OBI Model Portfolio ESG Balanced Growth (Formerly ESG 8)

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 who is prepared to take a medium to large 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 on this portfolio will vary between a benchmark of 0% equity and 75% 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 25% 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. As per our ESG mandate, the underlying holdings in this portfolio are subject to negative screens, to exclude companies within "sin sectors". 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 **64.81% in Equity** (Analytics, 1st December 2023) and is therefore less 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.

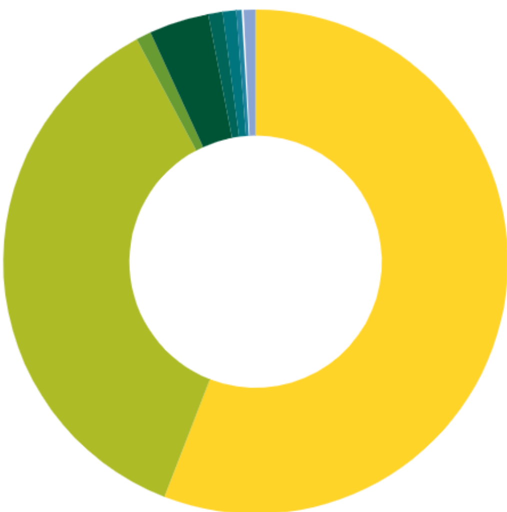
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	Since Launch 29/11/2022
OBI ESG Balanced Growth	0.83%	-0.99%	-0.64%	-0.45%	1.14%	-	-	-0.04%
Benchmark	4.26%	0.79%	1.58%	1.54%	2.25%	1.96%	16.87%	1.68%
UK Gilts	3.22%	2.06%	1.86%	-5.59%	-1.81%	-26.26%	-14.36%	-6.16%
UK Equities	3.16%	0.32%	0.98%	1.58%	2.83%	24.94%	24.47%	2.03%

Source: FE Analytics, 1st December

Asset Allocation

- MONEY MARKET (55.88%)
- UK GILTS (36.32%)
- GLOBAL FIXED INTEREST (0.96%)
- PROPERTY (3.83%)
- 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
29 November 2022

Historic Yield
4.41% per annum

Ongoing Strategy Charge
0.16% per annum

Volatility
3.74% (1 Year)

Max Loss
-2.18% (1 Year)

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

Jason Stather-Lodge

Founder/CEO/CIO

Georgina Stone

Deputy CIO

Contact Us

OCM Wealth Management Limited
St Clair House, 5 Old Bedford Road,
Northampton, NN4 7AA
T: 01604 621467
E: info@ocmwealthmanagement.co.uk
W: ocmwealthmanagement.co.uk

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Market Outlook

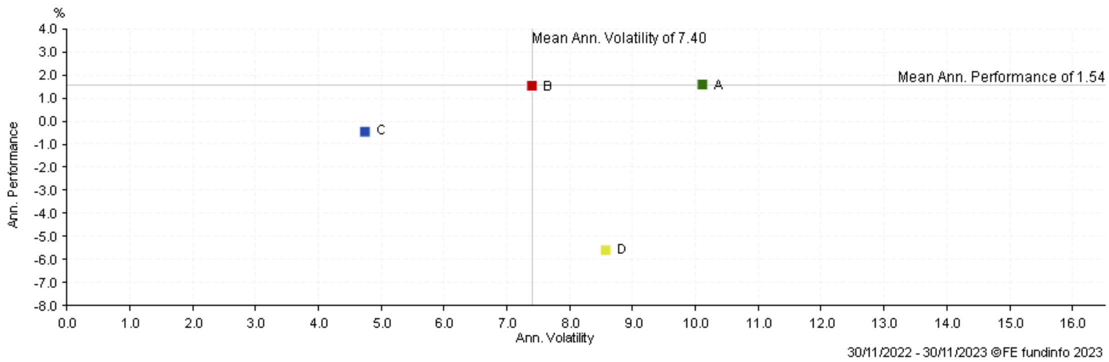
Following a difficult October in which conflict in the Middle East and concerns over higher for longer interest rates weighed on sentiment, global equity indices rebounded over the month following a decline in inflation within key developed economies, boosting bets of a 'soft landing'. China's equity 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 volatility and return in GBP over the past year. 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	1.58	10.11
B	AFI Balanced TR in GB	1.54	7.40
C	OBI ESG Balanced Growth TR in GB	-0.45	4.74
D	UK Psv UK Gilts TR in GB	-5.59	8.57

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 6 months to period, where max loss represents the worst running return.