

# OBI Model Portfolio Cautious



## 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.

## Management

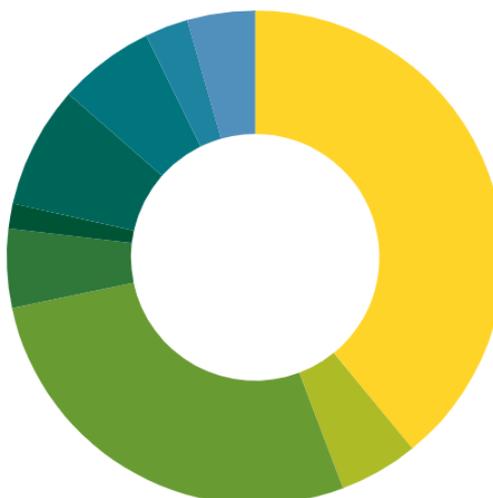
The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **49.64% in Equity** (Analytics, 1st June 2024) and is therefore more aggressive than this portfolio. The benchmark also has no capital preservation mandate. It would therefore be 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 | 7 Years | Since Launch 01/06/2009 |
|-------------------------------|---------|----------|----------|-----------|--------|---------|---------|---------|-------------------------|
| <b>OBI Cautious Portfolio</b> | 0.49%   | 1.75%    | 3.27%    | 4.64%     | 1.62%  | 0.27%   | 12.85%  | 10.95%  | 128.44%                 |
| <b>Benchmark</b>              | 1.05%   | 3.05%    | 7.15%    | 9.06%     | 2.98%  | 4.39%   | 18.16%  | 22.71%  | 127.17%                 |
| <b>UK Gilts</b>               | 0.36%   | -0.45%   | 1.02%    | 2.51%     | -4.09% | -22.40% | -19.34% | -16.18% | 30.90%                  |
| <b>UK Equities</b>            | 2.39%   | 9.64%    | 13.46%   | 14.58%    | 8.33%  | 23.91%  | 35.11%  | 37.72%  | 200.77%                 |

## Asset Allocation

- MONEY MARKET (34.80%)
- UK FIXED INTEREST (4.58%)
- GLOBAL FIXED INTEREST (25.45%)
- UK GILTS (14.58%)
- OTHER NON-EQUITY (1.47%)
- PROPERTY (7.11%)
- UK EQUITY (5.59%)
- NORTH AMERICAN EQUITY (2.50%)
- OTHER INTERNATIONAL EQUITY (3.93%)



Equity 12.02% - Non-Equity 87.98%

## 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 June 2009

**Historic Yield**  
4.82% per annum

**Ongoing Strategy Charge**  
0.39% per annum

**Volatility**  
5.30%

**Max Loss**  
-6.41%

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



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## Market Outlook

An uplift of investor sentiment fed into a positive month for the OBI portfolios, with the long-dated Gilt exposure a key driver of performance following a broad decline in government bond yields. Positive inflation reports from key global economies largely calmed fears that stubborn inflation data in the US would derail the potential for key central banks to cut interest rates over the coming months.

Global equity markets benefitted from positive earnings reports over the month, with US large-cap tech companies reaping the rewards from the significant investment being made towards generative AI, offsetting pockets of weakness appearing within consumer facing sectors. UK equities delivered strong returns, with mid-cap companies outperforming as inflation shows further signs of moderation. Despite commodity market volatility, companies with a large exposure to the domestic UK economy outperformed as the medium-term outlook begins to brighten as inflation cools and growth begins to pick up.

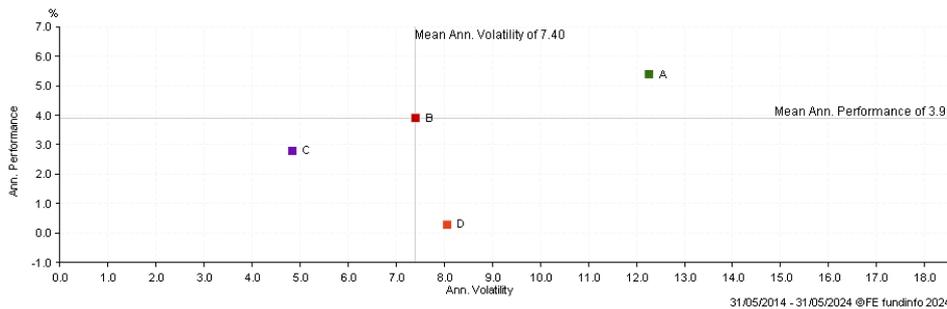
Fixed income markets remained volatile over the month, with comments from US Fed officials feeding into sentiment as bond yields rose before inflation data out of the US and UK largely quelled fears of stagflation as price pressures continue to moderate. With further price declines expected in the UK over the coming months, with energy prices in particular expected to fall, inflation is forecast to fall below 2% over the summer, opening the door for the Bank of England to begin its rate cutting cycle, feeding into our conviction that the long-dated Gilt exposure within the portfolios is well positioned to outperform over the short-term.

## Portfolio Positioning

With renewed optimism surrounding the potential for interest rate cuts in the UK and Europe over the summer, we believe that the medium to long-term outlook for risk assets within these regions are beginning to brighten, and therefore these assets now appear attractively priced following years of subdued economic growth. In order to take advantage of the upside potential within pockets of the equity market, we have introduced an actively managed exposure to assets which we believe can drive portfolio performance moving forward as interest rates decline, adding to our conviction stance on interest rates as we move through the summer months.

We believe that a sense of calm surrounding the UK political backdrop, together with a decline in inflationary pressures and interest rates should provide a favourable environment for domestically focussed assets which have been shunned by investors in favour of their US counterparts in recent years to perform strongly moving forward.

## Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 10 years. Over the long term, we would expect the OBI 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 | 5.39                   | 12.26                 |
| B   | AFI Cautious TR in GB       | 3.91                   | 7.40                  |
| C   | OBI Cautious TR in GB       | 2.70                   | 4.84                  |
| D   | UK Psv UK Gilts TR in GB    | 0.29                   | 8.06                  |

## Important Information

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