

# OBI Model Portfolio Balanced



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 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 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.

## 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	7 Years	Since Launch 16/02/2007
<b>OBI Balanced Portfolio</b>	1.94%	3.49%	4.11%	5.03%	4.13%	3.97%	28.62%	26.74%	247.41%
<b>Benchmark</b>	1.40%	3.51%	7.29%	10.97%	6.57%	3.64%	19.59%	32.33%	121.13%
<b>UK Gilts</b>	1.49%	3.40%	1.36%	5.35%	-1.19%	-22.56%	-18.47%	-11.83%	53.49%
<b>UK Equities</b>	3.20%	4.68%	12.02%	13.82%	10.75%	26.02%	30.65%	42.91%	129.47%

Source: FE Analytics, 1st August

## Asset Allocation

- MONEY MARKET (3.47%)
- UK FIXED INTEREST (4.55%)
- GLOBAL FIXED INTEREST (18.79%)
- UK GILTS (35.07%)
- OTHER NON-EQUITY (4.55%)
- PROPERTY (4.90%)
- UK EQUITY (11.04%)
- US EQUITY (5.08%)
- EUROPEAN EQUITY (5.66%)
- OTHER INTERNATIONAL EQUITY (6.74%)



Equity 28.52% - Non-Equity 71.48%

## 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

16 February 2007

### Historic Yield

4.04% per annum

### Ongoing Strategy Charge

0.39% per annum

### Volatility

7.99%

### Max Loss

-9.71%

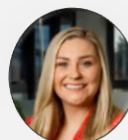
### Rebalancing Frequency

Quarterly (or as required as per the OBI strategy)



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## Market Outlook

Following a positive June, the OBI 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 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.

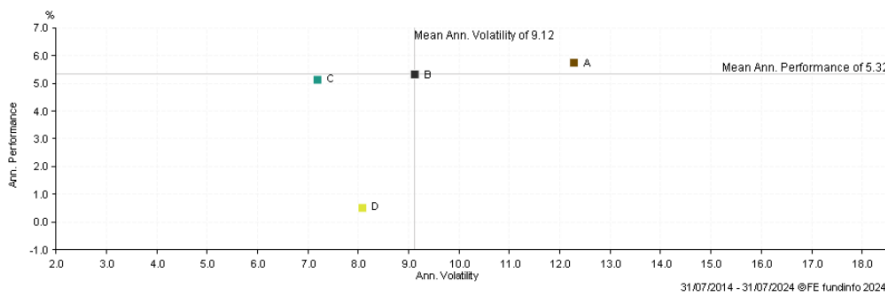
Looking ahead, we believe that the potential for further interest rate cuts in the UK will continue to feed through to a decline in bond yields, allowing the OBI portfolios to deliver strong risk adjusted returns in the coming months. With the US Presidential Election edging closer, it is likely that 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.

## Portfolio 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.

However, with inflationary pressures moderating and central banks moving to reduce interest rates, the portfolios continue to hold an exposure to domestically focussed equity assets across the UK and Europe which we believe are attractively positioned on a value at risk basis. Alongside the actively managed regional equity exposure, the portfolios hold a 'Core' exposure to global equity assets which, over the long-term will help maximising the upside potential of the portfolios whilst managing downside risks via a higher level of diversification. Given our view that there is the potential for an elevated level of volatility as we approach the US Presidential Elections, we will continue to actively review the asset allocation across the portfolio suite as we look to take advantage of assets which become attractive from a value at risk standpoint.

## 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 Psy UK Equities TR in GB	5.74	12.23
B	AFI Balanced TR in GB	5.32	9.12
C	OBI Balanced TR in GB	5.13	7.19
D	UK Psy UK Gilts TR in GB	0.52	8.08

## 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 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.