OBI Model Portfolio ESG Balanced

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

May 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 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 **68.82% in Equity** (Analytics, 1st May 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 Balanced	-2.06%	-0.14%	2.72%	0.49%	0.06%	0.12%	24.03%	37.17%
Benchmark	-0.31%	3.65%	12.32%	8.32%	2.96%	2.53%	19.86%	37.99%
UK Gilts	-2.67%	-1.97%	3.51%	-1.37%	-4.43%	-22.44%	-17.53%	-13.82%
UK Equities	2.55%	7.01%	14.33%	7.68%	5.80%	22.70%	27.76%	50.24%

Source: FE Analytics, 1st May

Asset Allocation

- MONEY MARKET (24.53%)
- UK GILTS (34.33%)
- GLOBAL FIXED INTEREST (18.66%)
- UK FIXED INTEREST (9.50%)
- OTHER NON-EQUITY (1.60%)
- PROPERTY (4.60%)
- UK EQUITY (1.64%)
- NORTH AMERICAN EQUITY (2.19%)
- OTHER INTERNATIONAL EQUITY (2.96%)

Equity 6.79% - Non-Equity 93.21%

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
3.50% per annum

Ongoing Strategy Charge
0.36% per annum

Volatility
8.08%

Max Loss
-9.14%

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

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defaqto 6 RISK RATING BALANCED GROWTH

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Market Outlook

Investor sentiment soured over the month of April as economic data out of the US saw investors push back expectations for interest rate cuts on a global scale, lifting global government bond yields higher whilst US equities suffered their worst month of the year. Despite the US Federal Reserve leaving interest rates on hold as expected, focus turned to the hotter-than-expected inflation data which fed into a turbulent month for financial markets.

Within equity markets, US earnings season has seen a divergence between consumer facing names which have pointed to a weakening in consumer spending as households become more cautious, whilst key large-cap tech names have continued to benefit from the ongoing euphoria surrounding generative AI. Volatility has remained a consistent theme across recent earnings reports as both earnings beats and misses have resulted in sharp swings in share price, often feeding into wider sentiment given the current index concentration towards large tech names.

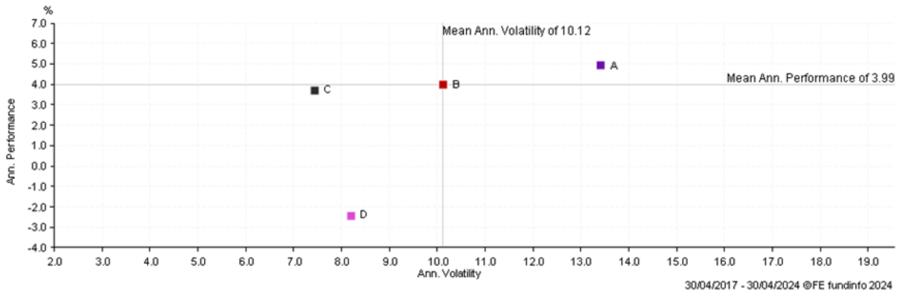
Fixed income markets have also faced significant volatility over the month, as US economic growth and inflation data resulted in a paring back of expectations regarding potential rate cuts from the US Federal Reserve. Whilst global bond yields moved higher over the month in tandem with US markets, we continue to believe that the short-term outlook for fixed income assets remains positive, particularly in the UK as inflation data becomes more supportive of a pivot towards rate cuts from the Bank of England.

ESG Focus & Positioning

Whilst fixed income markets have remained volatile over the year to date as economic data releases continue to feed into sentiment, the more attractive inflation backdrop in the UK and Europe in comparison to the US reinforces our high conviction positioning towards UK bonds. Whilst UK Gilt yields moved higher in tandem with their US counterparts over the month, it remains our belief that the long-dated Gilt exposure positioned to deliver strong risk-adjusted returns as a further decline of inflation towards the BoE's 2% target provides the backdrop for interest rate cuts over the summer.

Our current positioning reflects the more attractive value at risk profile within fixed income markets relative to equities and is a contrarian position, with UK government debt in our view offering the most upside potential against limited downside risk. Our positive outlook for fixed income assets in our view reduces the need to take excessive risk within the OBI portfolios. With broad equity valuations remaining somewhat stretched, we remain cautious as to the potential downside risk facing US equities in particular, with economic data pointing to a slowdown in economic growth which we believe leaves US equity markets susceptible to a sell-off.

Portfolio Volatility



Key	Name	Annualised Performance	Annualised Volatility
A	UK Psv UK Equities TR in GB	4.95	13.41
B	AFI Balanced TR in GB	3.99	10.12
C	OBI ESG Balanced TR in GB	3.70	7.44
D	UK Psv UK Gilts TR in GB	-2.44	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

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