

Strawberries and cream but for how long?

Weekly Digest

1 July 2019

– David Lashbrook, CFA

As we celebrate the start of the one hundred and thirty second Wimbledon tournament, we do wonder and hope that the treats which are part and parcel of this great sporting event will be still be available for the enjoyment of our grandchildren and the generations beyond. The world's climate appears to be changing at an ever-increasing pace and we at Momentum Investments are trying to play our part by committing to follow the IFC's EDGE Green Building Certification principles on the developments funded by our Momentum Africa Real Estate Fund ("MAREF").

An innovation of the IFC (which is a member of the World Bank Group), EDGE ("Excellence in Design for Greater Efficiencies") is an online platform, a green building standard and a certification system for over 140 countries. EDGE helps to determine the most cost-effective options for designing green within a local climate context.

A project that achieves the EDGE standard of 20 percent less energy use, 20 percent less water use, and 20 percent less embodied energy in materials compared to a base case building can be independently certified. An EDGE certification is valued by tenants because they benefit from lower utility bills and it is also valued by our investors who are becoming increasingly focused on social responsibility. We even have one impact investor where the impact of the deployment of their capital rivals or perhaps even exceeds the importance of the investment return achieved.

Building green is something that must be incorporated from the very start of a project because the architect needs to embody the green elements into the building's design. Fortunately, we have long standing relationships

with architects who are well versed in this field and we have already incorporated green principles into all MAREF's completed buildings. We seek to reduce energy consumption by maximising natural lighting whilst minimising heat induction. In Ghana, we simply painted the parking levels – a lick of bright white paint on all the concrete work dramatically reduced lighting requirements. In Botswana, we have designed open air malls that take advantage of Botswana's warm but dry climate to naturally ventilate the property. I have visited these malls in the middle of a summer's day and it was surprising how comfortable it was to wander through the shops despite the baking hot African sun.

Building green does have a cost implication and this needs to be incorporated into a project's costing by the quantity surveyor. For example, the costs of certification alone can be quite expensive in Africa because there are only a handful of qualified certifiers, so they are generally price setters rather than price takers! However, these additional costs are falling (particularly in the solar energy field where technology is racing ahead) and are typically more than offset by the lower operating costs.

There are many good reasons to build/operate green and by doing so, we can hopefully help to sustain the supply of strawberries and cream at Wimbledon for many future generations.

The Marketplace

- US and China agreed to restart trade talks during the G20 summit
- The current US economic expansion is now the longest on record
- Brent crude gained 2.1%, ending the week at \$66.6 per barrel
- Gold prices rose 1.1%, ending the week at \$1409.6 per ounce

Market Focus

US

- The annual G20 summit took place over the weekend, with most of the news from the event surrounding the US and China resuming trade talks.
- President Trump confirmed that the US would not be adding tariffs on \$300 billion worth of Chinese imports and would allow US companies to continue to sell to the Chinese tech giant Huawei.
- The 18 largest US banks passed the qualitative stress test set by the US Federal Reserve, giving the banks the signal to proceed with their capital plans
- Despite a decline of -0.3% on the week, US equities performed strongly in June, returning 7%.
- The 10-year US Treasury yield fell -4.9 basis points over the week and dipped below 2%. That marked the 8th consecutive weekly rally, the longest streak since 2012.

Europe

- The EU and South American economic bloc Mercosur agreed on a trade deal after 20-years of negotiations.

- The 10-year German Bund yield fell by -4.3 basis points, to a record 10-year low last week, as European economic indicators continued to disappoint, such as economic confidence which dropped to its lowest reading since August 2016.
- Italy decided to delay formally setting a lower deficit target for 2020, causing its tensions with the EU to rise.
- Most European equity indices gained marginally amid the hope that the G20 summit would ease trade tensions.

UK

- The UK Conservative party now has its two candidates for the next Prime Minister, Boris Johnson and Jeremy Hunt, with the results being released on the 23rd of July
- The Confederation of British Industry's (CBI) monthly retail sales survey fell to -42 from -27 in May, the lowest since March 2009.
- UK equities returned 0.4% over the week

Asia/Rest of The World

- Brazil's real fell against the US dollar due to the central bank cutting its economic growth forecast by 1.2% to 0.8%, with a further comment that its growth is likely to be lower than expected through 2021.
- The Indian equity market performed strongly over the week, returning 1.5%.
- The Caixin China manufacturing PMI fell to 49.4 in June, from 50.2 in May, dropping below the 50-point level that separates expansion from contraction

Asset Class/Region	Currency	Currency returns			
		Week ending 28 June 2019	Month to date	YTD 2019	12 months
Developed Market Equities					
United States	USD	-0.3%	7.0%	18.2%	9.8%
United Kingdom	GBP	0.4%	4.0%	13.0%	1.9%
Continental Europe	EUR	0.1%	5.1%	17.3%	7.0%
Japan	JPY	0.5%	2.8%	5.2%	-8.0%
Asia Pacific (ex Japan)	USD	0.8%	6.3%	12.2%	2.3%
Australia	AUD	-0.3%	3.7%	19.7%	11.2%
Global	USD	0.0%	6.6%	17.0%	6.8%
Emerging markets equities					
Emerging Europe	USD	1.3%	7.6%	20.4%	18.6%
Emerging Asia	USD	0.8%	6.4%	9.7%	-0.3%
Emerging Latin America	USD	-1.2%	6.2%	12.6%	20.4%
BRICs	USD	0.4%	6.3%	13.8%	5.4%
MENA countries	USD	-1.1%	2.3%	8.9%	6.2%
South Africa	USD	-0.7%	6.3%	11.3%	4.7%
India	USD	1.5%	0.0%	10.4%	12.5%
Global emerging markets	USD	0.4%	6.2%	10.6%	3.4%
Bonds					
US Treasuries	USD	0.4%	0.9%	5.4%	7.5%
US Treasuries (inflation protected)	USD	0.2%	0.8%	6.4%	4.9%
US Corporate (investment grade)	USD	0.7%	2.4%	9.9%	10.8%
US High Yield	USD	0.0%	2.3%	9.9%	7.5%
UK Gilts	GBP	-0.3%	0.2%	5.0%	5.1%
UK Corporate (investment grade)	GBP	0.0%	1.5%	7.0%	6.4%
Euro Government Bonds	EUR	0.5%	2.3%	6.0%	6.7%
Euro Corporate (investment grade)	EUR	0.2%	1.6%	5.4%	4.8%
Euro High Yield	EUR	0.2%	2.4%	7.8%	5.7%
Japanese Government	JPY	-0.3%	0.7%	2.9%	3.3%
Australian Government	AUD	-0.3%	1.2%	7.8%	11.4%
Global Government Bonds	USD	0.4%	2.1%	5.4%	6.0%
Global Bonds	USD	0.5%	2.2%	5.6%	6.2%
Global Convertible Bonds	USD	0.3%	3.2%	7.5%	2.9%
Emerging Market Bonds	USD	-0.2%	4.1%	10.8%	11.7%

Asset Class/Region	Currency	Currency returns			
		Week ending 28 June 2019	Month to date	YTD 2019	12 months
Property					
US Property Securities	USD	-2.2%	1.1%	17.1%	9.8%
Australian Property Securities	AUD	-2.3%	2.6%	16.7%	13.7%
Asia Property Securities	USD	-0.6%	4.5%	12.7%	11.0%
Global Property Securities	USD	-1.0%	2.4%	15.0%	8.7%
Currencies					
Euro	USD	0.2%	1.8%	-0.8%	-1.9%
UK Pound Sterling	USD	-0.1%	0.5%	-0.4%	-3.1%
Japanese Yen	USD	-0.4%	0.6%	1.6%	2.3%
Australian Dollar	USD	1.2%	1.1%	-0.5%	-4.7%
South African Rand	USD	1.9%	3.6%	2.0%	-2.1%
Swiss Franc	USD	0.1%	2.6%	0.6%	2.1%
Chinese Yuan	USD	0.0%	0.6%	0.2%	-3.5%
Commodities & Alternatives					
Commodities	USD	0.8%	3.1%	7.6%	-6.4%
Agricultural Commodities	USD	-0.8%	-0.1%	-1.1%	-5.1%
Oil	USD	2.1%	3.2%	23.7%	-14.5%
Gold	USD	1.1%	8.0%	10.0%	12.8%
Hedge funds	USD	-0.1%	1.8%	4.1%	-1.9%

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