

Strong conviction STABLE RETURNS



OBI Active 3 – April 2020 Portfolio Update

Investment Objective

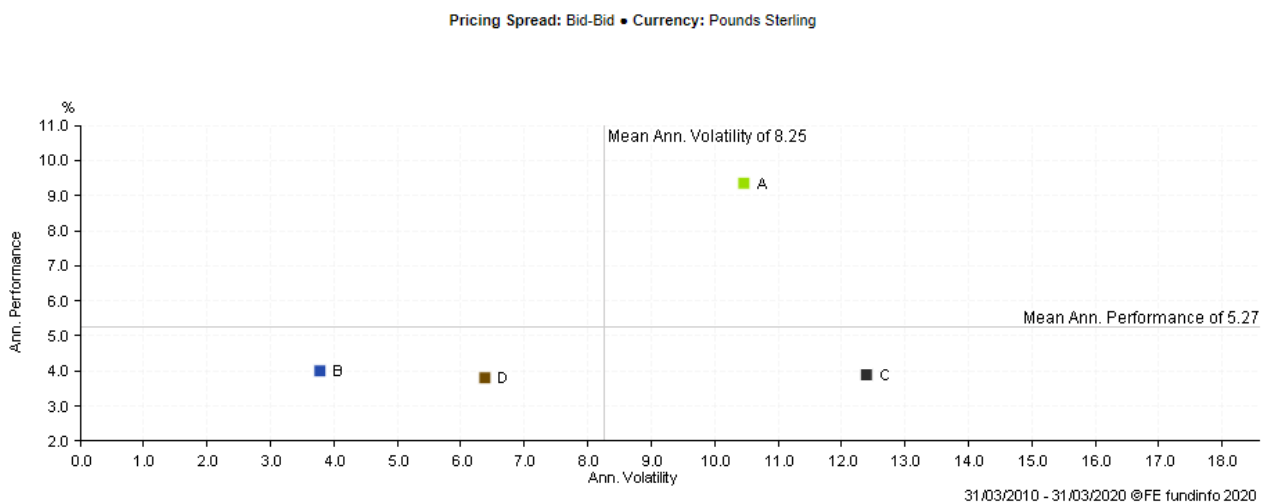
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses when markets are falling, based on the higher non-equity asset allocation. The portfolio is managed dynamically by altering the asset 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 49.52% in Equity (Analytics 2nd April 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 April 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	-2.41%	-3.11%	-2.89%	0.31%	-2.86%	1.42%	6.68%	20.39%	85.84%
Benchmark	-10.35%	-13.89%	-12.21%	-9.12%	-13.32%	-4.24%	5.40%	19.58%	74.23%
UK Gilts	2.69%	9.94%	4.24%	16.87%	11.50%	25.26%	44.79%	75.09%	158.32%
FTSE 100	-17.51%	-27.23%	-21.64%	-22.57%	-26.76%	-15.15%	-1.78%	11.09%	83.38%

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	9.36	10.46
B	OBI Active 3 - Feb 2020 TR in GB	4.01	3.78
C	FTSE 100 TR in GB	3.90	12.39
D	AFI Cautious TR in GB	3.81	6.38

Outlook & Positioning

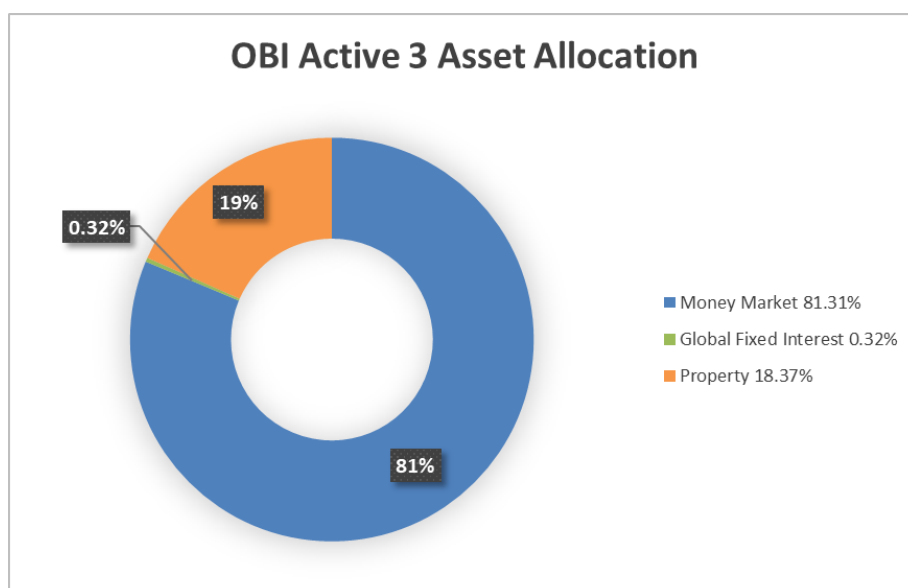
OBI Active 3 is a cautious portfolio with a higher non-equity allocation based on a low-risk mandate, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 4% per annum.

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. Moving into 2020 the outlook began to brighten, as improving data continued to support our expectations of a gradual improvement in the economic fundamentals. More recently however, the spread of the coronavirus and the related economic disruption as governments try to contain the spread of the virus has forced us to significantly change our global outlook, and subsequently, how the portfolios are positioned.

At the beginning of March, as the world was powering down in the midst of the pandemic the chances of a global recession became almost inevitable as severe restrictions on businesses and households were imposed by governments desperately trying to contain the outbreak. Given this impending risk to the global economy and financial markets, the portfolio was placed into capital preservation mode on the 9th March as to protect capital the best we could amid the turmoil, and this helped to reduced further losses and extreme volatility throughout the month.

UK gilts are currently experiencing a significant amount of volatility on the back of a flight to safety by investors to cash, along with concerns over the long-term impact of government spending and central bank movements. For this reason, we can no longer count on UK gilts to provide the portfolios with an element of stability during this time. At the same time, we are also seeing significant risks in the corporate bond market, with the shutdown of key economies expected to have a profound impact on corporate earnings and ability of businesses to continue to service their debt, which could result in a series of rating downgrades. Safe haven assets such as gold also continue to exhibit significant levels of volatility, and as such, we made the decision to hold high cash levels within the portfolios.

The portfolio is currently positioned very defensively with a small position in UK property (which we fully expect to remain stable throughout this period) and the rest in cash/short term money market funds, as to spread the bank risk associated with large cash positions. While we are happy to watch the current situation in markets play out from the side-lines ahead of further turbulence and decline, it is important to recognise that this situation is likely to play out very quickly. We are analysing developments all day every day, and when we see some sight of a market bottom coupled with containment, decreasing contagion, and free movement of people goods and services globally, we will start to invest normally again into a diverse portfolio of assets.



Equity: 0.00% – Non-Equity: 100%

Portfolio Facts

Benchmark Index for Volatility – AFI Cautious

Historical Yield: 1.00%

Portfolio Expense: 0.38% p.a

Important Information

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