OBI Model Portfolio ESG Balanced (Formerly ESG 7)

OCM Asset Management
Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

December 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 **64.81% in Equity** (Analytics, 1st December 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.

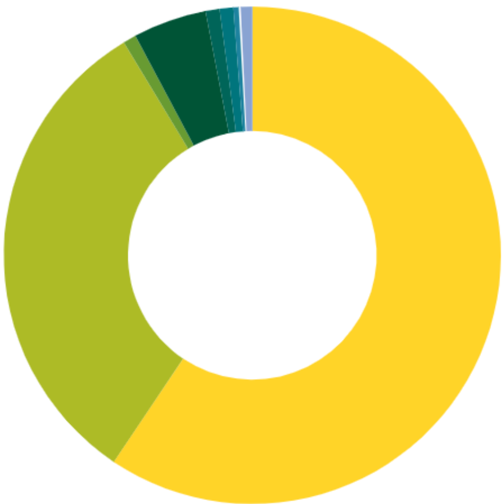
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	Since Launch 01/11/16
OBI ESG Balanced	0.89%	-0.91%	-0.47%	-0.24%	1.35%	5.72%	22.53%	34.68%
Benchmark	4.26%	0.79%	1.58%	1.54%	2.25%	1.96%	16.87%	28.13%
UK Gilts	3.22%	2.06%	1.86%	-5.59%	-1.81%	-26.26%	-14.36%	-14.53%
UK Equities	3.16%	0.32%	0.98%	1.58%	2.83%	24.94%	24.47%	36.52%

Source: FE Analytics, 1st December

Asset Allocation

- MONEY MARKET (59.40%)
- UK FIXED INTEREST (31.96%)
- GLOBAL FIXED INTEREST (0.85%)
- PROPERTY (4.78%)
- UK EQUITY (0.91%)
- NORTH AMERICAN EQUITY (0.88%)
- EUROPEAN EQUITY (0.34%)
- ASIAN EQUITY (0.13%)
- OTHER INTERNATIONAL EQUITY (0.75%)



Equity 3.01% - Non-Equity 96.99%

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
4.49% per annum

Ongoing Strategy Charge
0.16% per annum

Volatility
7.95%

Max Loss
-9.14%

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

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Market Outlook

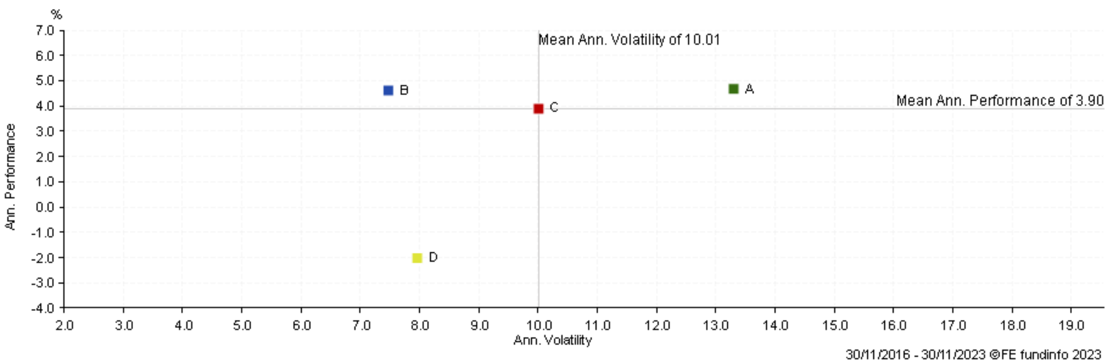
Following a difficult October in which conflict in the Middle East and concerns over higher for longer interest rates weighed on sentiment, global equity indices rebounded over the month following a decline in inflation within key developed economies, boosting bets of a ‘soft landing’. China’s equity market was the sole outlier, facing headwinds over the month as their property market continued to dampen sentiment, with the People’s Bank of China pushing lenders to support the ailing property sector. Moving forward, we remain cautious towards equities, noting that we still see a number of near-term headwinds that could dampen current valuations.

As Q3 earnings season winds down, investors have turned their attention to economic data releases over the month with inflation data back in focus. With key central banks now in ‘wait and see’ mode with regards to their next steps, the downside surprise to both US and UK inflation reports drove expectations that the next move in interest rates would likely be lower. UK inflation was driven lower as the OFGEM Energy Price cap fed through into a sharp decline in energy price inflation, whilst inflation in the US also declined on the back of the recent drop in gasoline prices. These declines raised hopes that central banks would not be required to further raise rates any further, which led to a rally in fixed income markets as investors readjusted their expectations for interest rates in the coming year.

ESG Focus & Positioning

Noting that we expect to see further weakness in equity markets in the near-term, we remain in capital preservation mode and are keen to avoid taking excess risk within the portfolios when the returns available on lower risk assets such as government debt and cash is so attractive. As such, earlier in November, we took the decision to further increase our exposure to UK government debt within the portfolios as it remains our view that government bonds are currently the most attractive assets when looking at upside potential against downside risk, noting that economic data continues to support the view that central banks will be able to cut interest rates next year which is expected to support bond prices. Having suffered one of their worst years on record in 2022, we believe that UK Government debt remains cheap, and therefore we have added further exposure into the portfolio from ESG Moderately Cautious to ESG Balanced Growth, taking bond exposure within these models to 28% - 37.50%. In ESG, this exposure remains unchanged at 18%.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 7 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	UK Psv UK Equities TR in GB	4.68	13.30
B	OBI ESG Balanced TR in GB	4.62	7.47
C	AFI Balanced TR in GB	3.90	10.01
D	UK Psv UK Gilts TR in GB	-2.02	7.96

Important Information

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