

# Strong conviction STABLE RETURNS

## OBI Active 4 – May 2017 Portfolio Update

### Investment Objective

This type of portfolio is not a risk-free portfolio; rather, it is suitable for a client who is prepared to invest into equities at the right time but is more focused on the risk than the return. 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 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. 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**.

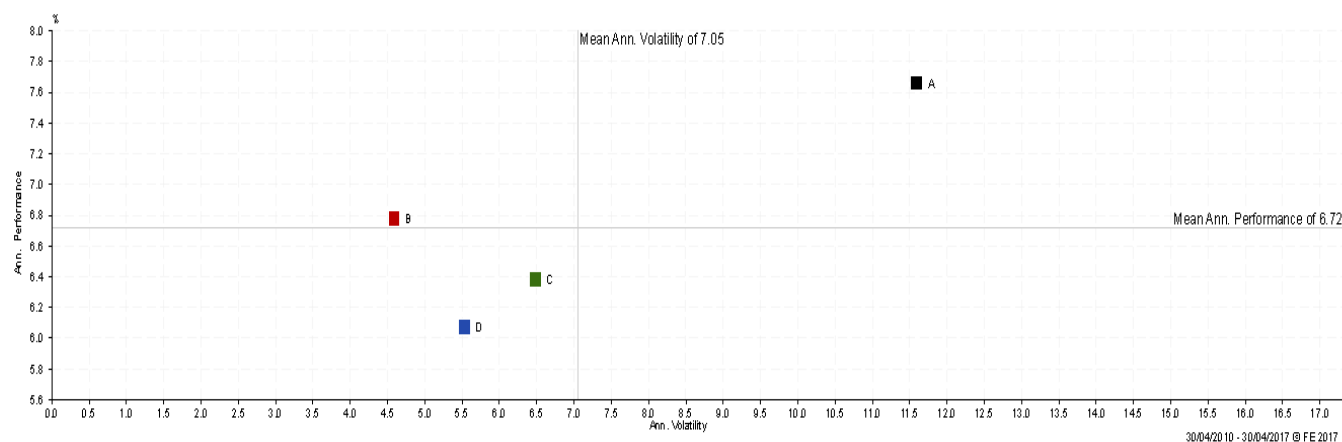
The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting this benchmark currently **holds 49% in Equity (Analytics 1<sup>st</sup> May 2017)** and is therefore more aggressive and has no capital preservation mandate. It cannot therefore be used for performance comparison purposes. It would be expected therefore that the benchmark would outperform the model and that the volatility would be higher.

OBI Active 4 Performance – Source Analytics 1 <sup>st</sup> May 2017							
Asset	1 Month	3 Months	6 Months	12 Months	3 Years	5 Years	7 Years
OBI Active 4 Portfolio	1.02%	3.85%	5.65%	10.90%	17.86%	42.47%	58.26%
Benchmark	-0.01%	2.88%	4.03%	10.50%	19.17%	39.71%	51.06%
UK Gilts	0.24%	4.18%	2.91%	8.19%	24.61%	28.31%	54.18%
FTSE 100	-1.33%	2.74%	6.17%	19.99%	18.43%	49.46%	67.60%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over last 7 years

2 May 2017

Pricing Spread: Bid-Bid • Currency: Pounds Sterling



Key	Name	Annualised Performance	Annualised Volatility
■ A	FTSE 100 TR in GB	7.86	11.59
■ B	OBI Active 4 - Jan 2017 TR in GB	6.78	4.59
■ C	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	6.38	6.48
■ D	AFI Cautious TR in GB	6.07	5.53

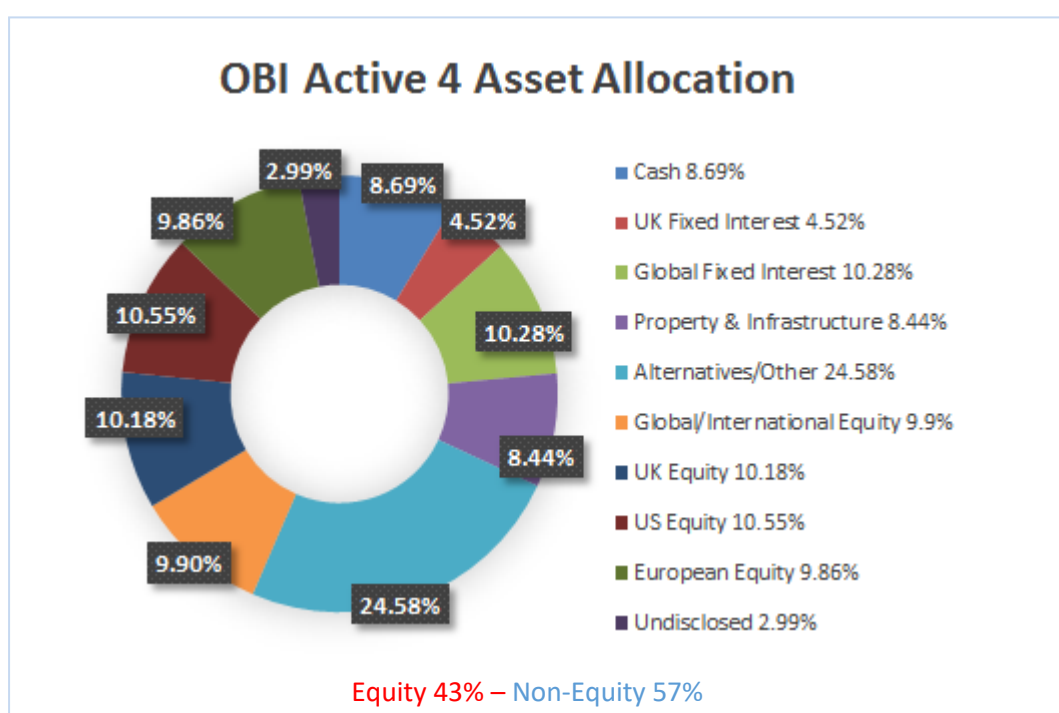
## Outlook & Positioning

The OBI Active 4 is our more aggressive cautious portfolio that has a slightly higher equity allocation than OBI Active 3, but still has delivery of outcome and capital preservation at its heart. Based on economic data, we still have a positive outlook for risky (equity) assets which will mean an expectation of rising government bond yields and therefore falling prices on what are perceived to be non-risky assets. That theme will continue to see the volatility of non-risky assets outpace risky assets. Currently, we are underweight global gilts and have reduced our exposure to commercial property as returns over the coming 12 months are not looking positive. We are still holding Global and UK High Yield and Absolute Return assets as well as Infrastructure and Non-UK Commercial property through a fund of funds portfolio with HSBC.

The primary focus as we move towards the end of Q2 will be the Trump trade, whilst also closely watching the issues in North Korea and seeing what happens with the UK election, UK data and the reaction to sterling as the Brexit negotiations gather momentum.

The equity asset allocation is achieved through a high exposure to globally managed funds with directional exposure to the UK mid cap, all caps stocks, and Europe. The remaining assets are held in globally diverse funds which will be tactically rotated by the underlying funds managers. We are looking to rotate lesser performing assets from within the non-equity sector and add to our equity allocation throughout May in line with our views that we expect equities to perform positively in line with momentum, conditions and sentiment.

From an equity perspective, we are holding circa **43% in equities** which is still circa 6% less than the benchmark. We would expect this to fluctuate during 2017 as we take profits and increase cash and then repurchase assets again after periods of volatility and valuations falling in line with the mandate of the portfolio, noting that an attack from North Korea would be seen as a significant event and we would sell to cash.



## Portfolio Facts

Benchmark Index for Volatility – AFI Cautious

Historical Yield: 1.82%

Portfolio Expense: 0.87% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1<sup>st</sup> May 2017**.
- 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.
- Performance figures quoted include the fund manager charges but exclude other fees such as any adviser, custodian, switch and/or discretionary investment management fees.
- Unless otherwise instructed any accrued income is reinvested into the portfolio.

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