

OBI Model Portfolio Cautious Balanced ESG



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 **52.27% in Equity** (Analytics, 1st November 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%	0.95%	4.38%	15.41%	7.23%	24.96%	37.58%
Benchmark	0.37%	1.00%	3.54%	15.80%	6.61%	20.67%	29.30%
UK Gilts	1.99%	-2.19%	1.28%	-3.91%	-4.75%	10.69%	12.31%
UK Equities	1.52%	3.42%	5.41%	35.03%	15.02%	16.64%	29.40%

Source: FE Analytics, 1st November

Asset Allocation

- MONEY MARKET (19.75%)
- UK FIXED INTEREST (13.17%)
- GLOBAL FIXED INTEREST (16.34%)
- OTHER NON-EQUITY (2.48%)
- PROPERTY (5.07%)
- UK EQUITY (15.81%)
- NORTH AMERICAN EQUITY (11.69%)
- EUROPEAN EQUITY (11.56%)
- OTHER INTERNATIONAL EQUITY (4.13%)

Equity 43.19% - Non-Equity 56.81%



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
1.59% 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 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

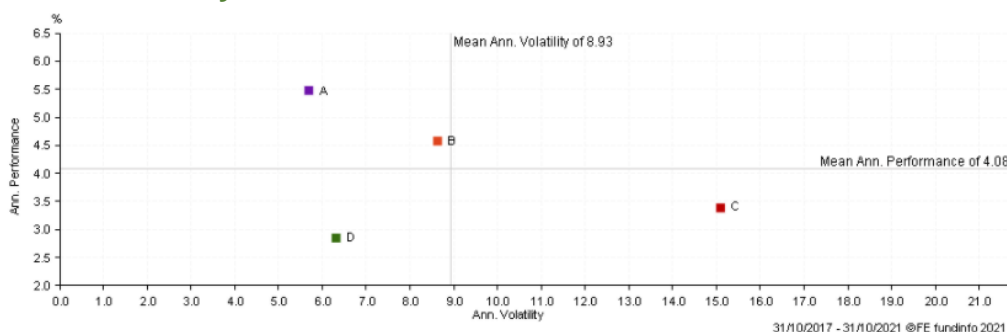
Following a strong performance in the first half of 2021, financial markets became increasingly turbulent towards the end of the third quarter, with decelerating global growth, policy speculation, mixed economic data flows and idiosyncratic events contributing to September's risk-off sentiment. This risk-off sentiment continued into October, a historically volatile month for equities, resulting in a 5% pullback in equity markets. Since this healthy price correction, we have witnessed equity market prices begin to improve, driven by a broadly positive third-quarter earnings season and the progression of President Biden's new social spending framework. While the recovery in risk asset prices over recent weeks is welcoming, we are cautious of financial market conditions in the short term, given the more hawkish tone taken by central banks as inflationary pressures surpass policymaker expectations. As a result, investors anticipate that November's monetary policy decisions from the Bank of England and the Federal Reserve could hold important implications for financial markets.

While the medium to long term outlook remains positive, we expect policy movements, the impact of supply chain issues and a slowing pace of recovery to contribute to uncertainty in the short term. Looking beyond November, we expect risk assets to recover towards the end of 2021 and beyond. Consequently, we will continue to watch incoming data and market sentiment closely to capitalise on attractive opportunities as short-term clarity improves.

ESG Focus & Positioning

While our long-term outlook remains positive, the material increase in short term risks and the recent jump in government bond yields has encouraged us to become more prudent, such that we have made several changes to the portfolios throughout September. We removed regional assets that were susceptible to elevated idiosyncratic risks, in addition to dialling down our equity and non-equity risk asset exposure. This has created elevated cash levels that are expected to provide sufficient protection and flexibility to navigate changes in the economic backdrop in the weeks ahead, and we will look to reposition the portfolio accordingly as we move into the next stage of the economic cycle.

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 - Sept 2021 TR in GB	5.48	5.89
B	AFI Cautious TR in GB	4.58	8.83
C	UK Psv UK Equities TR in GB	3.39	15.09
D	UK Psv UK Gilts TR in GB	2.85	6.31

Important Information

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