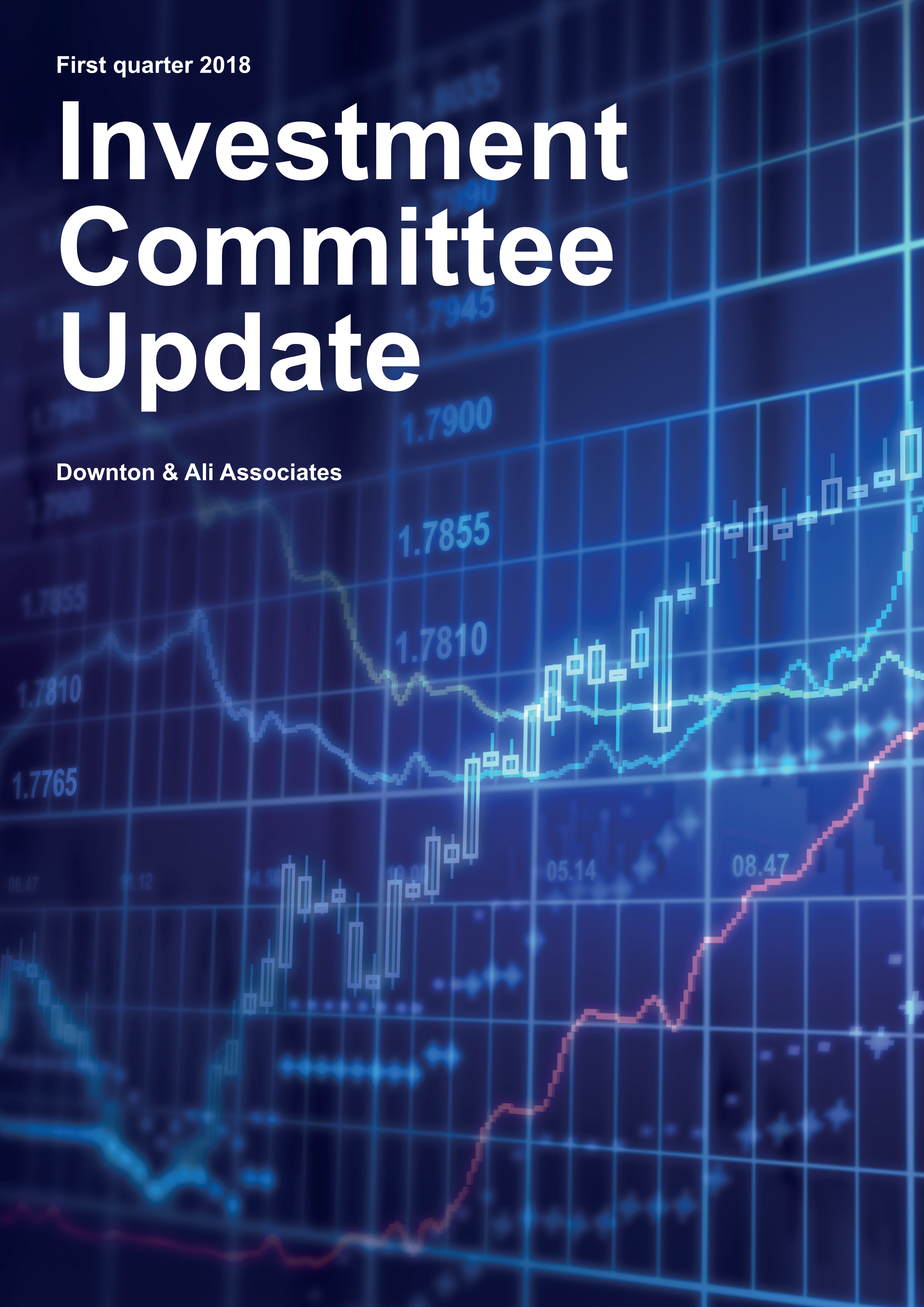
First quarter 2018

Investment Committee Update

Downton & Ali Associates



Welcome

The Omnis Investment Committee oversees all aspects of the Omnis investment offering. The Committee discusses the Omnis funds and the performance of the external fund managers. This bulletin summarises the principal discussion points and is the latest in a series of regular updates from the Committee.

Market Commentary

The first three months of 2018 were dominated by developments in the US; particularly its diplomatic relations with Asian economies. While tensions with North Korea remain heightened, the shock announcement that president Donald Trump is to meet with Kim Jong Un later this year, with North Korea to discuss denuclearisation, has market commentators hoping for a more open and peaceful dialogue going forward.

It is President Trump's trade relations with Beijing that unsettled markets, following on from his government's decision in March to introduce tariffs of 25% on steel imports and 10% on imported aluminium. This was the trigger for what some are calling a brewing trade war between the US and China. China responded to the tariffs with levies on US products, setting off further tit-for-tat measures of protectionism. This resulted in a period of heightened volatility in financial markets. The US claimed to be acting against unfair Chinese trade practices, while Beijing accused Washington of violating World Trade Organization rules.

Importantly many of the trade tariffs are yet to take effect, leaving time for discussion and negotiation between the two superpowers. Elsewhere, in Europe the Italian election resulted in political gridlock with no outright winner, however support for the anti-establishment Five Star Movement increased meaningfully.

March saw the new chair of the US Federal Reserve, Jay Powell, announced a US interest rate rise of 0.25% to a range of 1.50% to 1.75%, and signalled that a further two rate rises would likely take place before the end of 2018. As an indication of the health of the world's largest economy, what happens in the US is a big determinant of the mood of global investors, and so any unexpected interest rate moves could have a significant impact on markets. In the UK, interest rates have been held at 0.5%, though many expect the Bank of England to make a move in May, if the economy continues to show underlying good health.

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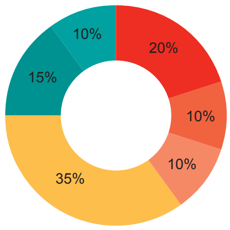
Openwork Graphene Model Portfolios

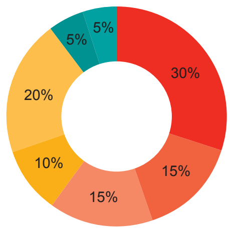
The Openwork Graphene Portfolios each offer a selection from the Omnis portfolio funds. These funds, discussed individually below, have been designed specifically to complement each other within the Openwork Graphene Portfolios, with allocations determined by the Openwork Investment Committee (see Figure 1).

FIGURE 1: STRATEGIC ASSET ALLOCATION OF THE MODEL PORTFOLIOS

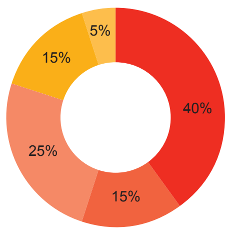
- UK Equity
- US Equity
- Other Developed Markets Equity
- Emerging Markets Equity
- UK Bond
- Global Bond
- Alternatives



Cautious



Balanced



Adventurous

Though the period since launch remains a little short of the recommended medium- to long-term holding period, the signs are that the Graphene Portfolios are still navigating challenging market conditions well.

The past 12 months has seen periods of heightened volatility, particularly in the first three months of 2018. Prior to 2018, risk assets such as equities had trended higher, supported by robust company earnings and strengthening global economic growth, whilst certain bonds had traded downwards as central banks around the world looked to ease off of monetary stimulus and raise interest rates, led by the Federal Reserve in the US.

The turn of 2018 saw fears of higher than anticipated inflation in the US resulting in a risk-off tone in financial markets, before fears of a trade war between the US and China amplifying negative market sentiment. In this environment bonds outperformed equities. However, fundamentals remained sound, with company earning seasons largely living up to expectations and synchronised global growth offering a supportive backdrop.

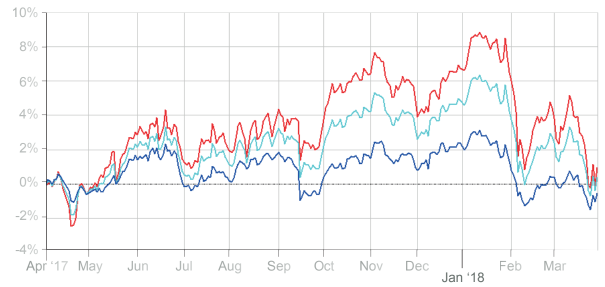
Given that the Adventurous portfolio has a higher exposure to equity markets it is not perhaps surprising that it has seen the greatest total return over the year, despite equity markets suffering in the first three months of 2018. However, at the end of the twelve months, the three models (Cautious, Balanced and Adventurous) have performed in line with expectations. Importantly, all portfolios have benefited from diversification – primarily through fixed income investments and international currency exposures – providing some shelter from the worst of the market turbulence whilst still being able to participate on the upside.

FIGURE 2: OPENWORK GRAPHENE C1 MODEL PORTFOLIOS, TOTAL RETURN SINCE INCEPTION

- Graphene C1 Adventurous Model Portfolio
- Graphene C1 Balanced Model Portfolio
- Graphene C1 Cautious Model Portfolio

Source: Omnis Investments, Financial Express Analytics, 28th February 2014 to 31st March 2018. Portfolios rebalanced each 31st August and 28th February.

FIGURE 3: OPENWORK GRAPHENE C1 MODEL PORTFOLIOS, TOTAL RETURN OVER 1 YEAR



- Graphene C1 Adventurous Model Portfolio
- Graphene C1 Balanced Model Portfolio
- Graphene C1 Cautious Model Portfolio

Source: Omnis Investments, Financial Express Analytics, 31st March 2017 to 31st March 2018. Portfolios rebalanced each 31st August and 28th February.

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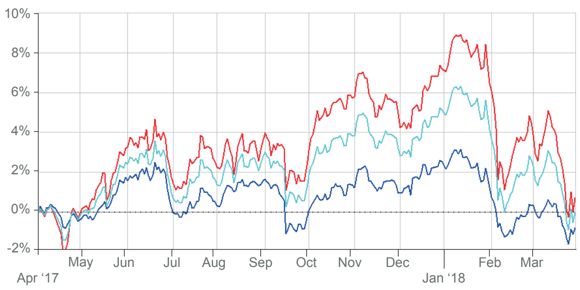
FIGURE 4: OPENWORK GRAPHENE C2 MODEL PORTFOLIOS, TOTAL RETURN SINCE INCEPTION

- Graphene C2 Adventurous Model Portfolio
- Graphene C2 Balanced Model Portfolio
- Graphene C2 Cautious Model Portfolio

Source: Omnis Investments, Financial Express Analytics, 3rd May 2016 to 31st March 2018. Portfolios rebalanced each 31st August and 28th February.

FIGURE 5: OPENWORK GRAPHENE C2 MODEL PORTFOLIOS, TOTAL RETURN OVER 1 YEAR



- Graphene C2 Adventurous Model Portfolio
- Graphene C2 Balanced Model Portfolio
- Graphene C2 Cautious Model Portfolio

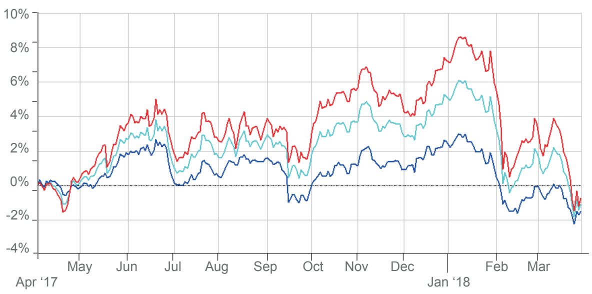
Source: Omnis Investments, Financial Express Analytics, 31st March 2017 to 31st March 2018. Portfolios rebalanced each 31st August and 28th February.

FIGURE 6: OPENWORK GRAPHENE C3 MODEL PORTFOLIOS, TOTAL RETURN SINCE INCEPTION

- Graphene C3 Adventurous Model Portfolio
- Graphene C3 Balanced Model Portfolio
- Graphene C3 Cautious Model Portfolio

Source: Omnis Investments, Financial Express Analytics, 3rd May 2016 to 31st March 2018. Portfolios rebalanced each 31st August and 28th February.

FIGURE 7: OPENWORK GRAPHENE C3 MODEL PORTFOLIOS, TOTAL RETURN OVER 1 YEAR



- Graphene C3 Adventurous Model Portfolio
- Graphene C3 Balanced Model Portfolio
- Graphene C3 Cautious Model Portfolio

Source: Omnis Investments, Financial Express Analytics, 31st March 2017 to 31st March 2018. Portfolios rebalanced each 31st August and 28th February.

The Key Investor Information Documents (KIIDs) and factsheets for the Omnis Portfolio Funds, of which the portfolios are composed, are available from the Omnis website at www.omnisinvestments.com.

Omnis Portfolio Fund Commentaries from the Managers

OMNIS UK EQUITY FUND, MANAGED BY SCHRODER INVESTMENT MANAGEMENT

The Fund performed poorly over the period under review, in line with the overall UK equities market. We benefited from holdings in NEX Group, Smurfit Kappa and BAE Systems, but were hit by underperforming Capita, Vodafone and Rentokil.

The evolution of global, particularly US, monetary policy has been a key focus for markets. This has led to increased volatility as investors discount the potential for 'regime change' in central bank policy. We expect further bouts of increased volatility as this plays out.

Concerns about US trade policy after the imposition of a number of tariffs have also crimped risk appetite but we believe recent actions are a prelude to international negotiations. Recent turmoil in the tech sector after revelations about Facebook could well continue, as market participants discount the possibility that greater regulation might challenge newer business models. Regarding profit warnings, the structurally weakest companies remain vulnerable to estimate downgrades. Companies with expansionist business models may be exposed by a removal of the loose monetary conditions which have facilitated their growth.

OMNIS INCOME & GROWTH FUND, MANAGED BY WOODFORD INVESTMENT MANAGEMENT

The start of 2018 was challenging for global equity markets which, against a backdrop of increased volatility, suffered sharp declines. The Fund also suffered a period of underperformance.

As the period progressed, this volatility was exacerbated by growing trade tensions between the US and China. Meanwhile, across the Atlantic, UK economic data has been mixed. We are however encouraged by the resumption of real wage growth, which was confirmed in March. Although the exact timing and causes of a correction are always difficult to determine in advance, we have been expecting volatility to return. Investors' focus on a narrow band of stocks, which has been a prominent feature of equity markets for the best part of the past two years, has now created pockets of extreme over- and under-valuation. There are, however, strong signs that the market environment is in the process of changing.

The momentum of this late-stage bull market has caused an uncomfortable period of performance for the Fund. But it is during such periods that discipline in portfolio construction is paramount. We continue to believe that we are well placed for the current macroeconomic environment and capable of delivering attractive returns through the challenging market conditions that lie ahead.

OMNIS UK EQUITY INCOME FUND, MANAGED BY ROYAL LONDON ASSET MANAGEMENT

During the first quarter, the Fund was slightly ahead of the FTSE All Share Index, but slightly behind competitor funds. It was a difficult quarter for stockmarkets worldwide, driven by factors including rising government bond yields. The Fund benefited from a lack of consumer staples and technology stocks, but this was offset by holdings of water stocks. Fund activity was relatively light, though we added modestly to water stocks exposure believing that worries of renationalisation at punitive prices are overstated. The Fund slightly reduced its positions in Spectris, Spirax-Sarco Engineering, Diploma and Ricardo. These shares have performed well and now only yield around 2%.

We believe that UK economic conditions will remain challenging in 2018 and that it is best to plan for only anaemic economic growth. As in 2017, sterling weakness does provide opportunities for international companies to buy UK corporate assets more cheaply, and we expect to see further opportunistic takeover activity during the balance of 2018, which would clearly be supportive for UK stocks. It also argues for keeping a significant overseas earnings element within any UK equity.

OMNIS US EQUITY FUND, MANAGED BY T. ROWE PRICE

During the period, stock selection drove relative outperformance while sector allocation was negative, and the fund fell in total return terms. Stock selection in healthcare was the largest contributor to relative returns, led by positions in Danaher and Thermo Fisher Scientific. Within financials, security choices also aided relative gains, led by insurer XL Group. Stock selection in real estate further contributed, led by our exposure to American Tower. Conversely, consumer staples was the largest detractor from relative results due to stock selection. Holdings in Kraft Heinz and CVS Health weighed on relative performance. Security selection in energy also hurt relative returns.

We believe the US is in the later stages of economic and market cycles, and, as a result, we maintain our cautious view on equities. While strong earnings growth could continue to buttress stocks, we are mindful of potential risks from slowing economic growth, geopolitical shocks, and protectionist trade policies. In this environment, we have positioned the Fund for secular growth and continue searching for idiosyncratic investment opportunities, including companies with strong pricing power and recurring revenue models, as well as those we believe are on the right side of change.

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OMNIS DEVELOPED MARKETS (EX US, EX UK) EQUITY FUND, MANAGED BY THOMAS WHITE INTERNATIONAL

During the first quarter, the Fund captured positive stock selection in the information technology, healthcare, industrial, and financial sectors. The top contributor, Japan-based Otsuka, experienced solid growth in revenues for its automation design systems and software. A similar theme was evident for Nidec, with accelerating revenues in its precision motors and machinery applications increasing its profitability and free cash flow. Our largest position, Hong Kong-based Techtronic Industries, declined after a strong advance in the fourth quarter. Investors sense the company may be hurt if new tariffs increase the cost of its China-based production. French-based automotive supplier Valeo weakened in mid-March despite record growth in its order backlog. This was due to falling investor enthusiasm for the autonomous driving industry.

On a regional basis, stock selection was favourable in Japan due to the portfolio's mid-cap exposure to artificial intelligence and factory automation. Europe was positive due to improvement in many of the long-held positions in France and Switzerland. Asia ex-Japan was neutral. Stock selection fell short in Canada. From a sector perspective, the portfolio remains overweight in reflationary areas such as financials and materials and we are closely monitoring future tariffs that reduce or improve the outlook for any of our current positions.

OMNIS EUROPEAN EQUITY FUND, MANAGED BY JUPITER ASSET MANAGEMENT

Equity markets had a volatile first quarter amid mounting concerns over global trade wars and growing evidence that Europe's strong economic recovery was beginning to run out of steam. Banks, which have been correlated to economic growth in Europe (and in which we are underweight), fell over 6% in aggregate over the month. Our portfolio was inevitably caught up in some of this volatility, but the Fund did outperform the benchmark as has historically been the case in periods of falling markets.

Strong performers included Euronext and Flow Traders, exchange-related businesses that benefit from market volatility, and Kion (warehouse logistics). On the downside, Iliad (telecoms) fell amid concerns over its growth strategy, while SPIE (technical services) was weak after reporting weak margins in its full-year results.

We are pleased that the portfolio responded relatively well to the change in market environment over the period. Years of low volatility and ever higher valuations in the era of quantitative easing appear to have caused uncertainty, which would suggest that the great momentum trade of recent times is now over. Our view is that this should be an environment that is better suited to stock pickers such as us. We remain focused on maintaining a diversified, liquid portfolio of good quality businesses at reasonable prices.

OMNIS ASIA PACIFIC EQUITY FUND, MANAGED BY BAILLIE GIFFORD

The first quarter of 2018 was characterised by a return of volatility, as concerns surrounding the potential impacts of interest rates rises and global trade tensions weighed on sentiment. Against this backdrop developed Asian markets fell a little but fared better than most other regions globally, while the Fund was up slightly.

Putting recent weakness in global sentiment aside, news flow across the region was broadly positive. Japan continues to enjoy its longest period of economic expansion since the 1980s. During the quarter its economy grew by 1.6%, revised up from an earlier estimate and corporate profits were better than forecast and grew at double-digit rates.

Within the region, Australia was the weakest market, with the major banks particularly out of favour. As we have seen in other regions across the world, the banks appear to be suffering the brunt of an increased regulatory crackdown as the government seeks to take a public stance against poor behaviour such as mis-selling to consumers and falsifying loan applications. There was little in the way of major news flow in Hong Kong or Singapore, although both markets benefitted from a strong demand backdrop in China.

We remain confident in the growth prospects of the businesses that we own and we continue to generate a healthy flow of ideas from across the region.

OMNIS EMERGING MARKETS EQUITY FUND, MANAGED BY JUPITER ASSET MANAGEMENT

The Fund fell during the period, as did the MSCI Emerging Markets Index. The sector suffered along with most other markets across the world as volatility and stock prices sold off. On a fundamental basis little really changed, however. Of potentially more significance was the trade tariffs introduced by the US and China. These events unnerved some investors, but, from our perspective, while a full-blown trade war would be significantly negative for equities on both sides of the Pacific, we believe such a scenario is unlikely.

In the Fund, the largest positive in stock terms was Brazilian bank Itaú Unibanco, which increased its dividend after beating analyst estimates for net income and return on equity in its results for the fourth quarter.

Nigerian bank Guaranty Trust Bank was also a strong contributor to relative performance, while Russian bank Sberbank also performed well after announcing strong initial results for its 2017 financial year.

Indian oil marketing company HPCL was the largest negative driver of the fund's relative returns. Other notable stock detractors included Tiger Brands and Ascendis Health.

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OMNIS UK BOND FUND, MANAGED BY COLUMBIA THREADNEEDLE INVESTMENTS

The Fund was down slightly over the period. The sterling bond market weakened slightly over the quarter, while gilt yields rose in the first half of the period as strength in the global economy sparked fears that the current era of loose monetary policy could end sooner than had been envisaged. After a strong January, credit spreads widened in February as these fears finally impacted risk assets. In March, jitters about the potential for a global trade war saw spreads widen further, while gilt yields retraced some of their earlier rise. The Fund outperformed the index, aided by positive credit selection. Positions in GKN and Royal Bank of Scotland were especially beneficial here.

The UK gilt market remains underpinned by a relatively weak domestic economic environment. Inflation also seems to have peaked. Corporate earnings have been strong, though companies have typically been rewarding shareholders rather than shoring up their balance sheets. Credit spreads are also inside their long-run averages. Against this, monetary policy is tightening only gradually and strong demand for income without too much risk remains a powerful support for investment-grade corporate bonds. Given this background, the Fund retains a slight overweight in duration and a similarly modest overweight in credit risk.

OMNIS GLOBAL BOND FUND, MANAGED BY SCHRODERS INVESTMENT MANAGEMENT

The Fund outperformed its benchmark during the period. Despite volatility in bond markets mid-quarter, our currency, country and duration strategies positively contributed to performance. Our view that global growth would remain robust and central banks would continue to normalise policy was expressed through US positions that profited as bond markets priced in higher inflation and US Treasury yields rose.

In January, we introduced credit protection positions to reduce credit risk exposure. We downsized and took profit on these positions in February but continued to hold them in the portfolio. They helped to offset negative performance resulting from our exposure to credit.

We expect global growth to remain buoyant, so continue to have a positive view on credit. We continue to prefer peripheral Europe to Germany although we express this view through Spain rather than Italy, where we are concerned about political uncertainty and structural issues. The gradual normalisation of monetary policy, rising inflationary pressures and continued (geo) political risks have increased volatility. Given a robust growth outlook, higher volatility is not anticipated to cause widespread disruption in risk asset prices, however in our view this environment should favour active investment decisions as opposed to simply investing in the market.

OMNIS STRATEGIC BOND FUND, MANAGED BY FIDELITY INTERNATIONAL

Over the quarter credit spreads widened across the board with few sectors being immune to this move. Against this backdrop, exposure to financials, telecommunications and utility sectors contributed to Fund underperformance. However, the exposure to index credit default swaps (used to reduce credit risk in the portfolio) partially offset the negative effect from widening credit spreads. The quarter also witnessed rise in government bond yields, primarily led by the US, due to a combination of better economic data, tightening monetary signals from central banks, US tax reform and/or expectations of rising US deficit. This meant that the portfolio's exposure to dollar duration was the primary detractor on the rates side.

Despite recent moves in markets, policy normalisation will be gradual as unresolved global structural issues are expected to keep yields in check. A low rates environment remains our base case scenario. Given current valuations and dispersion on the rise, we remain disciplined and take a far more discerning approach to sector and credit selection. Our focus remains on selective alpha generation and downside protection at this stage of the cycle. As credit fundamentals get more difficult, we looked for opportunities to reduce the portfolio's credit beta, given the reluctance to skew the balance of risk towards credit at this stage of the cycle. That said, we retained preference for investment grade over high-yield bonds, and for defensive over higher-beta sectors.

OMNIS ALTERNATIVE STRATEGIES FUND, MANAGED BY OCTOPUS INVESTMENTS

The Fund was down slightly during the quarter. At the start of the period, we reduced the portfolio's exposure to currency fluctuations by selling some of the holding in BlackRock Overseas Corporate Bond. We also reduced holdings in equity funds by trimming iShares US Equity Index ETF. After a strong period of performance, we took some profits from L&G Dynamic Bond. We introduced a small initial position in Bluebay Global Sovereign Opportunities. We continued to increase our holding in Allianz Structured Return with a view to increasing this position in periods of higher market volatility.

When markets fell early in February, we took the opportunity to add to iShares FTSE 100 ETF, iShares Japan ETF, NN Alternative Beta and Oaktree Global Convertibles. We also initiated a small holding in ASG Managed Futures on recent weak performance. As markets recovered, we reduced holdings in funds with dollar exposure by trimming Vanguard S&P 500 ETF. With markets falling, funds with diversified investment strategies tended to fare best, notably H20 MultiReturns and Melchior European Absolute Return.

In March, we introduced a holding in GAM Star Cat Bond, a fund that provides the portfolio with exposure to companies that insure against natural disasters.

OMNIS MULTI-MANAGER, MANAGED AND MULTI-ASSET FUNDS

OMNIS MULTI-MANAGER FUNDS, MANAGED BY OCTOPUS INVESTMENTS

The Omnis Multi- Manager funds offer three risk-rated funds; cautious, balanced and adventurous, which aim to generate capital growth, along with a distribution fund. As fund of funds, they invest in a selection of other pooled investments managed by specialists in their particular markets. The cautious fund holds less risky investments such as bonds, while the balanced fund holds a mix of shares and bonds. The adventurous fund invests mostly in shares.

The **Cautious** fund produced a marginally negative return for the quarter. As markets rallied at the beginning of the year, we grew sceptical about the sustainability of the momentum and reduced risk in the portfolio by shifting some of our holding in Vanguard S&P 500 exchange-traded fund (ETF) to iShares USD Treasury Bond 7-10yr ETF. Actively managed funds produced the month's best performances, particularly Artemis US Extended Alpha, Vanguard 500 ETF, and with ASG Managed Futures reversing a small loss in the previous month. In February, we added to a number of equity holdings, including Vanguard S&P 500 ETF, iShares MSCI Japan ETF and iShares Asia Pacific ex Japan ETF. We also rotated holdings that invest in UK equities by switching from Lindsell Train UK Equity to Majedie UK Equity and JOHCM UK Dynamic Fund.

Strong performances from emerging market bonds benefited our holding in iShares Local Emerging Bond ETF. Funds that invest in government bonds were the portfolio's best performers in March, notably iShares Core UK Gilts ETF. PIMCO Global Investment Grade Credit did well following its recent move to a more defensive investment strategy, while Lindsell Train UK Equity performed satisfactorily.

The **Balanced** delivered a negative return over the period. In January, we reduced holdings in the bond sub-portfolio a little by reducing iShares USD Treasury 7-10yr exchange-traded fund (ETF), which had performed poorly due to dollar weakness compared with sterling. Similarly, the weak dollar had a negative impact on iShares USD Corporate Bond ETF and iShares JPM USD Emerging Markets Bond ETF. After January's stock markets falls, we added to iShares MSCI Japan ETF and Vanguard S&P500 in February. We also sold our remaining holding in iShares USD Treasury 7-10yr Bond ETF. When asset prices corrected later in February, the portfolio benefited from its mildly cautious investment approach and its holdings in actively managed funds. The best performing equities were holdings in Lindsell Train UK Equity and Vanguard US Opportunities.

In March, we increased our equity holdings early in the month with a small increase to iShares FTSE 100 ETF, but reduced this later in the month, and also reduced the holding in iShares S&P 500 ETF, as concerns grew about a trade war between the US and other countries. Franklin UK Managers' Focus was a highlight for the portfolio, while the defensively oriented Lindsell Train UK Equity held up well, and Vanguard US Opportunities was also robust.

The **Adventurous** fund delivered a negative performance over the period. At the start of period we reduced holdings in M&G Global Dividend following a strong period of performance. We also added two new funds, JOCHM UK Dynamic and Orbis Global Equity. The main positive contributors to the portfolio were US actively managed funds, notably Vanguard US Opportunities, and global equity holdings, led by JOCHM Global Select. In February, we added to equities by increasing holdings in iShares Emerging Markets ETF, iShares FTSE 250 ETF and JOCHM UK Dynamic. We also took the opportunity to take a small initial holding in two new funds: Schroder European Alpha Plus to balance our holdings in European equities, and Artemis UK Select. These additions were funded by reducing holdings in iShares FTSE 100 ETF, Majedie UK Equity and BlackRock European Dynamic. The main positive contributors to the portfolio were US actively managed funds, led by Vanguard US Opportunities, along with Japanese equities, through Eastspring Japan Dynamic.

Late in March, we trimmed iShares Asia ETF and added back to iShares Emerging Markets ETF, where markets had weakened. We trimmed holdings in Marlborough Special Situations and M&G Global Dividend after both had performed well. We also made a small switch from Majedie UK Equity to Artemis UK Select. Franklin UK Managers' Focus was the portfolio's only equity fund to deliver a positive return in March.

The **Distribution** fund is designed for clients looking for a regular and stable income, such as those in retirement. It aims to generate a reasonable level of income and possible capital growth by investing primarily in other pooled investments.

The Fund was down during the quarter. We increased our holding in iShares Global High Yield ETF and reduced iShares Short Duration USD High Yield ETF. We increased the holding in iShares JPM Emerging Markets USD Bond ETF, but this suffered when the dollar weakened against sterling. We reduced the holding in Hermes Multi-Strategy Credit and increased the holding in PIMCO Income, which pays monthly rather than six-monthly and offers a higher yield. In the equity sub-portfolio, we trimmed the holding in iShares UK Dividend ETF when it rallied and after its December dividend payment. We added a little to the holding in SPDR UK Dividend Aristocrats after it fell slightly on disappointing news from Capita, one of the companies in which it invests.

In February, we introduced Renewables Infrastructure Group, an investment trust that focuses on wind and solar energy companies and will further diversify the portfolio's income sources. The acquisition was partly funded by reducing the holding in F&C Infrastructure. Other minor adjustments included selling the remaining holding in iShares Short Duration US High Yield ETF and adding to iShares Global High Yield ETF for its upcoming interest payment. We also switched some of the holding in iShares UK Dividend ETF to SPDR UK Dividend Aristocrats for a more even split between higher dividend yield and robust dividend growth within UK equity.

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In March, we made another small increase to SPDR UK Dividend Aristocrats, as well as to Franklin UK Equity Income ahead of their March dividend payments. Against a backdrop of falling equity markets it was not surprising to see our equity funds struggle. Other asset classes fared a little better, with TwentyFour Income a particular highlight.

OMNIS MANAGED FUNDS, MANAGED BY COLUMBIA THREADNEEDLE INVESTMENTS

The Omnis Managed Funds, run by Columbia Threadneedle, are funds of funds. They aim to achieve capital growth by investing in other pooled investments (also managed by Columbia Threadneedle) and offer three risk rated funds; cautious, balanced and adventurous.

This was another positive quarter for equities, which outperformed bonds in aggregate. The period was marked by bouts of risk aversion, with investors unsettled by North Korean sabre-rattling, doubts about president Trump's ability to enact his policies, and the prospect of tighter monetary policy from major central banks. Overcoming this, though, risk appetite was buoyed by encouraging news on the global economy, a strong corporate earnings season and, late in the quarter, resurgent optimism about US tax reform.

The **Cautious** fund delivered a negative return. Over the quarter, credit spreads widened and equities declined as optimism over synchronised global growth, strong company earnings and optimism about US tax cuts was overshadowed by jitters about geopolitics, protectionism and the approaching end of 'easy money'. Core yields rose amid fears that key central banks – having made further moves towards policy normalisation – could accelerate their moves in this direction. Most equity regions were down in local terms, but emerging markets recorded modest gains, aided by a weaker dollar. The Fund's relative outperformance versus its benchmark over the quarter was driven by stock selection, particularly in UK and US equities.

Within equities, we added to our holdings in the US, Japan and Europe ex UK. Strong corporate earnings growth should be supportive, and in the case of Europe and Japan, valuations are favourable. We also added to UK equities; we feel many stocks are more attractively valued than their international peers, which should help ensure that UK firms remain attractive candidates for overseas takeover bids. We reduced exposure to global equity income and Asian equities. In fixed income, we added exposure to short-dated emerging markets, and switched some UK investment grade into global corporate bonds on a currency hedged basis.

The **Balanced** fund delivered a negative return. Over the quarter, credit spreads widened and equities declined as optimism over synchronised global growth, strong company earnings and optimism about US tax cuts was overshadowed by jitters about geopolitics, protectionism and the approaching end of 'easy money'. Core yields rose amid fears that key central banks – having made further moves towards policy normalisation – could accelerate their moves in this direction. Most equity regions were down in local terms, but emerging markets recorded modest gains, aided by a weaker dollar. The Fund's relative outperformance versus its benchmark over the quarter was driven by stock selection, with a number of the regional equity funds outperforming. The biggest relative contributors were the UK, Europe ex UK and Japanese equity allocations.

Within equities, we added to holdings in the UK and Japan. Several stocks here are more attractively valued than their international peers, and Japanese stocks should also benefit from strong corporate earnings. We also topped up holdings in the US, but retained our underweight; these are still quite richly valued, relative to those in other developed markets. We reduced holdings in global, Asian and emerging market equities. In fixed income, we added exposure to short-dated emerging markets, and switched some UK investment grade into global corporate bonds on a currency hedged basis.

The **Adventurous** fund delivered a negative return. Over the quarter, credit spreads widened and equities declined as optimism over synchronised global growth, strong company earnings and optimism about US tax cuts was overshadowed by jitters about geopolitics, protectionism and the approaching end of 'easy money'. Core yields rose amid fears that key central banks – having made further moves towards policy normalisation – could accelerate their moves in this direction. Most equity regions were down in local terms, but emerging markets recorded modest gains, aided by a weaker dollar. The Fund's relative outperformance versus its benchmark over the quarter was driven by stock selection, with a number of the regional equity funds outperforming. The largest relative contributors to the portfolio were Europe ex UK equities and UK equities.

Within equities, the exposure to UK equities fell, although we were net buyers. Despite our being net buyers of emerging market equities over the quarter, the fund's relative allocation decreased. Within US equities we were net buyers. In fixed income, we slightly reduced our exposure to high-yield debt. Overall, we still feel that the broad global macroeconomic environment can be characterised as 'Goldilocks like', with decent growth and only gentle rises in inflation in most regions.

OMNIS MULTI-ASSET INCOME FUND, MANAGED BY NEWTON INVESTMENT MANAGEMENT

Financial markets endured a tumultuous period in the first quarter of the year, and this was reflected in marginal underperformance of the Fund. Having started the year positively, expectations of improving global growth gave way to worries about rising inflation and the need for central banks to increase interest rates faster than had been expected.

Positive performance contributions came from events organiser UBM, which was the subject of a takeover by larger competitor Informa. Georgian bank TBC also added to performance, as did Orsted, the Danish leader in offshore wind assets. On the negative side, the consumer goods sector was particularly weak, with holdings in tobacco companies Japan Tobacco and British American Tobacco among the main detractors.

First quarter 2018

With the yield on US Treasuries continuing to rise, we increased exposure to 7-year US Treasuries given the widening spread between the yield available on US and European bonds. We also initiated a new position in Heidelberg Cement and added exposure to US lithium producer Albemarle, which we believe will benefit from the increasing penetration of electric vehicles over the longer term.

Our focus remains on selecting companies that can continue paying their coupons and growing their dividends throughout the cycle. In doing so we aim to ensure the fund can pay a sustainable income on an ongoing basis.

For more information about Omnis, including fund factsheets please contact us on 01793 567 800 or through the website at www.omnisinvestments.com

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