

## OMNIS MANAGED PORTFOLIO SERVICE



**Toni Meadows,**  
Chief Investment Officer

# 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.

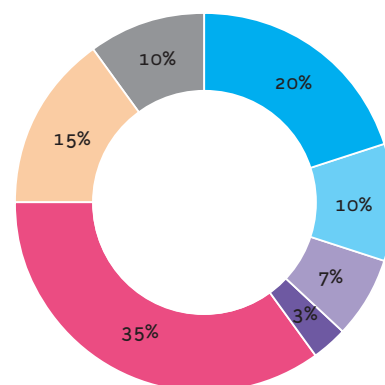
## Market update

The first half of 2016 was dominated by fears of deflation, whereas, the second half was characterised by a rapid reappraisal and a strong consensus that global economic growth was set to accelerate. This consensus pushed global equities to record highs and forced bonds lower, reflecting expectations that stronger growth would be met with higher interest rates. 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 has allowed prices to recover from falls in the final months of 2016.

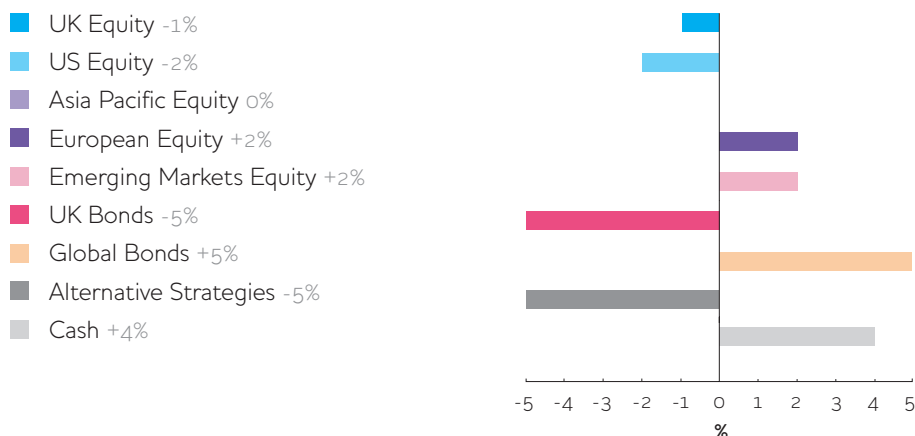
While a rapid acceleration of global growth appears unlikely, growth should nonetheless remain solid. Interest rates may rise – in the US at least – but not to the extent that the growth outlook is derailed. The key risks to this outlook are political. The populist surge that saw the UK vote for Brexit 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 view. Italian elections later in the year are a different prospect entirely and may witness a populist surge that causes volatility in markets.

## 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. 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 and US equities which appear expensive. A hung parliament or labour victory in the forthcoming UK general election would not be well received by equity markets due to a mix of policy uncertainty and a weakened hand in Brexit negotiations. Any volatility would probably be short lived and could lead to gains for international businesses quoted in the UK but with income streams in foreign currency. The value of sterling would fall on a labour win or hung parliament. Our view remains that there will be a Conservative victory but we are mindful of the above risks.

Allocations to bonds are neutral, though skewed slightly to international bonds which can benefit from volatility in currency markets. Bonds would be a key diversifier in the event of market volatility around the General election. We retain a small amount of cash to enable us to react quickly and efficiently should political risk events materialise.

## Ongoing Charges Figure

The Ongoing Charges Figure (OCF) for the Cautious Omnis Managed Portfolio has not changed compared to last month as no changes have been made to the asset allocation within the portfolio as described above. The OCF provides a measure of what it costs to invest in the portfolio and includes the annual management charge and other costs associated with operating the portfolio.

0.67%

## Who is managing your money?

	Omnis Income and Growth Fund managed by Woodford Investment Management	11%
	Omnis UK Equity Fund managed by Schroder Investment Management	8%
	Omnis US Equity Fund managed by The Boston Company, part of the BNY Mellon Group	8%
	Omnis Asia Pacific Equity Fund managed by Baillie Gifford & Co	7%
	Omnis European Equity Fund managed by Jupiter Asset Management	5%
	Omnis Emerging Markets Equity Fund managed by Jupiter Asset Management	2%
	Omnis UK Bond Fund managed by Columbia Threadneedle Investments	30%
	Omnis Global Bond Fund managed by Schroder Investment Management	20%
	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 month of the service, as domestically focused businesses have performed better than large international companies. Should the UK General election result in a hung parliament or labour victory it is likely that this would reverse temporarily. 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.

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.

*The Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC are authorised Investment Companies with Variable Capital. The authorised corporate director of the Omnis Managed Investments ICVC and the Omnis Portfolio Investments ICVC is Omnis Investments Limited (Registered Address: Washington House, Lydiard Fields, Swindon, SN5 8UB) which is authorised and regulated by the Financial Conduct Authority, 25 North Colonnade, London E14 5HS. Omnis Investments Limited does not offer investment advice nor make recommendations regarding investments. Potential investors are particularly advised to read the specific risks and charges applicable to the Funds which are contained in the Prospectus and Key Investor Information Documents (KIID).*

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