Third quarter 2020

Investment Committee Update

Seneca Reid Ltd

omnis INVESTMENTS

Welcome

The Omnis Investment, Performance and Risk 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

July

— European shares rallied after the EU agreed on a €750 billion rescue package to help the region overcome the economic impact of the coronavirus pandemic. The measures consisted of €390 billion in grants with the balance made up of low-interest loans;
— Global shares fell after the impact of lockdown on some of the world's largest economies became apparent as they published growth figures for the second quarter of 2020. Compared with a year previously, the US economy shrank by 33% and the EU by 14.4%.

August

— US shares hit record highs on two occasions towards the end of the month thanks in part to strong performance by technology firms like Apple and Amazon, which beat forecasts for corporate profits in the second quarter;
— The pound weakened against the US dollar as another round of Brexit negotiations ended in stalemate, leading EU chief negotiator Michel Barnier to question whether the two sides would manage to conclude a free trade deal. Meanwhile, figures released by the Office for National Statistics showed that the UK economy contracted by 21.7% in the second quarter compared to a year previously.

September

— Rising coronavirus infection rates across Europe raised concerns over the sustainability of the nascent economic recovery and sent most global stock markets into retreat;
— Shares in technology companies including Facebook and Microsoft, which had been driving the markets since the correction earlier in the year but were looking expensive, fell at the start of the month;
— The pound weakened against the US dollar as the UK government announced plans to alter the Brexit withdrawal agreement. The Internal Market Bill would change the rules governing the movement of goods between Northern Ireland and the mainland and state aid (subsidies to particular companies or industries), two of the key issues holding up negotiations of a free trade deal.

Performance

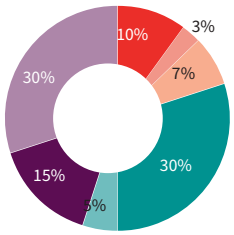
— Absolute returns from the C1 portfolios remain healthy since launch, although the Income & Growth Fund continues to weigh on the C2 and C3 portfolios;
— Our portfolios' relatively low allocations to US shares was beneficial in September, but it weighed on performance earlier in the quarter as the US stock market rallied following the correction in March and April. This effect has started to feed into long-term returns;
— Currency fluctuations over the past six months mean the Global Bond Fund has weighed on Cautious and Defensive portfolios;
— Remember, the portfolios are designed to deliver returns over a five to ten-year period.

Openwork Graphene Model Portfolios

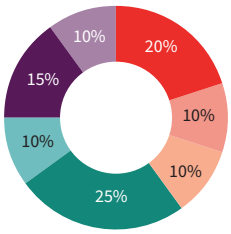
The Openwork Graphene Portfolios each offer a selection from the Omnis sector funds range. These funds, discussed individually below, have been designed specifically to complement each other within the Openwork Graphene Portfolios, with allocations determined by the Openwork Investment Committee (see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

FIGURE 1: STRATEGIC ASSET ALLOCATION OF THE MODEL PORTFOLIOS

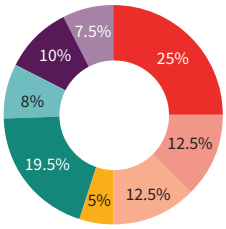
- UK Equities
- US Equities
- Other Developed Markets Equities
- Emerging Markets Equities
- UK Government Bond
- UK Corporate Bond
- Global Bonds
- Alternative Funds



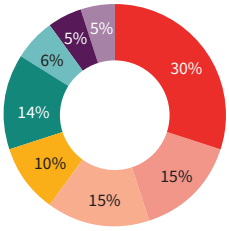
Defensive



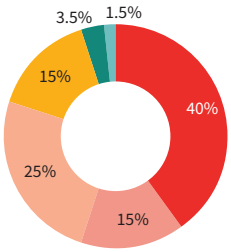
Cautious



Moderately Cautious



Balanced



Adventurous

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 September 2020. 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 September 2019 to 30th September 2020. 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 September 2020. 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 September 2019 to 30th September 2020. 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 September 2020. 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 September 2019 to 30th September 2020. Portfolios rebalanced each 31st August and 28th February..

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

Q3 2020 Fact Sheet Commentary

Omnis Multi-Asset Income Fund
Fund managed by BNY Mellon Investment Management

The coronavirus pandemic continued to dominate economic activity, as figures revealed the damage inflicted by the economic lockdowns during the second quarter. A range of support measures were implemented around the world and global financial markets produced mixed returns in the third quarter.

The US market with its heavier concentration to technology stocks performed well and produced positive returns. The UK stock market fell, given its higher exposure to financial and oil shares exposed to persistent economic uncertainty. Share selection in the technology sector added value thanks to a strong performance from Apple and Taiwanese semiconductor manufacturing company TSMC.

We reduced and spread around the fund's holdings in renewable energy after a strong recovery in these stable income-generating assets. The economic outlook continues to be dependent on the development of the coronavirus pandemic and governments' response. Political tensions globally have the potential to change established trading patterns. At Newton, our themes help us identify the threats and opportunities from long-term change and inform portfolio positioning. We remain focussed on finding companies and shares that can pay a stable and growing income for investors.

Omnis Strategic Bond Fund
Fund managed by Fidelity International

Despite the small widening in September, credit spreads tightened over the quarter. In this respect, the exposure to lower rated investment grade corporate and high yield bonds was the most significant contributor to returns. However, a preference for higher quality government and corporate bonds over lower quality bonds (high yield) limited gains. From a sector perspective, holdings in a broad range of sectors enhanced returns with financials, consumer and telecommunications names adding most value. Holdings in HSBC, Tachem and Intu were the top contributors from an issuer standpoint.

Conversely, the portfolio's holdings in UK government bonds detracted from returns as yields (the income paid to investors) rose over the period as markets reacted over the new inflation policy from the US Federal Reserve.

Some disconnect between the financial markets and the real economy is starting to show. While we turned cautious in August and reduced some corporate holdings, we plan to stay disciplined over the coming days. We are moderately overweight in corporate bonds through lower rated investment grade and high yield bonds with a tilt toward Europe. We continue to remain cautious on emerging markets where we prefer Asia to the rest of the world. Our sector allocation is quite defensive, with a focus on property and utilities. While yields are low, we take comfort from the open-ended commitment of central banks to buy government bonds. We still think that US government bonds are the best place to be, given the Federal Reserve's (US central bank) much larger purchases.

Omnis UK All Companies Fund
Fund managed by Franklin Templeton Investments

The third quarter proved turbulent for UK stock markets. July was a negative month, with shares in large companies in particular bearing the brunt of the sell-off. The FTSE All-Share Index then rebounded in August, helped by largely positive economic figures, but dipped in September amid renewed concerns about a resurgence in COVID-19 and the threat of a no-deal Brexit. Holdings in some retail areas, which have thrived amid lockdown measures, helped fund performance. Pet supplies retailer Pets At Home, which has showed strong trading across both physical and online retail channels, was the key contributor. Specialist insurer Beazley PLC, which warned that coronavirus-related losses were to be higher than anticipated, was a major detractor.

As we enter the final quarter of 2020, we believe the outlook for UK shares depends on factors such as a possible second wave of COVID-19 and the outcome of Brexit negotiations. With regards to the latter, we believe that the probability of a hard Brexit has now increased. Meanwhile, we will continue to focus on financial strength, as we seek other longer-term opportunities for our investors.

Omnis UK Smaller Companies Fund
Fund managed by Franklin Templeton Investments

Although the broader UK stock market fell in the third quarter, with markets suffering latterly from renewed concerns about a resurgence in COVID-19 and the threat of a no-deal Brexit, shares in smaller companies fared better, rising strongly. The fund's performance was largely driven by holdings in sectors adversely affected by COVID-19, for example City Pub Group, which has suffered from lockdown measures implemented in the light of fears of a second wave of COVID-19, and tour operator Jet2, which has been hurt by travel restrictions. Holdings in sectors that have been supported by resilient demand, such as technology company dotDigital, contributed most.

We believe the outlook for shares in small UK companies depends on factors such as a possible second wave of COVID-19 and the outcome of Brexit negotiations. With regards to the latter, we believe that the probability of a hard Brexit has now increased. However, we continue to see interesting opportunities at attractive valuations. As with all additions to the fund, we focus on financial strength, as we seek longer-term opportunities for our investors.

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Omnis UK Equity Income Fund
Fund managed by Royal London Asset Management

Following a period of economic recovery, helped by schemes like 'Eat Out to Help Out', the end of the quarter saw a rising trend in Covid-19 case numbers across Europe, prompting governments to tighten social distancing measures. However, with hospitalisations and deaths still well down from their peak levels, they avoided full lockdowns. The virus has brought huge economic costs, which have not yet been fully felt by populations due to cushioning measures like furloughing. Several fund holdings posted strong performances over the quarter, including 3i Group, Dunelm, IMI and Segro. By contrast, Informa, Stobart Group and Imperial Brands detracted.

We still do not know exactly what the 'new normal' will look like, or indeed how robust consumer confidence will be. Ultimately, we suspect that at least one vaccine will be approved and administered to a broad cross section of the population. We expect that economic recovery will take several years to happen, though the truth is nobody knows. Virtually no industry will be immune from the impact of the virus. We will be guided throughout by our long-standing investment process, focusing on companies with strong market positions and sound finances.

Omnis Japanese Equity Fund
Fund managed by Schroders

Several negative contributions came from telecom-related shares as the sector has been weak since Mr Suga became the front-runner to replace Mr Abe as prime minister. Offsetting some of these moves, the strongest positive contribution came from Bandai Namco which manufactures toys, game equipment and software, as investors perceive it as a beneficiary of changes in consumer behaviour as a result of the pandemic.

One new position was added in Toho, one of the largest media groups in Japan, engaged in movie production and theatres. The company posted over 80% decline in profits earlier this year, but monthly box-office figures show a clear recovery.

We feel that the departure of Mr Abe should not distract investors from positive factors, including improvements in corporate governance and profitability. Japan has outperformed many other countries in dealing with the virus but, in our view, these positives are yet to be reflected in share prices. However, with valuations at reasonable levels, the short-term outlook could still be driven primarily by figures on domestic and global virus incidence, and any renewed restrictions on economic activity.

Omnis Global Bond Fund
Fund managed by Schroders

Bond markets struggled somewhat, but the overweight to corporate bonds contributed positively. Elsewhere, an overweight to the euro delivered strong returns as the European Union agreed to establish a union-wide recovery fund.

Throughout the period we maintained the stance that governments and central banks globally would remain supportive to provide a boost to the global economic rebound, particularly in Europe. As such, we increased our holdings in European bonds (particularly Italy) and the euro.

Uncertainty is once again on the rise following a strong summer economic rebound. We believe one of the implications of the Covid crisis has been to accelerate the sharing of the burden between government and central bank support in terms of driving economic growth, with government spending taking a greater role. We also continue to remain optimistic on the long-run outlook for Europe. However, we are conscious of rising political risk, emphasising the importance of good portfolio management to generate performance.

Omnis UK Gilt Fund
Fund managed by Columbia Threadneedle Investments

During the quarter, investors generally favoured shares and corporate bonds over perceived 'safe havens' such as UK government debt. On the one side, the outlook was boosted by indications of a nascent recovery in the global economy, along with optimism about support measures and a potential Covid-19 vaccine. On the other side, markets were buffeted by Sino-American tensions, uncertainty about the upcoming US presidential election, and a resurgence in coronavirus infections in Europe. Yields on UK government bonds (which move inversely to price) rose slightly over the quarter.

We continue to favour duration (bonds sensitive to interest rates). While the supply of government bonds has increased (which typically pressures prices), inflation and growth expectations are low. This is especially true of the UK, which faces a drag from Brexit and the hit to the consumer spending from Covid-19. Yields are also likely to be contained by expectations of further support from the Bank of England. Although we remain somewhat sceptical that the bank will adopt negative interest rates, it is notable that Governor Bailey has left the door open for such a move.

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Omnis Sterling Corporate Bond Fund
Fund managed by Columbia Threadneedle Investments

Encouraged by ongoing government and central bank support, investors favoured corporate bonds and other 'risk assets' such as shares in July and August, amid hopes that the worst of the pandemic was over. Spreads widened a little in September as resurgent coronavirus rates in many countries, concerns about the US election, and fears of a no-deal Brexit combined to reduce appetite for risk.

Market valuations have become less compelling since March. More positively, the policy measures introduced by governments and central banks will cushion the economic impact of the pandemic. Furthermore, many of those measures are aimed at protecting corporate bond markets. Borrowing will likely rise as companies issue debt to weather the storm, but many firms have cut dividends and abandoned share buybacks. All this considered, we remain cautiously optimistic on the prospects for the market. The portfolio therefore remains overweight in corporate bonds, despite our trimming this position somewhat over the quarter as spreads tightened.

Omnis Managed Adventurous Fund
Fund managed by Columbia Threadneedle Investments

Shares advanced further in the third quarter amid optimism over support measures, improving global economic data, and hopes that a coronavirus vaccine would soon be available. However, markets were buffeted by concerns around Sino-American tensions and rising coronavirus caseloads in Europe. In September, profit-taking in US technology shares triggered broad-based selling in stock markets. Core bond yields stayed low over the quarter, owing to central bank support.

The fund's performance over the quarter was driven by favourable asset selection, especially in emerging markets, Europe ex UK and Japanese shares. The only detractor was the US share portfolio. Asset allocation was also positive, largely due to global shares not listed on stock markets. However, the underweight in US shares detracted.

In terms of activity, we retained our underweight to UK shares, owing to the uncertainty around Brexit and lower profit forecasts, and the fact that our Asset Allocation Strategy Group (AASG) changed its view of UK shares from 'neutral' to 'dislike'. We increased allocations to US and European shares but realised some gains in emerging markets, Asia and Japan. Within bonds, we switched some funds from sterling investment-grade (IG) corporate bonds to European high-yield (HY) bonds. The AASG increased the rating on European HY from 'neutral' to 'favour', while downgrading IG credit from 'strongly favour' to 'favour'.

Omnis Managed Balanced Fund
Fund managed by Columbia Threadneedle Investments

Shares advanced further in the third quarter amid optimism over support measures, improving global economic data, and hopes that a coronavirus vaccine would soon be available. However, markets were buffeted by concerns around Sino-American tensions and rising coronavirus caseloads in Europe. In September, profit-taking in US technology shares triggered broad-based selling in stock markets. Core bond yields stayed low over the quarter, owing to central bank support.

The fund's performance was driven by favourable asset selection, especially in EM, Europe ex UK and Japanese shares. The US share portfolio was the only detractor. Asset allocation was also positive, with global shares not listed on stock markets contributing most to performance. However, the underweight exposure to US shares was detrimental.

Regarding activity, we increased allocations to US and European shares and took profits from EM and Japan. Our Asset Allocation Strategy Group downgraded its UK outlook from 'neutral' to 'dislike', given Brexit uncertainty and lower profit forecasts, and we remain underweight. In bonds, we added to UK government bonds, as Brexit and Covid-19 pressures should remain supportive. Lastly, we increased our European HY exposure following a rating increase from 'neutral' to 'favour', as we believe spreads compensate for expectations about issuers failing to meet their obligations.

Omnis Managed Cautious Fund
Fund managed by Columbia Threadneedle Investments

Shares advanced further in the third quarter amid optimism over support measures, improving global economic data, and hopes that a coronavirus vaccine would soon be available. However, markets were buffeted by concerns around Sino-American tensions and rising coronavirus caseloads in Europe. In September, profit-taking in US technology shares triggered broad-based selling in stock markets. Core bond yields stayed low over the quarter, owing to central bank support.

Relative outperformance was driven by favourable asset selection, especially in bonds. All share portfolios, except the US, also contributed, with Japan, Europe ex UK and Asia ex Japan the most notable regions. Asset allocation was also positive, helped by global shares not listed on stock markets. However, the underweight in US shares detracted.

Activity included increasing allocations to European shares and taking profits from US and Japanese shares following outperformance. Our Asset Allocation Strategy Group downgraded its UK outlook from 'neutral' to 'dislike', given Brexit uncertainty and lower profit forecasts, and we remain underweight. In bonds, we added to UK government bonds, as Brexit and Covid-19 pressures should be supportive. Lastly, we increased our European HY exposure following a rating increase from 'neutral' to 'favour', as we believe spreads compensate for expectations about issuers failing to meet their obligations.

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Omnis Asia Pacific (ex-Japan) Equity Fund
Fund managed by Veritas Asset Management

Many of our companies continued to do well in the quarter as they generally reported better than expected first half earnings in August, but the most notable performers are in the consumer sector.

The prospect of economic recovery is getting more positive as China emerges out the pandemic. We have started to see growth both in industry production and retail sales. China is likely to be the only major economy to record economic growth for the year. This backdrop is good for Asian corporate profits in general. With the all-important presidential election happening next month, we expect more market fluctuations. As ever, will look to take advantage of market turbulence to invest into quality businesses in long-term growth sectors, such as consumers and healthcare, when their prices fall due to short-term fear.

Omnis Income & Growth Fund
Fund managed by Jupiter Asset Management

Value as an investment style continued to do poorly with investors favouring growth companies during this period of huge economic and social uncertainty. This acted as a challenge to fund performance. Kingfisher and Pandora performed well as new management demonstrated some success in improving the performance of each business. Standard Chartered, BT and Vodafone performed poorly due to uncertainty of their near-term profit performance. Telecom shares are now the most lowly valued they have ever been in 30 years. We think this is an opportunity. We added holdings in IMI and Booking Holdings. In each case we think these are strong businesses.

Value investing has endured its worst ever five-year relative performance against growth as an investment style. Value investing is seen as maybe a relic of the past due to high levels of business disruption and ultra-low interest rates. However, value investing has always dealt with disruption albeit ultra-low rates are new. We buy lowly valued business that have temporary problems, sound finances and improving governance. This has worked well over long periods but is not working now.

Omnis Global Emerging Markets Opportunities Fund
Fund managed by Jupiter Asset Management

Emerging markets rose in the third quarter of 2020, aided by strong returns from South Korea and Taiwan, which are both coping with Covid-19 better than other markets. Elsewhere, the number of daily cases in Brazil, Mexico and India remained high, although there were signs that all three countries have already passed a peak.

The fund's performance was helped during the quarter by strong returns from a South Korean chemical company, which continues to build upon its very strong competitive position in electric vehicle batteries. Other positives included a Chinese e-commerce company and an Indian information technology company.

Negatives during the quarter included a Chinese online discount retailer, which was a little cautious about its outlook and that caused some investors to take profits, pushing down the share price. Another negative was a public sector Indian oil & gas refining company, which saw its share price fall after the attempted privatisation of one of its peers ran into difficulties.

We believe that although the investment environment remains challenging, this disruption has created some opportunities. Our aim is to look through the noise and identify those companies which can first, survive the crisis and second, come out the other side in a strong position to grow.

Omnis European Equity Leaders Fund
Fund managed by Jupiter Asset Management

The third quarter saw European stock markets make further progress, but they remained preoccupied with the mixed dynamics of the pandemic alongside prospects for further government and central bank support. Once again, the fund's many 'quality growth' companies performed strongly during the quarter. Strong positive contributions came from a wide range of companies operating in such diverse area as building materials, financial exchanges, software, sportswear, specialty chemicals, semiconductors, industrial gases, digital payments, security locks and braking systems. Negative contributions came from specialist financials, publishing and semiconductor companies.

We trimmed positions which had performed well and used the gains to increase our holdings in companies able to make use of digitisation to improve their revenues. We reduced positions in telecoms and in aerospace where the pandemic means fewer orders are likely. We continue to take advantage of market fluctuations to trim/ add to positions, making piecemeal rather than wholesale changes. The EU's proposals for a green recovery plan could benefit a wide range of shares in Europe. We remain focused on finding long term opportunities expressed through companies with strong competitive advantages.

The last day of the quarter saw Jupiter relinquish their role as sub-investment manager of the fund. Going forward, the Fund will be managed by Fidelity International.

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Omnis US Equity Leaders Fund
Fund managed by T.Rowe Price

Within the portfolio, sector allocation and share selection were negative. The consumer discretionary sector was the largest detractor from performance due to share selection and an underweight allocation. Dollar Tree and Yum! Brands underperformed. Within health care, share selection weighed on relative returns. AbbVie and Cigna declined. Share selection in communication services was also negative. Alphabet underperformed. Conversely, share selection in industrials and business services was the largest contributor to performance. Deere and UPS outperformed. Share selection in information technology was also beneficial. Salesforce.com performed well.

As economies continue to reopen, we believe a sustained recovery will largely depend on controlling the virus. A key question for markets remains how long it will take for companies to regain enough profits to justify current valuations. We are also mindful that aggressive government and central bank support has helped fuel the sustained recovery in stock markets. We believe that additional measures will be needed to speed the recovery, but the prospects of broad-based government spending remain uncertain in the near term.

Omnis US Smaller Companies Fund
Funds managed by T.Rowe Price

Industrial companies and business services led relative results, mainly due to share choices. Within the sector, holdings in professional services performed best. Real estate and information technology also added value, primarily due to share picks. Consumer discretionary detracted due to both share choices and an underweight allocation. Within the sector, household durables and specialty retail lagged. Share selection in consumer staples also weighed on returns.

The strategy seeks to take advantage of opportunities across the broad range of the small and medium-sized companies. The portfolio has a collection of core holdings in high-quality companies. We also look for select investments in “deeper value” opportunities; companies experiencing challenge or controversy of one sort or another, that we believe can be resolved in a reasonable timeframe. The portfolio holds many income-oriented, dividend growth companies, as well as a collection of high-growth investments in which we believe other investors do not yet fully appreciate the companies’ long-term growth potential.

Omnis European Equity Opportunities Fund
Fund managed by RWC Partners

Continental European markets made limited progress in the third quarter of 2020, as economies continued to grapple with the impacts of Covid-19. Central bank policy continued to be supportive, however government support measures such as furlough schemes have begun to ease as economies reopen from lockdown. As we mentioned in our second quarter commentary, the fund had looked to benefit from an increased exposure to shares within our ‘recovery’ bucket, and we added to names that we believe had been overly punished and could recover faster than the market expected. This performed well in the third quarter with strong performance from names like Pandora, and we took profits in names where we believe a recovery had been priced in, such as Stratec.

As ever the portfolio remains a collection of our highest conviction ideas. Heading into the fourth quarter, the emergence of a second wave of Covid-19 combined with vaccine news and an upcoming US election are likely to add to market fluctuations in the near term, creating opportunities. How consumer behaviour adapts in the long term following the pandemic remains uncertain, but we are continually identifying where we see disruption to the status quo and look to exploit it. With consumer spending recovering faster than expected and central banks highly supportive, we remain confident in the rebound and return to growth for corporate profits.

Omnis Short-Dated Bond Fund
Fund managed by AXA Investment Management

During the third quarter, the portfolio benefited from the tightening in spreads (the difference in income paid by government and corporate bonds), as we took advantage of attractive valuations. Our holdings in high yield (riskier bonds which pay a higher interest rate but are more likely to default) and emerging markets increased. This was mostly caused by an increase in Asian names, with a focus on the Chinese property sector. Therefore, our holdings in investment grade (high quality) bonds was further reduced during the quarter. We remained invested in short-dated US government bonds linked to inflation (the rate at which prices rise), owing to attractive valuations.

With the world’s economy not experiencing a ‘V-shaped’ recovery in our opinion, but rather a ‘swoosh’ one, policy and government spending remain paramount. With valuations back to early March levels, we have paused making changes to the portfolio, as the outlook remains uncertain with a potentially contested US election, renewed widespread local lockdowns to contain the second wave of coronavirus and heightened ‘no-deal’ Brexit risk.

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Omnis Absolute Return Bond Fund
Fund managed by Federated Hermes

Returns over the quarter were led by holdings in sectors sensitive to economic growth, including industry, banking and automotive. Transportation and the services sector were the largest detractors from returns. Lower rated (riskier) bond issuers contributed the most to returns. From a regional perspective, exposure to North America and the UK drove the majority of performance.

Earnings in the second quarter have generally exceeded expectations but they remain weak with many sectors still reliant on government support. Having raised a large amount of cash, businesses look secure in the short term but longer term the outlook could be challenging. Investor confidence has been high and spreads have tightened significantly from the March lows, limiting upside in certain areas. Market fluctuations have started to increase and inflows into corporate bonds have not been as strong as previous months. We also see risk in the short term as political events including the US election and Brexit pose a risk to market stability.

Omnis Diversified Returns Fund
Fund managed by Fulcrum Asset Management

Strategies exploiting price differences between different investments had a strong month, with currency, bonds and shares contributing positively. Within currencies, our holdings in Asian currencies were particularly helpful, while bond gains were driven by opportunistic positioning in US assets. Within shares, our technology disruption theme weathered the sector's weakness, while our climate change and consumer trend ideas continued to generate gains.

We expect the global economic recovery to continue in the coming months, with the recovery in goods activity outpacing that of services. However, there are some key event risks on the horizon, namely fiscal negotiations in the US, upcoming US elections and Brexit.

We believe that government support will ultimately be agreed by US politicians, but the details of the package remain uncertain, as does the US election result, which could be a messy process to figure out. We continue to expect a Brexit deal and are reflecting this in the portfolio through a positive stance on the pound versus the euro.

Omnis Multi-Manager Adventurous Fund
Fund managed by Octopus Investments

Stock markets generally moved higher over the quarter. UK shares struggled to keep up with non-UK markets. Despite suffering something of a correction into September, US technology shares continued to lead stock markets over the full quarter. Holdings which drove performance this quarter included Merian UK Smaller Companies, BlackRock European Dynamic and Matthews Pacific Tiger all benefitting from their various tilts towards quality growth companies. The more value and recovery orientation of the JOHCM UK Dynamic Fund resulted in a difficult quarter for this holding.

The shape of the portfolio remained broadly the same. It has a balanced spread of proven active managers, which in combination, is well placed to continue to deliver the strong returns the fund has generated over the longer term.

The last day of the quarter saw Octopus relinquish their role as sub-investment manager of the fund. Going forward, the Fund will be managed by PineBridge Investments.

Omnis Multi-Manager Balanced Fund
Fund managed by Octopus Investments

Stock markets generally moved higher over the quarter. UK shares struggled to keep up with non-UK markets. Despite suffering something of a correction into September, US technology shares continued to lead stock markets over the full quarter. Holdings which drove performance this quarter included Merian UK Smaller Companies, BlackRock European Dynamic and Matthews Pacific Tiger all benefitting from their various tilts towards quality growth companies. The more value and recovery orientation of the JOHCM UK Dynamic Fund resulted in a difficult quarter for this holding, along with the fund's holdings in government bonds.

The shape of the portfolio remained broadly the same. It has a balanced spread of proven active managers, which in combination, is well placed to continue to deliver the strong returns the fund has generated over the longer term.

The last day of the quarter saw Octopus relinquish their role as sub-investment manager of the fund. Going forward, the Fund will be managed by PineBridge Investments.

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Omnis Multi-Manager Cautious Fund
Fund managed by Octopus Investments

In the third quarter, countries continued to emerge from their national lockdowns, enabling economic figures to deliver above expectations and supporting corporate bonds and shares. During the final weeks, a second wave in the UK and Europe partially reversed that emergence, challenging the outlook. Our overweight in corporate bonds was a detractor, but performance was boosted by our active manager selections, particularly the Merian UK Smaller Companies Fund, whose astute retail and technology share picks helped them to outperform.

We suspect that a greater adherence to social distancing, improvements in treatment and possibly an evolution of the virus itself will enable a return to national lockdowns to be avoided, and that a fourth quarter announcement of a viable vaccine will support corporate and consumer confidence, both of which should keep economic activity on a gradual recovery course, notwithstanding numerous near term risks. The fund is well placed to continue to deliver the strong returns it has generated over the longer term.

The last day of the quarter saw Octopus relinquish their role as sub-investment manager of the fund. Going forward, the Fund will be managed by PineBridge Investments.

Omnis Multi-Manager Distribution Fund
Fund managed by Octopus Investments

In the third quarter, the management of the coronavirus continued to be the main driver of market performance. Broadly, governments are still struggling to find a harmonious restriction level, which is having a knock-on impact on forecasting the required government spending. Markets are looking through the case numbers and are instead focusing on vaccine progress and hospitalisation and death rates. Beyond the virus, the most obvious risks for the fund over the next quarter are US government spending, market fluctuations caused by the US election and of course, Brexit.

At the end of the period the fund is overweight quality non-UK shares and corporate bonds. We expect this will continue to provide a greater level of income reliability, just as we have delivered recently despite the pressure on dividends. The fund is well placed to continue to generate the strong income reliability and growth that it has produced over the longer term.

The last day of the quarter saw Octopus relinquish their role as sub-investment manager of the fund. Going forward, the Fund will be managed by PineBridge Investments.

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

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