OBI Passive 8 – *January 2018 Portfolio Update*

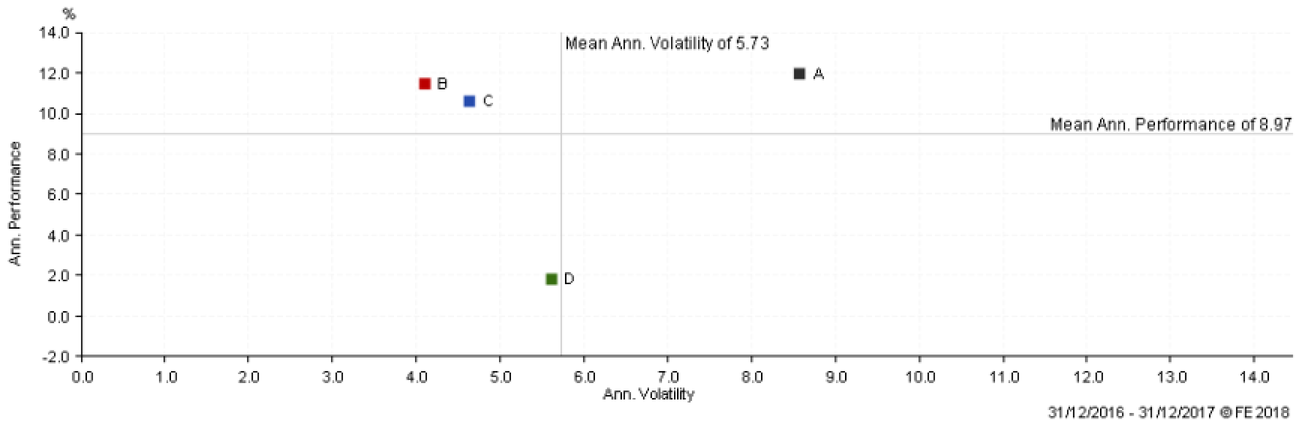
Investment Objective

This type of portfolio is not a risk-free portfolio, rather, it is suitable for a client whose is prepared to invest into equities for the majority of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater medium term returns. 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. The asset allocation in this portfolio will vary between a benchmark of 0% equity and 85% equity to achieve the portfolio objectives, provided economic conditions permit. The portfolio will be managed to try and limit the ***indicative capital loss in any 12-month period to 18% following a significant event and 9% in normal market conditions*** and to target an ***annualised total return averaged out over a full economic cycle (5 – 7 years) of 9%***.

The benchmark we use for comparison purposes for volatility is **AFI Balanced** noting this benchmark currently **holds 66.0% in Equity (Analytics 1st 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 Passive 8 Performance – Source Analytics 1st January				
Asset	***1 Month***	***3 Months***	***6 Months***	***12 months***
OBI Passive 8 Portfolio	1.28%	2.54%	5.72%	10.61%
Benchmark	1.69%	3.40%	6.82%	11.47%
UK Gilts	0.44%	1.97%	-0.04%	1.83%
FTSE 100	5.41%	5.02%	9.46%	11.95%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over the last 12 months



Key	Name	Annualised Performance	Annualised Volatility
A	FTSE 100 TR in GB	11.95	8.57
B	AFI Balanced TR in GB	11.47	4.10
C	OBI 8 Passive December 2017 GTR in GB	10.61	4.63
D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	1.83	5.61

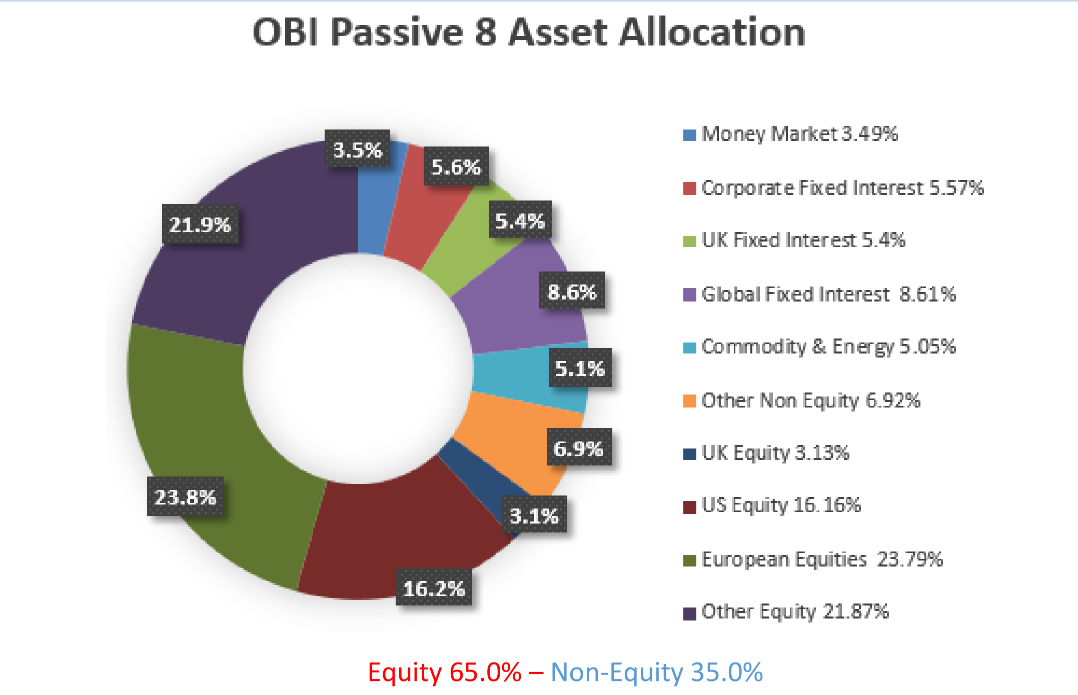
Outlook & Positioning

OBI Passive 8 is a balanced portfolio with a more aggressive position than OBI Passive 6 and 7 using predominately passive assets, and will take some high conviction positions to try and deliver the objectives. The start of 2017 was 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.

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 reflation 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 as well as Infrastructure and Non-UK Commercial property though 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 fund managers. From an equity perspective, we currently hold circa **65% in equities** which is still 1% 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 Balanced **Historical Yield:** 1.91% **Portfolio Expense:** 0.23% p.a

Important Information

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