

# OBI Model Portfolio Active 3



## Objective

This portfolio is NOT a risk-free portfolio, rather, it is suitable for a client who requires stability of capital and is prepared to accept small levels of capital losses when markets are falling, based on the higher non-equity asset allocation. The portfolio is managed dynamically by altering the asset allocation and by predominantly using low-risk assets that carry market risk and using all assets that are available from the investment universe. The asset allocation within this portfolio will vary between a benchmark of 0% equity and 35% equity on average to achieve the portfolio objectives, provided economic conditions permit. **The portfolio will be managed to try and limit the indicative capital loss in any rolling 12-month period to 6% in a significant event and 4% in normal market conditions and to target an annualised total return averaged out over an economic cycle (usually 5 – 7 years) of 4% per annum before any adviser, custodian, switch and/or discretionary investment management fees, but after fund manager charges.** Despite the higher allocation in non-equity assets, these asset classes are in some cases becoming riskier than equity assets, however we feel that the current positioning is acceptable when we consider our mandate regarding a client’s capital loss acceptance.

## Management

The benchmark we use for comparison purposes for volatility is **AFI Cautious** noting that this benchmark currently holds **52.14% in Equity** (Analytics, 1st October 2021) 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 3 Portfolio	-1.21%	0.91%	4.38%	8.91%	4.04%	14.36%	23.60%	32.30%	117.00%
Benchmark	-1.28%	1.49%	5.65%	13.74%	6.21%	16.41%	29.18%	44.69%	120.90%
UK Gilts	-3.55%	-1.70%	-0.29%	-6.27%	-6.61%	9.48%	5.43%	27.46%	65.69%
UK Equities	-0.75%	2.45%	7.81%	27.74%	13.30%	8.80%	28.25%	43.16%	143.63%

Source: FE Analytics, 1st October

## Asset Allocation

- MONEY MARKET (24.43%)
- UK FIXED INTEREST (9.54%)
- GLOBAL FIXED INTEREST (20.41%)
- OTHER NON-EQUITY (3.94%)
- PROPERTY (11.14%)
- UK EQUITY (11.63%)
- NORTH AMERICAN EQUITY (8.18%)
- EUROPEAN EQUITY (3.51%)
- ASIAN EQUITY (7.22%)

Equity 30.54% - Non-Equity 69.46%



## 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**  
2.00% per annum

**Ongoing Strategy Charge**  
0.77% per annum

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

**Portfolio ESG Exposure**  
27.10%



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OBI Active 3 is a cautious portfolio with a higher non-equity allocation based on a low-risk mandate, with the delivery of outcome and capital preservation at its core which aims to achieve a return outcome of 4% per annum.

## Market Outlook

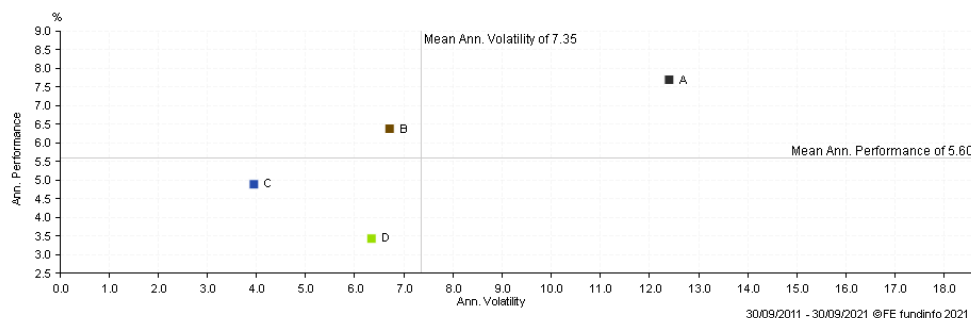
Following strong performance during the first half of 2021, financial markets became increasingly volatile towards the end of the third quarter, with decelerating global growth and uncertainty over the short-term macroeconomic environment weighing on investor sentiment. While policy speculation, economic data flows and geopolitical tensions have become increasingly prominent over recent months, idiosyncratic events have also contributed to risk-off sentiment over the month. Across regions, we are beginning to see central banks take a slightly more hawkish tone as inflationary pressures surpass policymaker expectations and pandemic support measures are withdrawn, pushing government bond yields to 3-month highs. Despite the recent volatility observed across bond and equity markets, 2021's economic growth outlook remains positive, such that economists have revised growth expectations higher for the UK, while other regions play catch up.

Despite a pullback in asset prices throughout September, we remain confident that the drop in prices will help to reset investor expectations after regions reached 'peak' economic growth. Looking further ahead, while volatility will likely remain over the weeks ahead, we expect risk assets to recover towards the end of 2021. Consequently, we will continue to watch incoming data and market sentiment closely to identify discounted opportunities for the OBI portfolios to capitalise upon.

## Portfolio Positioning

While our long-term outlook remains positive, the material increase in short term risks and the recent jump in government bond yields has encouraged us to become more prudent, such that we have made several changes to the portfolios throughout September. We removed regional assets that were susceptible to elevated idiosyncratic risks, in addition to dialling down our equity and non-equity risk asset exposure. This has created elevated cash levels that are expected to provide sufficient protection and flexibility to navigate changes in the economic backdrop in the weeks ahead, and we will look to reposition the portfolio accordingly as we move into the next stage of the economic cycle.

## 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	UK Priv UK Equities TR in GB	7.69	12.40
B	AFI Cautious TR in GB	6.38	6.71
C	OBI Active 3 - Sept 2021 TR in GB	4.89	3.95
D	UK Priv UK Gilts TR in GB	3.44	6.34

## Important Information

All data in this document has been extracted from Analytics as at 1st October 2021. 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.