

“turning 40”: time to reflect

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Today I am celebrating my 40th birthday. I am not sure how to feel about it; jubilant, overjoyed, ecstatic? Perhaps just old? You can't help it, but these sorts of moments make you reflect on the past, the present, and what the future may hold. Forty years is a long period, for illustration, if you had invested £1000 into global equities in 1978, you would have £58,800 today.

Looking back on those 40 years, I have spent 12 of them working at Momentum. On reflection, this is more than a quarter of my life; more than half of my adulthood. In a profession that is often regarded as having a high turnover this is quite an achievement in itself and, looking around the office, I am not an exception. Indeed in the investment team alone we have a core of five individuals that have been with the company about as long as me. I suppose this shouldn't come as a surprise as Momentum is a genuinely great place to work, with lots of high-quality people, a flat corporate structure and a small office feel with the safety of a strong parent. More importantly, I am part of an investment team that has a firm commitment to investment excellence - a shared goal to be 'great' at investing. A team that has the intellectual freedom to do what is best for the long-term is something I greatly appreciate and a key reason I enjoy working here.

There is also a motivation to prove to myself that what we do adds value to our clients. As a long-term investor, you inevitably need to commit time to the investment process to see the fruits of the decisions that have often been made many years ago. Anyone can have good performance in the short run, it could simply be luck, but to sustain strong risk-adjusted returns over long periods requires discipline, focus, patience, diligence; skills that separate good investors from the ordinary. It is this long term and client orientated focus that permeates our culture and informs all of our investment decisions.

One way that we add value to our clients is by sifting through vast investment manager universes and selecting top investment managers for our client portfolios. A good illustration of our value-add through manager selection is the performance of our flagship global equity fund. The success of our best ideas flagship is mainly driven by our skill of selecting excellent managers. Since the current portfolio management team took over the management of the fund back in March 2009, the fund returned 239% versus 215% for the index net of all fees. This is on average 0.9% more per annum than the MSCI World index and 1.4% more than the iShares MSCI World ETF, a passive global equity proxy. This return places the Momentum fund in the top quintile among its Morningstar global equity peers. The portfolio construction approach of blending managers with different investment styles has resulted in a relatively modest tracking error of 2.4%, one of the lowest among its peers. While 0.9% of outperformance per annum might not seem significant, this return has been accomplished during a period of strong performance in passive vehicles, whereas the majority of active managers have found it challenging to keep up with their underlying indices. This consistency of outperformance is clearly unusual and is a testament to the team and our investment approach.

So, on reflection, I feel quite good about turning 40, I am proud of what we have achieved so far as investors and I am optimistic that the best years are still ahead of us. I am looking forward to continuing to grow as an investor and adding value for our clients and improving their financial wellness. So, with that thought, have a great day and cheers!

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Market Focus

- » Gold fell 1.7% an ounce to 1,276.6
- » Bitcoin has declined 66% this year, standing at around \$6,500
- » Donald Trump and Kim Jong Un held a summit in Singapore
- » Brent Crude oil rose 0.1% to \$76.4 a barrel

US

- » Trump announced that he thought oil prices were too high. OPEC meanwhile are debating whether to increase output by between 300,000 and 600,000 barrels a day
- » U.S Retail sales rose 0.8% overall in May from April: double the gain estimated by economists
- » The Dow Jones fell 0.9% to 25,090
- » The Nasdaq rose 1.4% to 7255

UK

- » April manufacturing output fell 1.4% versus an estimated increase of +0.3%
- » Industrial output fell 0.8% in April versus +0.1% estimated
- » Employment rose by 146K since April. The UK jobless rate is 4.2% , the lowest level since 1975
- » The FTSE 100 fell 0.6% to 7633.9

Europe

- » Europe industrial production fell 0.9% vs 0.7% forecast in April led by a plunge in energy stocks
- » The ECB signalled its intention to phase out of quantitative easing by the end of the year. Bond buying will continue at 30bn Euros a months until September before dropping down to 15bn for Q4
- » The Eurostoxx 50 rose 1.7% to 3,505
- » Angela Merkel faces the possibility of her government falling apart over a rift with her coalition partners. The CSU want to send migrants back to countries in which they were originally registered which is at odds with Merkel's CDU party stance

Asia

- » The Hang Seng index fell 2% to 30,309, Asian markets have been hit as investors lose risk appetite following news of the imminent trade war between the US and China
- » Donald Trump has approved \$50bn in tariffs on Chinese products. China have said they will respond with 'equal scale, equal intensity'.

Past performance is not indicative of future returns.

Source: Bloomberg, returns in local currency unless otherwise stated.

Currency returns					
Asset class/region	Currency	Week ending 15 June	Month to date	YTD 2018	12 months
Developed markets equities					
United States	USD	0.1%	2.8%	4.6%	15.8%
United Kingdom	GBP	-0.6%	-0.5%	1.1%	6.4%
Continental Europe	EUR	1.5%	2.3%	1.5%	2.3%
Japan	JPY	0.4%	2.5%	-0.5%	15.0%
Asia Pacific (ex Japan)	USD	-1.6%	0.1%	-0.3%	15.1%
Australia	AUD	0.8%	1.4%	2.4%	10.4%
Global	USD	-0.1%	2.0%	2.5%	13.5%
Emerging markets equities					
Emerging Europe	USD	-3.2%	-3.5%	-11.0%	5.2%
Emerging Asia	USD	-1.6%	0.6%	0.2%	17.6%
Emerging Latin America	USD	-1.8%	-5.1%	-13.0%	-1.7%
BRICs	USD	-1.1%	0.0%	-0.1%	22.6%
MENA countries	USD	-0.5%	1.4%	9.7%	13.5%
South Africa	USD	-4.0%	-3.7%	-15.0%	6.6%
India	USD	-0.3%	-0.2%	-3.1%	8.6%
Global emerging markets	USD	-1.8%	-0.5%	-3.1%	13.5%
Bonds					
US Treasuries	USD	0.1%	-0.5%	-1.6%	-1.6%
US Treasuries (inflation protected)	USD	0.2%	-0.3%	-0.8%	1.3%
US Corporate (investment grade)	USD	0.2%	-0.5%	-3.2%	-1.0%
US High Yield	USD	0.4%	1.0%	0.7%	3.1%
UK Gilts	GBP	1.1%	-0.9%	0.1%	0.0%
UK Corporate (investment grade)	GBP	0.9%	0.0%	-1.4%	-0.3%
Euro Government Bonds	EUR	1.3%	0.4%	0.2%	0.2%
Euro Corporate (investment grade)	EUR	0.5%	0.1%	-0.5%	0.8%
Euro High Yield	EUR	0.6%	0.7%	-0.6%	1.9%
Japanese Government	JPY	0.1%	0.0%	0.7%	0.9%
Australian Government	AUD	0.5%	-0.1%	1.3%	1.1%
Global Government Bonds	USD	-0.2%	-0.7%	-1.3%	1.1%
Global Bonds	USD	-0.2%	-0.6%	-1.9%	1.0%
Global Convertible Bonds	USD	0.2%	1.3%	2.0%	4.4%
Emerging Market Bonds	USD	-0.8%	-1.3%	-6.3%	-5.4%

Source: Bloomberg. Past performance is not indicative of future returns.

Currency returns					
Asset class/region	Currency	Week ending 15 June	Month to date	YTD 2018	12 months
Property					
US Property Securities	USD	-0.6%	1.1%	-2.5%	-2.4%
Australian Property Securities	AUD	0.9%	0.3%	0.1%	-1.4%
Asia Property Securities	USD	-1.3%	0.8%	1.6%	9.5%
Global Property Securities	USD	-0.9%	0.5%	-0.7%	5.2%
Currencies					
Euro	USD	-1.4%	-0.6%	-3.5%	4.1%
UK Pound Sterling	USD	-0.9%	-0.1%	-1.8%	4.1%
Japanese Yen	USD	-1.0%	-1.7%	1.8%	0.3%
Australian Dollar	USD	-2.0%	-1.5%	-4.6%	-1.7%
South African Rand	USD	-2.3%	-5.3%	-7.5%	-3.8%
Swiss Franc	USD	-1.1%	-1.2%	-2.3%	-2.1%
Chinese Yuan	USD	-0.3%	-0.2%	1.4%	5.9%
Commodities & Alternatives					
Commodities	USD	-2.5%	-3.3%	3.8%	18.5%
Agricultural Commodities	USD	-3.1%	-4.9%	1.4%	-2.0%
Oil	USD	-3.9%	-5.3%	9.8%	56.5%
Gold	USD	-1.7%	-1.9%	-2.3%	1.9%
Hedge funds	USD	0.2%	0.5%	-0.1%	3.4%

Source: Bloomberg.

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