

# Better days ahead



Robert Jeffrey  
Chief Investment Officer

Robert Jeffrey joined Omnis Investments and Openwork Wealth Services Limited as the new chief investment officer in September 2020. He looks back at how our discretionary portfolios have performed recently and forward to explain how we're refreshing our investment approach.

Although many countries are still under strict lockdown measures, vaccinations are providing a light at the end of the tunnel. Investors are optimistic that life will return to normal gradually in 2021 and that the economy will begin to heal. While there's been a spike in coronavirus infections during the winter, economic activity seems to have become more resilient to covid-19 restrictions. There are a number of possible explanations, including less public fear about the virus, improved government policies and increased preparation by businesses.

Discretionary fund management is designed to deal with both the good times and the bad. A diversified investment strategy that blends different asset classes from around the world can be one of the best ways to preserve and enhance wealth. This approach can dampen losses when market conditions are challenging, as well as provide exposure to a wide set of investment opportunities.

Investing is a long-term process and there are always going to be periods when markets fall in value. Discretionary portfolio management can help cushion these falls. However, we didn't get things quite right last year and as a result the performance of the Omnis Managed Portfolio Service (OMPS) has been slightly disappointing. There are three main reasons – with hindsight, we held too many UK-based assets and too few US technology stocks, and had a bias towards value investing when the growth style outperformed.

## Some things are changing

Now that we understand what went wrong, we're working hard behind the scenes to refresh our investment approach.

First, we're improving our tactical asset allocation process. These tactical investment decisions are an essential element of our discretionary service and should do three things:

- Generate outperformance by adapting portfolios to the evolving investment environment.
- Smooth returns by minimising losses at a time when market-moving global events are occurring with increased frequency.

- Help you understand how we're managing your money when you can see that our decisions reflect what's happening in the world. For example, we published our first asset allocation update last week.

We are also working alongside the Openwork Investment Committee to examine the strategic asset allocation weightings. They determine the neutral weighting to each asset class in portfolios and are vitally important for long-term returns.

## Others are staying the same

Three important aspects of our service are not changing. The first is our investment team, which I believe has the necessary skills and experience to invest successfully. The second is the way in which we build portfolios. We use Omnis funds that are managed by third-party asset managers we have carefully selected because they are leading specialists in their particular areas (figure 1).

## Figure 1: Committed to investing actively

Our portfolios comprise Omnis Funds, which are managed by leading third-party asset managers.



Third, we're committed to being active investors, which I believe is even more important in a world where the unexpected happens frequently and markets are distorted by politics, as well as government and central bank policies. Our renewed tactical asset allocation process will allow us to move the dial in portfolios with more conviction, and our fund managers can add value through the investments they select.

Although passive investing can be useful in some instances, current conditions mean it's a particularly risky time to track broad indices. A good example is the S&P 500, where most of the outperformance in 2020 was driven by a handful of dominant technology companies (figure 2). Active managers can mitigate this concentration of risk by providing more balanced exposure.

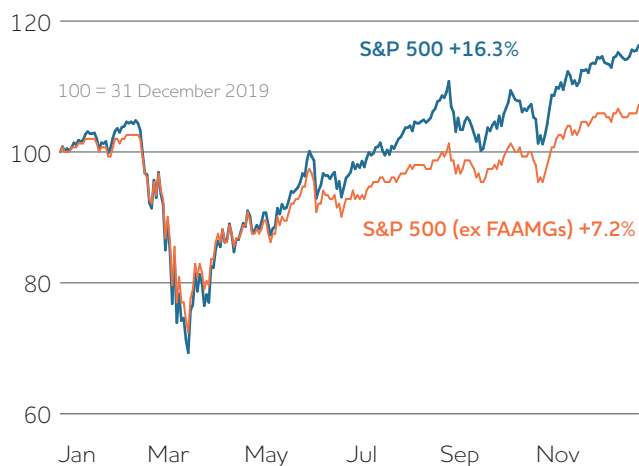
### Your investment journey

I've been creating and managing discretionary investment offerings and selecting fund managers for many years now. I'm confident that I can continue this journey with Openwork Wealth Services and deliver strong risk-adjusted long-term returns in our Managed Portfolio Service. It will be a gradual process, but I am pleased to report that we have already made progress, as reflected by a series of tactical asset allocation trades we made in November 2020 and January this year.

Investing is just one aspect of financial planning and our discretionary service is designed to help you meet your broader objectives for organising and managing your money. If you have any questions about your portfolio or would like to know more about our approach then please speak to your financial adviser.

### Figure 2: What drove the S&P 500 higher?

The five largest stocks (Facebook, Apple, Amazon, Microsoft and Google) were responsible for most of the performance in 2020.



Source: Bloomberg (one year to 31 December 2020)

[www.omnisinvestments.com](http://www.omnisinvestments.com)

Issued by Openwork Wealth Services Limited (OWSL) (registered address: Washington House, Lydiard Fields, Swindon SN5 8UB), which is authorised and regulated by the Financial Conduct Authority. This update reflects OWSL's view at the time of writing and is subject to change.

The document is for informational purposes only and is not investment advice. We recommend you discuss any investment decisions with your financial adviser. OWSL is unable to provide investment advice. Every effort is made to ensure the accuracy of the information but no assurance or warranties are given. Past performance should not be considered as a guide to future performance.