# Strong conviction
# STABLE RETURNS
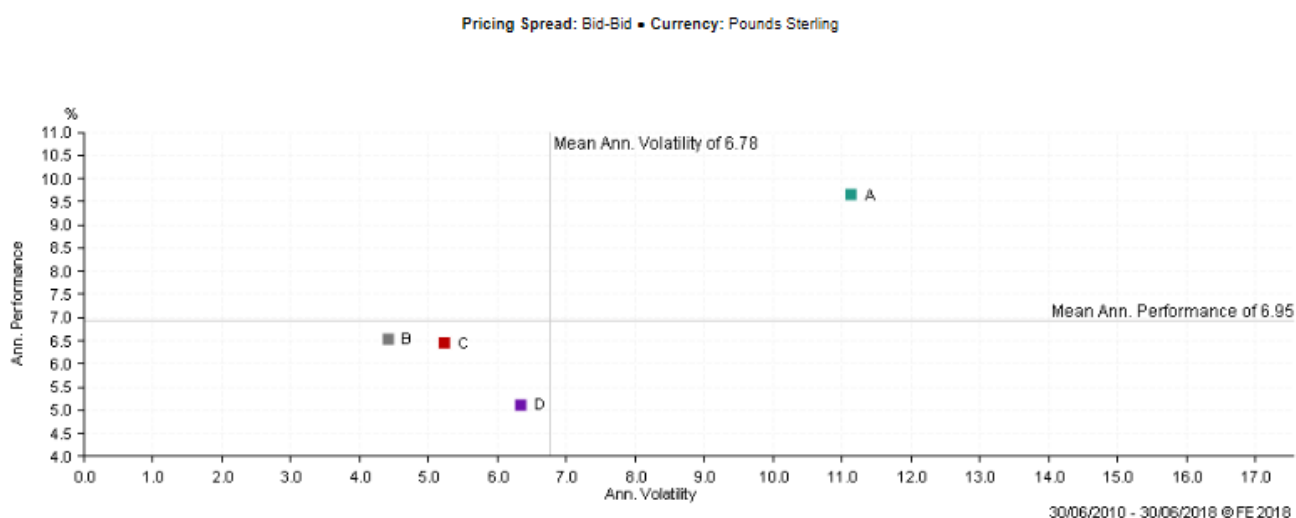
## OBI Active 4 – *July 2018 Portfolio Update*

### 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 53.16% in Equity (Analytics 1st July 2018)** 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 would be higher. The model performance therefore cannot be directly compared to the benchmark.

| OBI Active 4 Performance – Source Analytics 1st July 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *Asset* | *1 Month* | *3 Months* | *6 Months* | *12 Months* | *3 Years* | *5 Years* | *7 Years* | *Since Launch (01/06/2009)* |
| OBI Active 4 Portfolio | -0.68% | 1.32% | -1.11% | 0.63% | 11.34% | 27.68% | 51.95% | 105.35% |
| Benchmark | -0.75% | 3.21% | 0.23% | 3.11% | 16.60% | 31.13% | 46.68% | 89.89% |
| UK Gilts | 0.22% | 0.33% | 1.48% | 2.10% | 15.55% | 27.49% | 44.88% | 61.85% |
| FTSE 100 | -1.69% | 8.30% | 1.01% | 7.46% | 28.23% | 44.76% | 64.29% | 137.57% |

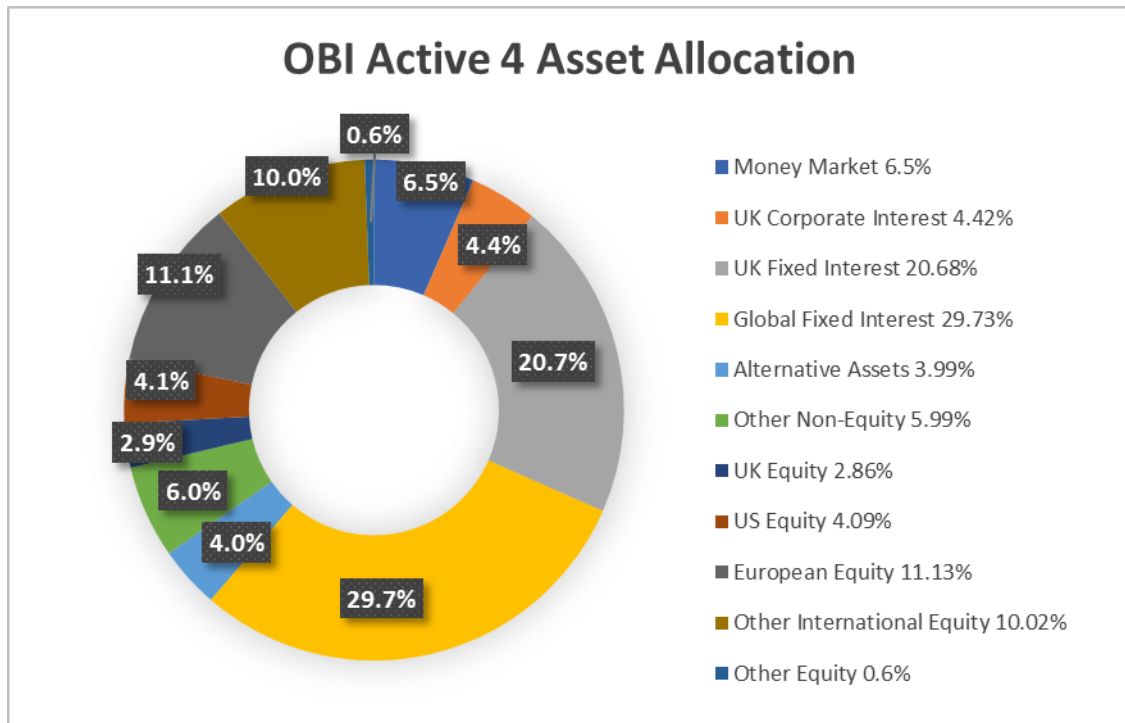### Scatter Chart Reflecting Volatility and Annualised Return in GBP over the past 8 years

Pricing Spread: Bid-Bid ▪ Currency: Pounds Sterling



Mean Ann. Volatility of 6.78

Mean Ann. Performance of 6.95

30/06/2010 - 30/06/2018 ℗ FE 2018

| Key | Name | Annualised Performance | Annualised Volatility |
|---|---|---|---|
| A | FTSE 100 TR in GB | 9.66 | 11.13 |
| B | OBI Active 4 - 3 May 2018 TR in GB | 6.54 | 4.42 |
| C | AFI Cautious TR in GB | 6.46 | 5.23 |
| D | FTSE Actuaries UK Conventional Gilts All Stocks TR in GB | 5.12 | 6.34 |

**Outlook & Positioning**

OBI Active 4 is another cautious portfolio that has a slightly higher equity allocation than OBI Active 3, with the delivery of outcome and capital preservation at its core. The slightly higher equity allocation represents the higher targets, with regards to the annualised outcome of 5% rather than 4% for Active 3. Global financial markets saw synchronised growth throughout 2017 with the US markets leading the way with strong company earnings, fundamentals and economic data. As we progress throughout 2018, it is apparent that volatility is back as investors remain cautious of the end of the cycle and take profits at each sell off, which exacerbates the drops and increases market volatility. Despite this, we are still seeing resilience in the markets, which is largely attributed to the current global reflation trend and the robust economic data generated throughout the speculative stage of the economic cycle. As global economic data continues to improve, markets are reaching record highs and investors are cautious after the volatility seen in February and are questioning how long the rally will last. This is not identifying anything serious at this juncture, however we are aware of the risks in the markets and have redesigned the portfolio based on our OBI strategy and have cyclically adjusted the portfolio and will maintain our conviction until the economic data suggests otherwise.

Our non-equity exposure is achieved through Absolute Return, Strategic & Corporate Bonds, High Yield and Multi Asset funds. In our February rebalance, we 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, the asset allocation is achieved through a high exposure to globally managed funds with directional exposure to markets which we believe show upward growth. The remaining assets are held in globally diverse funds which will be tactically rotated by the underlying fund managers.

In terms of our equity allocation, we are holding circa **28.70% in equities** which is still 24.46% less than the benchmark. We would expect this to fluctuate throughout 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.



## OBI Active 4 Asset Allocation

- Money Market 6.5%
- UK Corporate Interest 4.42%
- UK Fixed Interest 20.68%
- Global Fixed Interest 29.73%
- Alternative Assets 3.99%
- Other Non-Equity 5.99%
- UK Equity 2.86%
- US Equity 4.09%
- European Equity 11.13%
- Other International Equity 10.02%
- Other Equity 0.6%

Equity: 28.69% – Non-Equity: 71.31%

## Portfolio Facts

**Benchmark Index for Volatility –** AFI Cautious    **Historical Yield:** 2.38%    **Portfolio Expense:** 0.76% p.a

## Important Information

- All data in this document has been extracted from Analytics as at **1 July 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.
- Unless otherwise instructed any accrued income is reinvested into the portfolio.