# Optimus Capital

## Model portfolio service

Jun 2021

30th June 2021

# Core Model Strategy

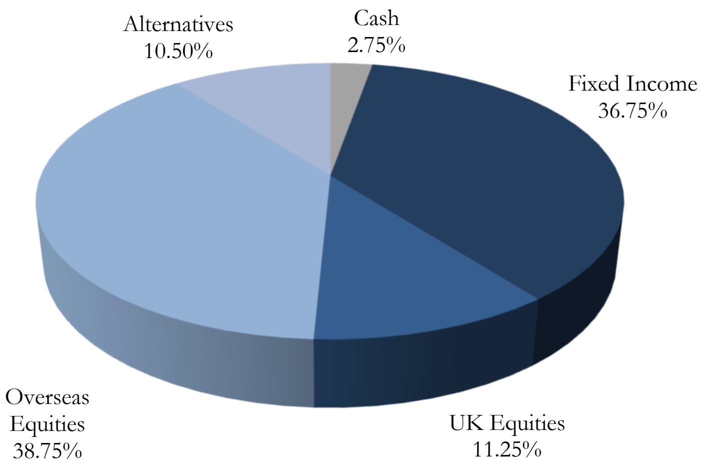
*To generate capital growth and income over the long term, through a diverse mix of asset classes*

## 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*




| | | |
|---|---|---|
| **Cash** | Cash | 2.75% |
| **Fixed Income** | Sovereign | 18.75% |
| | Inflation Linked | 4.50% |
| | Corporate | 3.50% |
| | Emerging Markets | 6.50% |
| | Asset Backed Securities | 3.50% |
| **UK Equities** | UK | 11.25% |
| **Overseas Equities** | Europe | 2.50% |
| | US | 9.75% |
| | Pacific | 2.25% |
| | Emerging Markets | 4.25% |
| | Global | 20.00% |
| **Alternatives** | Commodities | 1.00% |
| | Alternative Return Strategies | 9.50% |
| | **Total** | **100.00%** |

*The asset allocation is the target asset allocation of the Core Strategy as of 30th June 2021. The realised asset allocation of any MPS portfolio may differ due to implementation restrictions and fund performance drift.

## Market Commentary and Positioning

The outcome of the June FOMC meeting changed the way markets traded in June, stalling the reflation trade. A more inflation-wary Fed caused long duration bond yields to fall, which in turn has supported long duration stocks. This lower inflation, lower growth regime could continue into the second half of the year. This suggests exposure to profitable growth stocks, as well as value stocks, is warranted.

We think there is good reason to maintain a full weight to equities. Within equities, we continue to favour 'value' and 'quality' tilts, but have reduced our overweight to allocate to large capitalisation, profitable technology companies. We retain a small overweight to UK mid-cap stocks. Within fixed income, we continue to underweight European government bonds in favour of a basket of alternative strategies. We also maintain our underweight US Dollar position.

*Notable positive:*

Japanese government bonds unhedged. We have a small weighting in unhedged Japanese government bonds, which provides the strategies with exposure to the Japanese yen – a safe haven asset. As risk-on sentiment in the currency markets stalled, the yen rallied against sterling which was a tailwind for performance.

Underweight UK inflation-linked bonds. The model strategies have a lower exposure to UK inflation-linked bonds ("linkers") relative to peers, instead preferring a global basket of linkers given their favourable relative valuation. In June, global linkers performed comparatively better which helped the strategies.

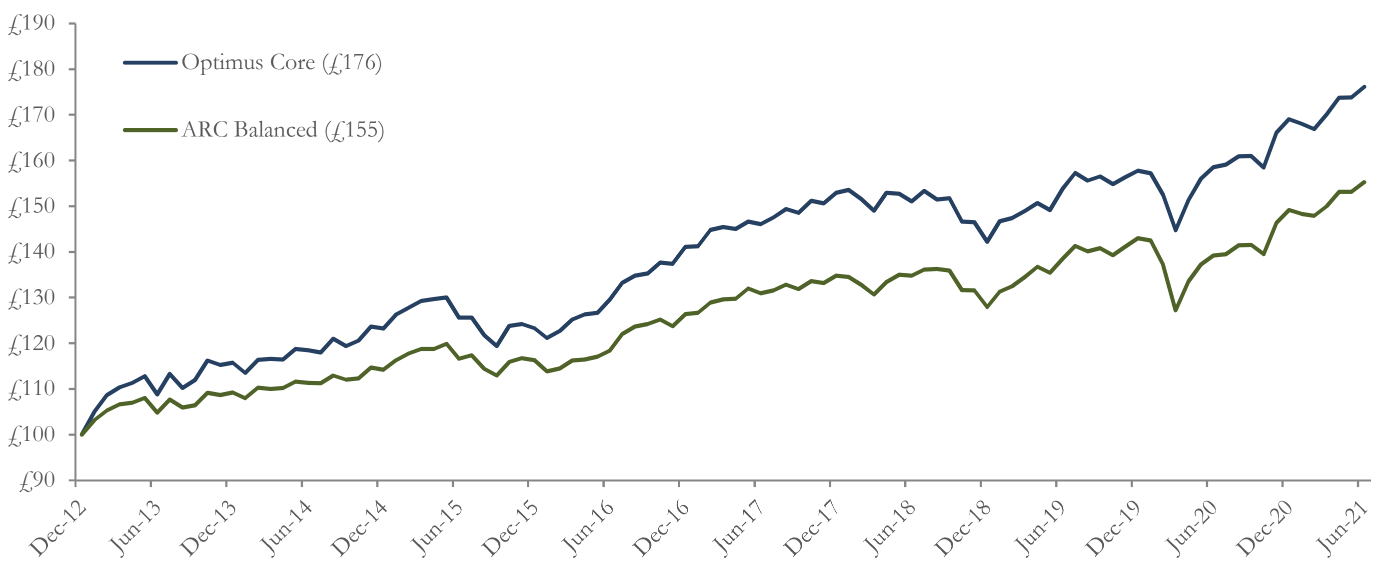
*Notable negatives:*

Alternatives: Whilst others allocate to quasi-equity alternatives, we allocate to strategies which have historically exhibited a negative correlation to equities. During periods of positive equity returns, we expect our alternatives to underperform quasi-equity funds. Nevertheless, this was a drag compared to peers.

Copper. After outperforming global equities in May (in GBP terms), our small position in copper gave back its gains in June which was a drag on performance. We attribute this underperformance to a combination of short-term headwinds – including an easing of the global reflation trade and Chinese government intervention – but remain optimistic on the longer-term outlook.

## MODEL STRATEGY PERFORMANCE

Since inception, simulated performance of the Core Model Strategy from 31st December 2012 to 30th June 2021 is shown below*.




### Live Model Strategy Discrete Annual Performance*

| | Equity Content | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | YTD | Since Inception |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Optimus Core Strategy** | 50.0% | 15.7% | 6.5% | 0.1% | 14.4% | 8.4% | -7.0% | 10.9% | 7.2% | 4.2% | 76.1% |
| **ARC Balanced** | 40.0-60.0%** | 9.3% | 4.5% | 1.9% | 8.6% | 6.7% | -5.1% | 11.8% | 4.3% | 4.1% | 55.3% |

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.**

Oxford Risk 3 / 5 4 / 7

Information on Oxford Risk can be found at www.oxfordrisk.com.


## CONTACT US

**Email:** investments@optimuscapital.com
**Website:** www.optimuscapital.com
**General Enquiries:** 020 7535 1700

# 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.**

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