Second quarter 2018

Investment Committee Update

Downton & Ali Associates

Second quarter 2018

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

Trade tensions continued to hover over the markets in the second quarter of the year. China attempted to placate the US by offering foreign companies, including the financial and automotive industries, greater access to the Chinese market, but two rounds of trade talks in May ended in a stalemate. US President Donald Trump followed through on his pledge to levy further tariffs on Chinese goods in June, and China responded in kind. Elsewhere, Trump labelled his Canadian counterpart Justin Trudeau 'dishonest and weak' as they renegotiated the North American trade agreement, while the EU countered US tariffs on European steel imports by imposing levies of its own on a range of American goods including whiskey, motorbikes and orange juice.

In better news for the markets, relations appeared to thaw between Trump and North Korean leader Kim Jong-Un, as they travelled to Singapore for a historic meeting in June. While the summit was an important first step and opened a channel for future dialogue, the wording used in the subsequent joint declaration left room for interpretation and concrete outcomes remain elusive. Earlier in the quarter, Trump proved he had not entirely abandoned his unconventional approach to foreign policy when he pulled the US out of the Iranian nuclear deal in May, sending oil prices to their highest level since 2014.

Closer to home, Brexit continued to dominate the political agenda. Divisions within the Conservative party hindered progress, particularly efforts to come up with a customs deal acceptable to all parties. Nonetheless, parliament narrowly passed the EU Withdrawal Bill in mid-June, as Prime Minister Theresa May overcame challenges from both sides of the debate.

The major central banks remained at different stages of the monetary policy tightening cycle. As widely expected, the Federal Reserve- the most advanced in the cycle- raised interest rates for the second time this year at its June meeting and hinted at two more hikes in 2018. The Bank of England (BoE), the European Central Bank (ECB) and the Bank of Japan (BoJ) decided to leave rates unchanged. However, the BoE's Chief Economist Andy Haldane voted in favour of a rise at the Bank's June meeting, increasing the likelihood of a hike in August. Meanwhile, the ECB announced that it will reduce its monthly bond-buying programme after September and halt it completely by the end of the year, while the BoJ scrapped its target of hitting 2% inflation by March 2020.

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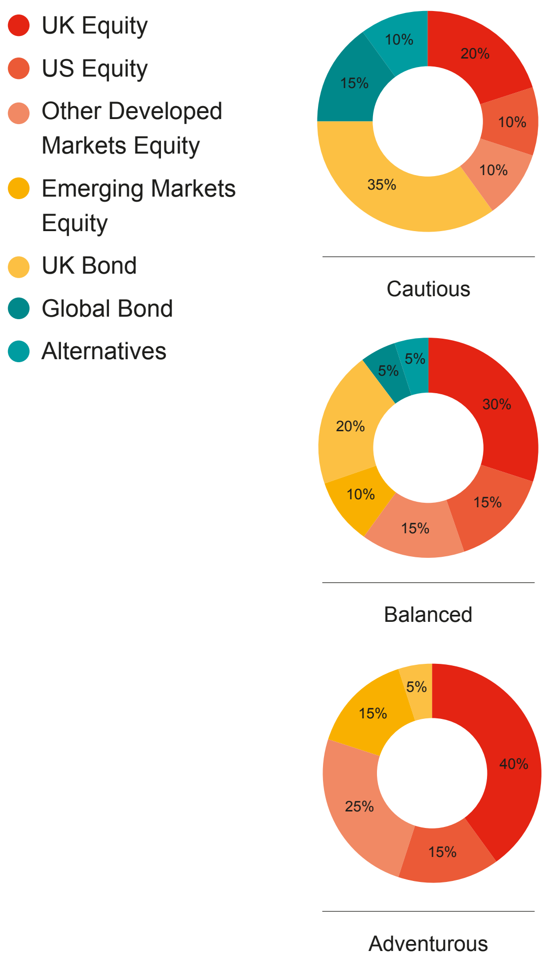
Openwork Graphene Model Portfolios

The period since launch remains short of the recommended medium- to long-term investment horizon, but the Graphene Portfolios appear to be coping well with challenging market conditions.

FIGURE 1: STRATEGIC ASSET ALLOCATION OF THE MODEL PORTFOLIOS



The second quarter of 2018 has picked up where the first left off, with volatility a defining feature of equity markets. Given political risk appears elevated, particularly where global trade arrangements are concerned, erratic short-term market moves are perhaps understandable. However, it is worth noting that recent volatility is unexceptional - from an historical perspective, it is the remarkably calm conditions of 2017 that stand out.

Beneath the short-term market turbulence, company earnings and global economic growth have been strong. After sharp losses in February, this has ultimately provided support for equities. The UK was among the strongest performers. Index heavyweights Bp and Royal Dutch Shell benefited from rising oil prices while other large, internationally exposed UK companies benefited from sterling weakness prompted by the Bank of England's reluctance to hike interest rates. At the other end of the scale, emerging market equities suffered as trade tensions escalated.

Bond markets, meanwhile, have faced the prospect of the world's central banks, led by the Federal Reserve, winding down their post-crisis support policies. After a challenging first quarter, global bond markets were more stable in the second quarter.

The Adventurous portfolio generated the greatest total return over the year due to its higher exposure to equities, despite the volatility experienced in the stock markets. However, all three portfolios (Cautious, Balanced and Adventurous) performed in line with expectations thanks to strategic asset allocation, especially holdings in fixed income and international currency.

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 30th June 2018. Portfolios rebalanced each 31st August and 28th February.

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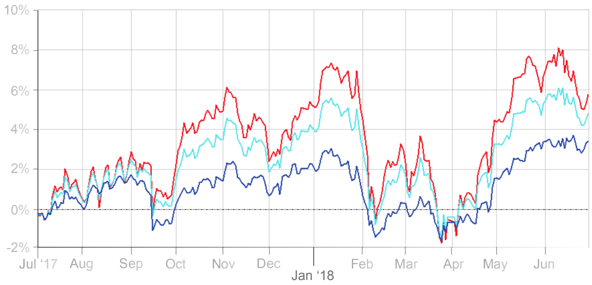
FIGURE 3: OPENWORK GRAPHENE C1 MODEL PORTFOLIOS, TOTAL RETURN OVER 1 YEAR



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

Source: Omnis Investments, Financial Express Analytics, 30th June 2017 to 30th June 2018. Portfolios rebalanced each 31st August and 28th February.

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 30th June 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, 30th June 2017 to 30th June 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 30th June 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, 30th June 2017 to 30th June 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 FRANKLIN TEMPLETON

The Omnis UK Equity Fund is a high-conviction, core portfolio. The objective of the Franklin Templeton research process is to identify and invest in companies with sustainable growth prospects that are trading on attractive valuations. Equally important is avoiding those with unattractive risk/reward profiles. The Fund is comprised of the investment team's best ideas across the market cap spectrum. It is constructed to protect against any unintended biases, themes or concentrations, to achieve a cohesive, well-diversified portfolio.

Franklin Templeton has taken over management of the portfolio in the midst of a strong second quarter for UK equities. The UK equity market gained as trade tensions between the US and China subsided, and the Bank of England signalled interest rate increases may be deferred. This sharp rise has inevitably made it more difficult once again to identify value opportunities. However, we do see some signs of a return to strength for UK consumers. Inflation has now passed its peak and is on a falling trend, while at the same time wage growth is accelerating, suggesting to us a return to real wage growth in the months ahead.

OMNIS INCOME & GROWTH FUND, MANAGED BY WOODFORD INVESTMENT MANAGEMENT

After weakness in the first three months of the year, the UK equity market performed well in the second quarter, with the FTSE 100 delivering its biggest quarterly gain in 15 years. A recovery in the oil price was a major factor in this, with notably strong performances from the index heavyweight oil majors.

Momentum continued to play a prominent role for most of the period, but this gave way to increasing volatility as the quarter progressed, as evidence contradicting the market's reflationary biases continued to mount. We believe that tighter monetary policy in the US is draining liquidity from global markets, and this will increasingly bear down on economic and market behaviour in the second half of 2018.

We have actively positioned the Fund away from this risk. The best defence, in our view, comes in the form of low valuation and business models that are not reliant on excessive debt, international trade or emerging market demand. That leads to a selective focus on UK domestic stocks within the Fund, which in our view offer all of these characteristics.

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

Positive contributors over the second quarter of 2018 included Hargreaves Lansdown, Greene King, Johnson Matthey, Pennon, BBA Aviation and ITV. The main detractors from performance were McCarthy & Stone, Intu Properties and Dunelm. McCarthy & Stone was the most significant negative, with a profit warning and the departure of the CEO hitting the share price. However, with strong market share, a robust balance sheet and an attractive price level, we continue to hold the company. In terms of activity, we took profits on several holdings after strong performance left their yields looking somewhat low for an income fund.

Overall, we expect UK economic growth to continue to be sluggish in the short term and the Fund is positioned for slow economic growth. Markets dislike uncertainty and we are likely to see further bouts of market volatility, driven by Brexit and trade tensions. Despite this, we remain optimistic the stock market can continue to grind higher. The Fund is underpinned by cautious economic growth assumptions, and its focus on strong market positions, cashflow-backed dividends and robust balance sheets should provide resilience in a whole range of possible economic outcomes.

OMNIS US EQUITY FUND, MANAGED BY T. ROWE PRICE

Over the second quarter of 2018, our allocation to the consumer discretionary sector was the largest detractor from relative returns with Yum! Brands and Booking Holdings hurting relative performance. Energy names also weighed on relative results, including TransCanada and Schlumberger, while security selection in consumer staples detracted as Philip Morris International and Tyson Foods underperformed. Conversely, healthcare was the largest contributor to relative results due to stock selection as Becton, Dickinson & Company and UnitedHealth Group performed well. Security selection in financials also helped relative returns, driven by First Republic Bank and KeyCorp.

We believe the US is in the later stages of its economic and market cycles. While strong earnings growth, and increased corporate buybacks could continue to buttress stocks, we are mindful of potential risks from slowing economic growth, interest rate hikes, 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 second quarter, the weakness of sterling helped propel the Fund to a positive return. In local currencies, most European and developed Asian equity markets saw increased volatility as investors became more anxious about interest rate hikes and growing global trade frictions. The European Central Bank said it is on track to wind down its quantitative easing program by the end of this year, despite softer growth data.

Global trade relations have deteriorated as countries in Asia and Europe announced new tariffs and quotas, in response to restrictive US trade policy changes. However, central bank policies in the eurozone and Japan continue to be expansionary as inflation remains well below targets. Further, we believe the political environment in these countries has stabilised somewhat and broad consensus on economic policy could help address the long-term structural problems in these economies.

From a positioning standpoint, we reduced the Fund's exposure to the consumer discretionary sector and increased exposure to the energy sector. We remain overweight cyclical industries and financials, where we continue to see attractive valuations.

OMNIS EUROPEAN EQUITY FUND, MANAGED BY JUPITER ASSET MANAGEMENT

The Fund performed roughly in line with the FTSE World Europe ex UK index over the quarter in sterling terms. Headline risk returned to European markets during the second quarter. Trade tensions between the US, Europe and China, a steadily rising oil price and dollar, continued concerns over Italy's new populist government, and ongoing challenges to Angela Merkel's position as German Chancellor over her migration policy were the main drivers behind market turbulence.

The Fund benefited from being underweight Italy. Elsewhere, a number of companies in the portfolio saw strong results that were ahead of expectations, such as SAP (enterprise software), Kingspan and CRH (building materials), Aroundtown (commercial real estate) and LVMH (luxury goods). Nokia (telecoms) also rose after confirming that its strong 5G pipeline will start to bear fruit later this year.

On the negative side, Pandora (jewellery) was the most significant detractor following results that showed an unexpected slowdown in its Chinese business so we reduced our position. Unsurprisingly, the Fund's Italian holding, UniCredit (banking), also detracted over the period.

Looking ahead, political risk, whether from conditions in Southern Europe to US trade policy, is on the rise and markets are responding in an increasingly volatile fashion.

OMNIS ASIA PACIFIC EQUITY FUND, MANAGED BY BAILLIE GIFFORD

It was another strong quarter for the Fund, which delivered a positive return. In a departure from recent periods the Australian market was a top performer where we saw continued strength from commodity exporters. The Singaporean market was the weakest, as broad-based concerns surrounding global trade tensions impacted sentiment towards Asia's main trade hub. In Japan, macroeconomic data remained broadly positive however, against this backdrop, the market fell slightly.

A positive contribution was made from a variety of different companies with leading Japanese cosmetics business Shiseido and Japanese price comparison site Kakaku featuring prominently in the Fund. Not having exposure to Australian banks, which suffered from poor sentiment, also helped performance.

During the period, a new position was taken in Murata Manufacturing, a leading Japanese manufacturer of passive components used in communication devices. This was funded by selling Australian pallet maker Brambles, Rakuten, the Japanese online retailer and Hong Kong-listed distributor of handheld payment terminals Pax Global.

OMNIS EMERGING MARKETS EQUITY FUND, MANAGED BY JUPITER ASSET MANAGEMENT

Detractors from the Fund's performance over the quarter included Hindustan Petroleum, which was hit by the rising price of oil, while food producer Ulker Biskuvi was impacted by the political situation in Turkey. On the positive side, China Biologic outperformed after it received an offer from Chinese investment company CITIC Capital. With market confidence low due to worries about trade tensions, we believe it is worth noting the exposure the Fund has to long-term growth trends that are unlikely to be displaced by short-term headwinds. These include financial inclusion in emerging markets and a trend towards increased tourism across Asia.

Although emerging market equities have suffered heightened volatility in recent months, companies are continuing to deliver strong earnings growth and valuations remain attractive in our eyes, both in a historical context and relative to developed markets. Economic fundamentals are also robust despite geopolitical headwinds. We maintain our belief that some larger individual stocks, most notably those that are widely perceived to be quality growth companies, are already priced for very strong earnings delivery. This is one of the reasons that we believe some of the best opportunities are to be found among smaller and medium-sized companies.

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OMNIS UK BOND FUND, MANAGED BY COLUMBIA THREADNEEDLE

The Fund outperformed during the second quarter, aided by its higher relative duration (interest rate sensitivity). Credit selection also added value: positions in GKN and Tesco were especially beneficial here.

The sterling bond market strengthened marginally during the period. As investors sought safe havens, gilt yields (which move inversely to prices) were down overall, but the benefit from this move was offset by wider credit spreads. Globally, investors continued to weigh a robust economic backdrop and tightening US monetary policy against rising political uncertainty in Europe and global trade tensions. In the UK, concern around Brexit provided support for gilts, as the Bank of England's decision not to raise interest rates in May, previously considered a near certainty.

The UK gilt market remained underpinned by a relatively weak domestic economic environment. Inflation also seems to have peaked. Corporate earnings have been strong, though companies have been typically 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

There was a souring of sentiment for emerging markets over the quarter and as such, our allocation to emerging market currencies and bonds had a negative impact on performance. Elsewhere, the political uncertainty surrounding the Italian election was the catalyst for yields spiking in peripheral Europe. This negatively impacted the performance of our holdings in Spain where we held an overweight position versus German bunds. More positively, US interest rate strategies contributed to performance thanks to our underweight position, which made our portfolio less sensitive to interest rate changes than the benchmark.

Looking forward, we expect the synchronisation of global growth will re-assert itself. Nevertheless, we are cognisant of the risks as central banks look to gradually normalise policy, which forms one of our themes driving active risk in the portfolio. Markets are vulnerable to episodic bouts of volatility, while structural dynamics have supressed inflation. Increased populism is leading to a desire for greater fiscal impulse, while a rebound in commodities, through a re-assertion of global growth synchronisation, also forms our positive view on inflation going forward.

OMNIS STRATEGIC BOND FUND, MANAGED BY FIDELITY INTERNATIONAL

The Fund's return was negative during the quarter as global bonds posted mixed returns, with government bonds outperforming corporate bonds. We saw political uncertainty in Italy, escalating trade rhetoric and rising volatility in emerging markets, which stoked demand for safe haven assets and led to widening of credit spreads. Against this backdrop, exposure to European high-yield names across a range of sectors weighed on returns. However, conservative positioning at the security and sector level partially offset the losses.

The exposure to index credit default swaps (used to reduce credit risk in the Fund) partially offset the negative effect from widening credit spreads. The portfolio's skew towards dollar duration (sensitivity to changes in US interest rates) was a negative as US treasury yields rose over the quarter amid a strengthening economy and signs that inflation could accelerate further. This was partially offset by exposure to sterling and euro interest rate risk as both gilt and German bund yields fell.

We believe that the frequency of risk events for the market to deal with has undoubtedly increased amid a backdrop of tightening liquidity, dollar strengthening and central bank transition from quantitative easing to tightening. Our focus remains on selective alpha generation and downside protection

OMNIS ALTERNATIVE STRATEGIES, MANAGED BY OCTOPUS

In April, we added to the holding in Bluebay Global Sovereign Opportunities for its focus on government debt and slightly increased the portfolio's risk exposure by adding to holdings in NN Alternative Beta, Janus Henderson UK Absolute Return and Fulcrum Diversified Absolute Return. H2O MultiReturns posted a notable return thanks to its allocation in the US and the European financial sector. Amundi Volatility Arbitrage produced a weaker performance due to relatively low volatility.

In May, we reduced holdings in iShares Core FTSE 100, iShares Core MSCI World and iShares MSCI Japan after strong returns. We added to our holdings in Old Mutual Global Equity Absolute Return and H2O MultiReturns following short-term weakness and GAM Star Cat Bond. NN Alternative Beta and Allianz Structured Return both performed well, despite European equity markets underperforming. H2O MultiReturns' Italian bond holdings suffered as the country's political situation remained unresolved.

In June we sold our remaining holding in Old Mutual Absolute Return Government Bond due to its merger with another Old Mutual strategy. H2O MultiReturns was the portfolio's standout performer, recovering some of the losses it made in May. Old Mutual Global Equity Absolute Return struggled while market uncertainty continued, and equities held by NN Alternative Beta and Oaktree Global Convertibles underperformed.

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MULTI-ASSET INCOME FUND, MANAGED BY NEWTON INVESTMENT MANAGEMENT

The Fund delivered a positive return over the second quarter of 2018, which saw global equity markets rebound from the sell-off in the first quarter. However, equity returns were mixed on a regional basis, with North America performing well while Europe and emerging markets suffered from continued talk of trade tensions and a strong dollar.

Over the quarter we increased exposure to industrial companies. We purchased ABB, a large industrial company that has a thematically well-positioned portfolio with automation and electrification as the main end markets. We believe that both automation, where spending by commodity companies is at a cyclical low, and electrification have positive long-term growth dynamics and should benefit from a number of trends identified by our investment themes.

We continue to follow our investment process of searching for sustainable income through a focus on the underlying cash flows of the companies and securities in which we invest. With this approach, we seek to provide not only an attractive and growing income, but also an attractive total return over the cycle.

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 equities and bonds. The Adventurous fund invests mostly in equities.

Cautious
At the start of the period, to reflect our growing caution, we took the opportunity of rising equity markets to position the fund more defensively, reducing the holdings in iShares FTSE 100 exchange traded fund (ETF) and iShares MSCI Europe ex UK ETF and instead added to the holding in iShares UK Gilts All Stocks ETF. We also reduced the holding in Muzinich Long Short Credit Yield after recent lacklustre performance. We used the proceeds to increase our holding in iShares Local Emerging Market Bond ETF, which had underperformed due to country-specific issues that we believed would largely pass.

In June, we introduced Allianz Gilt Yield, whose manager we believe is capable of delivering outperformance in this asset class. We funded the investment by reducing our holding in iShares UK Gilt 0-5yr ETF. When the yen rallied, we switched some of the holding in iShares MSCI Japan ETF to its sterling-hedged share class.

Balanced
We made a number of small adjustments to the portfolio at the start of the period, mainly to reduce exposure to equities. We reduced our holding in iShares FTSE 100 exchange-traded fund (ETF) when the index rallied and increased exposure to US equities by adding to the holding in Artemis US Extended Alpha. We re-introduced iShares UK Gilts ETF at the end of April, and funded this by reducing the holding in iShares GBP Corporate Bond 0-5yr ETF.

In May, we added Old Mutual UK Smaller Companies, run by a fund management team we have known for many years, reducing the holding in Marlborough Special Situations and diversifying our exposure to UK smaller companies. The re-introduction of PIMCO Global Investment Grade Credit was partially funded by selling our remaining holding in iShares US Corporate Bond ETF, which had benefited from the increased strength of the dollar.

We maintained a slight underweight exposure to equites and bonds in June. Marlborough Special Situations was reduced slightly in favour of Old Mutual UK Smaller Companies. We sold our remaining holding in iShares MSCI Far East ex Japan ETF as we were concerned about the outcome of trade tensions between the US and China. Instead, we added to the holding in RWC Emerging Markets, which has less focus on the Asian and China markets.

Adventurous
The Fund captured a good percentage of the upside available from stock markets over the period as equities continued to push higher. We have been cautious, looking to participate in market upside but not at any cost. We have sought to add to risk as opportunities have arisen and likewise take profits and reduce risk where we feel it prudent to do so. This, in the main, has been an approach that has been rewarded.

All of the Fund's holdings delivered positive returns in April, except for those that invest in UK government bonds, which suffered as yields rose and prices fell. UK equity funds were among the strongest performers, and we increased the portfolio's holding in JOCHM UK Dynamic, which was funded by profit taking from Ardevora UK Equity.

In June, we added to holdings in Orbis Global Equities, Schroder European Alpha Plus and Vanguard US Opportunities on their relative weakness. To fund these, we trimmed the stronger performing holdings in BlackRock European Dynamic, JOCHM Global Equity, Hermes Asia ex Japan and Goldman Sachs Global Emerging Markets. This also allowed us to reduce the portfolio's exposure to Asian and emerging markets after they came under pressure from the strength of the dollar and trade tensions.

Distribution Fund
It was a busy period for investment activity as we sought to capture the interest and dividend payments from a number of bond and equity-based exchange-traded funds (ETF) in March. In April, we introduced a new holding, iShares Global High Yield GBP hedged ETF for its interest payment, and then reduced the holding later in the month. Similarly, iShares USD High Yield ETF and iShares USD Short Duration High Yield ETF were introduced and built up ahead of their respective interest payments.

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In May, we added to holdings in iShares USD High Yield ETF and iShares Emerging Markets Local Government Bonds ETF. Small positions in iShares Global High Yield ETF and iShares FTSE Gilts ETF were sold out. We also sold our residual holding in M&G Global Dividend, an investment held since 2010 that had performed steadily but whose low yield made the fund less attractive.

June saw us increase the holding in iShares USD Short Duration High Yield ETF ahead of its mid-month interest payment, then selling the holding once the payment was made. We increased holdings in iShares GBP Corporate Bond ETF, iShares Euro High Yield ETF and iShares Emerging Markets Local Government Bond ETF as their interest payment dates approach.

OMNIS MANAGED FUNDS, MANAGED BY COLUMBIA THREADNEEDLE INVESTMENTS

The Omnis Managed Funds 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.

In the second quarter of 2018, optimism over the still-robust economic and corporate backdrop and hopes of improved relations between the US and North Korea helped equities overcome jitters around US-led protectionist measures and concerns about the eurozone's stability. However, credit spreads widened. Higher US inflation and interest-rate expectations lifted the dollar and treasury yields – factors which hampered emerging-market assets. Other core yields fell as investors remained fairly sanguine that central banks outside the US would be slower to normalise policy. In terms of the Fund's relative performance, detraction from selection in the global bond and US equity segments outweighed the positive asset allocation effect from UK fixed income.

Cautious

The Fund's underweight in US equities was narrowed: we have upgraded our view on the US equity market to neutral, partly because we feel current valuations are not assigning enough value to improvements in fundamentals. We took some profits on our holdings in UK equities, but added to our holdings in UK fixed income. We also added to our holdings of bonds outside the UK. Bond markets remain supported by accommodative monetary policy, and demand for income. However, the late stage of the credit cycle and the uptick in M&A activity are points of concern.

Balanced

We took advantage of the weakness in emerging market equities to top up positions here. We feel corporate earnings growth remains robust, and should continue to trend higher, thanks to rising domestic demand. A benign capex environment is leading to cashflow improvements, suggesting an outlook for improved margins. Elsewhere, we increased our exposure to European and UK equities; corporate profitability is encouraging as is the resurgence in M&A activity.

Adventurous

We took advantage of the weakness in emerging market equities to top up positions here. Corporate earnings growth remains robust, and should continue to trend higher, thanks to a benign capex environment, which is leading to cashflow improvements. However, we trimmed our exposure to emerging market local bonds. The Fund's underweight in US equities narrowed: we have upgraded our view on the US equity market to neutral, partly because we feel current valuations are not assigning enough value to improvements in fundamentals. We topped up positions in UK and European equities; corporate profitability is encouraging, as is the resurgence in M&A activity.

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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