

Strong conviction STABLE RETURNS



OBI Active 3 – March 2020 Portfolio Update

Investment Objective

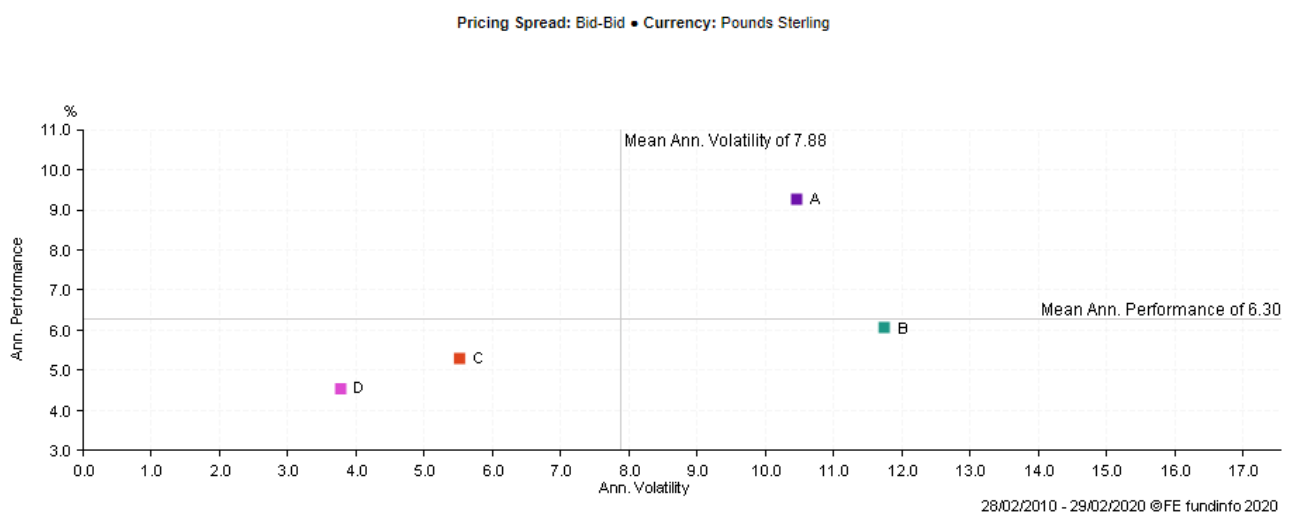
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses when markets are falling, based on the higher non-equity asset allocation. The portfolio is managed dynamically by altering the asset 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 49.73% in Equity (Analytics 2nd March 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 2nd March 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	-1.82%	0.18%	-0.55%	3.77%	-0.60%	4.50%	10.00%	24.12%	90.16%
Benchmark	-4.18%	-2.85%	-1.17%	3.76%	-3.83%	7.88%	18.90%	35.73%	94.62%
UK Gilts	2.36%	5.63%	1.55%	19.68%	7.74%	22.45%	45.40%	74.86%	150.91%
FTSE 100	-11.36%	-10.45%	-5.78%	-2.66%	-12.04%	2.85%	16.53%	36.59%	119.83%

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	9.27	10.46
B	FTSE 100 TR in GB	6.07	11.74
C	AFI Cautious TR in GB	5.30	5.52
D	OBI Active 3 - Feb 2020 TR in GB	4.55	3.78

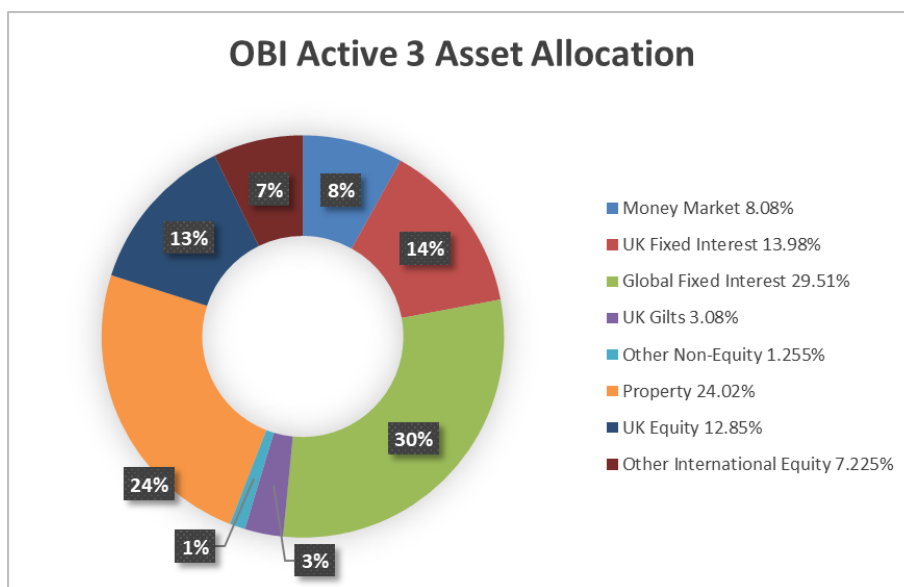
Outlook & Positioning

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. In recent weeks we have observed the bright spots seen in the data since the end of December become more sustained signs of stabilisation and recovery in key global economies. As a result, our global economic outlook is improving, and although the coronavirus is currently weighing on sentiment, there are signs of the virus being contained in China, and economies are likely to support growth through the period of turbulence. Therefore, as part of our re-entry into equities, which began in December, we used the recent selloff in global equity markets at the beginning of February (around -5%) as a buy in opportunity to bring portfolio allocation back to traditional equity/non-equity levels via managed multi asset funds

Going forward we continue to keep a close eye on global economic which continues to show signs of improving economic fundamentals, with particular improvement in global manufacturing data, and supportive conditions from major central banks. Currently, the coronavirus outbreak is raising concerns over economic output which has caused a sell-off in global equity markets. We continue to watch the spread of the virus, and should the situation escalate and the efforts to contain it start to feed into the economic data we will consider adjusting our allocation accordingly. However, at the moment our medium to long term outlook remains unchanged, although we do expect to see significant volatility in markets in the near term.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies. The low level of equity exposure within the portfolio is gained through exposure to diverse, globally managed multi-asset funds, which has recently been increased due to our improving global economic outlook. There is also a small position in UK smaller companies, which is expected to benefit from an increase in government spending after prolonged trade and economic uncertainty abates. The non-equity exposure is gained through global strategic bond funds and UK direct property funds, which are lower risk and provide more consistent returns, in line with the portfolio's objective.



Equity: 20.08% – Non-Equity: 79.92%

Portfolio Facts

Benchmark Index for Volatility – AFI Cautious

Historical Yield: 2.12%

Portfolio Expense: 0.65% p.a

Important Information

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