

# Strong conviction STABLE RETURNS



## OBI Active 3 – February 2020 Portfolio Update

### Investment Objective

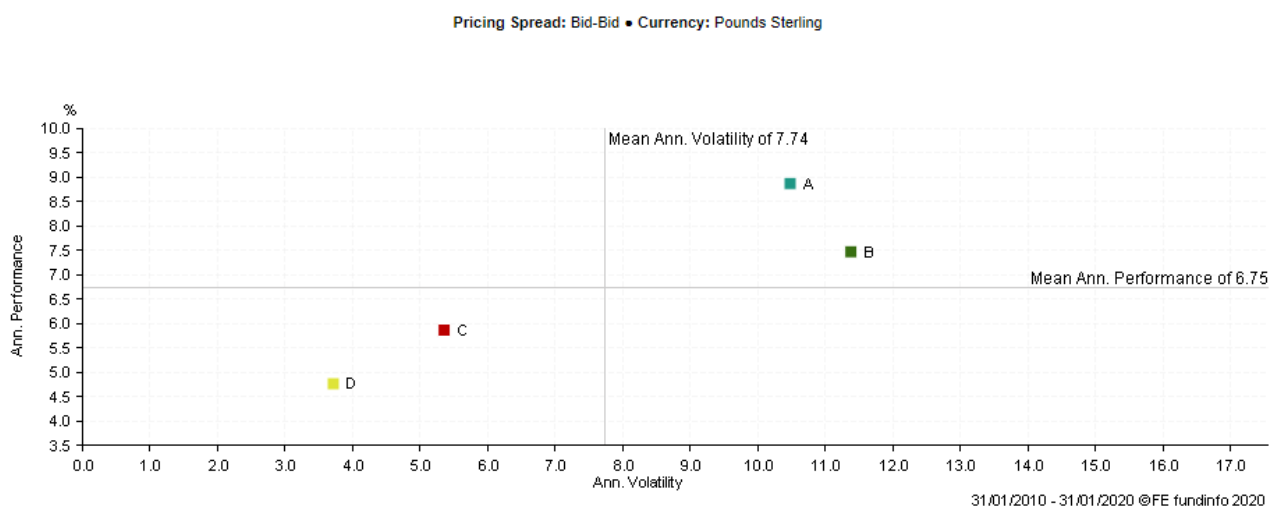
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses when markets are falling, based on the higher non-equity asset allocation. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk 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 35% equity on average to achieve the portfolio objectives, provided economic conditions permit. The portfolio will be managed to try and limit the **indicative capital loss in any rolling 12-month period to 6% in a significant event and 4% in normal market conditions** and to target an **annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 4% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges**. Despite the higher allocation in non-equity assets, these asset classes are in some cases becoming riskier than equity assets, however we feel that the current positioning is acceptable when we consider our mandate regarding a client’s capital loss acceptance.

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently **holds 48.14% in Equity (Analytics 3<sup>rd</sup> February 2020)** and is therefore more aggressive than this portfolio and has no capital preservation mandate. It would be expected therefore that the benchmark would outperform the model and that the volatility of the benchmark would be higher. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 3 Performance – Source Analytics 3<sup>rd</sup> Feb 2020

| Asset                  | 1 Month | 3 Months | 6 Months | 12 Months | YTD    | 3 Years | 5 Years | 7 Years | Since Launch (01/06/2009) |
|------------------------|---------|----------|----------|-----------|--------|---------|---------|---------|---------------------------|
| OBI Active 3 Portfolio | 1.07%   | 1.95%    | 2.06%    | 5.52%     | 1.07%  | 7.91%   | 13.10%  | 27.81%  | 93.36%                    |
| Benchmark              | -0.03%  | 2.26%    | 1.07%    | 8.70%     | -0.03% | 14.41%  | 24.91%  | 43.64%  | 102.31%                   |
| UK Gilts               | 5.74%   | 2.22%    | 6.23%    | 15.65%    | 5.74%  | 26.14%  | 32.72%  | 73.38%  | 146.23%                   |
| FTSE 100               | -3.35%  | 1.13%    | -1.98%   | 9.41%     | -3.35% | 16.51%  | 32.30%  | 52.76%  | 141.55%                   |

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



| Key | Name   | Annualised Performance | Annualised Volatility |
|-----|--|------------------------|-----------------------|
| A   | FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB | 8.87                   | 10.48                 |
| B   | FTSE 100 TR in GB  | 7.47                   | 11.38                 |
| C   | AFI Cautious TR in GB                                      | 5.87                   | 5.38                  |
| D   | OBI Active 3 - Jan 2020 TR in GB                           | 4.77                   | 3.72                  |

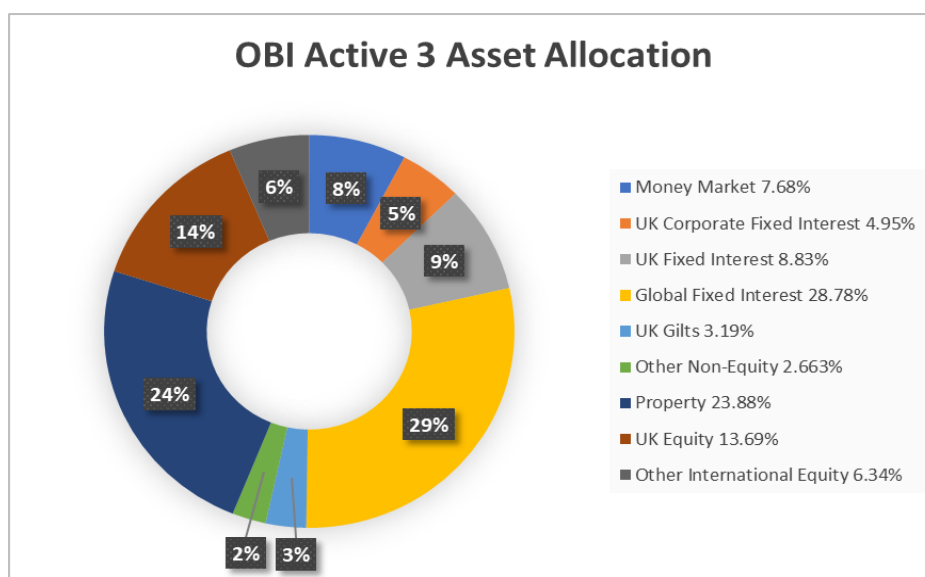
## Outlook & Positioning

OBI Active 3 is a cautious portfolio with a higher non-equity allocation based on a low-risk mandate, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 4% per annum.

After experiencing challenging conditions for the majority of the year, in the final quarter of 2019, equity markets were lifted by trade optimism and central bank stimulus in major economies, however the global economy remained 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, but we do see opportunities arising in certain areas of 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.

Going forward we continue to keep a close eye on global economic data and are beginning to see signs of improving economic fundamentals, with particular improvement in global manufacturing data. Currently, the coronavirus outbreak is raising concerns over economic output in China which has caused a sell-off in global equity markets. However, as our medium to long term outlook remains unchanged, we are considering this as a potential buy in opportunity as we continue to move our equity exposure back in line with the traditional portfolio asset split, as conditions improve.

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. However, as economic fundamentals continue to improve, the bond exposure will be reduced in favour of the managed multi asset funds as part of our move back to normal conditions.



Equity: 20.03% – Non-Equity: 79.97%

## Portfolio Facts

Benchmark Index for Volatility – AFI Cautious

Historical Yield: 2.15%

Portfolio Expense: 0.69% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **3<sup>rd</sup> February 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.

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