

# OBI Model Portfolio ESG Balanced (Formerly ESG 7)

## Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a small degree of risk by investing a small portion of their overall portfolio into equities. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry low market risks 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 higher than the long-term return on cash, after fees and costs. This portfolio can take up to 65% of the risk of investing in the global equity market, as measured by the worst expected loss and annualised volatility of returns. 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. As per our ESG mandate, the underlying holdings in this portfolio are subject to negative screens, to exclude companies within "sin sectors".

## Management

The benchmark we use for comparison purposes for volatility is **AFI Balanced** noting that this benchmark currently holds **64.74% in Equity** (Analytics, 1st February 2024) 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.

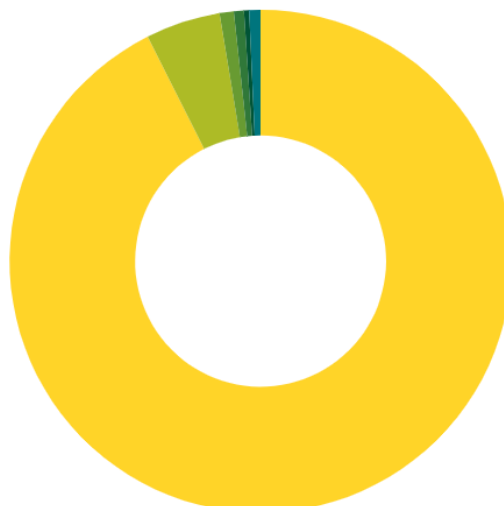
## Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	Since Launch 01/11/16
<b>OBI ESG Balanced</b>	0.20%	2.86%	-0.46%	0.46%	0.20%	4.27%	25.10%	37.43%
<b>Benchmark</b>	-0.67%	8.36%	3.43%	2.51%	-0.67%	3.43%	22.30%	33.13%
<b>UK Gilts</b>	-2.52%	5.59%	3.94%	-1.78%	-2.52%	-24.62%	-15.23%	-12.16%
<b>UK Equities</b>	-1.13%	6.84%	1.61%	2.38%	-1.13%	25.92%	28.52%	40.39%

Source: FE Analytics, 1st February

## Asset Allocation

- MONEY MARKET (92.45%)
- PROPERTY (4.80%)
- UK EQUITY (0.91%)
- NORTH AMERICAN EQUITY (0.65%)
- EUROPEAN EQUITY (0.33%)
- ASIAN EQUITY (0.13%)
- OTHER INTERNATIONAL EQUITY (0.73%)



Equity 2.75% - Non-Equity 97.25%

## 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

4.86% per annum

### Ongoing Strategy Charge

0.22% per annum

### Volatility

7.97%

### Max Loss

-9.14%

### Rebalancing Frequency

Quarterly (or as required as per the OBI strategy)



**Jason Stather-Lodge**

Founder/CEO/CIO



**Georgina Stone**

Deputy CIO

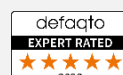
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## Market Outlook

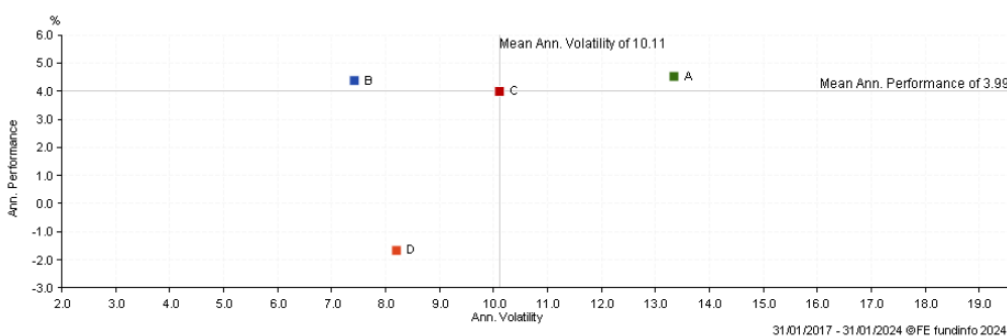
Financial markets kicked off 2024 on a more cautious footing as investors were forced to reconsider their expectations for interest rate cuts over the coming year, following strong economic data out of the US and a more hawkish tone from the Federal Reserve. With US earnings season in full swing, large-cap tech names have so far reported mixed results, with Microsoft and Alphabet both reporting positive earnings, although investors continue to weigh the significant cost implications surrounding the rollout of generative AI alongside its potential to drive innovation. With these key tech companies making up an extensive portion of the US index, we have witnessed particularly volatile conditions in equity markets throughout the start of 2024, which as a result of our defensive positioning, we have happily avoided. Upcoming earnings reports are expected to provide further insight into how corporate profitability has been impacted by the rapid increase in interest rates.

Looking ahead, geopolitical tensions remain high, whilst the full impact of Central Bank's tightening cycles are yet to be felt, however over the medium to long-term, we expect an environment of lower inflation and declining interest rates to facilitate a more supportive investment environment. We therefore remain more optimistic for risk asset returns in the second half of the year and beyond as key macroeconomic headwinds continue to ease, however with current valuations appearing stretched, we remain cautious of downside risk in the near term.

## ESG Focus & Positioning

After taking profit on our government debt holdings in December, we have continued to maintain our overweight exposure to money market assets as we remain in capital preservation mode, noting the headwinds outlined above. The attractive yields on these assets have allowed us to generate stable returns without the need to take excessive risk within the portfolios as we watched the market volatility from a position of safety. With risks to equity valuations in our view skewed to the downside, we continue to favour yielding assets in the near-term, whilst our exposure to commodities in our view provides a sufficient layer of protection to the portfolios in the event of a significant escalation of geopolitical tensions. We appreciate that potential rate cuts this year will gradually diminish the returns available on cash assets, therefore, we continue to monitor opportunities on a value at risk basis, as we look for attractively priced opportunities that we believe will outperform cash over the course of 2024.

## 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	4.53	13.34
B	OBI ESG Balanced TR in GB	4.38	7.42
C	AFI Balanced TR in GB	3.99	10.11
D	UK Psv UK Gills TR in GB	-1.66	8.20

## Important Information

All data in this document has been extracted from Analytics as at 1st February 2024. 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.