.64%
Benchmark	-2.19%	1.20%	5.31%	7.78%	-1.07%	12.07%	19.57%
UK Gilts	-5.51%	-5.22%	-4.48%	-3.01%	-6.41%	10.23%	10.54%
UK Equities	-0.69%	4.55%	11.61%	4.41%	1.60%	2.69%	14.01%

Source: FE Analytics, 1st March

Asset Allocation

- MONEY MARKET (2.41%)
- UK FIXED INTEREST (16.57%)
- GLOBAL FIXED INTEREST (14.80%)
- OTHER NON-EQUITY (10.86%)
- PROPERTY (6.49%)
- UK EQUITY (14.15%)
- NORTH AMERICAN EQUITY (11.62%)
- EUROPEAN EQUITY (9.53%)
- OTHER INTERNATIONAL EQUITY (13.55%)

Equity 48.85% - Non-Equity 51.15%

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
1.56% per annum

Ongoing Strategy Charge
0.90% 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@ocmwealthmanagement.co.uk
W: ocmwealthmanagement.co.uk

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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

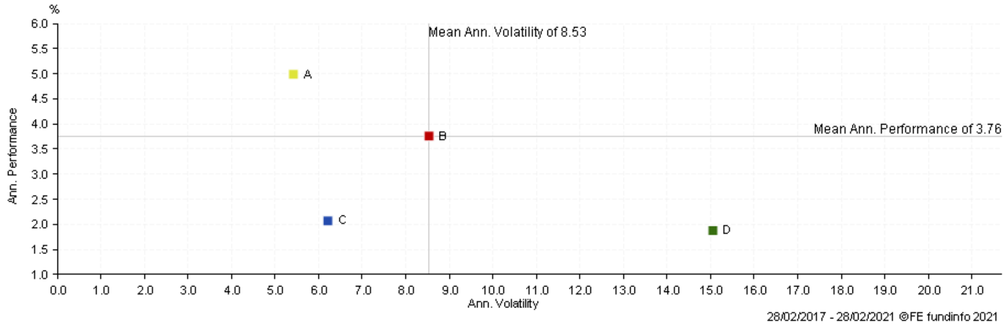
Despite some volatility throughout January, global equity markets started the year on strong footing, with risk assets experiencing a boost on an improving earnings outlook owing to mounting evidence of strong progress being made on the vaccination front. Although market conditions remain fragile through the first half of the year, the progress of vaccine distribution programmes in the US and UK have strengthened expectations of a robust economic recovery upon the release of pent-up demand, giving rise to increased inflation expectations as the year progresses. Investors have baked in expectations of elevated inflation this year, seen in the acceleration in government bond yields over the month, which has caused market participants to speculate about a sooner-than-expected rise in interest rates. This, in turn, has driven the outperformance of value versus growth stocks over February, albeit the outlook for both remains positive for 2021. Despite this, the inflationary pressures are likely to be transitory rather than permanent, suggesting the market has overreacted through the latest growth asset selloff. Market volatility is likely to remain high as early cycle dynamics unfold, however central banks are expected to maintain the same accommodative stance that they have outlined in recent meetings, with monetary policy expected to remain loose, and favourable financial conditions to remain in place.

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. 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	OBI ESG Cautious Balanced - Feb 2021 TR in GB	4.99	5.42
B	AFI Cautious TR in GB	3.76	8.53
C	UK Psv UK Gilts TR in GB	2.07	6.21
D	UK Psv UK Equities TR in GB	1.88	15.05

Important Information