

OMNIS BOND AND ALTERNATIVE FUNDS UPDATE: MARKET TURBULENCE KEEPS OMNIS FUND MANAGERS BUSY

7th May 2020

Following on from the [recent review](#) of how the managers of the equity funds in the Omnis range have responded to the coronavirus pandemic, I would like to provide you with a similar update on our bond and alternative strategies funds.

These are part of a range of funds that are designed to be used within a diversified portfolio of investments tailored to the attitude to risk framework of the Openwork network. Bonds and alternative strategies can be particularly useful within a portfolio at times of market turbulence like we are currently experiencing as they tend to fluctuate less than equities.

Omnis UK Gilt Fund

The manager held a cautious outlook before the markets fell as a result of the spread of the coronavirus, so the fund was already overweight shorter-dated bonds which fluctuate less than their longer-term equivalents. The manager thinks the recovery will be slow and the UK economy will not return to normality until 2022 at the earliest, so they see no need to make any significant changes to the portfolio.

Omnis Sterling Corporate Bond Fund

The fund underperformed in March as investors took their money out of riskier assets like corporate bonds and moved it into what are traditionally considered safe haven assets, such as government bonds. However, the measures announced by central banks should boost the corporate bond market, so the manager is taking the opportunity to add holdings that appear attractively valued. They are focusing on financially strong, high-quality companies.

Omnis Strategic Bond Fund

Like the UK Gilt Fund, the managers were cautious before the markets started tumbling in February. In March, they sold short-dated bonds and used the proceeds to invest in government and long-term, high-quality corporate bonds. The fund benefited when the Federal Reserve (US central bank) announced it will extend its bond-buying programme to corporate bonds, and the managers took profits on some holdings. At present, they favour high-quality corporate bonds over lower-rated and emerging market bonds.

Omnis Global Bond Fund

The fund experienced a tough first-quarter due to an overweight position in bonds sensitive to economic developments. The manager responded by increasing holdings in longer-term bonds and US corporate bonds that appear attractively valued following the recent market turbulence.

Omnis Short-Dated Bond

Again, the fund's holdings were on the lower end of the risk spectrum before the crisis began. At present, the manager favours bonds issued by financially strong, high-quality companies with low levels of debt, as they believe it is still too soon to invest in riskier assets.

Omnis Absolute Return Bond

The manager believes the measures announced by central banks have lowered the risks faced by high-quality companies that are sensitive to economic developments. They expect markets to fluctuate significantly over the next 12 months, and plan to rely heavily on the research resources available to him at Federated Hermes.

Omnis Diversified Returns

Towards the end of February, after becoming concerned about the potential effects of the coronavirus amid complacent markets, the managers reduced the level of risk in the portfolio by investing in government bonds and safe-haven currencies. They have changed the fund's holdings when they have spotted opportunities as the crisis has evolved, leading to a positive return in the first quarter of the year.

IN SUMMARY

We believe the managers of our bond and alternative strategies funds are taking the right approach by trading cautiously as the markets react to the coronavirus pandemic but still seeking out opportunities to add value. We are confident they should deliver strong outcomes for Openwork clients over the medium to long-term. As with our equity funds, we will monitor performance closely and stay in regular contact with our managers.

Toni Meadows
Chief Investment Officer, Omnis Investments

Issued by Omnis Investments Limited. This update reflects Omnis' view at the time of writing and is subject to change. The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your Openwork financial adviser. Omnis is unable to provide investment advice. Every effort is made to ensure the accuracy of the information, but no assurance or warranties are given.

The value of an investment and any income derived from it can fall as well as rise and you may not get back the original amount invested. Past performance is not a guide to future performance. 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.