

ESG: Don't be a spectator

by Jackson Franks

Environmental, Social and Governance (ESG) investing is at the forefront of most investors' minds and the real estate sector is no exception. A survey published by Bentall Kennedy, Real Property Association of Canada (REALPAC) and the United Nations Environment Programme Finance Initiative (UNEP FI), which included investment managers representing over \$1 trillion in assets under management from North America, Europe, and the Asia-Pacific region found that 93% of investors include ESG criteria in real estate investment decisions. At Momentum we are no different. The built environment is currently responsible for 40% of global energy consumption, 25% of global water consumption and is emitting 1/3 of greenhouse gas (GHG) emissions. At Momentum we believe it is vital for the sector to manage and reduce these levels and we expect the same of our Real Estate Investment Trusts (REITs) in which we invest.

Momentum invests both directly and indirectly into the real estate sector via MAREF (Momentum Africa Real Estate Fund), a pooled vehicle facilitating investment in African real estate for our clients and REITs. Even though these are two different investment approaches, the ESG criteria does not differ. Quantifying ESG criteria within the real estate sector is simpler than other sectors due to the tangible living nature of a property. Environmental factors consider water and energy consumption as well as emissions from the building. Social factors consider the societal impact of the development (infrastructure, housing, job creation etc) as well as the health and wellbeing of its occupiers. This has become an even more important factor due to COVID-19. Governance factors consider aspects such as diversity and reputation which can be applied to both the landlord (if invested indirectly) and the occupiers. In addition, safety measures such as fire safety will be applicable towards governance scores.

Within MAREF we set high standards regarding our ESG principles which was commended by winning the Best Green Building at the Africa Property Investment Awards in 2019. MAREF contributes to the global initiative and economic impact of efficient water and power resource utilisation

Best Green Building at the Africa Property Investment Awards 2019

by benchmarking to IFC EDGE or LEED specifications. IFC EDGE and LEED are green building certification systems which is comparable to BREEAM in the UK. In terms of the social aspect of ESG, one of MAREF's core principles is job creation. Throughout the construction period MAREF upskills staff so those with the most basic jobs can be trained in more specialist roles and thereby strengthening their future employability. MAREF prides itself on offering international Grade A standard facilities in developing markets thanks to the expertise of our sister company and developers, Eris Property Group (fellow subsidiary of Momentum Metropolitan Holdings).

The indirect investments, the REITs in which MGIM's daily dealing funds invest, each have an ESG policy to which they adhere and are held accountable. As an example, Ediston Property Investment Co PLC (EPIC), a UK REIT in which we invest, strive for the highest environmental standard to minimise its environmental footprint with proactive management of energy, waste, water, material and associated carbon emissions. This is showcased through their day to day management of their assets where they look to minimise the carbon footprint of their portfolio whilst maintaining a high level of service for their occupiers.

At Momentum we are committed to playing our part in creating a more sustainable world, both directly and indirectly. To achieve this everyone needs to part take in driving ESG implementation forwards. Don't be a spectator.

Market Focus

- » Global equities returned -0.4% last week amidst a lack of direction on stimulus measures and rising Covid-19 cases
- » Polling around the US presidential race still points to a victory for Joe Biden
- » Brent crude fell -2.7% ending the week at \$41.8 a barrel
- » Gold rose +0.1% to end the week at \$1902.1 an ounce

US

- » The large-cap US equity benchmark returned -0.5%, technology stocks were the worst performers with Apple and Netflix notably weak
- » The Federal Reserve's James Bullard sees strong U.S. recovery continuing into 2021, says he expects 'well above trend growth in the 4th quarter and 1st quarter'.
- » U.S. House Speaker Nancy Pelosi says the chamber could pass a pandemic relief plan this week, though a wider deal with the White House remains elusive as both sides accuse each other of 'moving the goalposts'. The chances of a deal pre-election remain slim
- » Weekly jobless claims fell by more than expected to 787K, the lowest reading since March.
- » US treasury yields rose to their highest since 9th June returning -0.9%

Europe

- » The main continental European equity index returned -1.4% last week
- » ECB President Lagarde has urged EU leaders to consider whether the region's EUR 750 billion recovery fund could be made a permanent tool so it can be used again if similar circumstances arise.
- » The Eurozone composite PMI contracted to 49.4 in October led by further weakening in the services sector, which fell to 46.2 from 48.0.
- » Spain has become the first nation in Western Europe to record 1 million coronavirus cases in total. Many European countries have imposed curfews and tighter restrictions amid rising infections.

Rest of the World/Asia

- » Japanese equities rose +0.5% last week.
- » Chinese equities returned +0.4%.
- » Japan's exports declined by 4.9% in September compared with the same period in 2019, which was the first single-digit rate of decline in seven months.
- » China reported its economy expanded 4.9% between July and September, compared to the same quarter last year.
- » China will impose sanctions on US entities participating in arms sales to Taiwan: China's Foreign Ministry highlighted Lockheed Martin, Boeing Defence and Raytheon as in-scope for the measures.

UK

- » UK equities fell -0.8% last week.
- » Brexit talks have been extended as the UK government indicates optimism over a deal and EU chief negotiator Michel Barnier is set to stay in London until October 28th. Discussions between the two had been due to end on Sunday.
- » The UK signed a trade deal with Japan in Tokyo last Friday, its first with a major economy since Brexit.

Asset Class / Region	Currency	Cumulative returns			
		Week ending 23 October	Month to date	YTD 2020	12 months
Developed Markets Equities					
United States	USD	-0.5%	3.1%	8.4%	16.9%
United Kingdom	GBP	-0.8%	-0.2%	-21.7%	-18.4%
Continental Europe	EUR	-1.4%	0.7%	-7.2%	-2.6%
Japan	JPY	0.5%	0.0%	-3.4%	1.6%
Asia Pacific (ex Japan)	USD	0.8%	5.0%	7.9%	16.5%
Australia	AUD	-0.2%	6.1%	-5.4%	-4.6%
Global	USD	-0.4%	2.7%	4.5%	11.9%
Emerging Markets Equities					
Emerging Europe	USD	1.8%	-0.9%	-29.2%	-23.8%
Emerging Asia	USD	0.8%	5.3%	13.7%	24.5%
Emerging Latin America	USD	3.7%	7.7%	-31.1%	-27.1%
BRICs	USD	0.8%	5.7%	7.9%	18.8%
China	USD	0.4%	6.1%	23.5%	38.8%
MENA countries	USD	-0.8%	2.1%	-6.1%	-1.1%
South Africa	USD	3.1%	6.3%	-16.4%	-11.2%
India	USD	1.0%	5.8%	-4.5%	-0.6%
Global Emerging Markets	USD	1.1%	5.1%	3.9%	12.7%
Bonds					
US Treasuries	USD	-0.6%	-1.1%	8.2%	7.7%
US Treasuries (inflation protected)	USD	-0.4%	-0.4%	9.4%	10.0%
US Corporate (investment grade)	USD	-0.5%	0.0%	6.7%	7.9%
US High Yield	USD	0.2%	1.6%	2.1%	4.4%
UK Gilts	GBP	-1.6%	-1.0%	7.3%	5.5%
UK Corporate (investment grade)	GBP	-0.4%	0.3%	5.2%	5.8%
Euro Government Bonds	EUR	-0.6%	0.5%	4.3%	2.3%
Euro Corporate (investment grade)	EUR	-0.1%	0.8%	1.6%	1.5%
Euro High Yield	EUR	0.3%	1.2%	-1.6%	0.2%
Japanese Government	JPY	-0.1%	-0.2%	-1.1%	-1.7%
Australian Government	AUD	-0.7%	0.0%	5.0%	3.2%
Global Government Bonds	USD	-0.2%	0.0%	7.3%	6.8%
Global Bonds	USD	0.0%	0.3%	6.8%	6.9%
Global Convertible Bonds	USD	0.9%	3.1%	15.3%	21.0%
Emerging Market Bonds	USD	-1.1%	0.2%	1.6%	4.7%

Asset Class / Region	Currency	Cumulative returns			
		Week ending 23 October	Month to date	YTD 2020	12 months
Property					
US Property Securities	USD	0.2%	2.8%	-15.6%	-18.1%
Australian Property Securities	AUD	-0.8%	3.3%	-15.0%	-18.8%
Asia Property Securities	USD	0.8%	0.0%	-17.9%	-14.8%
Global Property Securities	USD	0.4%	1.8%	-16.0%	-15.4%
Currencies					
Euro	USD	1.1%	1.0%	5.5%	6.5%
UK Pound Sterling	USD	0.8%	0.9%	-1.7%	1.2%
Japanese Yen	USD	0.6%	0.7%	3.7%	3.8%
Australian Dollar	USD	0.5%	-0.7%	1.4%	4.0%
South African Rand	USD	2.0%	2.9%	-13.8%	-9.9%
Swiss Franc	USD	1.1%	1.8%	6.7%	9.4%
Chinese Yuan	USD	0.2%	1.6%	4.1%	5.7%
Commodities & Alternatives					
Commodities	USD	0.0%	2.4%	-17.4%	-14.1%
Agricultural Commodities	USD	2.2%	5.7%	5.4%	9.8%
Oil	USD	-2.7%	2.0%	-36.7%	-31.7%
Gold	USD	0.1%	0.2%	24.9%	27.5%
Hedge funds	USD	-0.2%	0.8%	2.4%	5.0%

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