

OBI Model Portfolio ESG Balanced Growth



August 2024

Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to take a medium to large degree of risk by investing a larger portion of their overall portfolio into equities, whilst maintaining a balance between risk and reward. 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 materially higher than the long-term return on cash, after fees and costs. This portfolio can take up to 75% 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 25% 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 **68.23% in Equity** (Analytics, 1st August 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 29/11/2022
OBI ESG Balanced Growth	1.96%	4.42%	3.99%	3.46%	4.20%	-	-	6.13%
Benchmark	1.40%	3.51%	7.29%	10.97%	6.57%	3.64%	19.59%	13.39%
UK Gilts	1.49%	3.40%	1.36%	5.35%	-1.19%	-22.56%	-18.47%	-2.72%
UK Equities	3.20%	4.68%	12.02%	13.82%	10.75%	26.02%	30.65%	18.33%

Source: FE Analytics, 1st August

Asset Allocation

- MONEY MARKET (3.09%)
- UK GILTS (45.10%)
- UK FIXED INCOME (4.27%)
- GLOBAL FIXED INTEREST (13.43%)
- OTHER NON-EQUITY (2.49%)
- PROPERTY (2.46%)
- UK EQUITY (10.50%)
- NORTH AMERICAN EQUITY (9.75%)
- EUROPEAN EQUITY (1.86%)
- OTHER INTERNATIONAL EQUITY (7.06%)



Equity 29.17% - Non-Equity 70.84%

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

29 November 2022

Historic Yield

2.82% per annum

Ongoing Strategy Charge

0.37% per annum

Volatility

5.51% (1 Year)

Max Loss

-3.36% (1 Year)

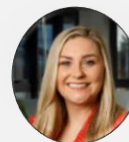
Rebalancing Frequency

Quarterly (or as required as per the OBI strategy)



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Market Outlook

Following a positive June, the OBI ESG portfolios were able to build on recent positive momentum in July as the UK General Election alongside an encouraging inflation print drove a rally in Gilts as well as UK focussed equities. With bond markets moving to price in the potential for an August interest rate cut from the Bank of England, which the committee subsequently voted to implement, the long-dated Gilt exposure within the OBI ESG portfolios drove performance over the month, with a greater sense of political stability also lifting sentiment towards UK government debt.

Equity markets remained volatile over the month as US earnings season brought US large-cap tech names into focus after a prolonged period of optimism. With valuations sitting near record highs, investors began to speculate over how corporate profitability is holding up as interest rates remain elevated whilst consumers are showing signs of becoming increasingly cost conscious. Economic data releases in the US over the month, whilst pointing to a moderation in inflationary pressures, stoked fears that the world’s largest economy is at risk of falling into a recession. With a number of mixed earnings reports over the month coupled with the risk of a slowdown in economic growth, a decline in risk appetite dampened the recent optimism across equity markets.

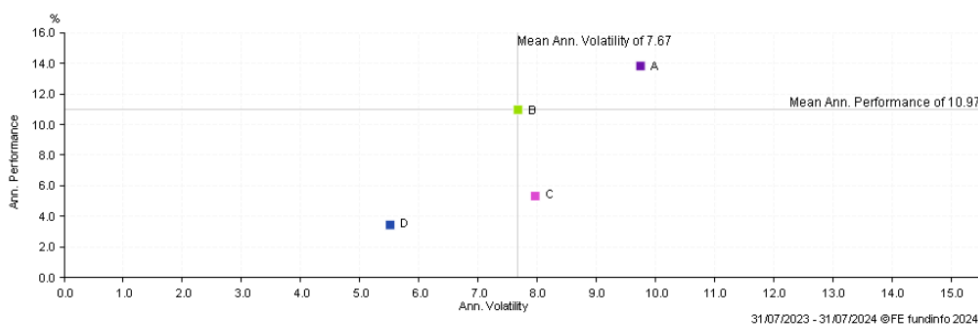
Looking ahead, we believe that the potential for further interest rate cuts in the UK will continue to feed through to a decline in bond yields, allowing the OBI ESG portfolios to deliver strong risk adjusted returns in the coming months. With the US Presidential Election edging closer, it is likely that we will continue to see further volatility in the build up to November’s polling day, with investors awaiting further clarity regarding the economic policies of both parties following President Biden’s decision to stand down from the race.

ESG Focus & Positioning

Following the Bank of England’s decision to cut interest rates on August 1st, we remain optimistic on the outlook for UK government debt in particular as the Monetary Policy Committee left the door open for further rate cuts later in the year. As a result, we have retained the overweight towards Gilts across the OBI portfolio suite as we look towards a further decline in yields whilst shielding investors from the elevated level of intraday market volatility.

With the Bank of England and European Central Bank cutting interest rates in a bid to drive economic growth, we are seeing pockets of opportunity within UK and European equities across the ESG investment universe. A decline in borrowing costs is expected to provide a more supportive backdrop for ESG assets to deliver positive performance after a challenging period, and with valuations remaining attractive on a value at risk basis, we continue to hold an exposure to these regions which we believe are well positioned to deliver attractive risk adjusted returns in comparison to their US counterparts

Portfolio Volatility



This scatter chart reflects volatility and return in GBP over the past year. 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	13.82	9.74
B	AFI Balanced TR in GB	10.97	7.67
C	UK Psv UK Gilts TR in GB	5.35	7.96
D	OBI ESG Balanced Growth TR in GB	3.46	5.51

Important Information

All data in this document has been extracted from Analytics as at 1st August 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 1 year to period, where max loss represents the worst running return.