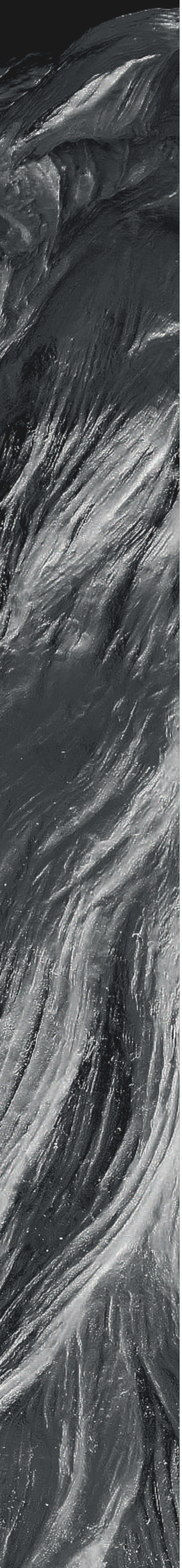
Second quarter 2017

Investment Committee Update

Financial Planning Hub



Welcome

The Omnis Investment Committee oversees all aspects of the Omnis investment offering.

The Committee met recently to discuss the Omnis funds and the performance of the external fund managers. This bulletin summarises the principal discussion points from that meeting and is the latest in a series of regular updates from the Committee, which takes seriously its responsibility to ensure the funds are properly managed at all times.

Market Commentary

Global equity markets advanced in Q2 with the MSCI World returning 4.2% (in US dollars). A strong corporate earnings season and generally positive economic data supported gains, while political risk eased in Europe. US equities gained, continuing to reach record highs, despite some mixed economic data and amid political uncertainty over the ability of the US administration to push through fiscal stimulus policies.

Eurozone equities gained. Reduced political risk, positive economic data and improved corporate earnings all supported shares. Gains were limited towards the end of the quarter by concerns that the central bank could start to tighten policy sooner than expected. UK equities made positive returns amid robust corporate earnings although it was a volatile quarter amid uncertainty over the political backdrop and the future path of monetary policy. Japan registered positive returns amid an encouraging corporate earnings season and an upbeat assessment from the Bank of Japan on the health of the economy. Emerging market equities benefited from the supportive global backdrop and weaker US Dollar, outperforming developed markets. A notable exception was Russia amid a sharp decline in Brent crude oil prices. With regards to fixed income, government bond yields were well-supported for much of the period, though a sell-off in the last week of June resulted in losses for German government bonds and UK government bond for the quarter overall.

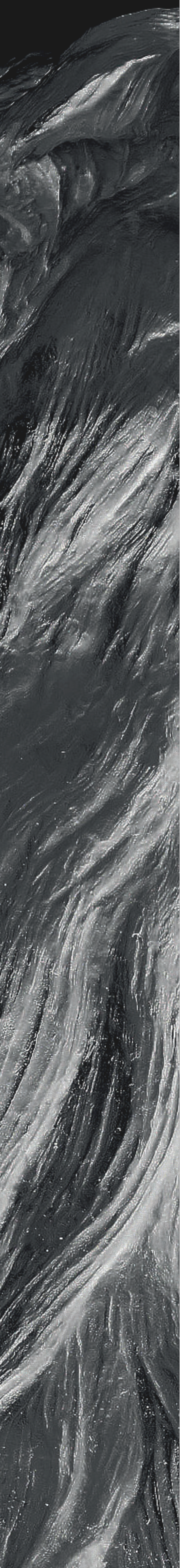
The start of the quarter was marked by UK Prime Minister Theresa May calling a surprise snap general election, at a point when the Conservatives held a significant lead in the polls. Mrs May expected to turn that lead into a healthy majority in the House of Commons, leaving her with a stronger mandate heading into the Brexit negotiations. This decision backfired quite spectacularly, with the election resulting in a hung Parliament with no single party winning enough seats to form a majority government. After weeks of negotiations, Northern Ireland's Democratic Unionist Party reached a deal which saw it back Theresa May's minority government.

By May, Marine Le Pen's populist anti-euro campaign in France had been rejected, with pro-euro and pro-reform candidate Emmanuel Macron elected as president. Macron clinched an absolute majority in parliament in June amid record low turnout, raising hopes of meaningful structural reform in the country. This led European Central Bank President Mario Draghi noting that "political winds are becoming tailwinds" in Europe.

In the US, the Federal Reserve looked through disappointing inflation readings and increased interest rates in June for the second time in 2017. It described economic activity that has 'been rising moderately so far this year.' The central bank also outlined its plans to scale back its $4.5 trillion balance sheet, which consists of government bonds, mortgage-backed securities and other assets it purchased in the wake of the financial crisis. Financial markets largely took this development in its stride. Political uncertainty remained elevated, with President Trump dismissing FBI director James Comey amidst ongoing investigations as to whether Russia interfered in the 2016 Presidential election.

Britain and the EU began Brexit negotiations in June, with both parties agreeing to prioritise discussions regarding Britain's exit bill and a settlement on rights for EU citizens living in the UK and Britons on the continent. UK economic data continued to deteriorate (except for UK manufacturing which benefitted from a weaker sterling), with inflation outstripping wage growth, squeezing the UK consumer. The Bank of England kept interest rates unchanged at a record low level of 0.25%.

Chinese economic data remained largely robust throughout the quarter. The government looked to cool an overheating property market and improve financial regulation. However the focus was on ensuring stability ahead of the 19th national Congress of the Communist Party in the autumn. The twice-a-decade Congress is a key leadership transition event.



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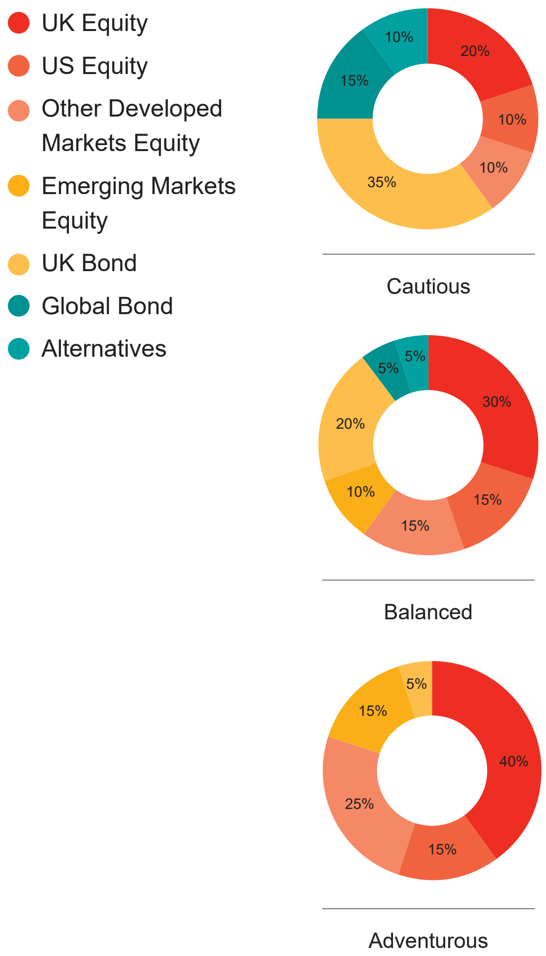
Openwork Graphene Model Portfolios

The Openwork Graphene Portfolios each offer a selection from the ten 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



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 year has been marked by pockets of higher volatility, especially in the second half of 2016, but on the whole risk assets have trended higher. Fears of a sharp slowdown in China have receded and global economic growth has firmed albeit unspectacular. With regards to the pockets of volatility, the Brexit referendum result saw markets fall at the start of Q3 and renewed fears over the health of the US economy drove markets lower in late Q3. The election of Donald Trump as the next President of the United States of America saw equity prices rise sharply, on the back of his promise for fiscal stimulus and increased infrastructure spending. However since, hopes of significant stimulus in the US have faded markedly, with President Trump failing to enact meaningful healthcare reform which would have helped to fund cuts to corporate and personal taxes. Technology stocks took over market leadership in 2017, with investors seeming more comfortable in paying a valuation premium for names which look well placed to grow faster than the wider economy.

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. 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 significantly 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 30th June 2017. 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, 30th June 2016 to 30th June 2017. Portfolios rebalanced each 31st August and 28th February.

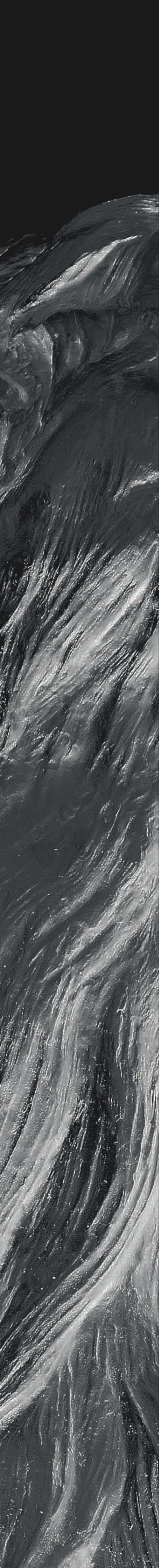


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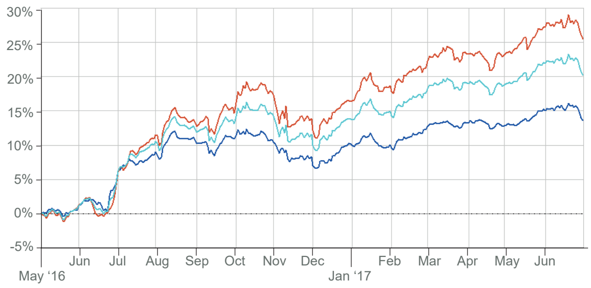
FIGURE 4: OPENWORK GRAPHENE C2 MODEL PORTFOLIOS, TOTAL RETURN SINCE INCEPTION



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

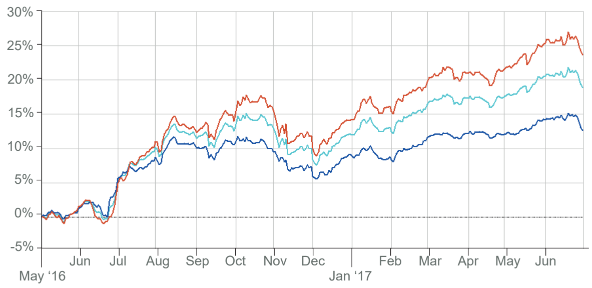
Source: Omnis Investments, Financial Express Analytics, 3rd May 2016 to 30th June 2017. Portfolios rebalanced each 31st August and 28th February.

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 2016 to 30th June 2017. Portfolios rebalanced each 31st August and 28th February.

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



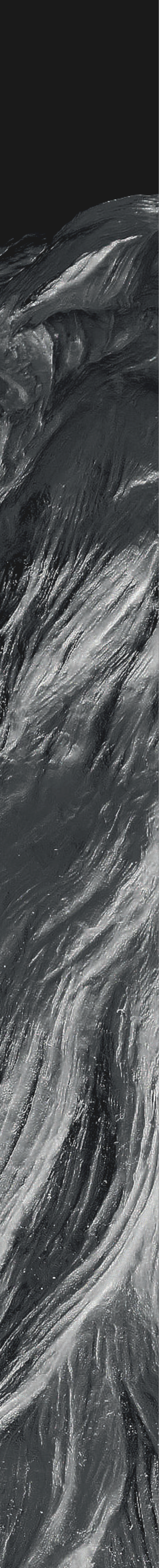
- Graphene C3 Adventurous Model Portfolio
- Graphene C3 Balanced Model Portfolio
- Graphene C3 Cautious Model Portfolio

Source: Omnis Investments, Financial Express Analytics, 3rd May 2016 to 30th June 2017. 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

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.



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Omnis Portfolio Fund Commentaries

OMNIS UK EQUITY FUND, MANAGED BY SCHRODER INVESTMENT MANAGEMENT

The Omnis UK Equity Fund aims to achieve capital growth by investing in companies based in the UK or with significant dealings in the country. It focuses on individual companies rather than the overall industry and relies on fundamental research, such as analysis of company accounts, to identify undervalued investment opportunities. The fund takes a long-term approach to investing, mostly targeting larger companies but also allocating part of the portfolio to smaller companies.

An uncertain economic outlook, both in the UK and globally, led to a volatile quarter for the domestic market, which nonetheless still delivered a positive return. The fund marginally underperformed its benchmark during the quarter.

The fund benefited from holdings in Vodafone, services group Rentokil Initial, and packaging company Smurfit Kappa. On the downside, the fund was impacted by overweight positions in underperforming Barclays, Marks & Spencer and Imperial Brands.

With Brexit negotiations now in full swing, the fund manager expects further political uncertainty that will continue to weigh on markets. Globally, economic turbulence is possible if the ‘Goldilocks’ narrative of ‘not too hot, not too cold’ growth, inflation and monetary policy is challenged by markets. Looking ahead the manager will look to exploit any stock opportunities which may emerge from these and any domestically driven developments.

OMNIS INCOME & GROWTH FUND, MANAGED BY WOODFORD INVESTMENTS

The Omnis Income and Growth Fund aims to provide income and capital growth by investing in a combination of dividend paying shares and early stage businesses. The fund targets shares offering the potential for sustainable growth over the long term and engages with their management teams to make sure they’re running the companies in the best interests of investors. It can allocate up to 10% of its portfolio to companies that aren’t listed on the stock exchange.

The fund comfortably outperformed its benchmark, the FTSE All Share Index, in the second quarter. Despite a sell-off towards the end of the period, the UK equity market performed relatively well during the quarter. There was some encouraging economic data to support this, primarily in Europe, but the fund manager, Neil Woodford, does not believe the recent signs of stronger growth are a forerunner of significantly better fundamentals.

The UK market’s strength has piggy backed a benign global equity environment, despite heightened domestic uncertainty around the UK’s general election and talk of a hard Brexit. In the fund managers view, the market has become too complacent about the enduring global economic challenges and too pessimistic about the outlook for the UK economy. This has opened a contrarian opportunity which the fund has been keen to exploit; positons in UK domestic stocks such as Lloyds and Countryside Properties were incepted in the quarter. Proceeds came from the sale of more internationally focused stocks such as British American Tobacco and GlaxoSmithKline.

The fund reflects Neil Woodford’s caution on the global economic outlook and a growing confidence in the prospects of the UK economy. The result is a mix of high-quality, attractively valued dependable growth companies, a selection of compellingly undervalued domestic cyclical stocks and a collection of earlier-stage businesses which have strong long-term growth potential.

OMNIS US EQUITY FUND, MANAGED BY THE BOSTON COMPANY ASSET MANAGEMENT

The Omnis US Equity Fund aims to generate capital growth by investing in companies primarily doing business in the US. The manager doesn’t stick to a strict definition of what represents growth. For example, a strong brand is crucial to consumer companies, whereas research and development matters more to healthcare companies. The fund relies on 16 analysts who are responsible for identifying investment opportunities within their particular area of expertise.

The fund underperformed its benchmark, the Russell 1000 Growth Index, in the second quarter of 2017. Upward momentum in markets slowed during the period, but was broadly positive. The fund benefited from positions in healthcare and biotechnology, as well as certain holdings in the information technology sector. On the downside, in the consumer staples sector returns were hit by positioning in food and beverages. In particular, Kraft Heinz Company and Conagra Brands fell following Amazon’s acquisition of Whole Foods, which markets perceived as a threat to food manufacturers.

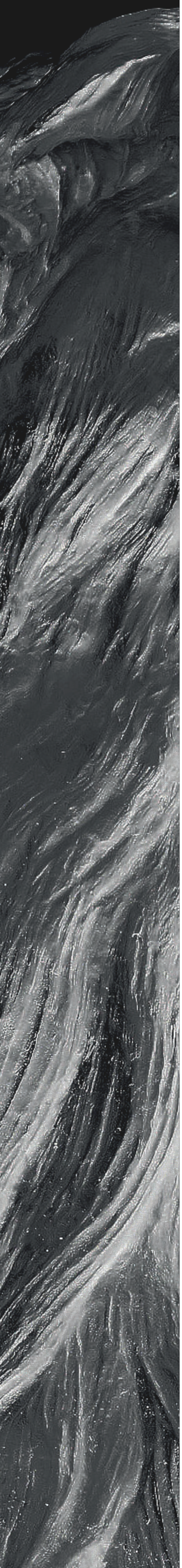
The headline event of the second quarter was the Federal Reserve’s decision in its June meeting to raise its benchmark rate by 25 basis points. Also, first-quarter GDP was revised up to 1.4%, attributed largely to consumer spending.

Overall, the fund manager remains confident that global growth remains on track, and while risks and headwinds exist, equity markets should continue to move higher.

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

The Omnis Developed Markets Fund aims to achieve capital growth by investing in companies operating in developed markets, other than the UK and the US. The fund takes a long- term approach to investing, relying on fundamental valuation techniques. The fund manager focuses on large companies and narrows down the selection by dividing them into different groups according to various financial characteristics. The manager then picks undervalued shares in companies that are in a strong financial position.

The fund outperformed its benchmark in the second quarter of 2017. Bright spots for the fund were stock selection in the consumer discretionary, industrial, and financial sectors as



well as positive contributions from Hong Kong and Japan. Detractors from performance included stock selections in healthcare and information technology. Consumer staples was also a negative contributor, however the funds valuation-oriented research has identified several companies in the sector that, after lagging cyclical stocks in 2016, now look attractive.

The fund manager believes that Europe has emerged as one of the brightest spots in the global economy as most of the major countries within the Eurozone are now seeing healthy growth trends. Compared to recent years, there appears to be more political consensus about the economic policies needed to strengthen the ongoing recovery. Also, the Japanese government's assessment of economic conditions has become more optimistic, and increases in global demand and currency stability should help sustain earnings growth for large corporations in that country.

OMNIS EUROPEAN EQUITY FUND, MANAGED BY JUPITER ASSET MANAGEMENT

The aim of our European Equity Fund is to achieve capital growth by investing in companies with significant operations in Europe, outside the UK. The manager invests over the medium to long term and targets good quality companies at sensible prices. The fund emphasises the importance of attracting and retaining talented active managers and engaging with the people running the companies it holds in its portfolio.

The fund outperformed its benchmark in the second quarter of 2017. The quarter began with the market-friendly outcome of Emmanuel Macron's victory in the French presidential election. European equity markets subsequently reached new highs and financials, particularly banks, rallied. However, this was followed by a dip in June following comments from the President of the European Central Bank Mario Draghi that the Eurozone was seeing reflationary forces. Markets interpreted the speech as a sign that the ECB could be adopting a more hawkish position in its monetary policy.

Financials stocks were beneficiaries, though the fund remains underweight the sector. The best performing stock held within the fund was Ryanair, due to higher customer numbers and the opening of many new routes. Other strong performers included technical services specialist SPIE, laundry services group Elis, Amundi in financials and car supplier Valeo.

Looking ahead, the fund manager is seeking to reinvest portfolio cash on a case-by-case basis into stocks that are being closely monitored. The fund manager has a highly liquid portfolio, consisting of companies with higher profitability than the market, trading on broadly the same valuation as the market.

OMNIS ASIAN EQUITY FUND, MANAGED BY BAILLIE GIFFORD

Our Asia Pacific Equity fund aims to generate capital growth by investing in companies with significant operations in the Asia Pacific region including Japan, Hong Kong, Singapore and Australia. The manager believes successful investing is based on identifying high quality companies and holding them over the long term rather than second guessing the markets.

The MSCI Pacific Index was in positive territory in the second quarter of 2017, and the fund comfortably outperformed the index over this period. Performance on a market-by-market basis in the Asia Pacific region was mixed with Japan and Hong Kong faring well, while Australia was in negative territory.

During the period the recovery in Japan continued to gather steam, leading the central bank to upgrade its outlook for the domestic economy, using the term 'expansion' for the first time since 2008.

Economic data from Hong Kong was also strong, driven by improved consumer spending, and buoyant property market. In Australia, sectors which had performed well following the US election in late 2016 fell back, as excitement around the reflation trade and infrastructure spending waned and so commodity prices suffered.

The period was characterised by a rotation away from lower-quality cyclical stocks towards growth stocks, reversing the trend we saw in the second half of 2016 and creating a supportive backdrop for the portfolio. Positive contributors included online real estate advertising portal Liful and cosmetics business Shisiedo, a turnaround story. There were two new purchases: Cyberagent, a holding company with exposure to internet advertising, online gaming and social media, and life and health insurance provider AIA.

OMNIS EMERGING MARKETS EQUITY FUND, MANAGED BY JUPITER ASSET MANAGEMENT

The Omnis Emerging Markets Fund aims to achieve capital growth by investing in companies operating in emerging markets. The fund relies on fundamental analysis to identify investment opportunities, focusing on potential changes at industry or company level that can influence share prices. The manager focuses on growth opportunities ignored by other investors, and companies facing a turning point in their fortunes.

The fund underperformed its benchmark in the second quarter of 2017, however longer term outperformance remains strong. Emerging market equities rose in sterling terms during the quarter despite troubles in two key markets, Russia and Brazil. The former was hit by weakness in the oil price, which sold off to below $50 per barrel at the end of May. However, despite the short-term hit to stock prices there should not be any wider negative impact on the Russia economy.

Brazil, no stranger to political turmoil, has found itself engulfed in another corruption scandal that has put President Temer under pressure. Another key event during the quarter was MSCI deciding to admit domestic Chinese A-shares to its Emerging Market Index, which we see as a positive move in the right direction for capital market reform for China.

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Overall portfolio positioning has not changed significantly. The fund manager continues to have a high weighting in consumer names and a lower weighting in financial stocks compared to the benchmark and many other emerging market funds. The fund also maintains a higher weighting in small and mid-cap stocks.

OMNIS UK BOND FUND, MANAGED BY COLUMBIA THREADNEEDLE INVESTMENTS

The Omnis UK Bond fund aims to generate income and capital growth by investing in British government and corporate bonds. The manager takes an active approach to managing its holdings, switching between government and corporate bonds according to the prevailing market conditions. When selecting corporate bonds, the fund can draw on extensive expertise in a range of sectors and industries.

The fund marginally underperformed the sterling bond market over the second quarter of 2017. The sterling bond market had a difficult quarter, producing negative returns, driven by rising gilt yields, while soaring inflation means the Bank of England is edging closer to an interest rate hike.

In the US, the Federal Reserve raised its benchmark rate by 25 basis points, but commentary from the Bank of England and European Central Bank, hinting at tighter monetary policy in their jurisdictions too, had more of an impact on government yields. The fund had greater interest rate sensitivity than the index, but this negative was offset by an overweight to corporate bonds, which strengthened over the quarter.

The fund manager expects the UK to experience lower growth this year, driven by Brexit-related uncertainty. Inflation should continue to rise, lifted by a weaker currency – though this rise is expected to be temporary. Overall, the outlook remains challenging, clouded by the lofty gilt valuations and tighter corporate bond spreads.

OMNIS GLOBAL BOND FUND, MANAGED BY SCHRODER INVESTMENT MANAGEMENT

The Omnis Global Bond fund aims to generate income and capital growth by investing in government and corporate bonds outside the UK. The fund actively manages its holdings which it sources from all over the world. When picking investments, the team focuses on three types of risk; the risk of interest rates changing, the risk of the borrower defaulting and the exchange rate risk. The manager can invest up to 20% of the fund in riskier bonds with a lower credit rating.

The fund outperformed its benchmark during the quarter, buoyed by positive economic data and supportive central bank policies which were positive for bond markets. Active currency strategies and allocation to emerging markets contributed positively to performance. However, management of interest rate exposure was a negative, as well as the funds position in inflation-linked bonds as growth remains subdued. Positions in financials and energy benefitted the fund, as higher interest rates increased profit margins and energy prices bottomed out.

Recent central bank communication supports the fund managers view that markets are underestimating the chance of higher bond yields. Nevertheless, monetary policy accommodation is unlikely to fall off a cliff edge with central bankers remaining sensitive to asset prices. While warranting the continuation of a less interest rate sensitive strategy, any increased volatility provides an opportunity to enter rates and currency markets at more attractive levels and to add to favoured overweight bond exposures. Similarly, higher rates may support currency valuations, only if supported by growth, as such sterling may correct further given Brexit headwinds.

OMNIS ALTERNATIVE STRATEGIES FUND, MANAGED BY OCTOPUS INVESTMENTS

The Omnis Alternative Strategies Fund aims to achieve a positive absolute return regardless of the prevailing market conditions by investing in shares, bonds and property. It's a fund of funds which means the portfolio consists of a range of actively managed pooled investments and exchange traded funds (ETFs). The fund doesn't stick to a fixed allocation, it can invest in different types of assets, industries and geographies.

The fund delivered a positive return in the second quarter of 2017. The fund manager maintains a cautious investment approach, with the balance of investments largely unchanged throughout the quarter. Two recent changes to fund holdings followed the first round of the French presidential election in April, when positions were reduced in Amundi Volatility European Equities and Melchior European Absolute Return as political risk abated.

Another change was to focus on adding to ETFs, namely iShares USD Treasury Bond ETF and iShares FTSE UK All Stocks Gilt ETF. Some cash was switched into bonds with short maturity dates by adding to L&G Short Dated Corporate Bond and introducing iShares GBP Ultrashort Bond ETF.

Market volatility has not been as high as might have been expected, given the uncertain macro environment. The fund manager remains cautious, particularly given room for policy error from both government and central banks. However, the dynamic between loosening fiscal and accommodative monetary policy could provide short-term investment opportunities.

OMNIS MULTI-MANAGER, MANAGED & 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 delivered a positive return in the second quarter. Investment activity was limited at the start of the period as the fund manager continued to be comfortable with the fund's positioning overall.

Returns in April were dominated by a rally in sterling which affected overseas investments, particularly Vanguard S&P 500 UCITS ETF. Stronger returns came from CRUX European Special Situations and Ardevora UK Equity, both of which reversed some of their recent weakness.

Having sold Invesco Perpetual Corporate Bond, some of the proceeds were used to increase holdings in Hermes Multi-Strategy Credit and PIMCO Global Investment Grade Credit, both offering access to global bonds alongside foreign currency exposure, which should benefit from a weakened sterling. The fund also added to TwentyFour Corporate Bond Fund and iShares Core UK Gilt UCITS ETF.

The fund switched some of the holding in NN Alternative Beta to Invesco Perpetual Global Targeted Returns, a more actively managed and diversified multi-asset fund.

The **balanced** fund also delivered a positive return in the second quarter. The fund manager remains cautious given political uncertainty and room for policy error from both government and central banks.

In April, a position was introduced in iShares Core MSCI Emerging Markets ETF when markets strengthened and the dollar weakened compared with sterling. This was funded by reducing Goldman Sachs Emerging Markets Portfolio, following the departure of its lead manager.

The fund also introduced iShares Core MSCI World ETF and reduced the portfolio's exposure to US equities by trimming exposure to JP Morgan US Equity. The fund reduced European and global equity investments by trimming iShares MSCI Europe ex-UK ETF, and increased alternatives exposure by adding to Invesco Perpetual Global Targeted Returns and Henderson UK Absolute Return.

In June, they sold the remaining holdings in Odey Allegra International, Goldman Sachs Global Strategic Income Bond and Invesco Perpetual Corporate Bond. The latter was replaced by TwentyFour Corporate Bond and the re-introduction of iShares GBP Corporate Bond.

The **adventurous** fund delivered a comfortably positive return in the second quarter of 2017. The fund manager remains cautious given political uncertainty and room for policy error from both government and central banks. However, the dynamic between loosening fiscal and accommodative monetary policy could provide short-term investment opportunities. Global economic growth is feeding through to markets and that is positive for investors.

In April, the fund manager reduced exposure to Invesco Perpetual Corporate Bond in preference of increasing more defensive holdings that invest in government bonds. With concerns that the events in Syria might escalate, the fund introduced iShares USD Treasury Bond ETF, and ahead of the first-round outcome of the French presidential election the fund added iShares FTSE UK All Stocks Gilts ETF. Some profits were taken from Hermes Asia ex Japan and used to add to a holding in Matthews Pacific Tiger.

In May, the fund sold its remaining holding in Morgan Stanley Global Quality, taking advantage of a rise in its value due to strong performances of larger global companies in developed countries. A holding was exited in Invesco Perpetual Corporate Bond over concerns around its capacity and the future of its manager, and some profits were taken from Morgan Stanley US Growth after strong returns.

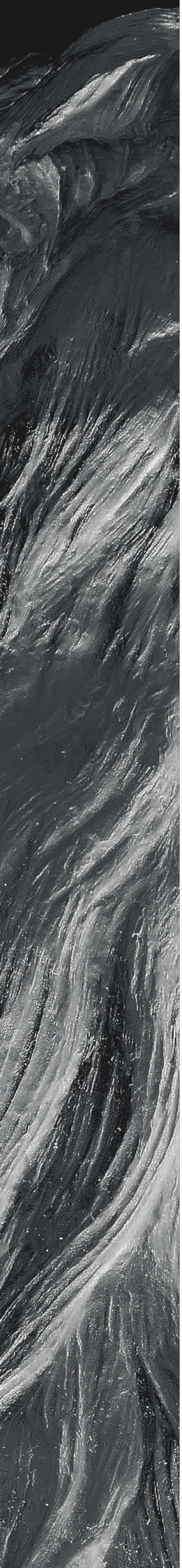
The **Distribution** fund is designed for clients looking for a regular and stable income, such as those in retirement. It aims to generate a reasonable level of income and possible capital growth by investing primarily in other pooled investments.

The fund delivered a positive return in the second quarter of 2017. The fund manager remains cautious given the political uncertainty and room for policy error from both government and central banks. However, the dynamic between loosening fiscal and accommodative monetary policy could provide short-term investment opportunities.

The strength of sterling compared with the dollar meant returns from international investments in April were generally poor.

Two new holdings introduced in April were Invesco Perpetual Global Targeted Income and iShares Ultrashort Bond ETF, a cash-equivalent holding with a very short maturity date. May also saw high levels of activity in the portfolio, with the disposal of three long-held investments. The fund sold its holding in F&C Commercial Property due to concerns about the impact of Brexit on commercial property prices. The portfolio's exposure to bonds was also reduced, by selling Invesco Perpetual Corporate Bond. The proceeds were used to re-introduce Vanguard FTSE All-World High Yield ETF and iShares GBP Corporate Bond, for its upcoming interest payment. The Renewables Infrastructure Group was also added to the portfolio. The fund also sold its holding in iShares JPM USD Emerging Market Bond ETF to reduce the portfolio's exposure to risk from investing in emerging markets.

Looking ahead, the markets seem subdued and the manager remains cautious due to political uncertainty and the vulnerability to policy errors by governments and central banks. However, the combination of low interest rates,



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continued quantitative easing and increased government spending could present short- term investment opportunities, while the markets are also benefiting from the effects of global economic growth.

The UK is the manager's least favoured region as weak sterling- although it has boosted the FTSE 100- has led to inflation which is starting to affect consumer spending. Europe looks more promising, thanks to a combination of political stability and a strengthening economy. In the US, the prospects for President Donald Trump's highly anticipated tax cuts and infrastructure investments don't look good, although if he manages to put into action some of his campaign promises then investment opportunities might emerge. Rising interest rates may disrupt the bond market, so the manager favours corporate bonds and bonds with shorter maturities.

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.

The **cautious** fund delivered a positive return in the second quarter, with UK and European shares among the strongest performers. The portfolio has a slightly higher allocation to shares which the manager believes offer more value than bonds over the long run. The manager has increased the portfolio's holdings in European shares as political risk fades, and favours corporate and EM bonds as they pay better yields than government debt.

The **balanced** fund delivered solid returns in the second quarter, with holdings in UK, European and EM shares among the strongest performers. However, government bonds weighed on returns following comments from the BoE and the ECB about raising interest rates. The manager increased the portfolio's holdings in European shares, where political risk faded and corporate earnings hit record highs, and Asian shares. The fund has a slightly higher allocation in shares which the manager believes offer better value than bonds, although this may change if the bond bubble bursts in 2017.

The **adventurous** fund delivered strong total returns for the quarter, with holdings in UK, European and EM shares among the strongest performers. However, government bonds weighed on returns following comments from the BoE and the ECB about raising interest rates. The portfolio has a higher allocation to shares which the manager believes offer more value than bonds. The manager has increased the portfolio's holdings in European shares, as political risk fades and corporate earnings shine, and favours corporate and EM bonds as they pay better yields than government debt.

Looking ahead, the manager believes that shares offer better value relative to their long-term history than bonds. Within the equity allocation, European equities are viewed positively. With electoral risks in the region now diminished, the sea-change in corporate fundamentals is more likely to be appreciated by investors. There is more caution with regards to fixed income, especially concerning core government debt where yields are very low.

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

Our Multi-Asset Income Fund aims to provide income with the potential for capital growth over the medium to long term by investing in a broad range of assets including shares, bonds and currencies. The manager identifies investment opportunities based on a combination of global trends and fundamental analysis. The fund's second largest holding is in alternatives, such as renewable energy.

The fund delivered a strong positive return in the second quarter of 2017. Shares delivered good returns in the second quarter, particularly Asian life insurer AIA Group. However, London- based Hikma Pharmaceuticals fell in value after one of its applications for a new drug was declined, while some of the portfolio's alternative holdings, which had been the strongest performers, also fell towards the end of the quarter.

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