OBI Active 7 – September 2018 Portfolio Update

Investment Objective

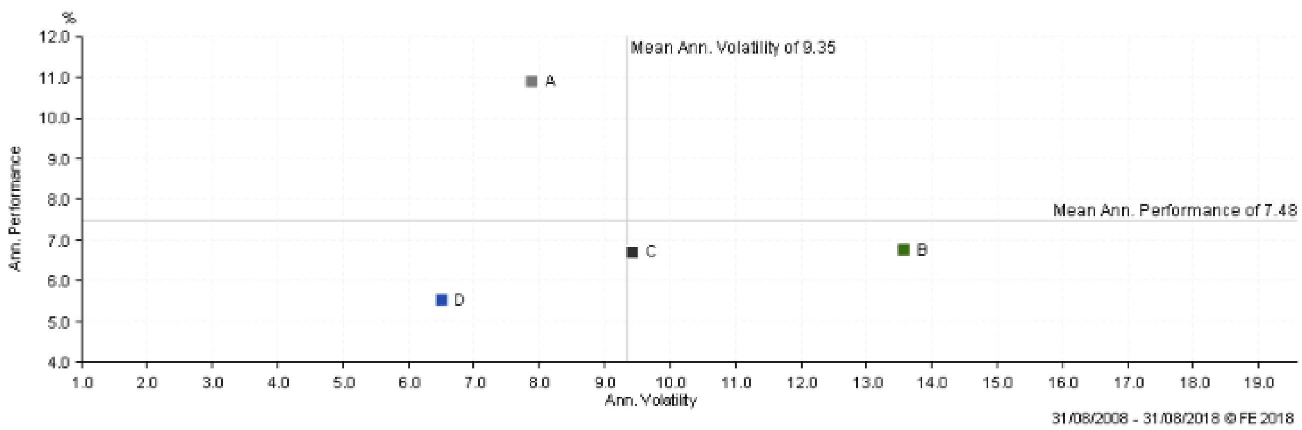
This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client whose is prepared to invest into equities for most of the time and is focused more on the return than the risk, hoping that by doing this they can achieve greater medium-term returns. The portfolio is managed dynamically 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 75% 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 15% following a significant event and 8% in normal market conditions*** and to target an ***annualised total return averaged out over a full economic cycle (5 – 7 years) of 8% plus, 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 the **AFI Balanced**, which currently **holds 67.76% in Equity (Analytics 1st September 2018)**. This benchmark is therefore less aggressive than OBI Active 7 and unlike the model, it does not have a capital preservation mandate. Given the lower equity allocation, the benchmark is unlikely to outperform the model and the volatility would therefore be lower. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 7 Performance – Source Analytics 1st September 2018								
Asset	***1 Month***	***3 Months***	***6 Months***	***12 Months***	***3 Years***	***5 Years***	***7 Years***	***Since Launch (16/02/2007)***
OBI Active 7 Portfolio	0.65%	1.90%	2.95%	3.50%	27.14%	47.90%	92.65%	196.17%
Benchmark	0.56%	1.92%	4.48%	5.46%	29.99%	45.08%	73.26%	78.77%
UK Gilts	0.16%	-0.76%	2.01%	-0.45%	12.37%	27.89%	37.72%	85.41%
FTSE 100	-3.29%	-2.05%	5.40%	4.13%	34.06%	40.24%	79.89%	80.15%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over the last 10 years

Pricing Spread: Bid-Bid ▪ **Currency:** Pounds Sterling



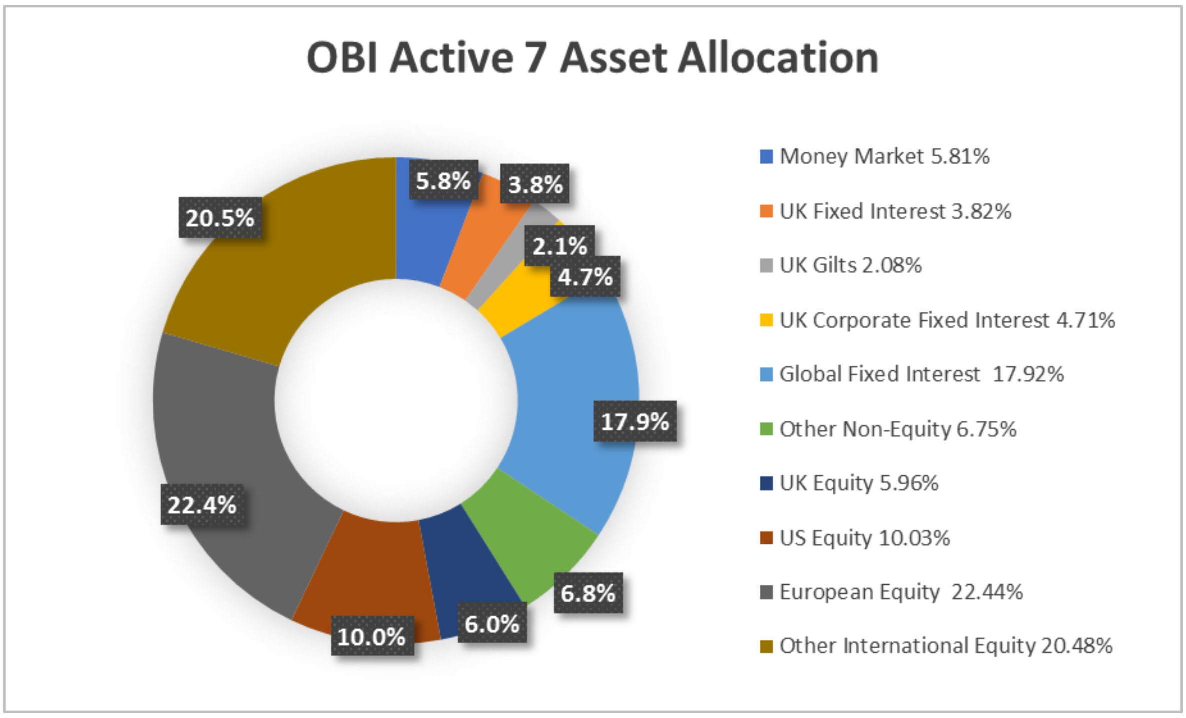
Key	Name	Annualised Performance	Annualised Volatility
A	OBI Active 7 - 3 September 2018 GTR in GB	10.90	7.88
B	FTSE 100 TR in GB	6.78	13.57
C	AFI Balanced TR in GB	6.71	9.42
D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	5.54	6.51

Outlook & Positioning

The OBI Active 7 is the third of our balanced portfolios that is still considered balanced as regards to the underlying asset allocation which can vary anywhere between 0% and 75% and as with all of our portfolios, balances the mandate between delivering the outcome and protecting capital. 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, most of 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 with a 20% 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.

In terms of our equity allocation, we are holding **58.91% in equities** which is 8.85% 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.



Equity: 58.91% – Non-Equity: 41.09%

Portfolio Facts

Benchmark Index for Volatility – AFI Balanced **Historical Yield:** 1.62% **Portfolio Expense:** 0.68% p.a

Important Information

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