

## OMNIS MANAGED PORTFOLIO SERVICE



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# Omnis Managed Portfolio Service update for Cautious investors

## Objective

The Service is designed for a cautious investor. This is someone with limited experience of investment products, who is likely to be more familiar with bank and building society accounts rather than other types of investments. In general terms, they will understand that investment products should be held for a minimum period of five years. They will have a preference for outcomes that have a degree of certainty although they will understand that in certain circumstances their investments could fall or rise.

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.

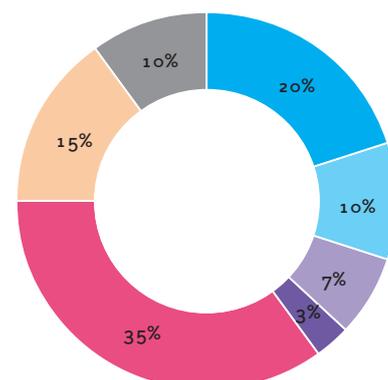
## Market update

Hopes for large fiscal stimulus from the new government in the US have faded somewhat in 2017 but strengthening economic fundamentals and healthy earnings growth have led to good gains for equity markets. A pick-up in inflation due to a bottoming in commodity prices has not led to expectations that inflation is about to accelerate. This is in spite of seemingly tight labour markets, where low levels of unemployment in many developed markets hides underemployment and a lack of pricing power for labour. Improving economic growth without increasing inflationary expectations is a relatively benign environment for bonds and allowed prices to recover from falls in the final months of 2016. The US interest rate increase in June was as expected but it was followed shortly afterwards by a change in tone from both the UK and European Central Banks that led investors to reappraise the timing of monetary tightening in both regions. This resulted in a rise in bond yields which has meant bond prices gave up the gains of the last few months.

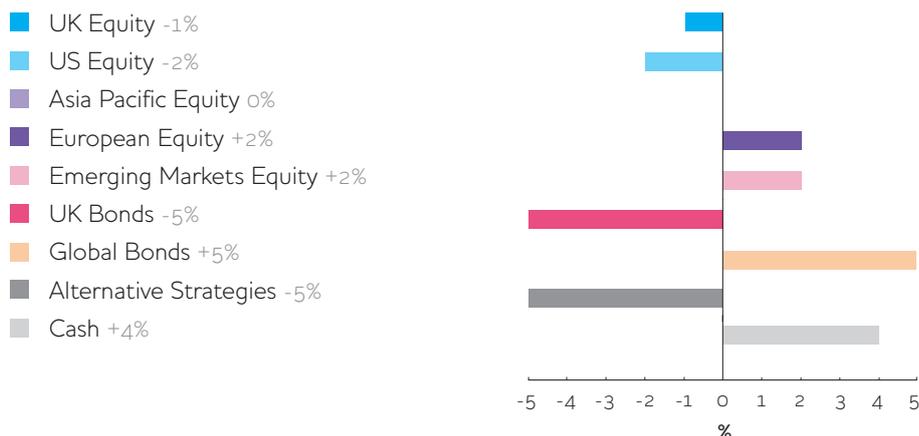
While a rapid acceleration of global growth appears unlikely, growth should nonetheless remain solid. Interest rates may rise – in the US at least – but not to the extent that the growth outlook is derailed. The key risks to this outlook are political. The populist surge that saw the UK vote for Brexit and the US elect Trump seems to have been halted at present with the election of Macron in France. This has created a more secure outlook for the European Union and it seems unlikely that 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	20%
■	US Equity	10%
■	Asia Pacific Equity	7%
■	European Equity	3%
■	Omnis Emerging Markets Equity	0%
■	Omnis UK Bonds	35%
■	Omnis Global Bonds	15%
■	Omnis Alternative Strategies	10%
■	Cash	0%



## What is our latest position?



We have not changed our view or positioning during the month but we did decide to rebalance portfolios back to that view in order to take advantage of market movements and to correct drift. This added value for the portfolio over the month.

The global economy has, for the most part, been in a recovery phase for the past seven years. Various economic indicators point to a continuation of this recovery. 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. US equities have appeared expensive for some time and we have held the view that the US Dollar would also react negatively to a realisation that interest rates will rise at only a measured pace. Although US equities have remained at elevated levels we have benefited from our US Dollar view. Allocations to bonds are neutral as we think that yields remain in a range. In a period of equity market volatility it is still likely that bonds will act as a diversifier. 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.

0.67%

## Who is managing your money?

 woodford	Omnis Income and Growth Fund managed by Woodford Investment Management	11%
 Schroders	Omnis UK Equity Fund managed by Schroder Investment Management	8%
 BNY MELLON	Omnis US Equity Fund managed by The Boston Company, part of the BNY Mellon Group	8%
 BAILLIE GIFFORD	Omnis Asia Pacific Equity Fund managed by Baillie Gifford & Co	7%
 JUPITER	Omnis European Equity Fund managed by Jupiter Asset Management	5%
 JUPITER	Omnis Emerging Markets Equity Fund managed by Jupiter Asset Management	2%
 COLUMBIA THREADNEEDLE INVESTMENTS	Omnis UK Bond Fund managed by Columbia Threadneedle Investments	30%
 Schroders	Omnis Global Bond Fund managed by Schroder Investment Management	20%
 OCTOPUS INVESTMENTS	Omnis Alternative Strategies managed by Octopus	5%
	Cash	4%

## Funds update

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. This has aided performance in the first few months of the service, as domestically focused businesses have performed better 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 month of the service. European equities have been the best performing region since the launch of the service and in spite of the conservative positioning of our fund manager in the region our decision to skew allocations towards the region has paid off.

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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