OBI Model Portfolio ESG Balanced Growth

OCM Asset Management

Independent Financial Planners | Discretionary Asset Managers | Tax Advisers

September 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 **67.92% in Equity** (Analytics, 1st September 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.

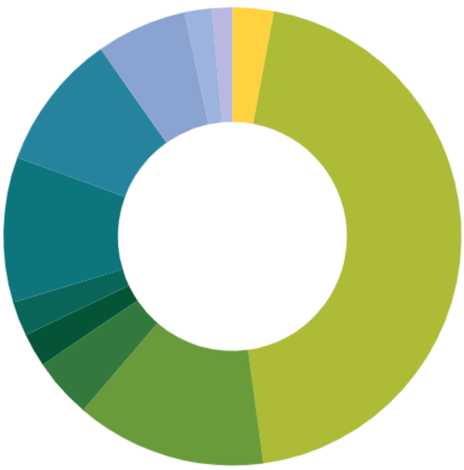
Performance

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	Since Launch 29/11/2022
OBI ESG Balanced Growth	0.71%	4.28%	4.99%	5.87%	4.93%	-	-	6.88%
Benchmark	0.07%	2.35%	6.18%	12.48%	6.65%	1.05%	21.42%	13.47%
UK Gilts	0.65%	3.66%	3.24%	6.51%	-0.54%	-21.61%	-20.78%	-2.07%
UK Equities	0.32%	2.55%	12.45%	16.75%	11.11%	23.16%	35.81%	18.74%

Source: FE Analytics, 1st September

Asset Allocation

- MONEY MARKET (2.94%)
- UK GILTS (45.36%)
- UK FIXED INCOME (4.27%)
- GLOBAL FIXED INTEREST (13.60%)
- OTHER NON-EQUITY (1.46%)
- PROPERTY (2.44%)
- UK EQUITY (10.34%)
- NORTH AMERICAN EQUITY (9.75%)
- EUROPEAN EQUITY (6.47%)
- ASIAN EQUITY (1.92%)
- OTHER INTERNATIONAL EQUITY (1.46%)



Equity 28.97% - Non-Equity 71.03%

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
2.89% 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

Financial market volatility remained a key theme throughout August, with equity markets in particular suffering from a whipsawing in sentiment as rising recessionary fears sparked a sell-off in the early stages of the month. Economic data releases out of the US signalled an unexpected loosening in the labour market, which fed into rising fears of a recession and sparking a flight to safety. As a result of the contrarian overweight towards UK government debt, the OBI ESG portfolios were sheltered from the majority of the turbulence across financial markets, with a decline in bond yields offsetting the weakness experienced in equities.

Following a challenging start to the month, positive earnings reports from key tech names as well as a calming of recessionary fears allowed equity markets to recover some of their losses. As a result, a recovery in the UK and European equity exposures within the OBI ESG portfolios also fed into a positive month of performance. The overweight positioning towards UK government debt across the OBI ESG portfolio suite provided protection throughout the market turbulence, whilst also allowing investors to participate in the upside as sentiment recovers.

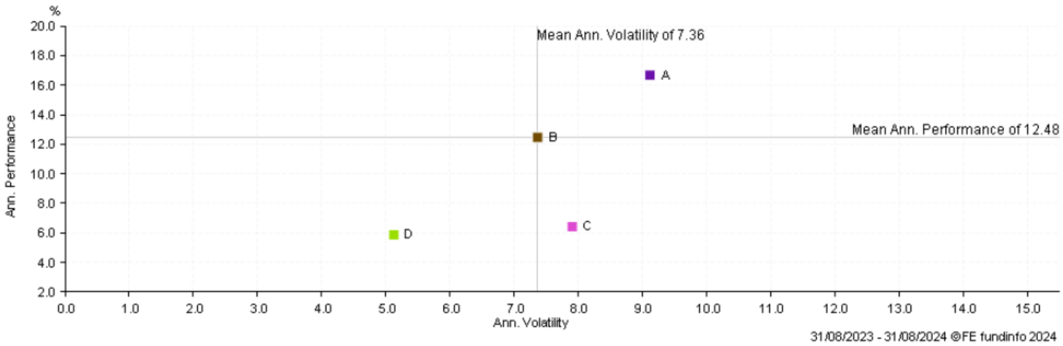
As we look ahead, we remain cautious regarding the downside risk facing equity markets at current valuations, with the US equity market sitting marginally below record highs. The persistent theme of short-term volatility remains our expectation for the coming months as investors look towards the US Presidential Election and UK Autumn Budget as potential drivers of sentiment. It remains our belief that through our contrarian positioning, the OBI ESG portfolios are well positioned to deliver positive returns, whilst shielding investors from the short-term noise over the coming months.

ESG Focus & Positioning

Fixed income assets rekindled their safe haven characteristics over what was a turbulent period for investors, offering protection as equity markets fell in the wake of increased recessionary concerns in the US. With the prospect of further volatility ahead alongside a broad decline in interest rates across key developed economies, we remain confident that the OBI's contrarian positioning within UK government debt can continue to perform strongly, offering equity like returns with minimal levels of risk.

Alongside the UK Gilt exposure, the portfolio continues to hold a small exposure to actively managed UK and European equities which we believe will benefit from the decline in interest rates and pickup in economic growth following a challenging number of years, with valuations in these regions appearing attractive on a value at risk basis.

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	16.68	9.11
B	AFI Balanced TR in GB	12.48	7.36
C	UK Psv UK Gilts TR in GB	6.43	7.90
D	OBI ESG Balanced Growth TR in GB	5.87	5.12

Important Information

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