OMNIS MANAGED
PORTFOLIO SERVICE

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OMPS Managed Portfolio Service quarterly update for Balanced investors

Who is this investment for?

The Service is designed for a balanced investor, with:

— Knowledge about financial matters, and shows some interest in keeping up to date with them.

— Some experience of investment, including in funds containing assets such as shares and government bonds.

— An understanding in general terms that investment products should be held for a minimum period of five years.

— An understanding that the value of their investments could rise or fall.

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

How we are managing your money?

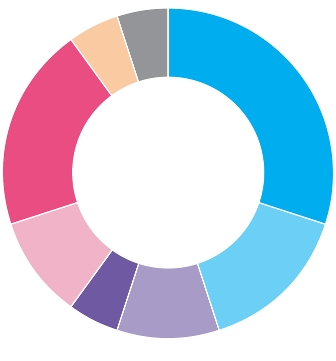
In December Omnis launched two new funds, both of which were immediately added to the portfolio. The Omnis UK Equity Income Fund is managed by Royal London, which adopts a value-based approach to investing in what it sees as under-priced stocks that can deliver both growth and yield potential. By the end of the period, we had 6% of the portfolio in this fund. This was achieved by taking 4% out of Omnis UK Equity Fund and 2% (taken in two separate moves in December) from Omnis Income & Growth Fund. The new fund adds style diversification with its focus on companies capable of delivering an appealing, sustainable and growing dividends.

The second new fund launched and added to the portfolio in December was Omnis Strategic Bond Fund, managed by Fidelity International. This adopts a 'go anywhere' remit across the global fixed income spectrum. It can invest in government bonds, corporate bonds, and riskier but potentially more rewarding, high-yield bonds and emerging market debt. The new holding was funded on launch by 3% taken from the Omnis Global Bond Fund; and 5% from the Omnis UK Bond Fund, with a further 1% added later in December.

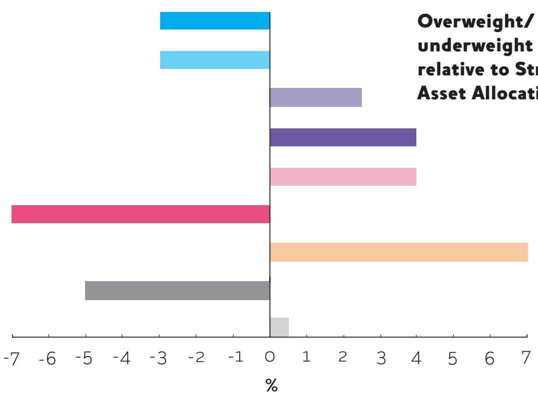
The latter decision was made in the wake of Brexit talks moving to the second phase of negotiations (see 'the quarter in review') and weak expectations on the UK's economic prospects, which conspired to push down 10-year bond yields. We perceived this as an overly negative view, and so in selling down the Omnis UK Bond Fund we reduced the portfolio's 'duration' – measured in years, it is defined as a bond's sensitivity to interest rate moves. The Omnis Strategic Bond Fund is characterised by its low duration (around five years) and putting money to work here should enhance the capital preservation potential of the portfolio. This will be tested especially if UK bond yields rise sharply, which would be triggered by higher than expected wage growth or inflation.

Also in the period, in late October we took an overweight position in developed Asian markets, via the Omnis Asia Pacific Equity Fund, which proved us right by being the best-performing Omnis portfolio fund during the quarter.

Strategic Asset Allocation



UK Equity	30%	-3%
US Equity	15%	-3%
Asia Pacific Equity	10%	+2.5%
European Equity	5%	+4%
Emerging Markets Equity	10%	+4%
UK Bonds*	20%	-7%
Global Bonds*	5%	7%
Alternative Strategies	5%	-5%
Cash	0%	+0.5%



Overweight/ underweight position relative to Strategic Asset Allocation

*Overweight/underweight positions reflect underlying holdings of funds.

Who is managing your money?

woodford	Omnis Income and Growth Fund managed by Woodford Investment Management	14%
Schroders	Omnis UK Equity Fund managed by Schroder Investment Management	7%
Royal London	Omnis UK Equity Income Fund managed by Royal London Asset Management	6%
T.Rowe Price	Omnis US Equity Fund managed by T. Rowe Price	12%
Baillie Gifford	Omnis Asia Pacific Equity Fund managed by Baillie Gifford & Co	12.5%
Jupiter	Omnis European Equity Fund managed by Jupiter Asset Management	9%
Jupiter	Omnis Emerging Markets Equity Fund managed by Jupiter Asset Management	14%
Columbia Threadneedle Investments	Omnis UK Bond Fund managed by Threadneedle Asset Management	9%
Schroders	Omnis Global Bond Fund managed by Schroder Investment Management	7%
Fidelity International	Omnis Strategic Bond Fund managed by Fidelity International	9%
	Cash	0.5%

The quarter in review

As the world's largest economy and market, it is no great surprise that events in the US dominated proceedings in the last three months of 2017. The prolonged saga around sweeping tax reforms – the most drastic changes to the tax code since 1986 – ended in cheer for president Donald Trump as they were signed into law in late December. It is hoped that the $1.5tn in tax cuts will energise the US economy, and so boost the prospects for its largest companies and its stock markets. Corporate income tax will fall from 35% to 21%.

The US central bank, the Federal Reserve, has also been leading the way in terms of interest rate rises. Three hikes occurred in 2017, the third happening in December as the target range moved to 1.25% to 1.5%. This is a sign of economic health, with unemployment at a low of 4.1% at the turn of the year. Closer to home, the Bank of England finally raised interest rates for the first time in 10 years, though the move from 0.25% to 0.5% was a reversal of the cut put in place immediately following last year's EU referendum.

Talking of Brexit, in December EU leaders agreed to move talks on to the second phase of negotiations ahead of the UK's exit from the union in March 2019. Theresa May had earlier suffered defeat in the House of Commons as MPs voted 309 to 305 in favour of an amendment to her Brexit bill giving them a decisive vote on the final deal. The real impact of Brexit on the UK economy should become clearer as we move through 2018.

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.

0.78%

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.