OBI Active 9 – January 2018 Portfolio Update

Investment Objective

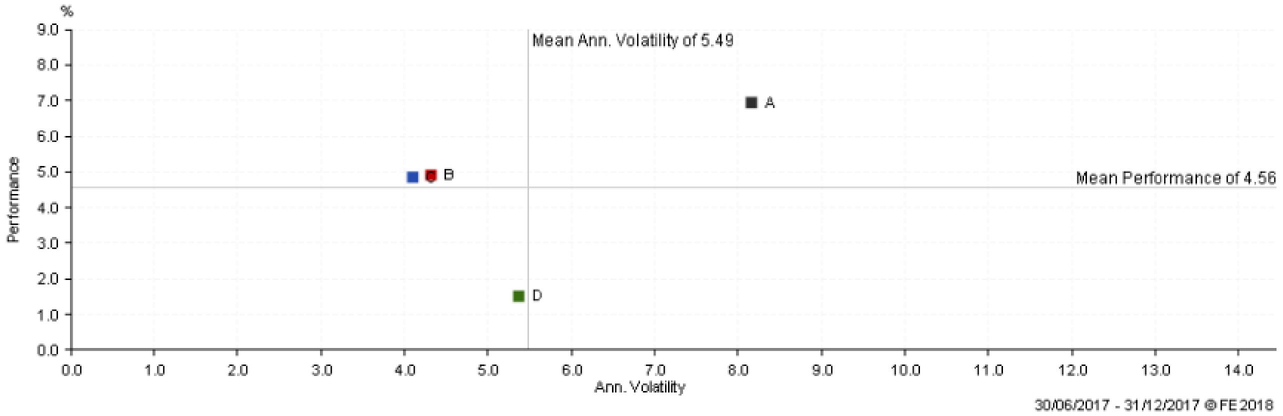
This type of portfolio is not a risk-free portfolio, rather it is similar to OBI Active 8 as it is suitable for a client whose is prepared to invest into equities for the majority of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater medium-term returns. This portfolio has a heavier weight in equities than OBI Active 8. 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 in this portfolio will vary between a benchmark of 0% equity and 90% 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 18% following a significant event and 9% in normal market conditions*** and to target an ***annualised total return averaged out over a full economic cycle (5 – 7 years) of 9%***.

The benchmark we use for comparison purposes for volatility is the **AFI Aggressive**, which currently **holds 84.60% in Equity (Analytics 1st January 2018)**. This benchmark is therefore more aggressive then OBI Active 9 and unlike the model, it does not have a capital preservation mandate. Given the higher equity allocation, the benchmark is likely to outperform the model and the volatility would therefore be higher. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 9 Performance – Source Analytics 1st January

Asset	*1 Month*	*3 Months*	*Since inception (28/04/2017)*
OBI Active 9 Portfolio	1.65%	3.51%	8.44%
Benchmark	1.69%	3.40%	6.82%
UK Gilts	0.44%	1.97%	-0.04%
FTSE 100	5.41%	5.02%	9.46%

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

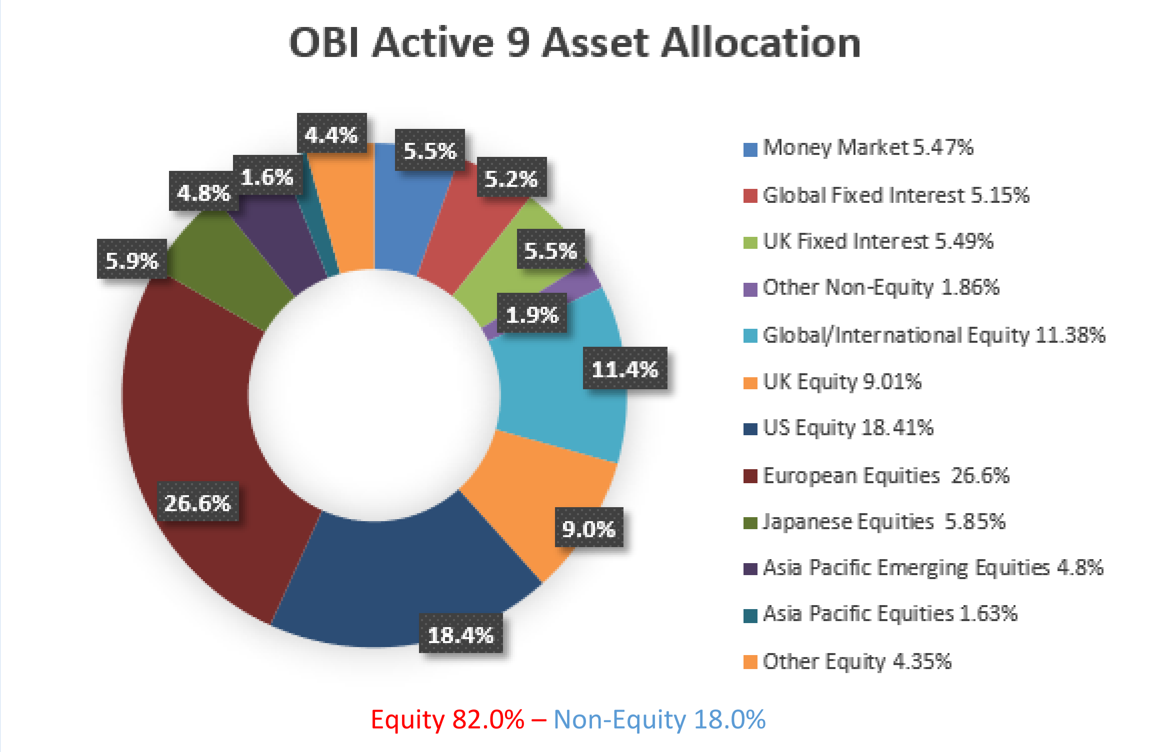


Key	Name	Performance	Annualised Volatility
A	FTSE 100 TR in GB	6.94	8.16
B	AFI Balanced TR in GB	4.92	4.32
C	OBI Active 9 - December 2017 GTR in GB	4.85	4.10
D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	1.51	5.37

Outlook & Positioning

OBI Active 9 is the most aggressive main stream balanced portfolios that is still considered balanced as regards to the underlying asset allocation which can vary anywhere between 0% and 85% noting it tends to average about 65% and only spends short periods of time at the highest asset allocation. As with all of our portfolios the mandate is balanced between delivering the outcome and protecting capital, noting this portfolio will spend longer than any other invested in risky assets and will therefore be the most volatile. Throughout 2017, the global equity markets have been seen synchronised growth, with the US leading the way based on solid earnings data and valuations. This is largely attributed to the current global reflation trend and the resilient economic data generated throughout the speculative stage of the economic cycle. Markets have been relatively calm and quiet throughout 2017 in terms of volatility, however in Q3 we saw some volatility feeding its way into the markets, mostly driven by various economic and political risks, however these have seemed to disperse in Q4 and into 2018. As global economic data is improving and reaching record highs, from a valuation and analysis perspective, investors are relatively cautious after the volatility seen in Q3 and are questioning how long the rally will last. This is not identifying anything serious at this juncture, and we did go defensive during the volatility period, however we have started to approach a more 'normalised' approach towards our equity allocation and will maintain our conviction until the economic data will suggest otherwise.

Our non-equity exposure is achieved through Global and UK High Yield and Absolute Return assets and multi asset funds that are cautious. We have moved the portfolios to something that has lower market sensitivity, so the holdings are now measured using volatility based equity and non-equity holdings. From an equity perspective, most of the asset allocation is achieved through a high exposure to globally managed funds with directional exposure to markets we believe show upward growth. The remaining assets are held in globally diverse funds which will be tactically rotated by the underlying fund managers with a 40% directional asset allocation to UK, Europe and Asia. We will remain underweight UK until we see better data and stability in the underlying UK economy. From an equity perspective, we are holding circa **82% in equities which is 2.6%** less than the benchmark. We would expect this to fluctuate during 2018 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 Aggressive **Historical Yield:** 1.06% **Portfolio Expense:** 1.04% p.a

Important Information

- All data in this document has been extracted from Analytics as at **1 January 2018.**
- 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.