

# Investment Viewpoint



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## **A year of political change**

We look back at the events that impacted global markets in 2017.

## **Taking a global view**

Why diversification makes for real food for thought.

## **The CIO: A week in the life**

A typical week for Toni Meadows and the Omnis Managed Portfolio Service.

# A year of political change

2017 was the year of the campaign trail, with several key elections held in countries with great influence on global economics and stock markets. Here, we recap on the political posturing that defined 2017, and what it meant of the global stock markets.



*If you're concerned about how global events could impact your investment portfolio, please get in touch.*

On 20 January, Donald Trump was inaugurated as the 45th President of the United States. Global stock markets had rallied since the election result on 8 November, with many in corporate America hoping to benefit from promised tax reforms. Not everyone was happy. The day after Trump's inauguration, approximately half a million people protested in the Women's March in Washington DC, making it one of the largest one-day protests in American history.

In Europe, the Dutch were hailed as having "defeated populism" in the 15 March election by denying the Geert Wilders-led Party of Freedom's bid for power.

On 7 May Emmanuel Macron of En Marche! was declared President of France having won the second-round vote against the Marine Le Pen-led National Front by a decisive margin. Again, the election is billed as a win against populism and Europe's far-right. World stock markets are at their highest point for the year so far.

Across the Channel, the UK general election on 8 June restored Theresa May as Prime Minister, but only after the Democratic Unionist Party of Northern Ireland agrees to support a Conservative minority government. As the results came in, the prospect of a hung parliament led to an immediate fall in the value of the pound. May's intention was to seek an overall majority, paving the way for easier Brexit negotiations.

After a relatively quiet end to the summer, aside from ongoing Brexit discussions, the Eurozone's biggest player Germany held its federal election on 24 September. The result saw the Christian Democratic Union win only 33% of the vote – its lowest share of the vote since 1949 – but enough to see Angela Merkel remain as Chancellor. Markets then rallied for the last week of September and continued to climb in October.

Into autumn and it was the turn of the Japanese to go to the polls on 22 October. Given the dramatic fall in popularity that many world leaders had found themselves in over the year, it was a relief for Prime Minister Shinzo Abe to secure a big election win. The father of 'Abenomics' and the 'three arrows' policy of monetary easing, fiscal stimulus and structural reform, Abe's victory was welcomed by a rise in markets.

Elsewhere in Asia, perhaps the most significant global change was happening in China where the hugely powerful Communist party held its five-yearly congress. President Xi Jinping cemented his legacy with his own political philosophy being written into the country's constitution.

Emerging markets will dominate the electoral calendar in 2018, with votes due in the likes of Russia, Mexico, Brazil and Pakistan.

# Taking a global view

Keeping your investments close to home may have its advantages, but only by looking globally can you be sure you're making the most of diversification.



*If you'd like to review your investment portfolio to make sure it's properly diversified and in line with your attitude to risk, please get in touch.*



Imagine mealtimes without choice; your culinary options limited only to British food. No stir-fries, no fajitas, no sushi – no burgers even, and fewer curries (our British national dish the tikka masala excluded, of course).

From a similar perspective, those limiting their investments to just the UK – whether that be in stocks, bonds or property – may be missing out on some much-needed spice and flavours that could be achieved from overseas markets.

That's not to say UK investments are completely insular, after all, up to three-quarters of earnings from FTSE 100 companies are estimated to be earned in international markets. However, any bad news from the UK economy could similarly affect companies listed in this most-famous of indexes.

## Why is diversification important?

Professional investors have long supported the virtues of diversification, that is spreading investments across a wide variety of markets, countries and asset types. Take, for example, Omnis Investment's range of portfolio funds that individually put money to work across the US, Europe, Asia and in so-called emerging markets such as China, Russia and Brazil.

Each of these markets will have a different risk profile, sometimes moving in different directions as the global economy ebbs and flows on political shifts and other news events.

## Seeking the best opportunities

An extra safeguard comes in the form of the Omnis Managed Portfolio Service (OMPS), run by a team which spreads the risks by investing (and selling) each of these funds according to when they think they offer the best opportunities for investors.

Economic growth has been picking up in several regions and this coincides with attractive valuations in export-led markets like Europe, so the team have been able to add extra exposure to this positive outlook and earn extra returns for clients.

Meanwhile, looking further afield to Asian and emerging markets has yielded even better returns, though with potentially bigger risks attached to these territories, the team is wary of investing here for more cautious investors.

UK stocks and bonds will always have a big part of play in UK investors' portfolios, not least because of the potential impact of fluctuations in overseas currencies. However, time and time again investors have been proven right to mix their assets.

The complex nature of investing means professionals will always have a lot on their plates but, as a takeaway, diversification makes for real food for thought.



# The CIO: A week in the life

The week featured here is 23 — 27 October 2017; a period that saw a number of important global events.



If you'd like to know more about Omnis Investments and the Omnis Managed Portfolio Service, please get in touch.



**Toni Meadows,**  
Chief Investment Officer

My day-to-day work life is broadly split into two roles. One is to monitor and keep in close contact with the managers of the Omnis funds range, while the other is to lead the Omnis Managed Portfolio Service. This is where my team allocates money across the individual Omnis funds according to the risk preferences of the investors whose money we are responsible for.

**23**  
Oct

## Monday

An early start and my first port of call is to check what has happened overnight in Asian markets given Sunday's Japanese general election. Stock markets reacted well to president Abe's victory, which is good news for our Omnis Asia Pacific Equity Fund. We check in with the fund manager at Baillie Gifford to see how he reacted and his views on the implications of the result.

The team gets together in the afternoon for our quarterly analyst meeting. While we meet formally every week, this is an extended discussion and our chance to talk in real depth about how we are investing in each of the Omnis funds, as well as upcoming meetings and changes to the global economic environment.

**24**  
Oct

## Tuesday

The morning starts with a call with Schroders, who manage the Omnis UK Equity and Omnis Global Bond funds. Of interest to us today is how the funds may be impacted by upcoming policy meetings by the world's big central banks, one of the tasks of which is to set interest rates.

Later that day, our attentions turn to the US where we recently changed the manager of the Omnis US Equity Fund. We are in regular contact with the new manager T. Rowe Price to get an update on performance, buys and sells within the fund and investment outlook for the country.

**25**  
Oct

## Wednesday

Given the amount of client money we manage, it is no surprise we are often invited to various high-level conferences and events hosted by top investment strategists and economists. Today I attend Pimco's Global Advisory Board summit with fascinating speeches from the likes of former Prime Minister Gordon Brown, ex-US Federal Reserve chairman Ben Bernanke, and Jean-Claude Trichet, who was president of the European Central Bank from 2003 to 2011.

From that, I rush back to the office for the Openwork Investment & Proposition Committee, another valuable safeguard for investors, where I am tasked with running through our investment choices for senior directors and non-executives.

**26**  
Oct

## Thursday

Much of today is spent with advisers. Having recently finished our Masterclass events, a series of roadshows meeting advisers up and down the country, I've scheduled some follow-up one-on-one meetings. As the Omnis Managed Portfolio Service is a relatively new proposition, it is important to outline exactly how the team works and the benefit that we can bring to our investors.

In the afternoon, all eyes are on the European Central Bank, which intends to extend its bond-buying programme until at least September 2018.

**27**  
Oct

## Friday

After a busy week, it is good to spend some time catching up on research with notes from external economists. I also spend some time on Bloomberg screens, checking the progress of the Omnis funds and analyst notes on yesterday's news.

As is often the case, I end the working week with plenty of questions buzzing around my head. What is the likelihood of the Bank of England raising interest rates next week? And how might UK stocks and the pound react? While I am certainly looking forward to a relaxing weekend ahead, I can't help but ponder what surprises wait for me on Monday.

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