OBI Model Portfolio ESG Cautious (Previously ESG 4)

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

February 2024

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 35% 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%, the portfolio allocation may be held solely in cash and cash-like securities during severe market events, in order to protect investor capital and mitigate volatility. The recommended time-horizon for this portfolio is a minimum of 3 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 Cautious** noting that this benchmark currently holds **50.65% 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.

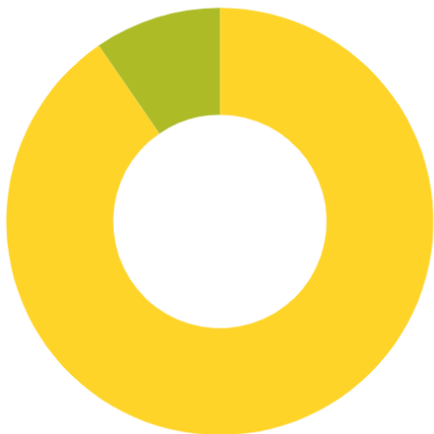
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	Since Launch 01/11/16
OBI ESG Cautious	0.44%	2.32%	0.32%	0.32%	0.44%	-0.38%	13.58%	20.37%
Benchmark	-0.47%	7.45%	3.90%	3.08%	-0.47%	4.25%	17.98%	25.55%
UK Gilts	-2.52%	5.59%	3.94%	-1.78%	-2.52%	-24.62%	-15.23%	-12.16%
UK Equities	-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 (90.42%)
PROPERTY (9.58%)



Equity 0.00% - Non-Equity 100%

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 Cautious

Inception Date
01 November 2016

Historic Yield
4.80% per annum

Ongoing Strategy Charge
0.25% per annum

Volatility
5.53%

Max Loss
-7.03%

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

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Market Outlook

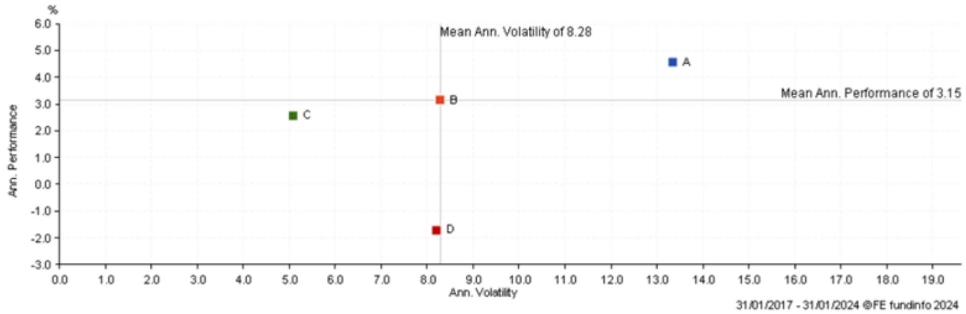
Financial markets kicked off 2024 on a more cautious footing as investors were forced to reconsider their expectations for interest rate cuts over the coming year, following strong economic data out of the US and a more hawkish tone from the Federal Reserve. With US earnings season in full swing, large-cap 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



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	4.56	13.34
B	AFI Cautious TR in GB	3.15	8.28
C	OBI ESG Cautious TR in GB	2.56	5.08
D	UK Psv UK Gilts TR in GB	-1.71	8.20

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.

Important Information