

# Strong conviction STABLE RETURNS



## OBI Active 6 –April 2018 Portfolio Update

### Investment Objective

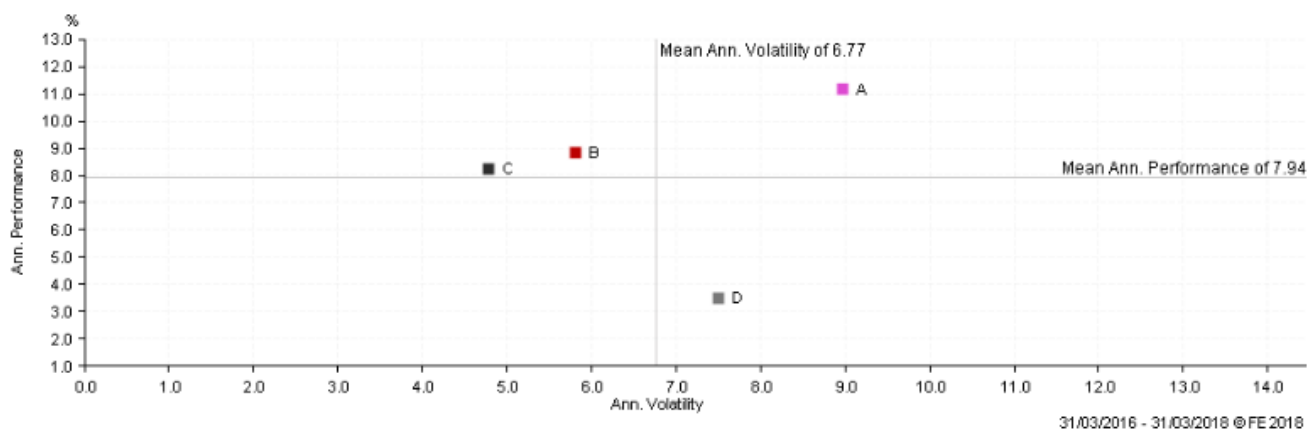
This portfolio is NOT a risk-free portfolio; rather, it is suitable for a client who is prepared to invest into equities at the right time and is focused on both the risk and return and looking to achieve a balance. The portfolio is managed dynamically by altering the asset allocation using assets that 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 65% 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 12% in a significant event and 7% in normal market conditions** and to target an **annualised total return averaged out over a full economic cycle (5 – 7-year period) of 7%**.

The benchmark we use for comparison purposes for volatility is **AFI Balanced** noting this benchmark currently **holds 69.70% in Equity (Analytics 1<sup>st</sup> April 2018)** and is therefore more aggressive than the model portfolio and does not have a 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 6 Performance – Source Analytics 1 <sup>st</sup> April 2018					
Asset	1 Month	3 Months	6 Months	12 Months	Since Launch (08/03/2016)
OBI Active 6 Portfolio	-1.52%	-4.13%	-2.02%	3.20%	14.12%
Benchmark	-1.75%	-4.60%	1.75%	2.45%	16.60%
UK Gilts	1.15%	0.12%	1.87%	-0.61%	6.42%
FTSE 100	-0.22%	-7.61%	-4.09%	-0.09%	24.87%

Scatter Chart Reflecting Volatility and Annualised Return 2 year in GBP (launched March 2016)

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
■ A	FTSE 100 TR in GB	11.18	8.97
■ B	AFI Balanced TR in GB	8.83	5.81
■ C	OBI Active 6 - 22 February 2018_08/04/2018 TR in GB	8.24	4.78
■ D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	3.50	7.50

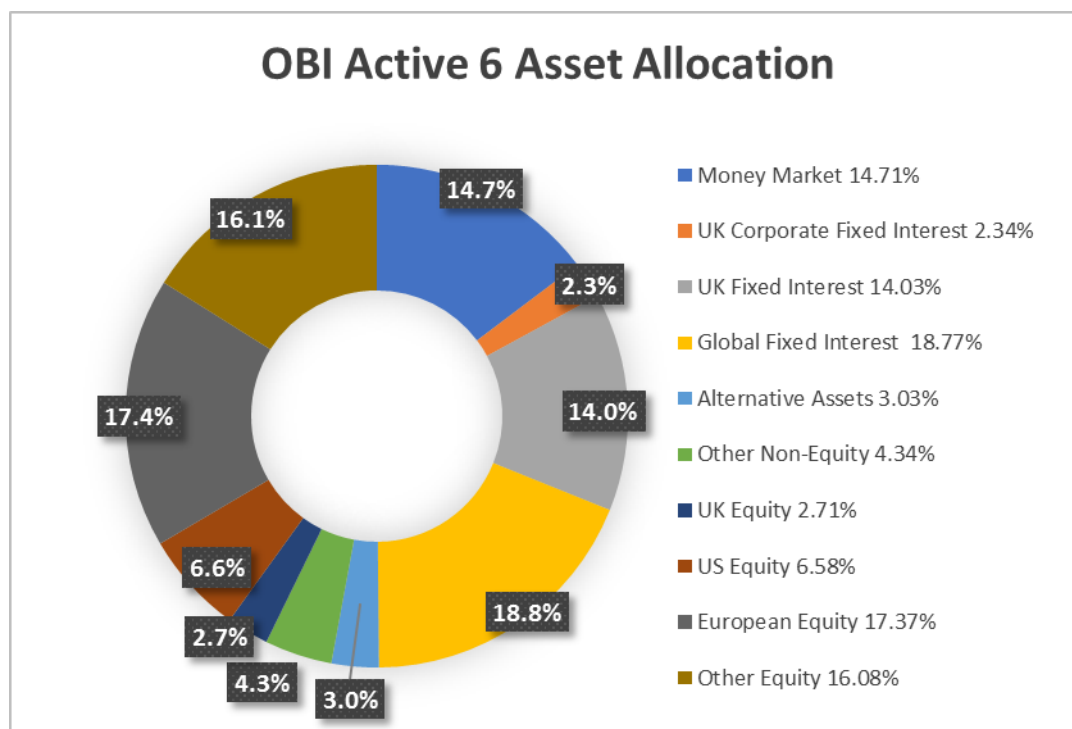
31/03/2016 - 31/03/2018 © FE 2018

## Outlook & Positioning

The OBI Active 6 is the second of our balanced portfolios that is considered balanced with regards to the underlying asset allocation which can vary anywhere between 0% and 65% and as with all our portfolios balances the mandate between delivering the outcome and protecting capital. Global financial markets saw synchronised growth throughout 2017 with the US markets leading the way with strong company earnings, fundamentals and economic data. As we progress throughout 2018, it is apparent that volatility is back as investors remain cautious of the end of the cycle and take profits at each sell off, which exacerbates the drops and increases market volatility. Despite this, we are still seeing resilience in the markets, which is largely attributed to the current global reflation trend and the robust economic data generated throughout the speculative stage of the economic cycle. As global economic data continues to improve, markets are reaching record highs and investors are cautious after the volatility seen in February and are questioning how long the rally will last. This is not identifying anything serious at this juncture, however we are aware of the risks in the markets and have redesigned the portfolio based on our OBI strategy and have cyclically adjusted the portfolio and will maintain our conviction until the economic data will suggest otherwise. We currently hold 9% in cash and will retain this position until we find a buying opportunity.

Our non-equity exposure is achieved through Absolute Return, Strategic & Corporate Bonds, High Yield and Multi Asset funds. 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, most of 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 with a 20% directional asset allocation to UK and Europe. We will remain underweight UK until we see better data and stability in the underlying UK economy.

We are holding circa **42.7% in equities** which is still circa 27% 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.



Equity: 42.7% – Non-Equity: 57.2%

## Portfolio Facts

**Benchmark Index for Volatility –** AFI Balanced

**Historical Yield:** 1.79%

**Portfolio Expense:** 0.78% p.a

## Important Information

- All data in this document has been extracted from Analytics **1 April 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.