OBI Active 7 – January 2020 Portfolio Update

Investment Objective

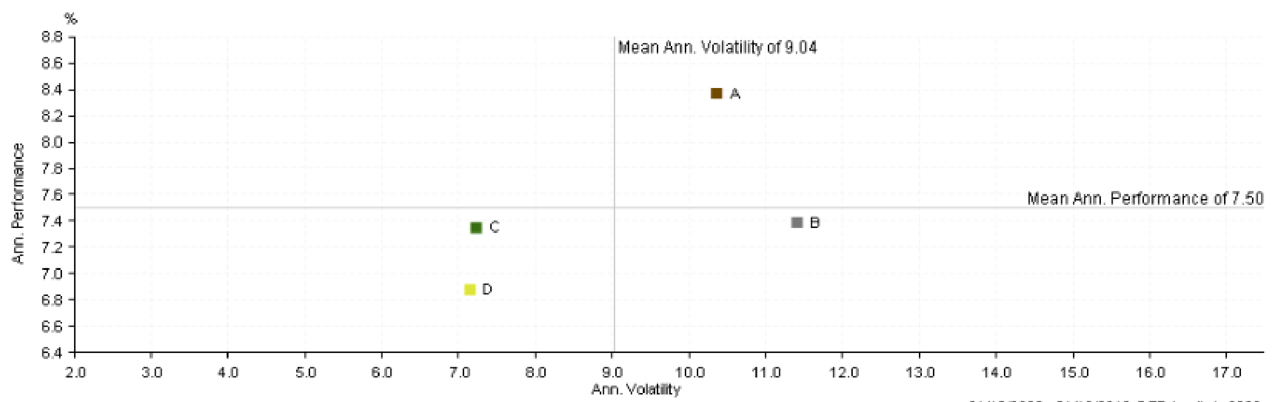
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client whose is prepared to invest into equities for most of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater long-term returns. The portfolio is managed dynamically by 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 75% 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 15% following a significant event and 8% in normal market conditions*** and to target an ***annualised total return averaged out over a full economic cycle (5 – 7 years) of 8% plus, 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 the **AFI Balanced**, which currently **holds 62.93% in Equity (Analytics 2nd Jan 2020)**. This benchmark is therefore more aggressive than OBI Active 7 and unlike the model, it does not have a capital preservation mandate. Given the lower equity allocation, the model is unlikely to outperform the benchmark and the volatility of the model would therefore be lower. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 7 Performance – Source Analytics 1st Jan 2020									
Asset	***1 Month***	***3 Months***	***6 Months***	***12 Months***	***YTD***	***3 Years***	***5 Years***	***7 Years***	***Since Launch (16/02/2007)***
OBI Active 7 Portfolio	1.95%	0.66%	2.26%	1.71%	1.71%	9.43%	24.62%	56.86%	174.33%
Benchmark	1.36%	1.91%	2.55%	14.29%	14.29%	19.77%	37.79%	62.97%	86.50%
UK Gilts	-2.16%	-6.50%	2.64%	11.48%	11.48%	15.74%	35.74%	58.32%	155.40%
FTSE 100	2.78%	3.35%	2.70%	17.32%	17.32%	19.87%	40.84%	68.36%	93.24%

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

Pricing Spread: Bid-Bid • **Currency:** Pounds Sterling



31/12/2009 - 31/12/2019 ©FE fundinfo 2020

Key	Name	Annualised Performance	Annualised Volatility
A	FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB	8.37	10.36
B	FTSE 100 TR in GB	7.39	11.41
C	OBI Active 7 - Dec 2019 TR in GB	7.35	7.23
D	AFI Balanced TR in GB	6.88	7.15

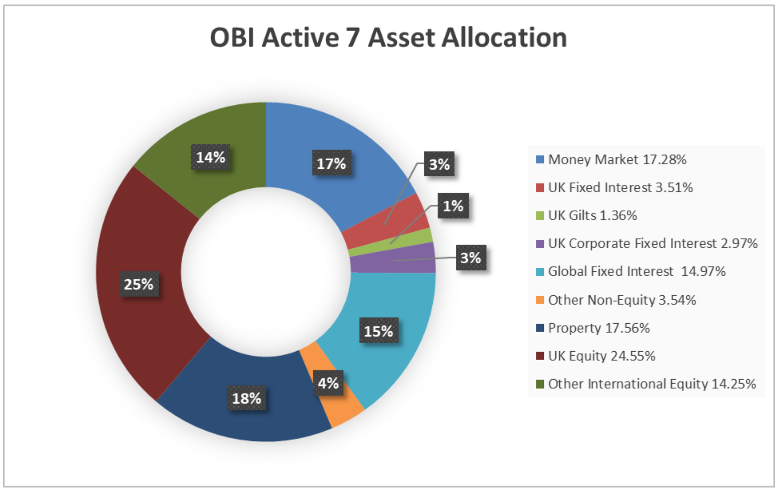
Outlook & Positioning

Our OBI Active 7 portfolio is a balanced portfolio with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 8% per annum.

Following the implementation of capital preservation mode in December 2018 given increasing downside risks, portfolio performance remained relatively muted over the first half of 2019, owing to the barbell asset allocation approach within the portfolios. Moving into the second half of the year, after the Fed rate cut underwhelmed equity markets at the end of July, risk-off sentiment spread throughout financial markets, as a deterioration in the economic data and risk off sentiment in bond markets triggered recessionary concerns. As a result, the portfolios performed well, owing to their inverse correlation with equities and high non-equity, defensive asset exposure. Toward the end of 2019, after a second Fed rate cut in September, optimism over an interim US-China trade deal and fading concerns over a no-deal Brexit, risk on sentiment spread throughout the financial markets in the fourth quarter, with global equity markets regaining lost ground. As a result, the barbell approach, portfolio returns were relatively flat over the period. After challenging conditions for the majority of the year, portfolios performed well over December, owing to improving conditions on the removal of key risks and the strategic timing of the rebalance which added small cap exposure to the portfolios.

In the final quarter of 2019, equity markets were lifted by trade optimism and central bank stimulus in major economies, however the global economy remains in a fragile condition. As it stands, we are waiting to see whether bright spots observed in the data are temporary flashes of light against an otherwise bleak backdrop, or a more sustained improvement in the growth outlook. As a result, we maintain our defensive position as we are not yet convinced that the recent performance in the main (large cap) markets is sustainable given current valuations relative to earnings, and therefore on a risk-reward basis we do not see sufficient returns from this asset class in the near term. At the same time, we do see opportunities arising in other areas of the equity markets and therefore will continue to take advantage of these opportunities as they arise. In December, we added exposure to small cap UK, European and Global equities as part of our staged re-entry into equities, with particular potential in this area given recent underperformance and supportive conditions.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies. The portfolio currently follows a defensive strategy, with a higher weighting of non-equity exposure due to risks facing equity markets, with bond exposure which performs particularly well during periods of weakness. The low level of equity exposure within the portfolio is gained through exposure to diverse, globally managed multi-asset funds, as well as a small position in UK, European and Global Smaller Companies, which will benefit from an increase in government spending after a period of prolonged trade and economic uncertainty as risks abate.



Equity: 38.81% – Non-Equity: 61.19%

Portfolio Facts

Benchmark Index for Volatility – AFI Balanced **Historical Yield:** 1.74% **Portfolio Expense:** 0.69% p.a

Important Information

- All data in this document has been extracted from Analytics as at **2nd January 2020.**
- 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.