

# OBI Model Portfolio Balanced ESG



## Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client whose is prepared to invest into equities for most of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater long-term returns. 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 75% 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 15% following a significant event and 8% in normal market conditions and to target an annualised total return averaged out over a full economic cycle (5 – 7 years) of 8% plus, 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 Balanced** noting that this benchmark currently holds **68.18% in Equity** (Analytics, 1st August 2022) 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	5 Years	Since Launch 01/11/16
OBI ESG Balanced	3.32%	1.51%	-0.47%	-3.89%	-7.69%	22.04%	25.06%	37.60%
Benchmark	4.76%	-2.12%	-4.12%	-6.51%	-9.15%	7.88%	19.38%	28.85%
UK Gilts	2.38%	-2.82%	-8.71%	-13.41%	-11.64%	-8.84%	-1.42%	0.74%
UK Equities	4.18%	-1.22%	-0.52%	4.83%	-0.65%	8.68%	18.88%	31.56%

Source: FE Analytics, 1st August

## Asset Allocation

- MONEY MARKET (20.98%)
- UK FIXED INTEREST (6.72%)
- GLOBAL FIXED INTEREST (15.61%)
- OTHER NON-EQUITY (1.79%)
- PROPERTY (5.25%)
- UK EQUITY (10.49%)
- NORTH AMERICAN EQUITY (24.33%)
- EUROPEAN EQUITY (10.56%)
- OTHER INTERNATIONAL EQUITY (4.27%)



Equity 49.65% - Non-Equity 50.35%

## 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 Balanced

**Inception Date**  
01 November 2016

**Historic Yield**  
1.64% per annum

**Ongoing Strategy Charge**  
0.31% per annum

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



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OBI ESG Balanced is a balanced portfolio with the delivery of the outcome and capital preservation at its core, which aims to achieve a return outcome of 8% per annum.

## Market Outlook

Market volatility has cooled alongside commodity prices in recent weeks as investors turn their focus to corporate earnings season to understand how rising input costs have affected corporate profitability. Equity markets recorded the most positive month since November 2020 as core inflation levels gradually declined in many developed economies suggesting that central banks may not have to hike rates as aggressively as first believed.

A cooling of commodity prices has coincided with a landmark deal between Russia and Ukraine which allows for safe passage of grain exports, reducing concerns surrounding food shortages which should reduce upside pressure on food prices and cool global inflation levels. Geopolitical tensions continue to support energy prices as Russia restricts gas flows into Europe via the Nord Stream pipeline which could affect Europe's ability to build up their gas reserves before the demand heavy winter period.

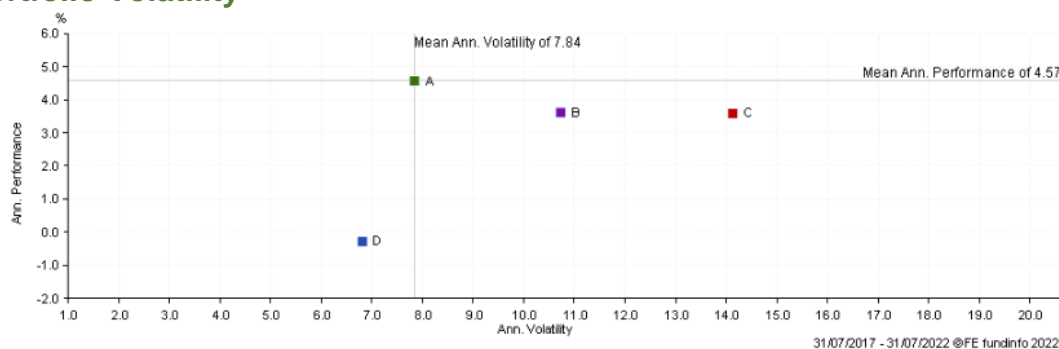
Moving forward, we expect central banks to continue their proposed rate hike cycles, although a slowing of core inflation may allow room to reduce the overall speed of these hikes. Economists will look for evidence that a recent fall in European core inflation was not an anomaly, as the EU continue to tackle rising energy prices which threaten disposable income levels and push the economy closer to a recession.

## ESG Focus & Positioning

After suffering their worst first-half of a year on record, corporate bond spreads have continued to widen in recent months, signalling an opportunity to gain exposure to these assets following a decline in valuations and take advantage of attractive yields over the long-term. After strong performance from our government debt exposure, we have decided to take some profit from this position and increase our exposure to corporate and high yield bonds across the portfolios as we push for a greater level of diversification as risk appetite strengthens.

Financial markets have continued to price in recessionary risks and inflationary expectations in previous months, driving European and UK equity prices to valuations which provide us with a more attractive re-entry point on a value at risk basis. We remain underweight in these areas against the benchmark in line with our expectations that short-term volatility is likely to continue, although it is our view that these valuations provide us with strong upside potential over the long term.

## Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 5 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 Balanced TR in GB	4.57	7.84
B	AFI Balanced TR in GB	3.61	10.73
C	UK Psv UK Equities TR in GB	3.58	14.13
D	UK Psv UK Gilts TR in GB	-0.28	8.81

## Important Information

All data in this document has been extracted from Analytics as at 1st August 2022. 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.