June 2025 | Monthly update

Omnis Managed Portfolio Service

Tariff uncertainty persists, while US fiscal policy takes centre stage, keeping markets buoyant but investors wary

Market-moving events

Tariffs stay in focus. Markets welcomed a 90-day pause in US–China trade tariffs, but tensions remain. Tariffs are still higher than before and President Trump has accused China of reneging on the deal. The US also doubled duties on steel and aluminium, while a court ruled earlier tariffs illegal, though they remain in place pending appeal.

Markets buoyed by tax shift. With trade talks on hold, the US administration is pushing to extend Trump-era tax cuts before the summer recess. While the bill holds few surprises, it has supported the recent bounce in risk sentiment. Combined with worries about the widening fiscal deficit, it helped lift long-dated government bond yields towards their recent highs.

Data resilient but unclear. US economic data has so far held firm despite April's dip in sentiment, though investors remain cautious. Strong figures may reflect pre-shock momentum, while weak numbers could be shrugged off in the hope of a rebound. For now, the outlook remains clouded by political noise.

Investment highlights

Portfolio rebalance and new positioning. We completed a full rebalance of portfolios in late April and transitioned to our latest 2025 Strategic Asset Allocation. This process ensures portfolios remain aligned with our long-term views and current economic expectations.

Tilt to smaller US companies. We recently increased our allocation to the Omnis US Smaller Companies Fund while reducing exposure to the Omnis US Equity Leaders Fund. US smaller companies trade on more attractive valuations and may benefit more from any improvement in domestic economic conditions, especially with the market concentrated in mega-caps.

Adding to Chinese equity exposure. We also recently added to the Omnis Global Emerging Market Equity Leaders Fund, focusing on opportunities in Chinese equities. Policymakers in China are beginning to support the economy more forcefully, and many companies listed on Chinese markets have limited exposure to the US. This situation creates scope for recovery, particularly as domestic stimulus measures begin to take effect.

Asset allocation

Red = underweight
Amber = neutral weighting
Green = overweight

If you'd like more detail on our asset allocation views then please visit our online dashboard.

equities

Overweight = UK
Underweight = US + overall

bonds

Overweight = government bonds + overall
Underweight = corporate bonds

alternatives + cash

Overweight = short-dated bonds
Underweight = overall

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Approved by Omnis Investments on 4 June 2025

Market moving events

June 2025

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1 US–China tariff pause offers some relief to investors but tensions and uncertainty remain

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2 Stock markets rebound as tax cuts take focus and government bond yields climb

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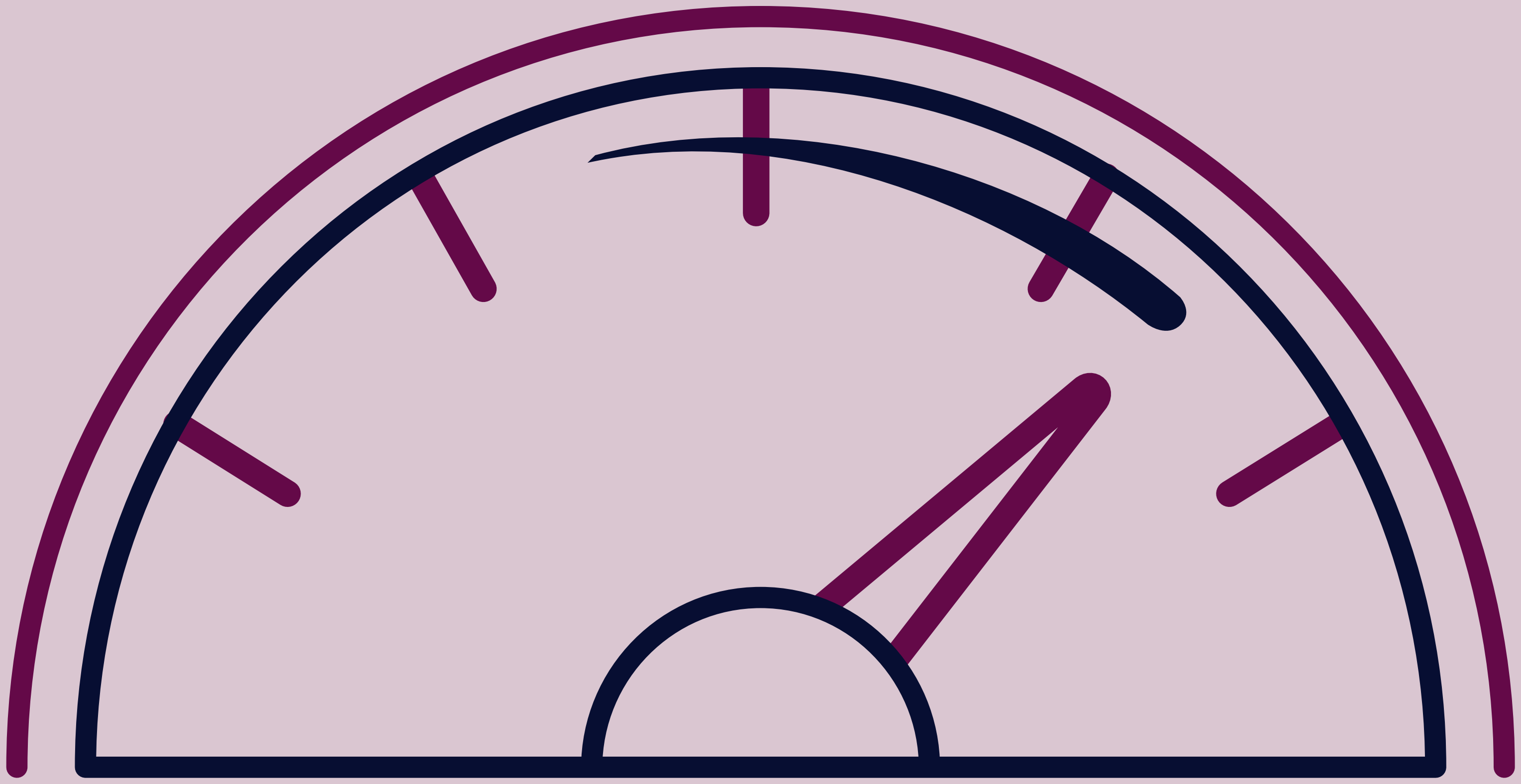
3 US economic data stays firm but medium-term growth outlook remains uncertain



Omnis INVESTMENTS

June 2025 | Market update

Global markets climb on tariff truce

A temporary easing in US–China trade tensions and better-than-expected economic data lifted markets

Markets rise on trade relief. Markets rallied in May after the US and China agreed to suspend tariffs for 90 days, easing fears of a prolonged slowdown. The truce marked a significant de-escalation in trade tensions and helped lift global sentiment.

US stocks rebounded strongly, recovering losses from President Trump's "Liberation Day" tariffs, supported by robust corporate earnings and better-than-expected retail and manufacturing data.

European indices also gained, helped by solid first-quarter results and easing trade concerns. The FTSE 100 hit a two-month high, with energy and financial stocks among the strongest performers. Asian shares rose after China's central bank cut interest rates and injected liquidity to support businesses hit by weaker exports.

Mixed signals in the US. US inflation slowed to 2.3% in April. While many tariffs were later rolled back, analysts warned the full economic impact may still be felt. The US economy shrank by 0.3% in the first quarter. One reason was that many businesses rushed to bring in goods before tariffs were introduced, which boosted imports at the end of last year but made the start of this year look weaker by comparison. Although the trade pause has eased some concerns, there are worries that it could also mean fewer support measures from the US central bank.

For now, the Federal Reserve has kept interest rates steady at 4.25% to 4.5% and said it's keeping a close eye on economic risks. Meanwhile, the job market remained steady. Employers added 177,000 jobs in April and the unemployment rate held at 4.2%.

UK beats expectations. The UK economy grew 0.7% in the first quarter – the fastest pace in a year – helped by resilient consumer spending and a rise in business investment. New trade deals with the EU, US and India focused on tariff cuts, improved market access and closer international cooperation.

Inflation rose to 3.5% in April, mainly due to higher energy and transport costs. In response, the Bank of England cut interest rates to 4.25% to help support the economy as living costs continue to rise.

Although unemployment edged up to 4.5% and job vacancies fell, consumer confidence improved, turning positive for the first time in five months. This shift suggests households are starting to feel more optimistic about the economic outlook.

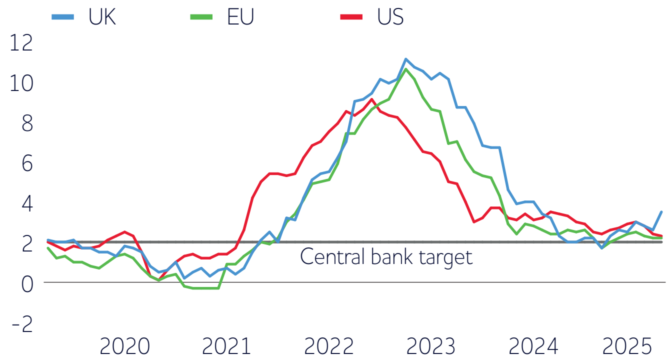
Asia rebounds on tariff deal. Asian markets rose after the US slashed tariffs on Chinese goods from 145% to 30%, with China cutting its own from 125% to 10%. The tariff truce followed months of declining factory output and reports of layoffs in export-reliant sectors. In response, China announced further stimulus measures, including interest rate cuts and a liquidity boost to ease credit conditions.

Europe lifted by delay. European stocks gained after the US delayed new tariffs on EU imports until July. The eurozone economy grew 0.4% in the first three months of the year, which is double the previous quarter, as firms rushed shipments ahead of expected tariffs.

Eurozone inflation held at 2.2% in April, slightly above the European Central Bank's target. The ECB cut rates for the third time this year and signalled more easing may follow in June as trade uncertainty clouds the outlook.

Figure 1: Fading away

The pace of inflation has been falling towards the 2% central bank target across most major economies since the pandemic peak.



Source: Bloomberg

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Approved by Omnis Investments on 2 June 2025

Strategic Asset Allocation

Our Strategic Asset Allocation: explained

A robust asset allocation that works towards you long-term investment objectives.

February 2025

At Omnis Investments, we work with your financial adviser to help you achieve your long-term financial goals through trusted advice.

We do this in four key steps:

1. Financial planning.
Based on your conversations, your financial adviser will assign you a risk profile

2. Strategic Asset Allocation.
For every risk profile, we confirm the long-term mix of assets that aim to deliver the best return with the appropriate level of risk.

3. Tactical Asset Allocation.
Once the Strategic Asset Allocation is set, we will tactically manage the portfolio to take advantage of short-term opportunities.

4. Manager selection.
We select experienced managers to make decisions on what specific companies and bonds to invest in.

Strategic Asset Allocation is the foundation of our investment approach. In this issue we explain what Strategic Asset Allocation is, explore its importance to long-term investing and confirm our Strategic Asset Allocation decisions for 2025.

What is Strategic Asset Allocation?

Strategic Asset Allocation (SAA) is the long-term allocation of asset classes in a portfolio based on an investor's risk tolerance, capacity for loss, investment goals and time horizon. It involves analysing, selecting and weighting different asset classes (such as shares, bonds and alternatives) according to certain return and risk profiles.

The purpose of SAA is to create a diversified portfolio that performs in line with your investment objectives and attitude to risk by balancing the unique risk and return characteristics of different asset classes. It is important that the portfolio you invest in has the most appropriate SAA, as this will be the dominant driver of your returns over the long term.

Why is Strategic Asset Allocation important?

SAA is crucial to the investment process. The performance of different asset classes can vary depending on economic conditions, so a robust SAA can optimise returns and adhere to your risk profile by balancing volatile assets with more stable ones.

We review our SAA framework annually with the trusted support of J. P. Asset Management, one of our global research partners, to ensure it continues to align with your risk tolerance and time horizon.

How do we develop our SAA?

Our annual SAA review keeps our portfolios balanced and well-positioned. We start by looking at long-term market forecasts developed by J. P. Morgan Asset Management. These forecasts predict how various asset classes might perform over a 10-15year period, including their expected returns, risks and how they correlate with one another.

We use this data alongside expertise from our risk research partner, EV (formerly EValue) to design portfolios that align with these forecasts and your investment objectives. This ensures your portfolio operates within a level of risk that you're comfortable taking.

EV (formerly EValue) is a UK-based financial technology company that provides research and tools to asset managers and financial planning firms. It combines actuarial knowledge with asset modelling and risk management to assess the risks underlying portfolios and forecast volatility journeys.

Why J. P. Morgan Asset Management

J. P. Morgan (JPM) Asset Management is a leading provider of Long-Term Capital Market Assumptions (LTCMAs) because of its robust research capabilities, deep market insights and experienced team of investment professionals.

It leverages extensive historical data and advanced analytical models to generate reliable, comprehensive projections across various asset classes. Its LTCMAs are built on a rigorous framework that incorporates multiple macroeconomic and geopolitical factors.

J. P. Morgan Asset Management's expertise equips us with the insights we need to make informed decisions about SAA which are aligned with your long-term investment objectives.

Our 2025 SAA adjustments

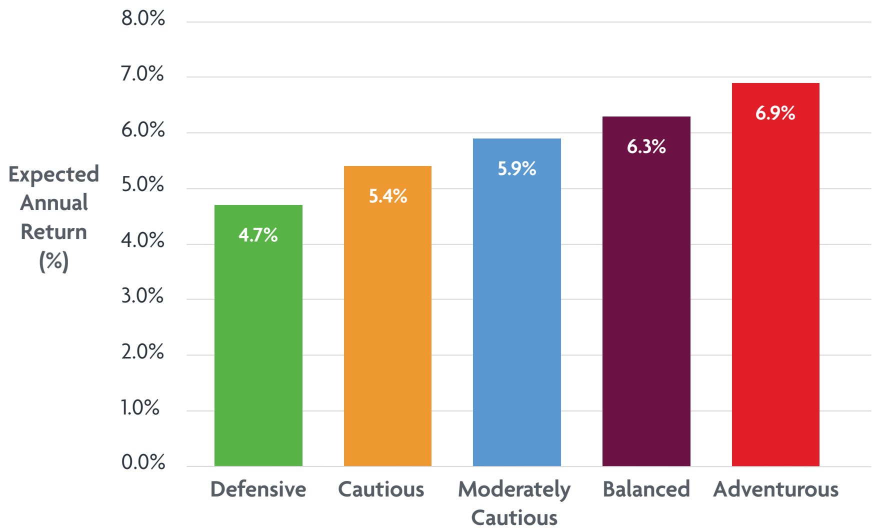
The global economic landscape has shifted from the low investment, low growth and low interest rates of the 2010s to higher growth, significant capital investment and increased interest rates. Advancements in artificial intelligence and automation are likely to support increased productivity and economic growth, creating a positive outlook for asset markets despite persistent inflationary risks and market volatility.

Based on this outlook and JPM LTCMAs, we've made some changes to reduce the concentration of UK assets in favour of other global investment opportunities:

- We reduced UK equities by 25% in 2024. We're reducing them even further in 2025 in favour of global equities.
- We've also reduced UK bonds (both government and corporate) in favour of global bonds.

We believe this will help to reduce single country risk with little to no effects on the long-term risk and return projections of your portfolio.

Here are the expected annual returns of your new Strategic Asset Allocation over the next 10-15 years:



Source: J. P. Morgan Asset Management & Omnis Investments, February 2025

Agile adjustment with Tactical Asset Allocation

We know that markets don't move in a straight line which is why we maintain consistent oversight of your investments, adjusting allocations in the short term aiming to take advantage of opportunities on the upside and offer a degree of protection to your portfolio on the downside.

This is known as Tactical Asset Allocation (TAA) and it gives us the flexibility and control to ensure your money is always working hard towards your financial goals.

To learn more about our SAA framework, tactical asset allocation, and investment selection, please visit omnisinvestments.com or speak to your financial adviser.

What happens next?

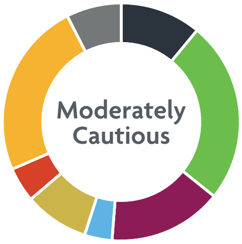
We'll gradually move the portfolio you are invested in towards the new SAA on your behalf: you don't need to do anything. We'll also provide detailed updates through your financial adviser as we make this transition.

Please visit omnisinvestments.com or speak to your financial adviser for more information

Your new SAA will be as follows:

4% UK Equities
9% US Equities
7% Other Developed Markets Equities
13.5% UK Government Bonds
3% UK Corporate Bonds
33.5% Global Bonds
30% Alternative Investments

8% UK Equities
18% US Equities
14% Other Developed Markets Equities
11% UK Government Bonds
6.25% UK Corporate Bonds
32.75% Global Bonds
10% Alternative Investments



11% UK Equities
24.75% US Equities
15.5% Other Developed Markets Equities
3.75% Emerging Markets Equities
8.75% UK Government Bonds
4.75% UK Corporate Bonds
24% Global Bonds
7.5% Alternative Investments

14% UK Equities
31.5% US Equities
19.75% Other Developed Markets Equities
4.75% Emerging Markets Equities
6.25% UK Government Bonds
3% UK Corporate Bonds
15.75% Global Bonds
5% Alternative Investments

19% UK Equities
42.75% US Equities
27% Other Developed Markets Equities
6.25% Emerging Markets Equities
1.5% UK Government Bonds
1% UK Corporate Bonds
2.5% Global Bonds

Key:

UK Equities	US Equities	Other Developed Markets Equities	Emerging Markets	UK Government Bonds	UK Corporate Bonds	Global Bonds	Alternative Investments

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The Value of Investment Advice

Seeking advice on how to look after your money may not be as fun as the immediate thrill of spending it, but it could be a rewarding decision in the long run.

Investing can be a daunting task, especially if you're not sure where to start, that's where advice can be handy. A financial adviser can help you understand your financial situation, develop an investment plan, and choose the right investments for your needs to meet your goals.

Value of investment advice

Assess where to invest – Getting advice from a financial adviser can expose you to a wider range of choices when it comes to deciding where to invest. They have the knowledge and expertise on how products work in different markets and can identify any possible downsides as well as potential benefits.

Asset allocation – It's important to invest in a mix of investments to reduce risk. A financial adviser can help determine your objectives for the investment as well as your attitude to risk before making any recommendations. This is to ensure you are taking the right level of risk and are in a good position to achieve the returns you want.

Portfolio rebalancing – To maintain a healthy mix of investments, you need to rebalance your portfolio. Essentially this is adjusting the weightings of different asset classes in an investment portfolio. A financial adviser will review the portfolio and rebalance where needed to ensure that you don't take too much risk.

Help achieve your goals – Even a seemingly straightforward financial goal can involve numerous decisions and a range of different products and providers. A financial adviser can help assess what is realistically possible and create a tailored financial plan to ensure you achieve your investment goals.

The key benefits of investing

It's important to think carefully about putting some of your income aside for the future. For example, you may have more money to invest once your children have moved out, or your mortgage repayments may have reduced. So, what are the benefits to investing?

- **Long-term returns**
  Investing offers the potential opportunity for long-term returns. The money you invest has the potential to grow significantly over time.

- **Building wealth**
  Investing money in a variety of assets can be a great way to potentially build your wealth. The earlier you start and the more you're able to save, the better shape your financial assets are likely to be in when you need to draw on them.

- **Planning for retirement**

No matter your age, it's important to start saving for retirement as early as possible. Investing can help to grow your savings to ensure you have the money to get through your retirement years comfortably.

- **Meeting financial goals**

Another benefit to investing is the ability to achieve your personal and financial goals. Whether it's saving for university, buying your dream home or simply building savings for the future, investing can grow your money giving you financial freedom to achieve your goals.

We're here to help

We can go through the options available to you and discuss the various factors that could affect your investment and provide a personalised, tailored investment plan with the right products for you. Get in touch today.

The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.

Key Takeaways:

- With financial uncertainty nowadays, advisers can help you create a plan to profit in the good times and weather the storm against any possible downturns.
- Financial advisers can help you choose the right investments to suit your needs.
- Set clear investment goals and monitor progress when saving for the future.
- The earlier you start saving, the better shape your financial assets are likely to be in when you need them.
- **The value of investments and any income from them can fall as well as rise and you may not get back the original amount invested.**

Here's a review of how some of the key events from the past twelve months have impacted markets.

1. **Jun-24:** The US economy continued to expand but areas of weakness within the labour market and consumer spending started to show. The UK and US held interest rates steady whilst the EU mad their first cut.
2. **Jul-24:** Signs of stress began to emerge in the US economy as and the unemployment rate increased, and consumer spending slowed. Elsewhere, The European Central Bank reduced rates for the first time in 5 years.
3. **Aug-24:** Stock markets endured a significant bout of volatility in August amid worries about a US recession and the implications of a sharply strengthening Japanese yen. As the month progressed fears subsided, with some more supportive data and some soothing words from central banks.
4. **Sep-24**: Global stock markets rallied to new record highs after the US Federal Reserve (Fed) cut interest rates for the first time since 2020 by half a percentage point. Chinese stocks soared after Beijing rolled out further stimulus measures to arrest a slowdown in the economy.
5. **Oct-24:** Markets were dominated by the UK budget reaction and upcoming US election in October. The budget was turned unexpectedly more material for markets after the Chancellor announced a £40bn tax increase. Bond prices fell as a result of the announcement.
6. **Nov-24:** Share prices rose after Republican Donald Trump was elected US President for the second time, fuelling expectations of higher domestic growth. Chinese markets fell after a stimulus programme worth $1.4 trillion to help local governments deal with debt underwhelmed investors.
7. **Dec-24:** Equity markets struggled as we reached the end of a strong year. Investors continued to reassess their expectations for future interest rate cuts as central banks spoke about a reduced speed of interest rate reductions in 2025.
8. **Jan-25:** The FTSE 100 hit a record high as UK inflation fell to 2.5%, raising hopes for interest rate cuts. Meanwhile, as Trump raised tariffs on Mexico, China and Canada, markets grew cautious over how tariffs might impact inflation and economic growth. China continues to experience weak domestic demand.
9. **Feb-25**: Global markets diverged as trade tensions hit sentiment, while strong earnings fuelled gains elsewhere. US stocks fell amid tariff uncertainty and weakening consumer demand. Trump warned of a 25% tariff on EU imports and possible UK taxes, confirmed duties on Canadian and Mexican goods, and threatened an extra 10% on Chinese imports.
10. **Mar-25:** Global stock markets came under pressure amid growing concerns about the economic impact of President Donald Trump's tariffs. Stock market falls, trade tensions and weakening consumer sentiment, reignited US downturn fears. The EU responded to Trump's 25% tariffs on steel and aluminium with duties on €26 billion worth of American goods.
11. **Apr-25:** Trade tensions intensified as President Trump announced new tariffs on Chinese imports. Whilst stock markets tumbled, they did subsequently recover after the US paused most tariff increases. As a result, the global economic outlook has weakened, and investors are expecting central banks to cut interest rates further.
12. **May-25:** Global equity markets rallied strongly after the US and China agreed to a 90-day suspension (and reduction) of tariffs. This eased concerns of an escalating trade war between the two economic superpowers. Robust corporate earnings and better-than-expected retail and manufacturing data in the US provided further tailwinds for equity markets, however, analysts warned the full economic impact may still be felt.

If you are invested in a range of funds within your portfolio these are likely to be spread across different regions of the world and, depending on your attitude to risk, a range of different assets. This diversification reduces the impact on performance of any individual event like the coronavirus crisis. We take a long-term approach to investing, and we do not let short-term events force us into making decisions about how we manage your portfolio.

Andrew Summers

Chief Investment Officer
Omnis Investments