

# Strong conviction STABLE RETURNS



## OBI Active 8 – August 2018 Portfolio Update

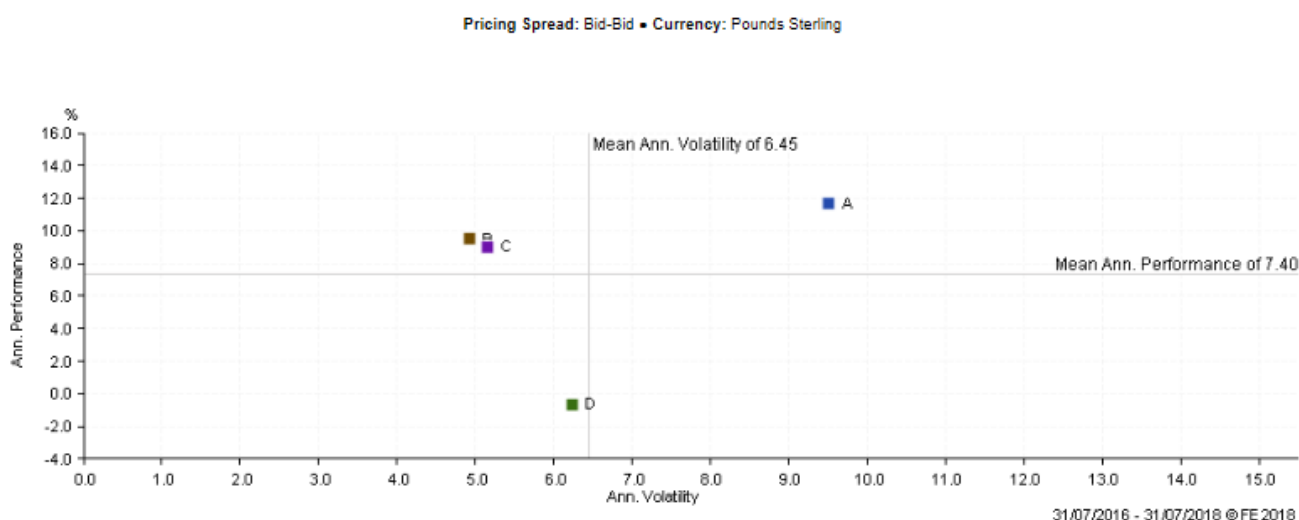
### Investment Objective

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 85% 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% 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 **68.21% in Equity (Analytics 1<sup>st</sup> August 2018)**. This benchmark is therefore more aggressive than OBI Active 8 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 of the benchmark would be lower. The model performance therefore cannot be directly compared to the benchmark.

OBI Active 8 Performance – Source Analytics 1 <sup>st</sup> August 2018					
Asset	1 Month	3 Months	6 Months	12 Months	Since Launch (08/03/2016)
OBI Active 8 Portfolio	3.04%	3.03%	4.58%	4.62%	28.14%
Benchmark	2.78%	3.20%	6.50%	6.26%	27.46%
UK Gilts	-0.46%	1.27%	3.11%	0.65%	5.97%
FTSE 100	2.17%	3.70%	11.04%	7.26%	37.32%

Scatter Chart Reflecting Volatility and Annualised Return in GBP over 2 Years



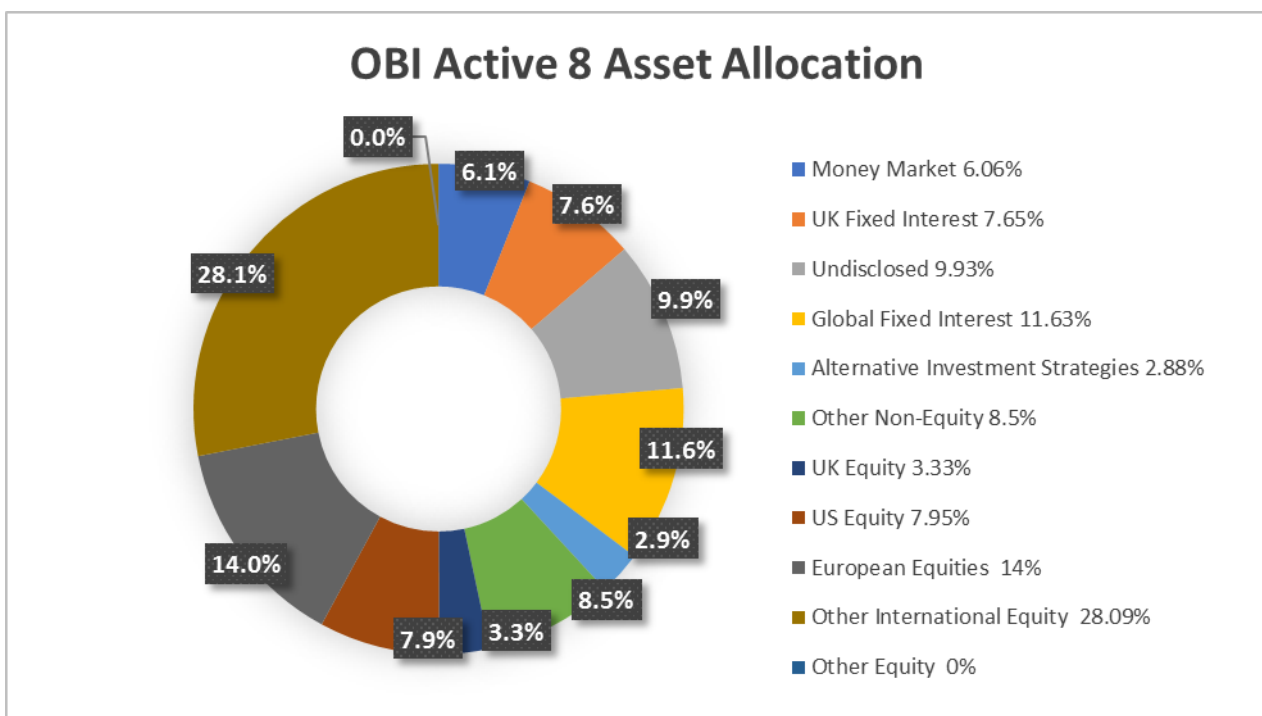
Key	Name	Annualised Performance	Annualised Volatility
■ A	FTSE 100 TR in GB	11.70	9.50
■ B	OBI Active 8 - 3 May 2018 TR in GB	9.54	4.92
■ C	AFI Balanced TR in GB	9.01	5.15
■ D	FTSE Actuaries UK Conventional Gilts All Stocks TR in GB	-0.65	6.23

## Outlook & Positioning

OBI Active 8 is the most aggressive main stream balanced portfolio that is still considered balanced with 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 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. 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 deflation 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 25% 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 circa **53.37% in equities which is 14.84% 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: 53.37% – Non-Equity: 46.63%

## Portfolio Facts

Benchmark Index for Volatility – AFI Balanced

Historical Yield: 1.62%

Portfolio Expense: 0.79% p.a

## Important Information

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

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