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## OMNIS MANAGED PORTFOLIO SERVICE

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Chief Investment Officer

# Omnis Managed Portfolio Service

## quarterly update for Adventurous investors

### Objective

The Service is designed for an adventurous investor. This is someone who is likely to be an experienced investor who has used a range of different investment products in the past. In general terms, they will understand that investment products should be held for a minimum period of five years. They will be prepared to accept fluctuation in the value of their investments in order to be able to obtain a higher rate of return in the long run. They are similarly not likely to be concerned if the value of their investments were to fall in the short term.

The Service aims to improve total returns and actively manage short-term risks through increasing or decreasing the allocations to asset classes and individual funds. These allocations are determined by the Omnis Investment Team, which benefits from full transparency of the funds' underlying investments, and is controlled through a strict governance framework.

### Market update

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Plenty has happened since the Omnis Managed Portfolio Service portfolios launched in late April. In the US, the Trump administration remains largely unpredictable and, thus far, incapable of enacting meaningful policy change, while in the UK, Brexit continues to cast a long shadow of uncertainty over the economic and political outlook.

In Europe, the enthusiasm that greeted the election of reform-minded Emmanuel Macron has dissipated as his approval ratings have nosedived. And, across the developed world, central bankers have first talked up the need for tighter monetary policy before seeking to sooth the consequent concerns.

Yet, despite such turmoil, global equity markets have largely made serene progress with volatility – which can be viewed as a measure of perceived risk – at all-time lows. While certain aspects of this tranquillity appear unsettling, there are good reasons to support it. Hopes for large fiscal stimulus from the new government in the US have faded somewhat, but economic fundamentals remain robust and corporate earnings growth continues at a healthy pace.

Meanwhile, inflation does not seem likely to accelerate as low levels of headline unemployment in many developed markets hides under-employment and a lack of pricing power for labour. An improving economic growth outlook is positive for equities, while the absence of inflationary expectations is relatively benign for bonds.

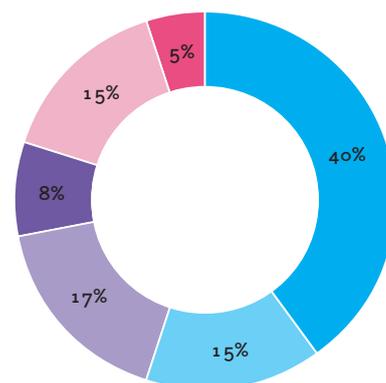
While a rapid acceleration of global growth appears unlikely, growth should nonetheless remain solid. Interest rates may rise – in the US at least – but not to the extent that the growth outlook is derailed.

The key risks to this outlook are political, though the populist surge that saw the UK vote for Brexit and Trump's victory in the US, may well have been halted with Macron's victory. Though his popularity in France has since waned, his election has nonetheless created a more secure outlook for the European Union and it seems unlikely that upcoming elections in Germany will challenge this.

The UK election result has led markets to increase the probability that the final Brexit settlement will be business friendly and may not include an end to freedom of movement. Whether this is the case remains to be seen, but a strong alliance between Germany and France and a fragile government here will result in a weakened hand for the UK in negotiations.

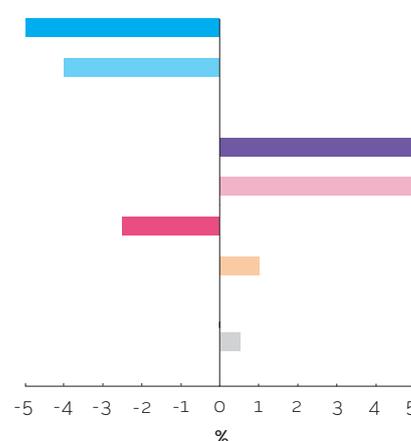
## Strategic Asset Allocation

- UK Equity 40%
- US Equity 15%
- Asia Pacific Equity 17%
- European Equity 8%
- Omnis Emerging Markets Equity 15%
- Omnis UK Bonds 5%
- Omnis Global Bonds 0%
- Omnis Alternative Strategies 0%
- Cash 0%



## What is our latest position?

- UK Equity -5%
- US Equity -4%
- Asia Pacific Equity 0%
- European Equity +5%
- Emerging Markets Equity +5%
- UK Bonds -2.5%
- Global Bonds +1%
- Alternative Strategies 0%
- Cash +0.5%



During June, we decided to rebalance the portfolio to maintain our desired asset allocation.

This resulted in taking some of the profits gained from funds that had performed the best since the launch of the portfolio, namely the Omnis European Equity, Asia Pacific Equity and Emerging Markets funds.

The residual cash enabled us to buy additional units in the Omnis UK Equity, Income & Growth, UK Bond and Global Bond funds to ensure their percentage holding was in line with our view.

The global economy has, for the most part, been in a recovery phase for the past seven years, and various indicators point to a continuation of this. As a result, the portfolio is marginally overweight equities, which stand to benefit from the solid economic growth outlook.

We favour equities in Europe, where the recovery is only just beginning to gather pace, and the emerging markets, where valuations are appealing. Conversely, the portfolio is underweight UK equities as economic growth appears to be fading due to the burden of imported inflation after the fall in sterling. We are also underweight US equities which we believe have appeared expensive for some time.

We have been wary of the potential for the dollar to weaken. While US equities have remained at elevated levels, we have benefited from our view on the currency.

It is still likely that bonds will act as a risk diversifier should we encounter a period of equity market volatility. Within our bond allocations, we are underweight UK bonds in favour of international bonds which can benefit from volatility in currency markets. The latter have held up better in recent market moves and this has helped performance.

## Ongoing Charges Figure

The OCF provides a measure of the combined cost of investing in each of the individual Omnis funds that make up the portfolio but excludes the portfolio service charge of 0.25% (0.30% including VAT). The combined OCF is subject to change in line with the underlying composition of the portfolio.

0.87%

## Who is managing your money?

	Omnis Income and Growth Fund managed by Woodford Investment Management	21%
	Omnis UK Equity Fund managed by Schroder Investment Management	14%
	Omnis US Equity Fund managed by T Rowe Price	11%
	Omnis Asia Pacific Equity Fund managed by Baillie Gifford & Co	17%
	Omnis European Equity Fund managed by Jupiter Asset Management	13%
	Omnis Emerging Markets Equity Fund managed by Jupiter Asset Management	20%
	Omnis UK Bond Fund managed by Columbia Threadneedle Investments	2.5%
	Omnis Global Bond Fund managed by Schroder Investment Management	1%
	Omnis Alternative Strategies managed by Octopus	0.5%
	Cash	0%

As well as reflecting our economic and market views, portfolio weightings must consider the styles, biases and strategies of the Omnis funds in which we invest. In general, economic and market factors are likely to have greater influence on portfolio performance than fund-specific factors, and this is mostly the case at present.

Nonetheless, some fund-specific opportunities have presented themselves. In the UK equity allocation, we favour the Omnis Income & Growth fund over the Omnis UK Equity fund, to gain exposure to domestically focused businesses rather than the large international companies in which the Omnis UK Equity fund is predominantly invested.

Elsewhere, our confidence in the valuation case for emerging market equities is reinforced by the strong stock selection discipline implemented by the fund manager. This decision has also added value in the first months of the service. Meanwhile, the European equities fund has outperformed the index in a rising market and so has justified our decision to be overweight.

Our US equities allocation is invested in the Omnis US Equity fund. At the end of the quarter, the investment management mandate for this fund was changed, with Omnis replacing The Boston Company (part of BNY Mellon Group) for Jeff Rottinghaus of T Rowe Price, who we believe will provide consistent returns whatever the market conditions. Your holding in the Omnis US Equity fund remains unchanged.

The value of investments and any income from them can go down as well as up and you may not get back the original amount invested. Past performance is not a guide to future performance and should not be relied upon. Always seek professional advice before acting.

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