

# OBI Model Portfolio Balanced (Formerly OBI 7)

## Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a medium degree of risk by investing a larger portion of their overall portfolio into equities, whilst maintaining a balance between risk and reward. 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 primary objective of this portfolio is to achieve a long-term total return and income above the Bank of England's base rate and generate growth in real terms (above inflation) over the medium term which is materially higher than the long-term return on cash, after fees and costs. The asset allocation within this portfolio will vary between a benchmark of 0% equity and 65% equity on average to achieve the portfolio objectives, provided economic conditions permit. This portfolio has a capital preservation mandate of 100% in order to protect investors and mitigate volatility during severe market events, however, the portfolio may also hold 15% in core, long term assets which may be less liquid in nature, such as investment trusts, meaning portfolio volatility is likely to be higher than the more cautious models. The recommended time-horizon for this portfolio is a minimum of 5 years.

## 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	7 Years	Since Launch 16/02/2007
<b>OBI Balanced Portfolio</b>	-0.18%	0.61%	1.05%	5.70%	3.24%	16.40%	14.53%	33.93%	226.64%
<b>Benchmark</b>	-0.51%	0.08%	-0.07%	4.80%	0.92%	6.73%	10.16%	28.32%	95.73%
<b>UK Gilts</b>	-1.21%	-0.95%	-6.46%	-3.09%	-4.45%	-29.34%	-17.46%	-20.51%	43.74%
<b>UK Equities</b>	1.46%	1.81%	1.10%	13.56%	4.09%	37.75%	17.33%	38.30%	100.31%

Source: FE Analytics, 1st October

## Asset Allocation

- MONEY MARKET (8.45%)
- UK GILTS (17.00%)
- UK FIXED INTEREST (2.18%)
- GLOBAL FIXED INTEREST (15.05%)
- OTHER NON-EQUITY (1.33%)
- PROPERTY (6.90%)
- COMMODITY & ENERGY (5.12%)
- UK EQUITY (18.32%)
- NORTH AMERICAN EQUITY (10.15%)
- EUROPEAN EQUITY (8.11%)
- ASIAN EQUITY (4.51%)
- OTHER INTERNATIONAL EQUITY (2.88%)

Equity 49.09% - Non-Equity 50.91%



## 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

16 February 2007

### Historic Yield

3.53% per annum

### Ongoing Strategy Charge

0.48% per annum

### Volatility

8.18%

### Max Loss

-9.71%

### Rebalancing Frequency

Quarterly (or as required as per the OBI strategy)



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## Market Outlook

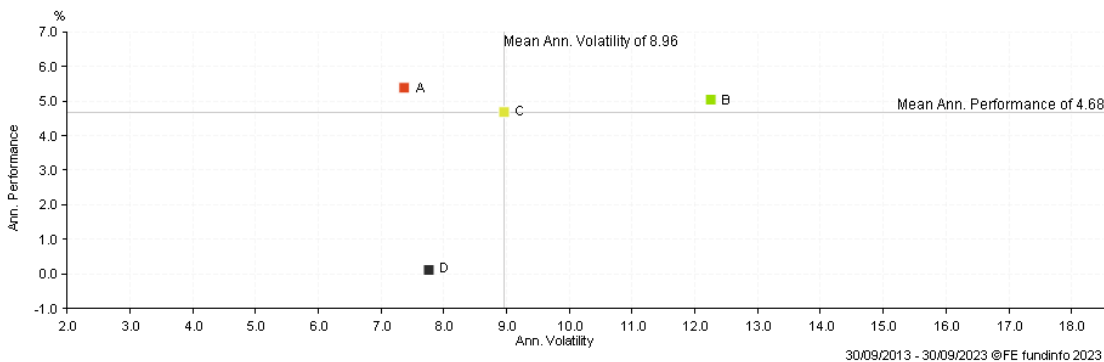
Throughout September, investor sentiment fluctuated between optimism that central banks had largely reached their expected peak interest rates and a more cautious view that rising oil prices may weigh on inflationary pressures, meaning rates may need to stay higher for longer. Several interest rate decisions 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.

## Portfolio 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, however 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



This scatter chart reflects annualised volatility and return in GBP over the past 10 years. Over the long term, we would expect the OBI portfolio to exhibit a lower level of volatility than the benchmark.

Key	Name	Annualised Performance	Annualised Volatility
A	OBI Balanced TR in GB	5.38	7.37
B	UK Psv UK Equities TR in GB	5.04	12.25
C	AFI Balanced TR in GB	4.68	8.96
D	UK Psv UK Gilts TR in GB	0.13	7.76

## 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 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.