

# Strong conviction STABLE RETURNS



## OBI Active 5 – January 2019 Portfolio Update

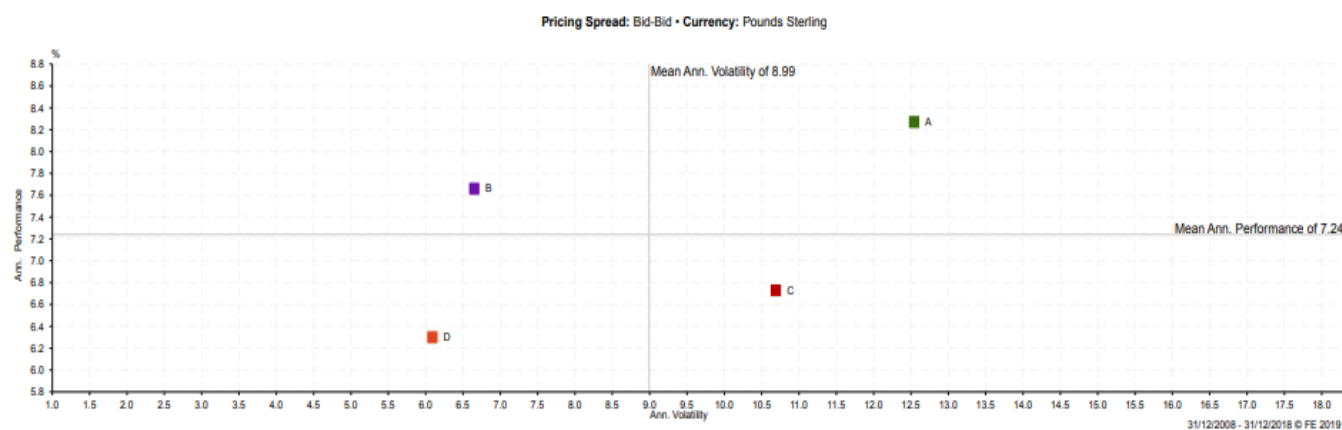
### Investment Objective

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 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 55% 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 10% in a significant event and 6% in normal market conditions** and to target an **annualised total return averaged out over a full economic cycle (5 – 7-year period) of 6% before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.**

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently **holds 52.22% in Equity (Analytics 1<sup>st</sup> January 2019)** 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 5 Performance – Source Analytics 1 <sup>st</sup> January 2019								
Asset	1 Month	3 Months	6 Months	12 Months	3 Years	5 Years	7 Years	Since Launch (16/02/2007)
OBI Active 5 Portfolio	-0.89%	-4.56%	-3.41%	-4.06%	13.07%	28.53%	57.68%	138.18%
Benchmark	-2.68%	-6.06%	-4.92%	-4.36%	10.30%	20.56%	44.93%	50.92%
UK Gilts	4.04%	2.70%	-0.37%	0.53%	21.35%	51.48%	46.50%	129.09%
FTSE 100	-3.49%	-9.47%	-10.24%	-8.73%	21.66%	20.94%	57.82%	64.71%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over the last 10 years



Key	Name	Annualised Performance	Annualised Volatility
A	FTSE 100 TR in GB	8.27	12.54
B	OBI Active 5 - 19 December 2018 TR in GB	7.66	6.65
C	FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB	6.73	10.89
D	AFI Cautious TR in GB	6.30	6.09

## Outlook & Positioning

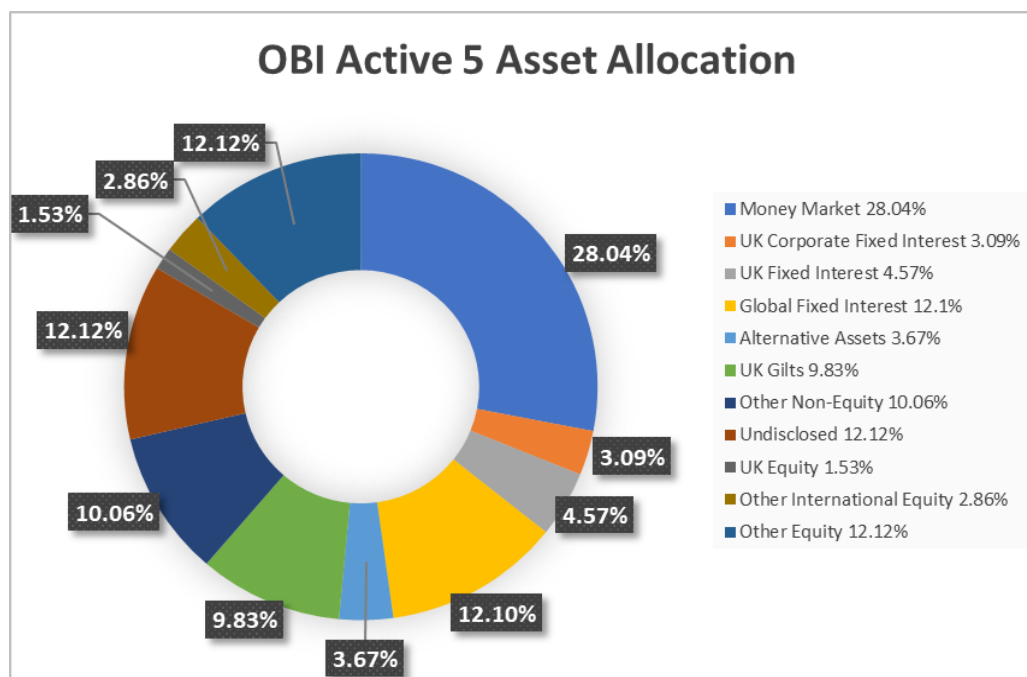
Our OBI Active 5 portfolio is a cautiously balanced portfolio with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 6% per annum.

2018 was a turbulent year for financial markets, with most asset classes struggling to sustain returns in the final months of the year. Over the year, the investment sphere was dominated by political change and trade conflict, resulting in high levels of volatility and the spreading of risk off sentiment within markets. After a sell off in equities in October, investors were hoping for a 'Santa rally' - a bullish period for stocks in the run up to Christmas which sometimes sees stocks rise in December, however this failed to materialise, with the majority of global equity indices ending the year in negative territory.

At the beginning of December, following a series of more negative economic data and a continuation of uncertainty over future trade and political movements, an in-depth analysis of the economic situation highlighted excessive risks in the global economy. This prompted us to act on the capital preservation mandate and position our portfolios defensively in preparation for difficult trading conditions over the first months of 2019. Based on the indications of reduced spending and lower economic growth in the final months of 2018, it is likely that data will become more negative as the performance of lagging economic indicators begin to feed through into markets, resulting in a selloff in equities. When this selloff happens, our defensive positioning allows us to protect against downside, while high cash levels allow us to capture upside as the market recovers. Providing we time the re-entry point right for reinvesting into equities, we are optimistic about 2019 portfolio returns.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies. The non-equity exposure within the portfolio is achieved through Absolute Return strategies, Government bonds, Strategic & Corporate Bonds, High Yield, Inverse ETFs and Multi Asset funds. In our recent rebalance, we moved more defensively, therefore portfolios are currently constructed with a higher weighting of non-equity exposure due to risks facing equity markets. The low level of equity exposure within the portfolio is gained through exposure to diverse, globally managed multi-asset funds, with traditional equity exposure within the portfolio being removed in December 2018.

The portfolio currently holds a 16.51% equity exposure following the defensive repositioning, which is significantly lower than the benchmark. We would expect this to fluctuate over 2019 as we reinvest into equities, becoming more in line with the mandate of the portfolio as opportunities return.



\*Undisclosed asset sector represents the allocation to inverse ETFs and long/short equity assets which have been regarded here as non-equity due to their inverse relationship with equity markets.

**Equity: 16.51% – Non-Equity 83.49%**

## Portfolio Facts

**Benchmark Index for Volatility –** AFI Cautious

**Historical Yield:** 1.02%

**Portfolio Expense:** 0.27% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **2<sup>nd</sup> January 2019**.
- 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.
- Unless otherwise instructed any accrued income is reinvested into the portfolio.