

# Strong conviction STABLE RETURNS



## OBI Passive 5 – July 2017 Portfolio Update

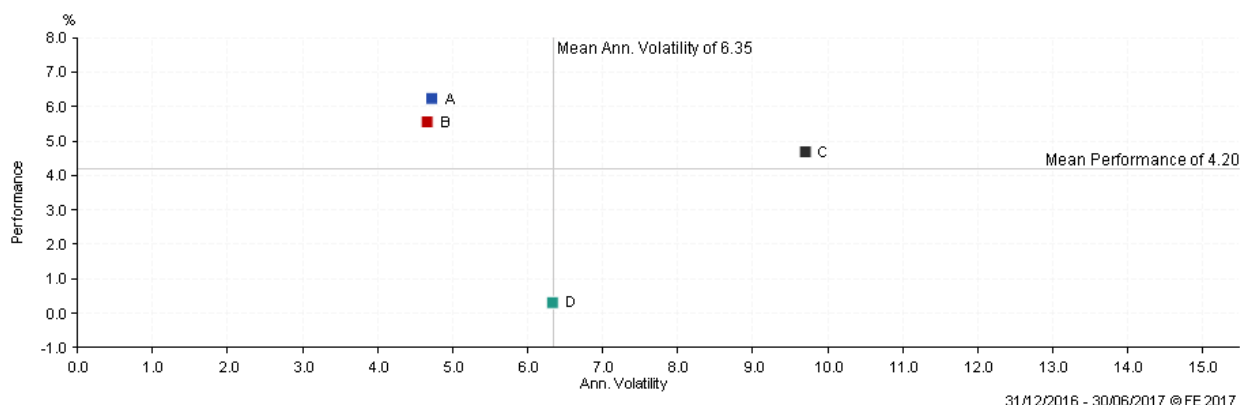
### Investment Objective

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 and is focused on both the risk and return and looking to achieve a balance. The portfolio is managed dynamically by altering the asset allocation using assets that carry market risk, and are predominately passive in nature, from the available investment universe. Where an asset with a passive strategy is either not available or suitable, an active counterpart will be selected from the investable universe.

The asset allocation in this portfolio will vary between a benchmark of 0% equity and 55% equity to achieve the portfolio objectives, provided economic conditions permit. The portfolio will be managed to try and limit the **indicative capital loss in any 12-month period to 10% in a significant event and 6% in normal market conditions** and to target an **annualised total return averaged out over a full economic cycle (5 – 7 year period) of 6%**. The benchmark we use for comparison purposes for volatility is the **AFI Balanced** noting this benchmark currently **holds 65% in Equity (Analytics 1<sup>st</sup> July 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 Passive 5 Performance – Source Analytics 1st July				
Asset	1 Month	3 Months	6 Months	Inception (30/11/2016)
OBI Passive 5 Portfolio	-1.28%	2.01%	5.44%	5.44%
Benchmark	-0.98%	1.71%	6.11%	6.11%
UK Gilts	-1.93%	-2.08%	1.27%	1.27%
FTSE 100	-2.02%	2.45%	5.09%	5.09%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over the last 6 months



31/12/2016 - 30/06/2017 © FE 2017

Key	Name	Performance	Annualised Volatility
■ A	AFI Balanced TR in GB	6.24	4.72
■ B	OBI 5 Passive June 2017 TR in GB	5.56	4.66
■ C	FTSE 100 TR in GB	4.69	9.70
■ D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	0.32	6.33

## Outlook & Positioning

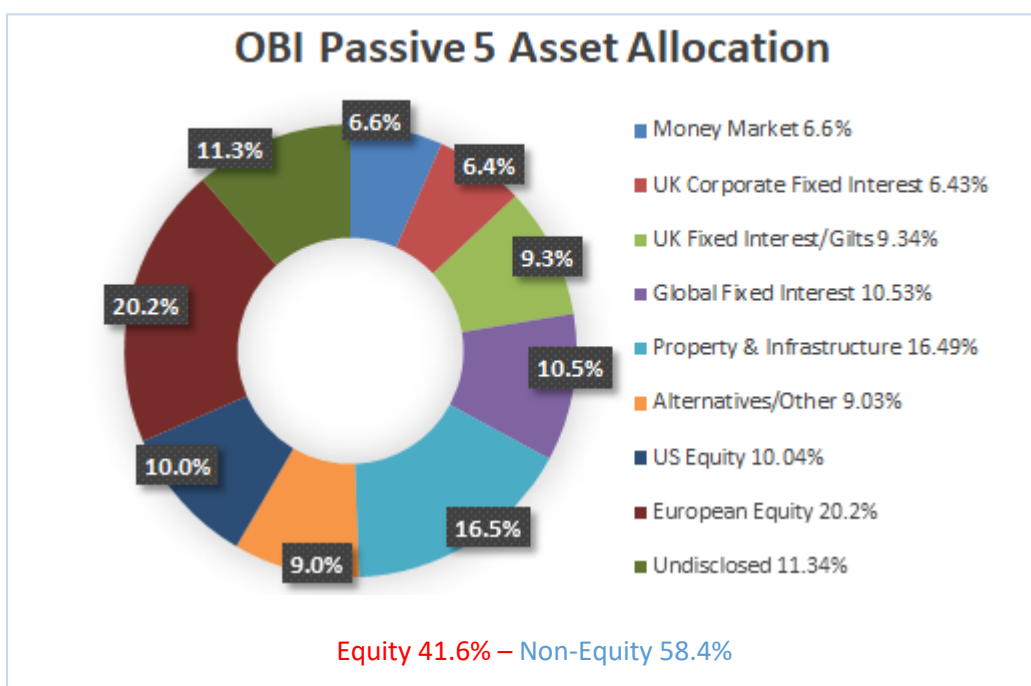
OBI Passive 5 is a balanced portfolio that is constructed with predominately passive assets and will take some high conviction positions to try and deliver the objectives. The start of 2017 has been positive, with most markets rallying off the back of positive economic data. We expect equities to continue to perform positively in line with momentum, conditions and sentiment, and outperforming non-equity due to the expectation of rising government bond yields and therefore falling prices.

As we work our way through the economic cycle and we see growth levels reach the top of the range, we will start to sell down from our equity allocation, and lock in profits. From here, we will deploy into more defensive assets to protect capital whilst we see how the UK election plays out, as well as other political road bumps; Brexit, the Trump trade and issues in North Korea.

Our non-equity exposure is achieved through 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 equity asset allocation is achieved through a high exposure to passive global equity funds with directional exposure to the US, UK and Europe. In contrast to the equivalent OBI Active portfolio, where there is an allocation to 'Other International Equities', within the passive portfolios, the allocations are more directional due to the nature of the funds. This is why there appears to be a higher allocation to UK and US equities when compared to the active counterpart. Despite this, the macro theme is the same.

The remaining assets are held in globally diverse passive multi asset funds alongside active non-equity positions, where a passive strategy is either not available or suitable, and will be tactically rotated by the underlying funds managers.

From an equity perspective, we are holding circa **37% in equities** which is still circa 28% less than the benchmark. We would expect this to fluctuate during 2017 as we take profits and only repurchase again following periods of volatility and falling valuations, in line with the mandate of the portfolio. Following this, we will rotate lesser performing assets from within the non-equity sector and add to our equity allocation.



## Portfolio Facts

Benchmark Index for Volatility – AFI Balanced

Historical Yield: 2.19%

Portfolio Expense: 0.37% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1<sup>st</sup> July 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.