



# Market update: 2021 review & 2022 outlook

*The investment team from Momentum Global Investment Management (MGIM) provide their thoughts on 2021 and what we can expect in the year ahead.*

## RESPONSE

### 2021 in review



**Alex Harvey, CFA**  
Senior Portfolio Manager &  
Investment Strategist

#### ***2021 was a year of ups and downs. What lessons have you learnt?***

First and foremost, you must be in it to win it. Last year was about staying invested and not trying to time the market, which is notoriously difficult to do. 2021 started on a high after November 2020's vaccine successes and it has largely been one way for risk assets since then. Anyone who sat on the side-lines waiting for a better entry point will be rueing that decision. There were a handful of small drawdowns in equity markets last year, but these proved short lived. It is better to stay the course and if you have capacity, buy the dips.

Earnings matter. The post covid rebound has been pronounced and exceeded most people's expectations. This is what drove equity markets last year, not valuations.

Retain a blend of equity exposure to diversify some of the style specific risk. Growth investing has been hugely popular in recent years and has produced some stellar returns, but this style of investing is the most sensitive to bond yields moving higher and weighed on performance several times in 2021, notably in Quarter 1. Value stocks remain attractive and are still very cheap in relative terms despite strong performance since the latter part of 2020.

Bonds are not risk free. It was a tough year for sovereign bonds as inflation ripped through markets after years of yield compression. Bonds still have a role to play in more defensive portfolios, but investors should look to diversify their diversifiers as the classical '60/40' portfolio will be challenged going forward.

Be active. The structurally higher level of volatility experienced in 2021 created more opportunities for active managers, some of whom had fantastic performance. Paying a slightly higher fee can often yield more than a slightly higher return.

There are many shades of green. 2021 saw a resurgence in activity and interest around ESG investing. ESG means different things to different people and there is no one size fits all, so do your due diligence carefully. It can be better to invest and influence than to not invest at all.

**RESPONSE**
**2021 in review**


**Richard Parfect**  
Portfolio Manager

***How do you think you added value to investors?***

We have built up the number and size of positions in the specialist assets arena that explicitly benefit from an increase of inflation, expressed both in terms of level of income distributed and the underlying asset value within properties and infrastructure assets. We see this as a lower risk means to achieve some inflation protection with less economic, market and valuation risk than is witnessed in more traditional areas of "real assets" such as index linked bonds or indeed equities.

***What is the most important asset allocation decision you made last year?***

We supported the IPOs of the two new entrants into the infrastructure trust space, Cordiant Digital Infrastructure and Digital 9 Infrastructure. Both trusts are investing in the "backbone of the internet" which has very strong structural tailwinds as fibre optic networks, data centres, mobile tower portfolios are crucial as the world advances towards an increasingly connected format with 5G. We supported both trusts as there are subtle differences between them in terms of the emphasis of the types of asset and we felt it was worth being exposed to more than one management team at this juncture.

We also supported the IPO of Life Science REIT which came to the market with an advanced pipeline of assets the manager had exclusivity on to complete. The UK has a deficiency of modern research facilities (wet and dry labs) as well as the supporting infrastructure around them. The UK has a successful track record of IP discovery through world class research institutions, however the commercialisation of those ideas has often been lacking. Improving the availability of resource to research companies is not just about financing but also the physical infrastructure to enable those companies to develop their ideas into the commercial world. Having more research parks that encourage agglomeration is integral to that objective.



**Richard Stutley, CFA**  
Portfolio Manager

***What new ideas did you bring into investment portfolios during the year?***

We try to avoid making knee-jerk reactions to news, and 2021 offered plenty of opportunities for investors to do just that, with noise around imploding hedge funds (Archegos), container ships running aground and virus mutations. Nonetheless the portfolios do evolve as conditions and, more importantly, prices change. We responded to rising inflation pressures by reducing our exposure to businesses that have relatively poor inflation passthrough, and adding to areas that are more sensitive to higher energy prices, or else insulated from these price pressures due to price-insensitive customers. We also continued to look beyond the obvious regions and companies, and added a new position in a specialist active Japanese equity manager with expertise in the mid cap space. Starting from a low base, listed businesses in Japan have delivered excellent margin growth over the past decade and the time will come when this is recognised more widely by investors.

**RESPONSE**
**2021 in review**


**Lorenzo La Posta, CFA**  
Senior Analyst

***Is there anything you would have done differently from an investment process/philosophy perspective?***

Within our outcome-based investment philosophy, we work out dynamic adjustments to our portfolios and tactical allocation changes by looking at a variety of metrics, including information about an asset's valuation, fundamental characteristics and technical factors affecting it. However, when markets undergo stressful and fast-moving market conditions like we've seen in the last two years, investor sentiment, news flow, trading volumes and other shorter-term technical factors can be the dominant drivers of markets. We typically find that volatile markets are those offering the most attractive entry points for long-term opportunities, and we do (and did) take advantage of that. However, with the huge benefit of hindsight, one could have ridden more of the sentiment-driven waves, rather than going against the tide.



**Gary Moglione**  
Portfolio Manager

***What is the most valuable discussion you had with any of your underlying portfolio managers during this period?***

At times of extreme stress behavioural inefficiencies may cause investment managers to invest in ways that are not beneficial to long term returns. Extreme examples would be panic selling at market lows and overconfidence at market highs. More subtle changes may be that the style bias within a portfolio begins to drift from its long-term positioning. The funds we invest in have clearly defined philosophies which is the basis around which their investment process is built. A well-defined process acts as a behavioural handrail to guide the manager through the extremes of the market cycle. Therefore, the most valuable discussions with managers at times like these is to discuss changes they are making to their portfolio and to understand the rationale behind it. We can then ensure that the managers are not consciously or subconsciously deviating from the process that we initially invested in.

**RESPONSE**
**2022 Outlook**


**Mark Wright, CFA**  
Portfolio Manager

***With the investment landscape still uncertain, how have you positioned your portfolios?***

It is highly dangerous to ever believe that the investment landscape is anything other than uncertain. The only certainty is that financial markets in 2022 will not play out as portrayed in this or anyone else's investment outlook. That is why we will continue to stick to our bread and butter of investing client money across multiple asset classes and strategies within appropriately diversified portfolios.

We are reluctant to chase risk, given obvious uncertainties around the path which Covid-19 will take, how central banks will tackle surging inflation and geopolitical tensions in Europe and Asia. We would feel differently if risk assets offered good value right now, but generally speaking the rally of 2021 has squeezed a lot of value out of the market.



**Michael Clough, CFA**  
Senior Analyst

***What excites and concerns you about 2022?***

With inflation running meaningfully above central banks' targets, most notably in developed markets, central banks are firmly in the spotlight going into 2022 and their monetary policy decisions have far-reaching implications for all asset classes. With so much on the line there is a heightened risk of policy error this year and with it, market fallout. Further mutations of Covid-19 and sustained lockdown restrictions are clearly a concern, but the world is increasingly better placed to handle new variants and that hopefully means fewer restrictions going forwards and brighter prospects for lots of businesses. Markets have looked through a lot of the uncertainty of late and whilst they have come a long way since the lows of 2020 there is still much disparity within. Value stocks remain at an extreme discount to growth stocks and a sustained economic recovery should lay the foundations for a reversion. This is one part of the market we remain excited about.



**Robert White, CFA**  
Portfolio Manager

***New asset classes that you are interested in exploring this year?***

After a tough year for government bonds, the importance of genuine diversification in portfolios is paramount for investors. One area we expect to be more active in is Chinese local currency rates. Despite a generally strong US dollar, the renminbi was one of the top performing major currencies in 2021, and is still remarkably cheap compared to peers. Consumer price inflation has also stayed low in China, and as the country continues to expand its capital markets and internationalise its currency, Chinese sovereign bonds offer several attractive characteristics for long term investors. As Quantitative Easing (QE) has compressed yields and created new risks for developed market bondholders, Chinese bonds are able to fill this gap in investor portfolios and provide attractive, defensive yields.



## RESPONSE

### General



**Andrew Hardy, CFA**  
Director of Investment  
Management

***From a business perspective, what were some of MGIM's highlights?***

Our business has grown and developed more in the last year than perhaps any of the 23 years since we set up in the UK.

At the heart of this has been the successful acquisition and integration of Seneca Investment Managers. This introduced approximately \$1bn of new assets under management and 18 new team members based in Liverpool. We now have \$6.5bn AUM in our fund management business, the highest level in our history, and approximately £40bn under advice for our institutional consulting team in Windsor. Our UK business is 65 employees strong and remains entirely focused on these two core areas.

The shock of the pandemic tested our philosophy to the extreme, but our tried and tested approach again demonstrated its resilience and delivered outstanding performance to clients over the past year. It's long-term results that really matter though and our solutions also stand out on that front; we were pleased to see two of our UK funds included in the September 2021 Issue of the Financial Times Adviser Top 100 selection (*the full details and basis for the funds' inclusion are available on request from MGIM*), alongside other recognition of the value we've delivered for clients over the years.

Other highlights of 2021 include having published our first UK Stewardship Report, which details how responsible investment practices are embedded across our business and portfolios. ([Read our Stewardship Report](#)) Our Momentum GF Global Sustainable Equity Fund attained Article 8 'ESG integrated' status and alongside its sister Momentum GF Global Equity Fund, we made these funds fully available across our global client base, including recently launching both into the South African market.

And while we have been unable to conduct face-to-face meetings our client engagement has been at record levels. This included our second virtual Think Tank event over the course of three days, with over one thousand delegates in attendance. Much as that was a success, we do plan to return with the in-person event this year, whilst still providing virtual attendance options for those who can't make the journey to London.



**Lorenzo La Posta, CFA**  
Senior Analyst

***Why should investors choose MGIM?***

***What do you think differentiates MGIM from other asset managers?***

- » ***MGIM is focused:*** all we do is building and managing outcome-based investment solutions, delivered through multi-asset portfolios, single-asset portfolios and tailored solutions, backed by extensive research and experience.
- » ***MGIM is entrepreneurial:*** we are always researching the next best opportunity, improving our investment process and strengthening our team.
- » ***MGIM is responsible:*** we are a fiduciary for our clients and stakeholders and our Responsible Investment practices are aligned to our clients' long-term goals to positively influence the world we all live in.
- » ***MGIM is reliable:*** as a part of Momentum Metropolitan Holdings Limited, one of South Africa's larger integrated financial services companies, we have a solid parent to rely on.

RESPONSE

General



**Robert White**  
Portfolio Manager

***How does an outcome-based investment process assist investors in achieving their international investment goals?***

Outcome-based investing aligns well with what clients want to achieve when they invest offshore, namely an absolute real return in hard currency. While markets are volatile and uncertainties abound, giving an absolute indication of expected outcomes provides a more tangible goal for investors compared to more abstract benchmarks. In this way, individuals are better positioned to make specific plans for their future financial goals and having specific outcomes in mind helps investors stick with their investment when times get tough.

## Meet the Team

### Andrew Hardy, CFA - Director of Investment Management

Andrew Hardy is a long-standing member of Momentum's UK investment team, having been with the company since 2005. Prior to his appointment as Director of Investment Management he was co-Head of Research and has managed portfolios for over ten years, leading on the Harmony Portfolios multi-asset range and global developed and emerging market equity funds. During his time at the company he has played a central role in developing the team's investment philosophy and process while supporting business strategy and development. He is a CFA Charterholder and has a BSc in Economics from the University of Bath.

### Alex Harvey, CFA - Senior Portfolio Manager & Investment Strategist

Alex is the senior portfolio manager and investment strategist of the UK domiciled Focus Funds and Momentum's Managed Portfolio Service. Alex is also the lead portfolio manager for a number of our fixed income funds and portfolios managed out of London including the Momentum Global Fixed Income Fund and the Momentum International Income fund. Alex coordinates the international investment strategy and asset allocation process, liaising closely with the strategy and investment team in SA. Alex regularly appears in the press and presents at conferences all over the world. He joined Momentum in September 2007 having previously worked as Futures Portfolio Manager at JP Morgan Asset Management in London, where he started his investment career in 1998. Alex is a CFA charterholder.

### Richard Parfekt - Portfolio Manager

Richard is a Fellow of the CISI and was a founder of Seneca IM in 2002. He previously worked as a UK equity analyst at Merseyside Pension Fund and started his career at Neilson Cobbold. Richard holds a commercial pilot's license and is a qualified instructor. He competes in triathlons and enjoys time with his family.

### Richard Stutley, CFA - Portfolio Manager

Richard originally joined Momentum in 2008 as an intern, and re-joined the team in 2010 after completing his degree in Economics and Politics. He became a CFA charter holder in 2013. Richard has progressed from being an Analyst to an Assistant Portfolio Manager, to now a Portfolio Manager. He specialises in building multi asset solutions for clients, assisted by the wider investment team at Momentum.

### Michael Clough, CFA - Senior Analyst

Michael joined Momentum Global Investment Management's investment team in Autumn 2018 as an Analyst, and has since been promoted to Senior Analyst with a primary focus on manager research and selection. Michael also contributes to the management of the UK Multi-Asset Fund range and the DFM Managed Portfolio range. Previously Michael worked for Asset Intelligence Research where he was responsible for manager research and portfolio construction. He has an MSc in Financial Economics from the University of Leicester and is a CFA Charterholder.

### Lorenzo La Posta, CFA - Senior Analyst

Lorenzo joined Momentum's investment team in 2018 and is now a Senior Analyst. He leads the research on systematic strategies and is more broadly involved in quantitative research, asset allocation and manager selection. He contributes to the management of the Harmony Portfolios multi-asset range and Momentum's global sustainable and emerging markets equity funds. Prior to joining Momentum, Lorenzo worked at Julius Baer as a quantitative investment strategist for the CIO office. He is a CFA Charterholder and has a MSc in Financial Engineering from the Ecole Polytechnique Federale de Lausanne.

### Gary Moglione - Portfolio Manager

Gary is responsible for our third-party fund selection alongside Tom Delic. He has worked in the investment industry since 1999 with a major portion of this specialising in fund selection both on a fund of funds and a multi-manager basis. He has previously worked as a fund manager for Royal Liver Asset Management where he managed two of their multi-manager funds (UK Equity and Global Equity). He then joined the multi-asset team at Pioneer Investment Management (later to be taken over by Amundi Asset Management) to manage equity assets in their funds of fund range.

### Tom Delic - Portfolio Manager

Tom is responsible for our third party fund selection alongside Gary Moglione. He has worked in the investment industry since 2009 after graduating from the University of Liverpool with a first class degree in Mathematics with Finance. During his spare time, Tom can be found spending time with his daughter, at the gym or attending Stoke City FC games.

### Mark Wright, CFA - Portfolio Manager

Mark began his career after graduating from University of York with a BSc degree in Economics. Mark is a CFA Charter holder and an accredited member of the CFA Institute. He likes to escape to the gym, regularly plays football and wishes he could be more frequently found relaxing on an idyllic beach somewhere.

### Robert White, CFA - Portfolio Manager

Robert joined Momentum in 2019 as a Senior Investment Analyst. His previous role was at GAM Investments where he was a Senior Investment Analyst in the Investment Solutions business with coverage across multiple asset classes, predominantly in Emerging Markets and Asia. He has expertise in fund selection across both alternative and traditional assets. Prior to GAM, he was part of the investment team at GHC Capital Markets, managing risk graded portfolios for a diverse range of clients. Robert is a CFA charterholder and also holds the CISI Certificate in Investment Management. Outside of work, Robert is a keen musician and enjoys performing with local jazz groups.

To meet the rest of the team, visit: [momentum.co.uk/our-team/](https://momentum.co.uk/our-team/)

## About Momentum Global Investment Management

Momentum Global Investment Management was established in the UK in 1998 and focuses on designing, building and managing outcome-based investment solutions, delivered through multi-asset portfolios and tailored client solutions. The firm is part of Momentum Investments, as part of Momentum Metropolitan Holdings Limited.

We work closely with our institutional and adviser partners in the UK and Europe, Asia and the Middle East, South America and South Africa in order to manage solutions that meet the needs of our clients.

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