OBI Model Portfolio ESG Moderately Cautious

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

March 2024

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a moderate degree of risk through investing in equities. 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 moderately higher than the long-term return on cash, after fees and costs. This portfolio can take up to 50% 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 investors and mitigate volatility. The recommended time-horizon for this portfolio is a minimum of 4 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 **50.30% in Equity** (Analytics, 1st March 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.

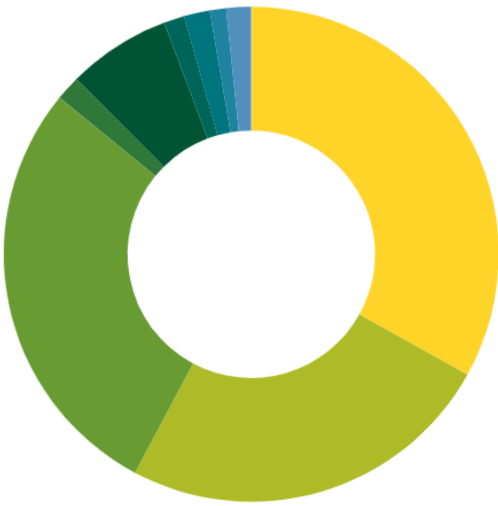
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	Since Launch 01/11/16
OBI ESG Moderately Cautious	-0.19%	1.58%	1.26%	1.07%	0.01%	1.91%	17.96%	29.06%
Benchmark	0.41%	3.98%	5.29%	4.58%	-0.07%	5.43%	17.53%	26.06%
UK Gilts	-1.17%	1.47%	3.17%	0.47%	-3.66%	-21.41%	-15.50%	-13.19%
UK Equities	-0.07%	3.49%	3.82%	0.48%	-1.20%	23.26%	25.79%	40.29%

Source: FE Analytics, 1st March

Asset Allocation

- MONEY MARKET (33.08%)
- UK GILTS (24.71%)
- GLOBAL FIXED INTEREST (28.11%)
- OTHER NON-EQUITY (1.62%)
- PROPERTY (6.75%)
- UK EQUITY (1.34%)
- NORTH AMERICAN EQUITY (1.71%)
- EUROPEAN EQUITY (1.06%)
- OTHER INTERNATIONAL EQUITY (1.62%)



Equity 5.73% - Non-Equity 94.27%

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
4.54% per annum

Ongoing Strategy Charge
0.39% per annum

Volatility
6.44%

Max Loss
-7.64%

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

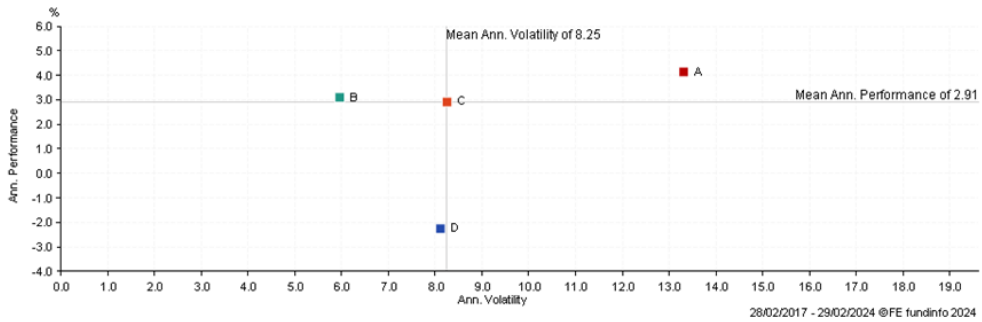
Despite interest rates remaining elevated, key US large-cap tech names drove equity indices broadly higher over the month with the US equity market outperforming its peers. Tech giant Nvidia, which has remained a key player in the AI driven boom in equity valuations, reported robust earnings which came in above already lofty expectations, reigniting the recent euphoria within tech markets. With key names accounting for a significant portion of their respective indices, recent earnings reports have had the potential to rock equity markets as investors were braced for potential 11% swing in Nvidia's share price following their earnings announcement, a move which could have had a huge impact on the index as well as wider sentiment. Whilst our defensive positioning has meant that we have missed out on some of the upside within equity markets over the month, we are happy to avoid any short-term turbulence within equity markets given our view that there is limited upside potential and greater downside risks.

Fixed income markets struggled for direction over February as policymakers urged for patience, with investors awaiting a clear signal regarding the outlook for monetary policy in the coming months. An upside surprise in US inflation data and ongoing strength within labour markets meant that bond yields remained volatile over the month, with investors dialling back recent optimism of immediate rate cuts. Our outlook for fixed income remains positive, noting that economic data remains supportive of rate cuts to emerge this year and although we currently believe that equity markets are expensive, an easing of monetary policy should provide a more supportive investment environment for equities, where are expecting to see more attractive long-term opportunities emerge later in 2024.

ESG Focus & Positioning

After a paring back of bets surrounding the prospect of imminent interest rate cuts, a rise in global bond yields at the start of this year provided what we believe is an attractive entry point within fixed income markets. As we look to focus on yield and quality within our portfolios during a period of elevated volatility, we have added a blend of corporate and government exposure, with a high conviction holding towards longer duration gilts which look well positioned to deliver attractive returns in the short to medium term. Following these changes, the portfolios now hold between 10% and 40% in cash and money market funds (with weightings reducing as risk increases throughout the portfolio range), 50% - 80% in fixed income (with weightings increasing as risk increases throughout the portfolio range), as well as the long-term holdings in property, and infrastructure assets which we believe continue to offer attractive hedges to the current geopolitical situation. We feel this positioning is the most suitable course of action given our concerns about the short-term outlook for equities, with fixed income assets in our view possessing more attractive risk to reward profiles given expectations for central banks to cut in coming months.

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	4.14	13.31
B	OBI ESG Moderately Cautious TR in GB	3.10	5.96
C	AFI Cautious TR in GB	2.91	8.25
D	UK Psv UK Gilts TR in GB	-2.25	8.11

Important Information

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