



31<sup>st</sup> October 2020

### CORE MODEL STRATEGY

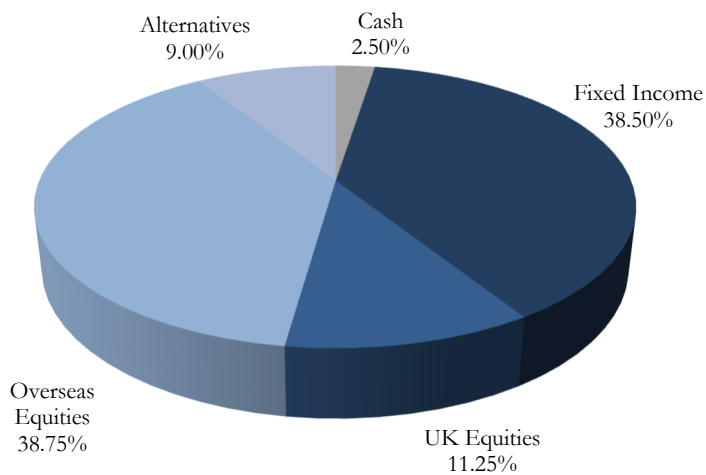
*To generate capital growth and income over the long term, through a diverse mix of asset classes*

### INVESTMENT OBJECTIVE, APPROACH & TYPICAL INVESTOR

The objective of the Core Model Strategy, over the medium term, is to achieve an above inflation return through a combination of income and capital growth. A typical investor would be seeking long-term growth. The diversified nature of the investments makes the strategy suitable for investors wishing to achieve a broad spread of exposure to asset classes. The strategy is expected to have a moderate degree of volatility, relative to pure equity investment.

The model strategy will invest in ETFs and other collective funds. The manager's approach is to utilise passive instruments where possible to minimise cost. However, active managers are considered for each asset class and used in a minority of cases where it is felt justified. The firm's investment philosophy advocates complementing a core of traditional assets with exposure to risk premia such as value, low volatility and size. Within equities, a global approach is taken with only a moderate UK bias. For alternative investments, lowly correlated, daily liquid funds are used.

### CURRENT ASSET ALLOCATION\*



|                          |                               |                |
|--------------------------|-------------------------------|----------------|
| <b>Cash</b>              | Cash                          | 2.50%          |
|                          | Sovereign                     | 18.75%         |
|                          | Inflation Linked              | 4.50%          |
| <b>Fixed Income</b>      | Corporate                     | 8.75%          |
|                          | Emerging Markets              | 3.25%          |
|                          | Asset Backed Securities       | 3.25%          |
|                          | <b>UK Equities</b>            | UK             |
| <b>Overseas Equities</b> | Europe                        | 2.50%          |
|                          | US                            | 9.75%          |
|                          | Pacific                       | 2.25%          |
| <b>Alternatives</b>      | Emerging Markets              | 4.25%          |
|                          | Global                        | 20.00%         |
|                          | Commodities                   | 3.00%          |
|                          | Alternative Return Strategies | 6.00%          |
| <b>Total</b>             |                               | <b>100.00%</b> |

\*The asset allocation is the target asset allocation of the Core Strategy as of 31<sup>st</sup> October 2020. The realised asset allocation of any MPS portfolio may differ due to implementation restrictions and fund performance drift.

### MONTHLY COMMENTARY AND POSITIONING

In October, the news cycle was dominated by three key themes: (i) the resurgence of COVID-19; (ii) the development and production timeline of vaccines; and (iii) the US presidential elections. As the news ebbed and flowed, markets responded accordingly which led to increased "choppiness" throughout the month.

Most notably, however, was the diminished role of US government bonds as a volatility dampener in the traditional 60/40 portfolio. Indeed, US equities and US bonds delivered a negative total return of -2.7% and -1.0%, respectively. In light of this, investors may wish to dampen portfolio volatility by considering alternative investments, i.e. assets which deliver returns that are both negatively correlated to equities and exceed the rate of inflation (i.e. a positive real return).

#### Strategy Update

We remain market weight in equities with an allocation to risk premia. We have an underweight to fixed income in favour of gold and alternative investment strategies and are underweight the US Dollar.

### Notable positives:

Risk premia. As you know, we invest in three risk premia: value, quality and low volatility. All three tilts, most notably value, outperformed global equities in October. This exposure helped the strategies.

EM fixed income. The strategies we manage for clients are overweight emerging market sovereign bonds relative to peers. This asset group outperformed its developed market counterpart, which in turn served as a tailwind for performance.

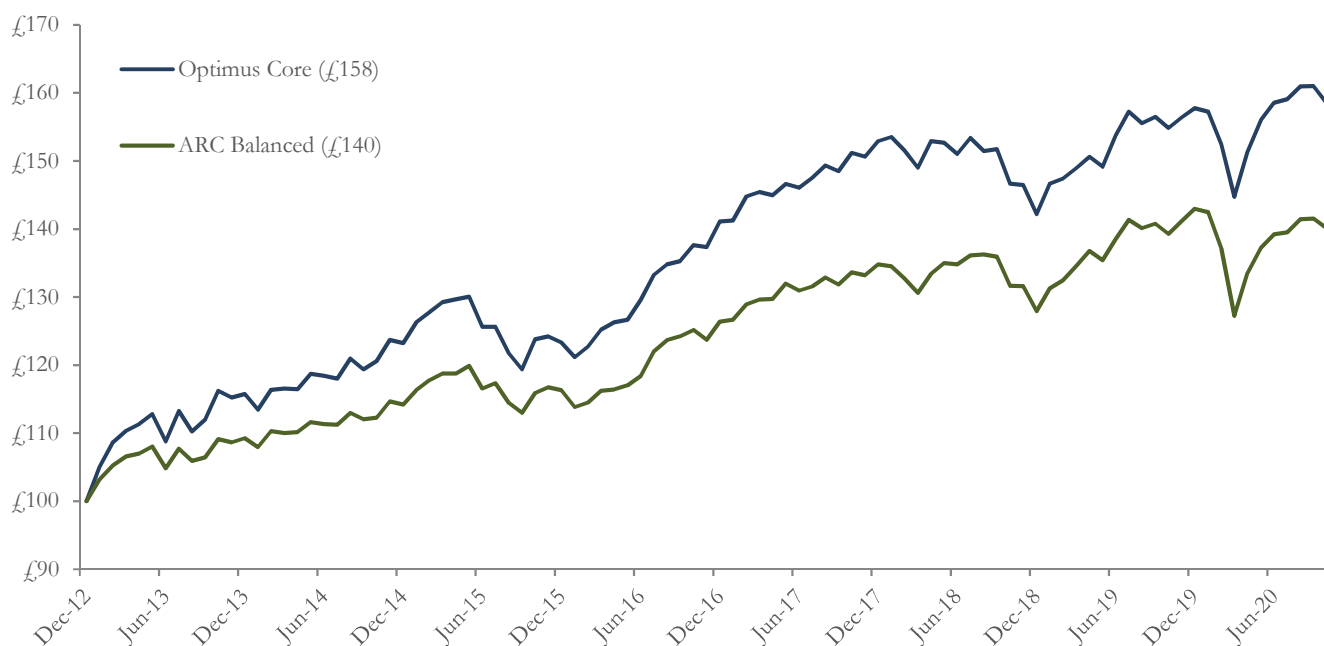
### Notable negatives:

DM fixed income fund selection. The strategies are underweight EU sovereign bonds and UK inflation-linked gilts relative to peers. Both positions outperformed the broader developed market fixed income spectrum in October, which was a drag on performance.

Physical gold. The decision to halve exposure to gold in late August was a good one as the yellow metal fell 1.2% in October. Whilst the decision was timely, the retained exposure was a drag on performance compared to peers which do not allocate to gold.

## MODEL STRATEGY PERFORMANCE

Since inception, simulated performance of the Core Model Strategy from 31<sup>st</sup> December 2012 to 31<sup>st</sup> October 2020 is shown below\*.



### Live Model Strategy Discrete Annual Performance\*

|                              | Equity Content | 2013  | 2014 | 2015 | 2016  | 2017 | 2018  | 2019  | YTD   | Since Inception |
|------------------------------|----------------|-------|------|------|-------|------|-------|-------|-------|-----------------|
| <b>Optimus Core Strategy</b> | 50.0%          | 15.7% | 6.5% | 0.1% | 14.4% | 8.4% | -7.0% | 10.9% | 0.4%  | 58.4%           |
| <b>ARC Balanced</b>          | 40.0-60.0%**   | 9.3%  | 4.5% | 1.9% | 8.6%  | 6.7% | -5.1% | 11.8% | -2.0% | 40.1%           |

Source: www.assetrisk.com, for the ARC Private Client Indices. Bloomberg data for Optimus performance.

\* All simulated returns are total returns net of management fees and platform costs. Platform costs of 0.1% have been deducted but this may differ upon your platform of choice and portfolio size. Returns may increase or decrease depending on currency fluctuations if the investor's currency is not GBP.

\*\*Specifically, target relative risk as a % of world equity, as defined by Asset Risk Consultants (ARC). See www.assetrisk.com for more details on the ARC PCI indices. ARC data for YTD and Since Inception is subject to revision.

**Past performance is not a guide to future performance and the value of investments can fall as well as rise.**

## CONTACT US

Email: [investments@optimuscapital.com](mailto:investments@optimuscapital.com)

Website: [www.optimuscapital.com](http://www.optimuscapital.com)

General Enquiries: 020 7535 1700



Information on Oxford Risk can be found at [www.oxfordrisk.com](http://www.oxfordrisk.com).

# RISK WARNINGS & DISCLAIMER

## Risk Warnings

Please note that the investments referred to in this document are subject to market fluctuations, there can be no assurance that appreciation will occur and it may be possible that losses will be realised. **Past performance is not necessarily a guide to future performance and the value of investments can fall as well as rise.**

## Disclaimer

Optimus Capital LLP, a limited liability partnership registered in England and Wales with number OC348019, is authorised and regulated by the Financial Conduct Authority as Firm 506790. A list of members of Optimus Capital LLP together with those non-members who are designated as partners and their professional qualifications is open to inspection at its registered office 8<sup>th</sup> Floor, 116 Park Street, London, W1K 6SS.

The information contained in this document has been compiled by Optimus Capital LLP and its affiliates and subsidiaries from sources believed by it to be reliable, but no representations or warranty, express or implied, is made by Optimus Capital LLP or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute Optimus Capital LLP's judgment as of the date of publishing, are subject to change without notice and are provided in good faith but without legal responsibility. The information in this document, which does not purport to be comprehensive, has not been verified by Optimus Capital LLP.

The receipt of this document by any person is not to be taken as constituting the giving of investment advice by Optimus Capital LLP to any such person, nor to constitute such person as a client of Optimus Capital LLP. Unless otherwise agreed, Optimus Capital LLP will not regard any person as a client and will not be responsible for providing any protections afforded to clients of Optimus Capital LLP.

The investments discussed in this report and strategies outlined in this document may not be eligible for sale in some jurisdictions and countries. Neither Optimus Capital LLP nor any of its affiliates and subsidiaries, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or the information contained herein. This material is not for distribution in the USA. This document may not be reproduced, distributed or published by any recipient hereof for any purposes.