

OBI Model Portfolio Active 4



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.**

Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **53.80% in Equity** (Analytics, 1st September 2020) and is therefore more aggressive than this portfolio. The benchmark also has no capital preservation mandate. It would therefore be expected that this benchmark would outperform the model and that the volatility of the benchmark would be higher. The model performance therefore cannot be directly compared to the benchmark.

Performance

| Asset | 1 Month | 3 Months | 6 Months | 12 Months | YTD | 3 Years | 5 Years | 7 Years | Since Launch 01/06/2009 |
|-------------------------------|---------|----------|----------|-----------|---------|---------|---------|---------|-------------------------|
| OBI Active 4 Portfolio | 1.10% | 2.90% | 4.91% | 3.15% | 3.71% | 3.02% | 16.81% | 31.59% | 112.73% |
| Benchmark | 1.61% | 3.25% | 1.53% | -0.47% | -2.36% | 5.67% | 22.86% | 35.77% | 97.60% |
| UK Gilts | -4.93% | -5.40% | 1.20% | 3.31% | 9.04% | 21.56% | 46.78% | 83.17% | 153.93% |
| FTSE 100 | 1.75% | -0.90% | -7.87% | -14.32% | -18.96% | -9.49% | 16.53% | 21.90% | 102.53% |

Source: FE Analytics, 1st September

Asset Allocation

- MONEY MARKET (17.25%)
- UK FIXED INTEREST (9.18%)
- GLOBAL FIXED INTEREST (17.40%)
- OTHER NON-EQUITY (3.09%)
- PROPERTY (15.50%)
- UK EQUITY (8.28%)
- NORTH AMERICAN EQUITY (13.18%)
- EUROPEAN EQUITY (6.32%)
- OTHER INTERNATIONAL EQUITY (9.81%)



Equity 37.58% - Non-Equity 62.42%

Outcome Based Investing

At OCM, we believe that assets in a client portfolio should be adjusted through each phase of the economic cycle.

In line with the OBI strategy, at the extreme point when the cycle is at its most extended and the economies are overheating, it is our view that by moving defensively and focusing on the core portfolio assets, we are able to provide the desired outcome with the least amount of expected volatility.

The key with the strategy of “Outcome Based Investing” is to limit the surprises and capture as much of the upside as possible, with a focus on delivering the client’s strategised outcome.

Key Facts

Benchmark
AFI Cautious

Inception Date
01 June 2009

Historic Yield
1.68% per annum

Ongoing Strategy Charge
0.81% per annum

Rebalancing Frequency
Quarterly (or as required as per the OBI strategy)



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OBI Active 4 is a cautious portfolio with a slightly higher equity allocation than OBI Active 3, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 5% per annum.

Market Outlook

Economic data on a global scale continues to rebound from the unprecedented shock to economic activity resulting from coronavirus-induced lockdowns, however overall data still remains below long-term averages. After a strong rebound in global equities in the second quarter, we are beginning to see a return of heightened intraday volatility, with tech stocks leading losses as investors pause to reassess corporate earnings and expectations for the pace of recovery over the second half of the year. After a fantastic few months of performance, this is expected given the market conditions and current economic landscape, and it is completely normal as we transition between the recession and recovery stages of the cycle.

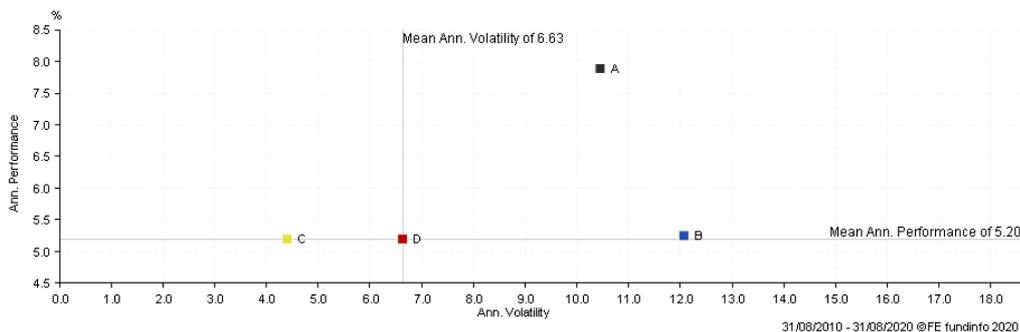
Overall, momentum remains positive, and we continue to observe supportive conditions for risk assets moving forward. It is our view that we will experience a further recovery in activity over the second half of the year, followed by strong growth in 2021 bolstered by low international interest rates alongside continued support from central banks and governments as the global economy returns to the new normal.

Portfolio Positioning

At the end of August, we reduced exposure to large cap US stocks and global government bonds in order to take profits on the positions that are now at extreme valuations and that we believe have limited upside potential remaining. As such, the portfolios currently have a high cash position, however over the month we will be adding to areas of the US market where we see greater return opportunity moving forward, alongside a new holding in green energy which is well placed to benefit from a change in consumer trends and behaviours. We are optimistic on the medium-term outlook from here (accepting further volatility), and remain confident in our positioning, with well diversified portfolios which have been designed to weather these market conditions.

The portfolio has been constructed with a high level of diversification in terms of asset classes and geographies, with a mix of bond, equity, and property exposure to meet portfolio objectives over the long term. The exposure is gained through a high-quality mix of actively managed and passive, globally diverse equity and multi asset funds. The property exposure within the portfolio is gained through direct, bricks-and-mortar UK property funds.

Portfolio Volatility



This scatter chart reflects annualised volatility and return in GBP over the past 10 years. Over the long term, we would expect the OBI portfolio to exhibit a lower level of volatility than the benchmark.

| Key | Name | Annualised Performance | Annualised Volatility |
|-----|--|------------------------|-----------------------|
| A | FTSE Actuaries UK Conventional Gilt Over 10 Years TR in GB | 7.89 | 10.45 |
| B | FTSE 100 TR in GB | 5.25 | 12.07 |
| C | OBI Active 4 - Jul 2020 TR in GB | 5.20 | 4.40 |
| D | AFI Cautious TR in GB | 5.20 | 6.63 |

Important Information

All data in this document has been extracted from Analytics as at 1st September 2020. Past performance cannot be used as a guide to future performance and the value of your investment will fall as well as rise in value. You may not get back all of your investment and the final value of your investment will depend on the performance of your portfolio. Performance figures quoted include fund manager charges but exclude adviser, discretionary, custodian and switch charges. Unless stated, income is reinvested into the portfolio. The information contained in this document is for information purposes only. It does not constitute advice or a recommendation or an offer or solicitation for investment. Portfolio Expense is based on the Fusion platform and may vary for other platforms.