

# Strong conviction STABLE RETURNS



## OBI Active 3 – January 2018 Portfolio Update

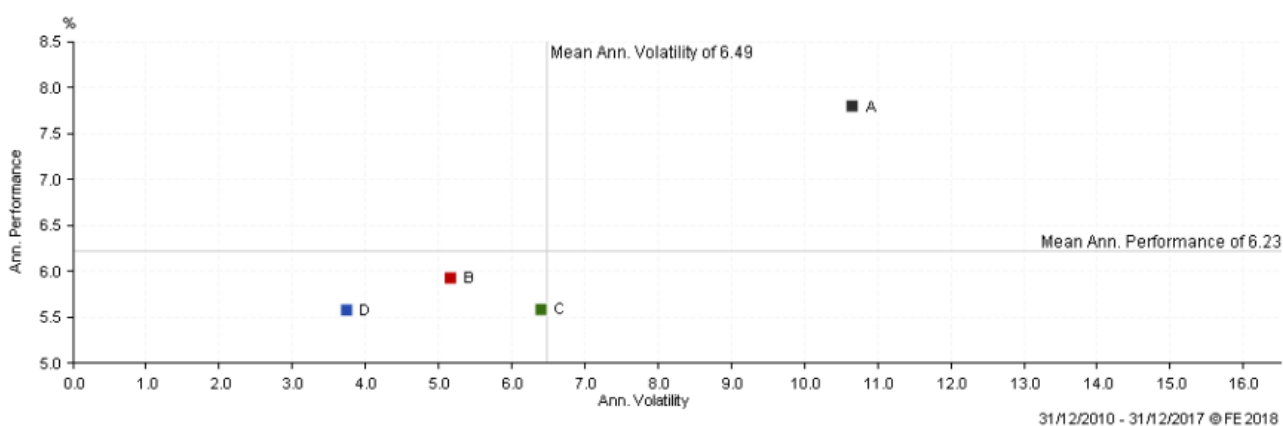
### Investment Objective

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 50.6% in Equity (Analytics 1<sup>st</sup> January 2018)** 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 <sup>st</sup> January							
Asset	1 Month	3 Months	6 Months	12 Months	3 Years	5 Years	7 Years
OBI Active 3 Portfolio	0.91%	1.42%	2.79%	6.39%	12.90%	28.06%	42.85%
Benchmark	1.22%	2.13%	4.23%	7.44%	19.72%	38.48%	49.69%
UK Gilts	0.44%	1.97%	-0.04%	1.83%	12.74%	23.31%	46.35%
FTSE 100	5.41%	5.02%	9.46%	11.95%	31.54%	57.24%	69.15%

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



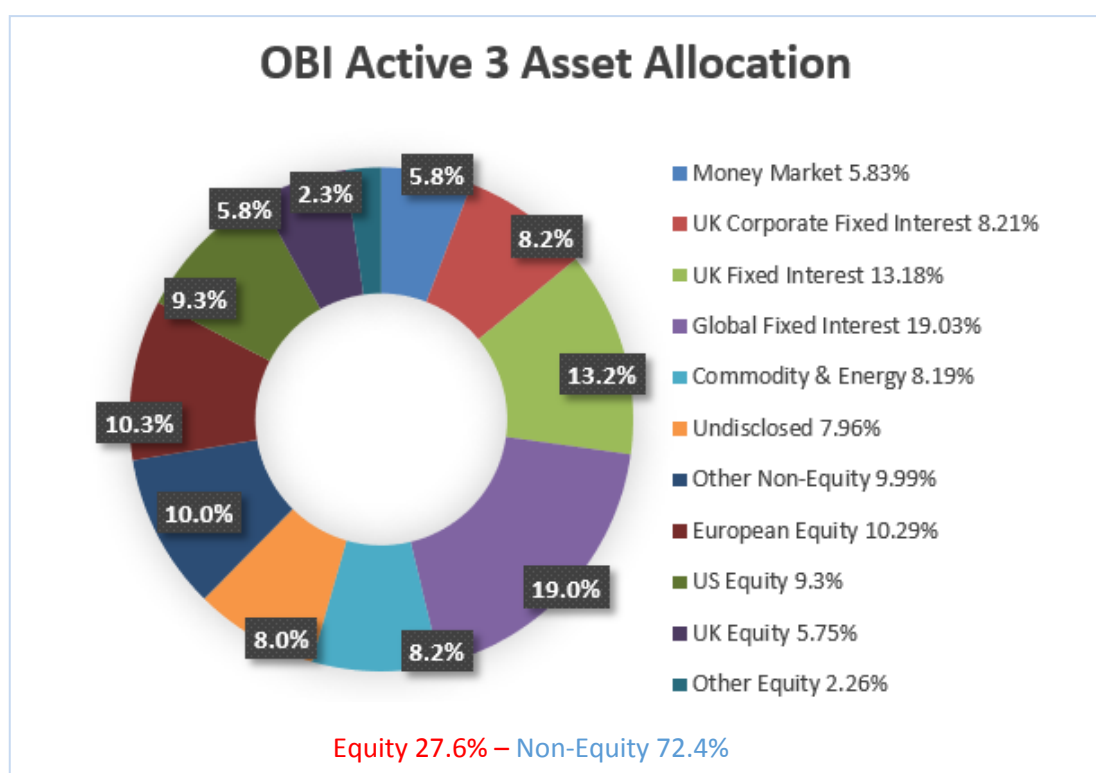
Key	Name	Annualised Performance	Annualised Volatility
■ A	FTSE 100 TR in GB	7.80	10.65
■ B	AFI Cautious TR in GB	5.93	5.16
■ C	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	5.59	6.40
■ D	OBI Active 3 - December 2017 GTR in GB	5.58	3.74

## 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. Throughout 2017, the global equity markets saw synchronised growth, with the US leading the way based on solid earnings data and valuations. This is largely attributed to the current global deflation trend and the resilient economic data generated throughout the speculative stage of the economic cycle. Markets were relatively calm and quiet throughout 2017 in terms of volatility, however in Q3 we saw some volatility feeding its way into the markets, mostly driven by various economic and political risks, however these have seemed to disperse in Q4 and into 2018. As global economic data is improving and reaching record highs, from a valuation and analysis perspective, investors are relatively cautious after the volatility seen in Q3 and are questioning how long the rally will last. This is not identifying anything serious at this juncture, and we did go defensive during the volatility period, however we have started to approach a more 'normalised' approach towards our equity allocation and will maintain our conviction until the economic data will suggest otherwise.

Our non-equity exposure is achieved through Global and UK High Yield and Absolute Return assets, multi asset 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 fund managers.

In terms of our equity allocation, we are holding circa **27.6% in equities** which is still circa 23% less than the benchmark. We would expect this to fluctuate during 2018 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: 1.80%

Portfolio Expense: 0.75% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1 January 2018**.
- 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.

