

# OBI Model Portfolio Cautious Balanced ESG



September 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 52.47% in **Equity** (Analytics, 1st September 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	2.69%	6.66%	10.06%	17.61%	9.08%	22.19%	39.38%
Benchmark	1.93%	4.50%	8.76%	15.09%	7.59%	17.44%	30.04%
UK Gilts	-0.57%	2.65%	3.50%	-0.99%	-3.17%	11.84%	14.08%
UK Equities	2.64%	3.19%	12.54%	26.13%	14.15%	9.89%	26.65%

Source: FE Analytics, 1st September

## Asset Allocation

- MONEY MARKET (8.54%)
- UK FIXED INTEREST (13.37%)
- GLOBAL FIXED INTEREST (18.25%)
- OTHER NON-EQUITY (3.75%)
- PROPERTY (5.06%)
- UK EQUITY (16.97%)
- NORTH AMERICAN EQUITY (13.33%)
- EUROPEAN EQUITY (12.84%)
- OTHER INTERNATIONAL EQUITY (7.89%)

Equity 48.97% - Non-Equity 51.03%



## 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**  
1.67% per annum

**Ongoing Strategy Charge**  
0.94% 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

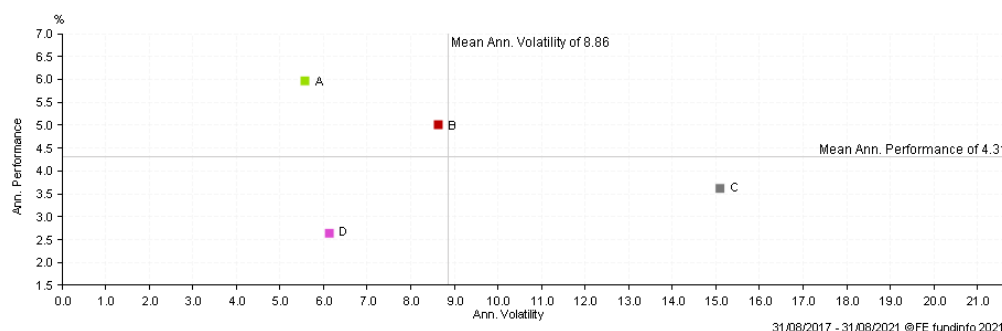
Since the start of 2021, despite continuing volatility over policy expectations, geopolitical tensions and the evolving Covid situation, many regions across the globe have seen a swift recovery in economic fundamentals, with risk assets performing strongly due to the improving growth outlook. Developed nations have led the global inoculation efforts, albeit other regions are catching up or due to catch up over the short-term, supporting their 2021 and 2022 GDP outlook. Over the past three months, we have observed strong equity and non-equity asset performance as inflation concerns waned, and the environment for risk assets remains supportive. Although we expect financial market volatility to rise over the remainder of 2021 due to tapering announcements, the evolving health situation, and the divergence of regional GDP growth rates, we remain optimistic about the return potential for the OBI portfolios given macroeconomic tailwinds over 2021 and beyond.

As long-term investors, we have viewed much of the excess volatility in 2021 as short-term noise, with no changes to our underlying assumptions on the global recovery and market outlook. Looking further ahead, although it is clear that volatility remains, as we enter the next stage of the cycle, we expect the OBI portfolios to increasingly benefit from active management and strong fund selection, taking advantage of regional and sectorial opportunities as they arise in the improving macroeconomic landscape.

## ESG Focus & Positioning

While risks remain, our high-level of portfolio diversification in terms of asset classes and geographies has helped to navigate excess market volatility and enhanced portfolio performance over the past three months, benefitting from the ongoing economic recovery. The portfolios are currently exceeding their annualised return targets and, given favourable macroeconomic tailwinds at this stage of the cycle, we remain confident that we can continue to drive portfolio outperformance through active management. As certain regions begin the early phase of the mid-economic cycle, we are considering a number of changes to the OBI portfolios at our upcoming Investment Committee Meeting in September, to reposition the portfolio as we move into the next stage of the 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	5.97	5.57
B	AFI Cautious TR in GB	5.01	8.83
C	UK Pav UK Equities TR in GB	3.82	15.09
D	UK Pav UK Glits TR in GB	2.84	6.13

## Important Information

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