

Strong conviction
STABLE RETURNS



OBI Active 3 – August 2017 Portfolio Update

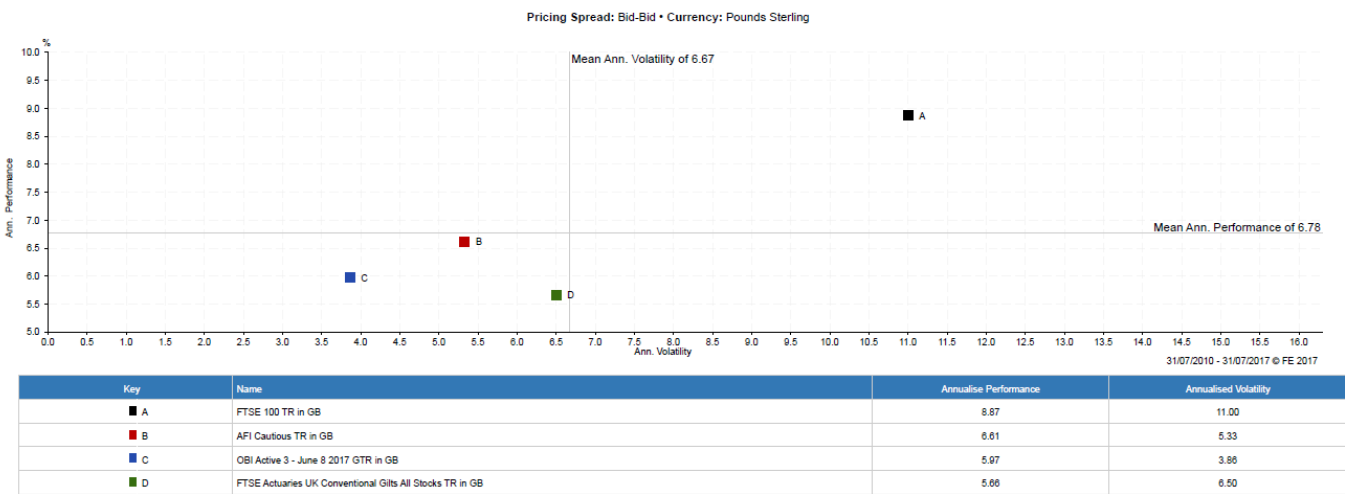
Investment Objective

This type of portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses. 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 asset allocation in this portfolio will vary between a benchmark of 0% equity and 35% equity on average to achieve the portfolio objectives, provided economic conditions permit. The portfolio will be managed to try and limit the **indicative capital loss in any rolling 12-month period to 6% in a significant event and 4% in normal market condition** and to target an **annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 4% per annum**. As non-equity assets are in some cases becoming riskier than equity assets, we feel that the current positioning is acceptable when we take in to account our mandate regarding a client’s capital loss acceptance.

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently **holds 50.5% in Equity (Analytics 1st August 2017)** and is therefore more aggressive and has no capital preservation mandate. It would be expected therefore that the benchmark would outperform the model and that the volatility would be higher. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 3 Performance – Source Analytics 1 st August							
Asset	1 Month	3 Months	6 Months	12 Months	3 Years	5 Years	7 Years
OBI Active 3 Portfolio	0.33%	1.56%	4.98%	8.07%	16.84%	33.08%	50.10%
Benchmark	0.56%	1.79%	4.72%	8.37%	21.08%	39.95%	56.47%
UK Gilts	0.59%	-0.94%	3.21%	-1.81%	21.34%	21.06%	47.48%
FTSE 100	1.57%	3.96%	6.81%	15.33%	24.60%	56.57%	82.47%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over last 7 years

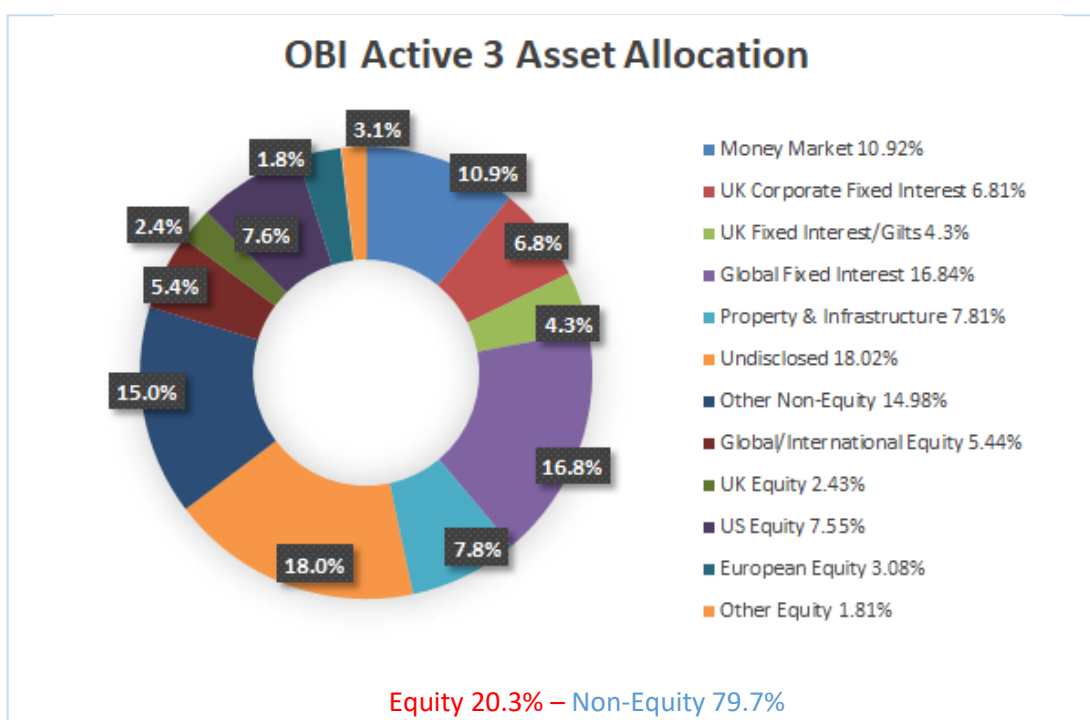


Outlook & Positioning

The OBI Active 3 is a cautious portfolio that has a slightly lower equity allocation than OBI Active 4, with the delivery of outcome and capital preservation at its heart. The start of 2017 has been positive, with most markets rallying off the back of positive economic data that has started to slow down as we enter August 2017. Global data is still positive; however, volatility seems to have returned into the markets and this is not identifying anything serious at this juncture. Momentum will start to raise again when we get some clarity over various social, political and economic issues.

Our non-equity exposure is achieved through Global and UK High Yield and Absolute Return assets, multi assets funds that are cautious and finally Infrastructure. We have moved the portfolios to something that has lower market sensitivity, so the holdings are now measured using volatility based equity and non-equity holdings. From an equity perspective, the asset allocation is achieved through a high exposure to globally managed funds with directional exposure to markets we believe show upward growth. The remaining assets are held in globally diverse funds which will be tactically rotated by the underlying funds managers.

In terms of equity allocation, we are holding circa 20.3% in equities which is still circa 30% less than the benchmark. We would expect this to fluctuate during 2017 as we take profits and only repurchase again following periods of volatility and falling valuations, in line with the mandate of the portfolio. Following this, we will rotate lesser performing assets from within the non-equity sector and add to our equity allocation.



Portfolio Facts

Benchmark Index for Volatility – AFI Cautious

Historical Yield: 1.63%

Portfolio Expense: 0.77% p.a

Important Information

- All data in this document has been extracted from Analytics as at **1st August 2017**.
- The value of investments may fluctuate in price or value and you may get back less than the amount originally invested. Past performance is no guarantee of future performance.
- Performance figures quoted include the fund manager charges but exclude other fees such as any adviser, custodian, switch and/or discretionary investment management fees.
- Unless otherwise instructed any accrued income is reinvested into the portfolio.

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