

# Strong conviction STABLE RETURNS



## OBI Active 4 – March 2020 Portfolio Update

### Investment Objective

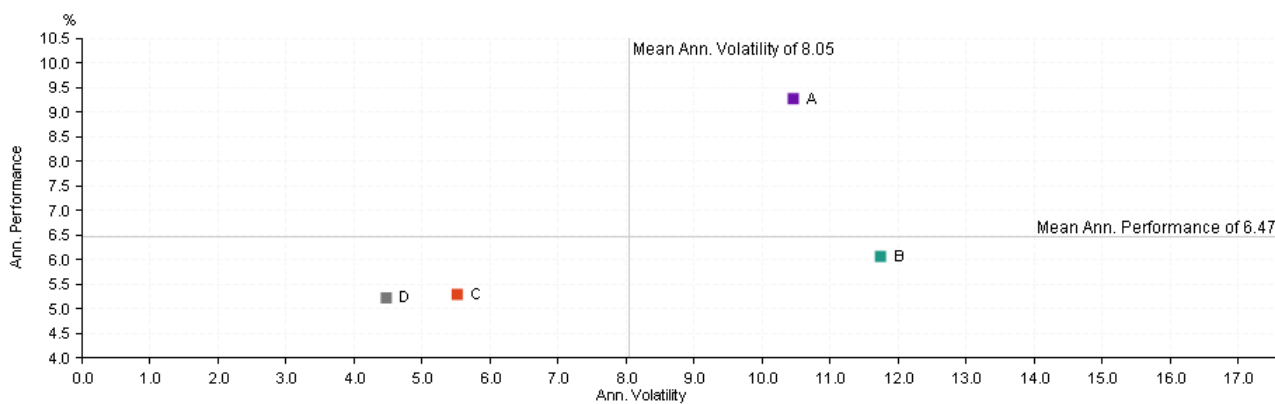
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who is prepared to invest into a higher allocation towards equities than OBI Active 3. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry low market risks and using all assets that are available from the investment universe. The asset allocation on this portfolio will vary between a benchmark of 0% equity and 45% equity on average to achieve the portfolio objectives, provided economic conditions permit. As non-equity assets are in some cases becoming riskier than equity assets, we feel that the current positioning is acceptable when we take into account our mandate regarding a client’s capital loss acceptance and by altering the asset allocation based on OBI and the ability to cyclically adjust the portfolios. The portfolio will be managed to try and limit the **indicative capital loss in any 12-month period to 8% in a significant event and 5% in normal market conditions** and to target **an annualised total return averaged out over an economic cycle (5 – 7 years) of 5% per annum 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 **49.73% in Equity (Analytics 2<sup>nd</sup> Mar 2020)** 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 of the benchmark would be higher. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 4 Performance – Source Analytics 2 <sup>nd</sup> 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 4 Portfolio	-2.30%	-0.27%	-1.68%	2.25%	-1.14%	2.83%	9.93%	26.60%	102.78%
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

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



28/02/2010 - 29/02/2020 ©FE fundinfo 2020

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 4 - Feb 2020 TR in GB	5.23	4.48

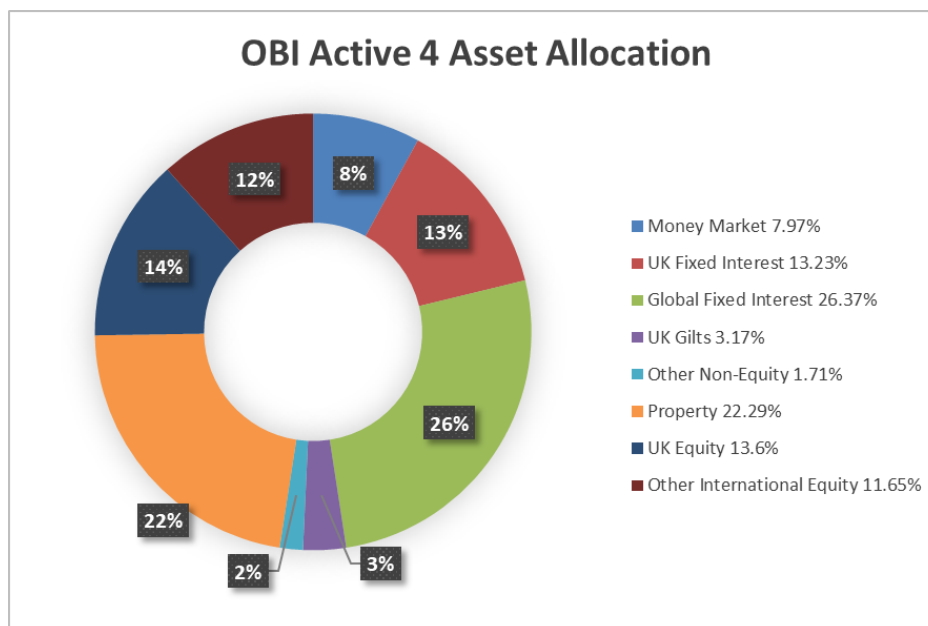
## Outlook & Positioning

OBI Active 4 is a cautious portfolio with a slightly higher equity allocation than OBI Active 3, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 5% 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 and global 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: 25.25% – Non-Equity: 74.75%

## Portfolio Facts

Benchmark Index for Volatility – AFI Cautious

Historical Yield: 2.00%

Portfolio Expense: 0.61% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **2<sup>nd</sup> 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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