OBI Model Portfolio ESG 4

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

April 2023

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 **50.07% in Equity** (Analytics, 1st April 2023) 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 4	0.08%	1.49%	3.05%	-1.00%	1.49%	11.43%	11.59%	19.13%
Benchmark	-0.96%	0.96%	4.50%	-5.30%	0.96%	19.43%	13.49%	19.38%
UK Gilts	2.85%	1.88%	3.61%	-15.36%	1.88%	-23.49%	-13.14%	-11.10%
UK Equities	-2.90%	2.83%	12.29%	2.12%	2.83%	46.16%	25.27%	35.61%

Source: FE Analytics, 1st April

Asset Allocation

- MONEY MARKET (15.27%)
- UK FIXED INTEREST (16.14%)
- GLOBAL FIXED INTEREST (19.32%)
- OTHER NON-EQUITY (2.89%)
- PROPERTY (8.97%)
- UK EQUITY (8.64%)
- NORTH AMERICAN EQUITY (17.42%)
- EUROPEAN EQUITY (8.46%)
- OTHER INTERNATIONAL EQUITY (2.89%)

Equity 37.41% - Non-Equity 62.59%

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
2.64% per annum

Ongoing Strategy Charge
0.68% per annum

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

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OBI ESG 4 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

In March, concerns over the stability of the financial sector dampened investor sentiment, as the collapse of Silicon Valley Bank and Credit Suisse caused some investors to fear that the Federal Reserve had raised interest rates too quicky. Despite recessionary fears falling back into focus, investor's concerns have been eased somewhat, as the state-backed UBS takeover of Credit Suisse and the dismantling and subsequent selling of SVB has eased concerns of broader contagion into other banks and financial markets. Whilst there is a risk that more banks will face pressure from higher interest rates, it remains our view that systemic risk is low, noting that the recent issues had resulted from key failures within the banks themselves.

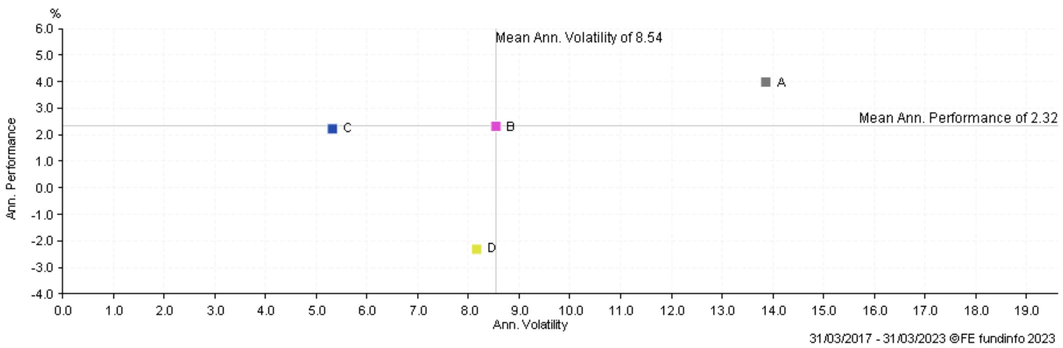
As recessionary fears came back into focus, oil markets saw declines as expectations for weaker demand fed through into wholesale prices. In response, OPEC announced a surprise cut to production of over 1 million barrels per day beginning next month, in what it says is a move to stabilise prices in the oil market. The announcement caused prices of crude oil to break above $80 per barrel, marking a rally of circa 7%. Whilst this has led investors to reassess their outlooks for global inflation, it remains our view that inflation is expected to decline significantly throughout this year, with the recent rise in crude oil only adding minor headwinds to inflationary pressures throughout developed markets.

ESG Focus & Positioning

Following the recent concerns over financial stability, we have taken advantage of a spike in US government bond prices to remove our direct exposure to these assets within the portfolios, noting that uncertainties surrounding the US debt ceiling may weigh on the performance of these assets as we move towards the summer. In turn, removing this exposure also reduces our exposure to the US dollar, which over the long term we continue to expect to weaken against sterling as the Fed nears the end of its tightening cycle.

Moving forward, we remain cautiously optimistic for portfolio returns in 2023, as we expect cooling inflationary pressures and the end of central bank's tightening cycles to provide investors with a sense of clarity on the economic outlook, which in turn is expected to support asset prices. Whilst we expect volatility to remain in the near-term, with Q1 earnings season in the US a key focus point for how inflation has affected corporate profitability, our selective approach to asset allocation and a focus on quality and yield in our view best positions the portfolios to navigate near-term uncertainties.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	3.99	13.86
B	AFI Cautious TR in GB	2.32	8.54
C	OBI ESG 4 TR in GB	2.22	5.32
D	UK Psv UK Gilts TR in GB	-2.31	8.16

This scatter chart reflects annualised volatility and return in GBP over the past 6 years. Over the long term, we would expect the portfolio to exhibit a lower level of volatility than the benchmark.

Important Information

All data in this document has been extracted from Analytics as at 1st April 2023. 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.

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