OBI Model Portfolio ESG Balanced (Formerly ESG 7)

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

October 2023

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 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 **65.09% in Equity** (Analytics, 1st October 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 Balanced	-0.67%	-0.81%	-0.52%	4.46%	1.60%	11.59%	17.50%	35.12%
Benchmark	-0.51%	0.08%	-0.07%	4.80%	0.92%	6.73%	10.16%	26.42%
UK Gilts	-0.93%	-0.68%	-6.20%	-2.82%	-4.45%	-29.14%	-17.23%	-16.60%
UK Equities	1.56%	1.91%	1.20%	13.67%	4.09%	37.89%	17.45%	37.24%

Source: FE Analytics, 1st October

Asset Allocation

- MONEY MARKET (9.31%)
- UK FIXED INTEREST (23.70%)
- GLOBAL FIXED INTEREST (10.98%)
- OTHER NON-EQUITY (2.64%)
- PROPERTY (4.59%)
- UK EQUITY (19.54%)
- NORTH AMERICAN EQUITY (12.16%)
- EUROPEAN EQUITY (9.80%)
- ASIAN EQUITY (4.64%)
- OTHER INTERNATIONAL EQUITY (2.64%)

Equity 48.78% - Non-Equity 51.22%

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
3.16% per annum

Ongoing Strategy Charge
0.68% per annum

Volatility
8.21%

Max Loss
-9.14%

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

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defaqto 6 RISK RATING BALANCED GROWTH

defaqto EXPERT RATED ★★★★★ 2023

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Market Outlook

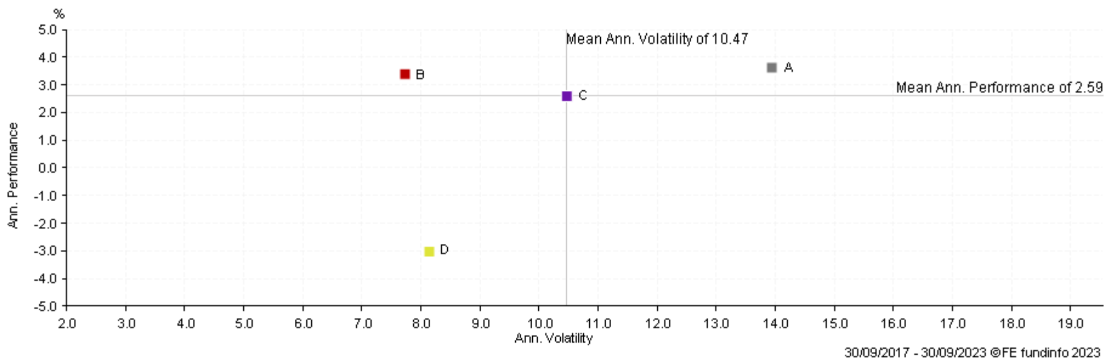
Throughout September, investor sentiment fluctuated between optimism that central banks had largely reached their expected peak interest rates and a more cautious view that rising oil prices may weigh on inflationary pressures, meaning rates may need to stay higher for longer. Several interest rate decisions throughout the month, led to further volatility as investors looked for clues on future policy, however whilst the ECB signalled a future pause, and the Fed and Bank of England leaving rates unchanged, an outlook of higher for longer rates weighed on risk appetite.

As we move into the final quarter of the year, we remain somewhat cautious towards equities ahead of upcoming corporate earnings. With equity markets cooling over the month, we believe that there remains a high level of optimism priced into valuations and therefore expect some further weakness moving into the end of the year, with corporate earnings expected to show a weakening of profitability. Although we expect upside potential in equities to be limited in the near-term, it is our view that there remains well positioned, attractively priced areas of the market, particular in more defensive sectors where resilient balance sheets provide both a strong dividend yield and resilience to rising interest rates. Over the longer-term, we believe any equity weakness presents us the opportunity to increase our exposure at more attractive prices, which we believe can drive positive portfolio returns throughout 2024 as macro headwinds continue to ease.

ESG Focus & Positioning

With expectations for further short-term weakness, the portfolios maintain a more cautious asset allocation, taking advantage of the higher interest rates on cash and cash-like securities, whilst holding an overweight position to government debt. Despite bond yields moving higher over the month, driven by the "higher for longer" outlook, it remains our view that developed market economies are showing signs of weakness, and therefore we expect inflationary pressures and bond yields to fall moving forward. The portfolios remain underweight towards equities, hwoever the remaining equity exposure favours more defensive positioning in areas of the market that in our view are both attractively priced, and well positioned to weather any economic weakness. In the near-term we expect volatility to persist but believe the more defensive positioning of the portfolios will allow us to generate a positive return in this environment and when taking a longer-term view, we believe risk assets will forge a strong recovery as macroeconomic headwinds clear. Therefore, we believe it is vital to remain agile in our approach to asset allocation in order to capture the strongest opportunities as they arise.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	3.62	13.94
B	OBI ESG Balanced TR in GB	3.39	7.73
C	AFI Balanced TR in GB	2.59	10.47
D	UK Psv UK Gilts TR in GB	-3.02	8.14

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 October 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. Annualised Volatility and Max Loss Figures as detailed by FE Analytics over 5 years to period, where max loss represents the worst running return.

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