

# Strong conviction STABLE RETURNS



## OBI Active 5 – August 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.**

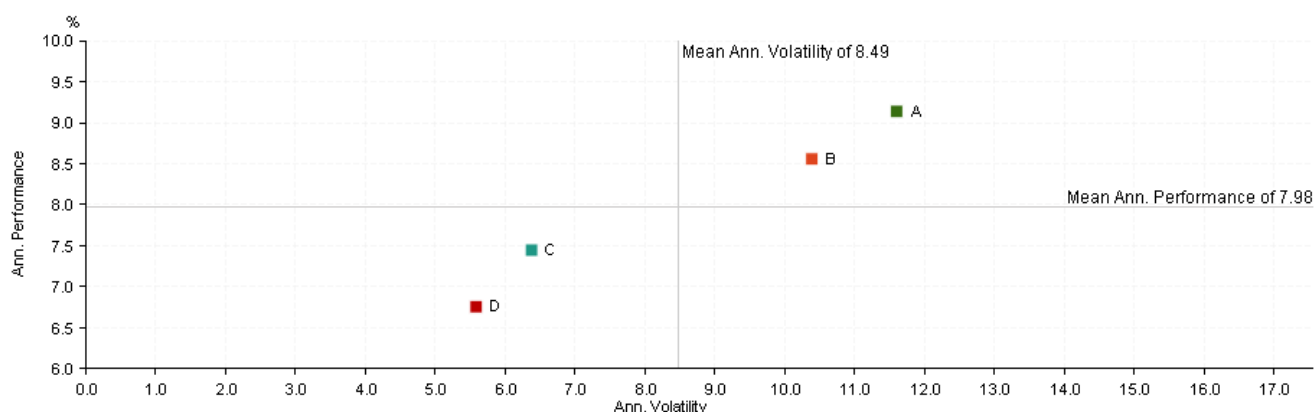
The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently holds **48.78% in Equity (Analytics 1<sup>st</sup> Aug 2019)** and is therefore more aggressive and has no capital preservation mandate. It would be expected therefore that the benchmark would 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> Aug 2019

Asset	1 Month	3 Months	6 Months	12 Months	YTD	3 Years	5 Years	7 Years	Since Launch (16/02/2007)
OBI Active 5 Portfolio	0.91%	2.07%	1.67%	-3.60%	1.00%	10.18%	28.36%	51.20%	140.54%
Benchmark	1.36%	3.31%	7.41%	3.78%	10.37%	17.14%	30.88%	51.27%	66.57%
UK Gilts	3.08%	8.17%	10.16%	12.99%	11.96%	11.03%	55.96%	56.70%	156.49%
FTSE 100	1.25%	3.69%	10.79%	3.55%	15.66%	28.17%	38.48%	74.01%	90.50%

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

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



31/07/2009 - 31/07/2019 © FE 2019

Key	Name	Annualised Performance	Annualised Volatility
■ A	FTSE 100 TR in GB	9.14	11.60
■ B	FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB	8.56	10.39
■ C	OBI Active 5 - 21 May 2019 TR in GB	7.45	6.38
■ D	AFI Cautious TR in GB	6.78	5.59

## Outlook & Positioning

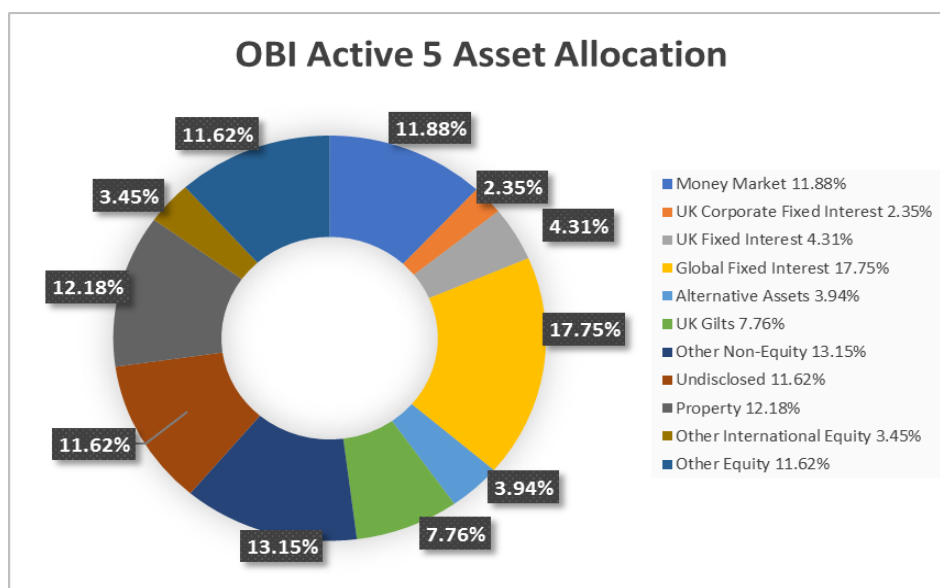
Our OBI Active 5 portfolio is a cautiously balanced portfolio with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 6% per annum.

In December last year, 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 half of 2019. As it stands, portfolios are defensively positioned, with low equity exposure as we await further clarity in markets.

Conditions over the first quarter of the year were extremely challenging, with markets regaining ground from last year's losses due to currency movements and speculation over US-China trade discussions despite an increasingly uncertain global economic outlook. In the second quarter of the year, portfolios held steady and performed consistently as volatility continued and economic data worsened. Moving into the second half of the year, equity performance in July was relatively subdued as investors waited in anticipation for a potential interest rate cut, however the 25-basis points reduction in interest rate by the fed underwhelmed equity markets as monetary policy suggested a more hawkish approach than expected. As geopolitical tensions persist and central banks become increasingly concerned with economic growth, it is clear that investor sentiment has been shifting to the downside, with risk-off sentiment spreading through financial markets. The economic data now suggests that we are in bear market, with high volatility and significant risks persisting in the global economy, resulting in declining yields in bond markets.

Based on the indications of reduced spending and lower economic growth, our expectation is that economic data will become more negative as the second half of the year unfolds, as the performance of key lagging economic indicators and a continuation of geopolitical tensions results in a selloff in equities. When this selloff happens, our defensive positioning allows us to protect against downside and reduce volatility while gaining relatively consistent returns from the core holdings within the portfolio. Providing we get the re-entry point right for reinvesting into equities, we intend to capture upside returns in the recovery stage, and we remain optimistic about 2019 portfolio returns.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies. In the December 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, and short equity positions which seek to benefit from a decline in markets. We would expect the equity content within the portfolio to fluctuate over the year 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: 15.07% – Non-Equity 84.93%**

## Portfolio Facts

**Benchmark Index for Volatility –** AFI Cautious

**Historical Yield:** 1.86%

**Portfolio Expense:** 0.67% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1<sup>st</sup> August 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.
- Portfolio Expense represents the total strategy cost and does not include the adviser charge. This is based on the Fusion platform and may vary for other platforms.

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