

Omnis Managed Portfolio Service - Tactical Asset Allocation (TAA) Update

14th September 2023

Markets have begun to signal a change in direction from the current regime and this has prompted us to make some changes to your portfolio. In this document we set out these changes.

What is changing in the market?

- Economic data in the US has begun to show signs of deterioration triggered by a prolonged period of rising interest rates. Elsewhere, China's economic recovery has proven to be patchy and disappointing to investors.
- Inflation is still falling rapidly in most regions globally; however, service sector inflation (a component of inflation) and wage growth have proved sticky.
- We expect economic growth and the labour market to weaken globally in the coming months, which should prompt service sector inflation and wage growth to cool.
- As a result, we also expect central banks to stop increasing interest rates shortly and pivot to supporting economic growth in 2024. Investors are expecting interest rate cuts to begin in 2024 across central banks.

What have we done in your portfolio?

- We are reducing our overall equity allocation and increasing bond exposure to reflect a weaker growth environment and the prospect of looser monetary policy (lower interest rates).
- In equity markets, our allocation will be reduced in the US (across both the US Equity Leaders and US Smaller Companies fund, both run by T. Rowe Price) after a period of outperformance led by the technology sector, which we expect to run out of steam.
- We are also reducing exposure to the Asia ex-Japan Fund (run by Veritas) due to the disappointing recovery in China.
- We will maintain a small underweight to UK and Europe ex-UK equities across all the funds.
- In bonds, we are increasing UK Gilts (through our UK Gilt Fund, run by Columbia Threadneedle Investments) and to global bonds, through the Global Bond Fund (run by Western Asset Management) to take advantage of higher yields available and the prospect of capital gains ahead of potential interest rate decreases, which we expect to occur in the next year.

Portfolio Positioning

	Underweight	Neutral	Overweight
UK Equities		Underweight	
US Equities	Underweight		
European Equities		Underweight	
Japanese Equities			Overweight
Asia ex Japan Equities		Underweight	
EM Equities		Underweight	
Sterling Bonds			Overweight
Non-Sterling Bonds			Overweight
Alternatives	Underweight		
Cash			Overweight

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