Omnis Managed Portfolio Service
Tactical Asset Allocation Update: February 2024

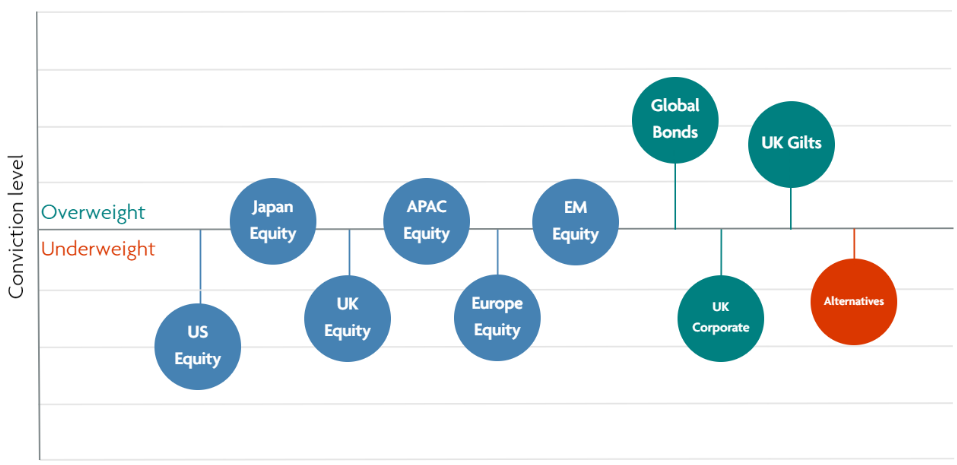
What is happening in the market?

- We believe that global economic growth is likely to slow in the first half of 2024 before recovering in the second half.
- We expect the effects of slowing growth on the economy to be more detrimental than expected by markets. We do not, however, expect a deep recession.
- Inflation is still expected to continue falling throughout the year.
- Interest rates are still being held at high levels, but most central banks are expected to begin cutting interest rates by Autumn.
- Moves in interest rates, both upwards and downwards, tend to have a lag until the change feeds through into the economy. As we move through 2024, we see a pertinent risk in the impacts of high interest rates that have yet to make their way through the economy, which will affect economic activity.

What actions are we taking?

- We still believe that a cautious stance in portfolios is merited. We still remain underweight equities and overweight bonds.
- We are decreasing our position in US equities to reflect their recent outperformance which has led to high valuations, making them less attractive. The Russell 1000 index (i.e. the largest 1000 companies in the US) has outperformed Global Equities (excluding US) by over 6% since September 2023, highlighting the success relative to other regions.
- We are reducing our Japanese equity position after a long period of outperformance which has made the market more expensive. Japanese equities have enjoyed a strong rally since September 2023 returning over 9%. Markets have been buoyed by mild inflation and wage growth supported by central bank policy.
- We are increasing Emerging markets positions after a period of underperformance which makes them more attractive. Emerging markets are susceptible to US interest rate policy and the value of the US Dollar. Both are expected to drop this year which will be positive for the asset class.
- Our bond (fixed income) asset allocation remains the same, we are positive on government bonds (e.g. UK Gilts) and slightly negative on corporate bonds. We think interest rate reductions will be positive for fixed income, particularly government bonds, and as economic growth continues to decline, bonds will benefit from increased investor appetite for the asset class.
- We have made other small trades to readjust position sizes to our desired weighting. This includes UK equities, European equities, Asia Pacific ex-Japan equities and UK Gilts.

Positioning summary



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