

Strong conviction  
STABLE RETURNS

OBI Passive 4 – August 2017 Portfolio Update

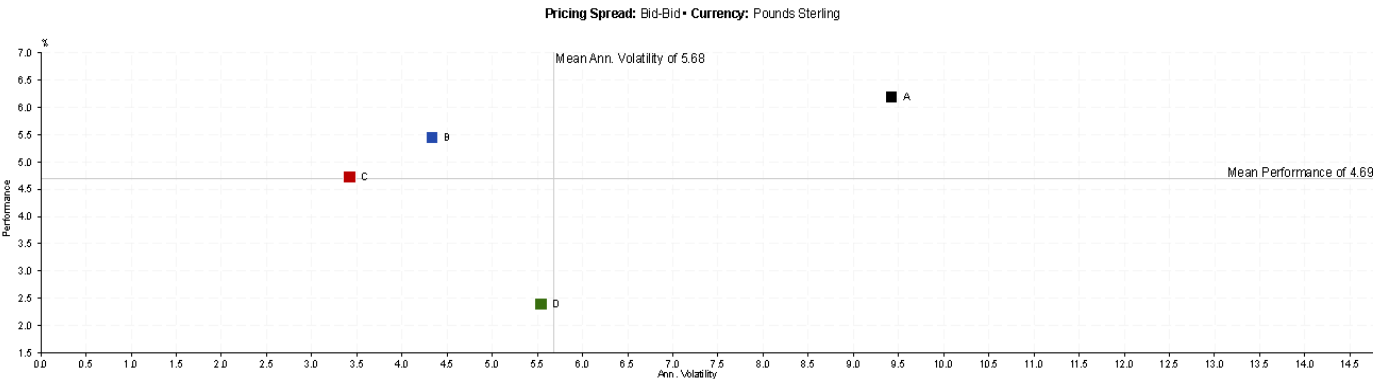
Investment Objective

This type of portfolio is NOT a risk-free portfolio; rather, it is suitable for a client who is prepared to invest into equities at the right time but is more focused on the risk than the return. The portfolio is managed dynamically by altering the asset allocation using assets that carry market risk, and are predominately passive in nature, from the available investment universe. Where an asset with a passive strategy is either not available or suitable, an active counterpart will be selected from the investable universe. The asset allocation on this portfolio will vary between a benchmark of 0% equity and 45% equity on average to achieve the portfolio objectives, provided economic conditions permit. As non-equity assets are in some cases becoming riskier than equity assets, we feel that the current positioning is acceptable when we take into account our mandate regarding a client’s capital loss acceptance. The portfolio will be managed to try and limit the **indicative capital loss in any 12-month period to 8% in a significant event and 5% in normal market conditions** and to target **an annualised total return averaged out over an economic cycle (5 – 7 years) of 5% per annum**

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently **holds 50.5% in Equity (Analytics 1<sup>st</sup> 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 Passive 4 Performance – Source Analytics 1st August				
Asset	1 Month	3 Months	6 Months	Inception (30/11/2016)
OBI Passive 4 Portfolio	0.61%	1.97%	5.76%	8.42%
Benchmark	0.56%	1.79%	4.72%	7.37%
UK Gilts	0.59%	-0.94%	3.21%	2.73%
FTSE 100	1.57%	3.96%	6.81%	12.04%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over the last 6 months



Key	Name	Performance	Volatility
A	FTSE 100 TR in GB	6.19	9.42
B	OBI 4 Passive June 2017 GTR in GB	5.46	4.33
C	AFI Cautious TR in GB	4.72	3.42
D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	2.40	5.54

## Outlook & Positioning

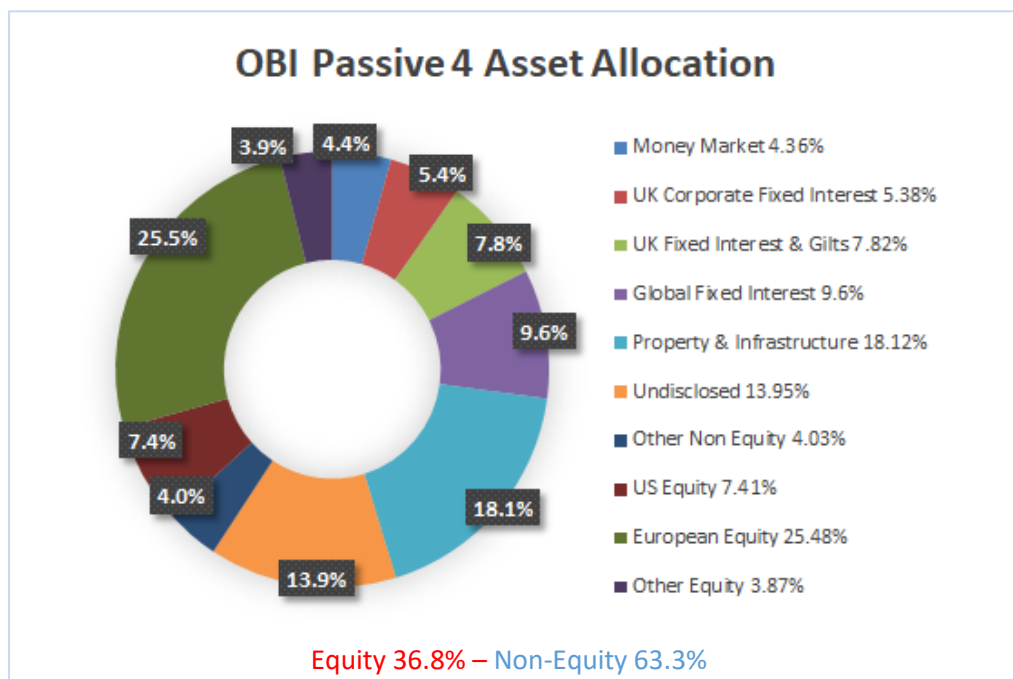
OBI Passive 4 is our more aggressive cautious portfolio that is constructed with predominately passive assets and has a slightly higher equity allocation than OBI Passive 3, but still has delivery of outcome and capital preservation at its heart. The start of 2017 has been positive, with most markets rallying off the back of positive economic data. We expect equities to continue to perform positively in line with momentum, conditions and sentiment, and outperforming non-equity due to the expectation of rising government bond yields and therefore falling prices.

As we work our way through the economic cycle and we see growth levels reach the top of the range, we will start to sell down from our equity allocation, and lock in profits. From here, we will deploy into more defensive assets to protect capital whilst we see how the UK election plays out, as well as other political road bumps; Brexit, the Trump trade and issues in North Korea.

Our non-equity exposure is achieved through Global and UK High Yield and Absolute Return assets as well as Infrastructure and Non-UK Commercial property through a fund of funds portfolio with HSBC. 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. The equity asset allocation is achieved through a high exposure to passive global equity funds with directional exposure to the US, UK and Europe. In contrast to the equivalent OBI Active portfolio, where there is an allocation to 'Other International Equities', within the passive portfolios, the allocations are more directional due to the nature of the funds. This is why there appears to be a higher allocation to UK and US equities when compared to the active counterpart. Despite this, the macro theme is the same.

The remaining assets are held in globally diverse passive multi asset funds alongside active non-equity positions, where a passive strategy is either not available or suitable, and will be tactically rotated by the underlying funds managers.

From an equity perspective, we are holding circa **36% in equities** which is 14% 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: 2.22%

Portfolio Expense: 0.37% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1<sup>st</sup> 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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