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Build in ESG

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According to the International Energy Agency (IEA), real estate generates 40% of global CO2 emissions. The sector is therefore critical to global efforts to meet the Paris Climate Agreement's target of limiting average temperature rise to well below 2°C. With two-thirds of global building stock expected to endure into the 2040's, significant investment in decarbonisation efforts across existing infrastructure is required, alongside increasingly stringent (and capital-intensive) new-build regulations. Here in the UK, the Minimum Energy Efficiency Standards (MEES) are set to tighten by 2030, with all tenanted commercial property buildings requiring an Energy Performance Certificate (EPC) rating of at least a B. Meeting these requirements will demand substantial investment as it's estimated that up to 70% of commercial property space could be at risk of non-compliance.

At Momentum we believe it is vital for the sector to manage and reduce these levels. We hold the same expectation for our Real Estate Investment Trusts (REITs) in which we invest, as well as our in-house real estate fund, MAREF (Momentum Africa Real Estate Fund).

Momentum invests both directly and indirectly into the real estate sector via MAREF, a pooled vehicle facilitating investment in African real estate for our clients and REITs. Although these are two different investment approaches, the Environment Social and Governance (ESG) criteria do 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 since 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. Additionally, safety measures such as fire safety will be applicable towards governance scores.

In MAREF, we uphold stringent ESG standards. This commitment was recognised when we received EDGE (Excellence in Design for Greater Efficiencies) certification for our assets in Ghana in April 2023. EDGE is a green building certification system developed by the International Finance Corporation (IFC). Additionally, we are working towards Leadership in Energy and Environmental Design (LEED) silver certification for our current project in Nairobi, Kenya. Similar to EDGE, LEED was developed by the US Green Building Council to set a benchmark for design, construction, maintenance, and operation of high-performance green buildings. IFC EDGE and LEED are comparable to BREEAM in the UK. In terms of the social aspect of ESG, one of MAREFs 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, 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 developer, Eris Property Group (fellow subsidiary of Momentum Metropolitan Holdings).

The indirect investments, the REITs in which MGIM's daily dealing funds invest, have well-defined ESG policies that they strictly follow and are accountable for. Throughout our investment process, ESG principles hold significant weight as a key criterion. Not only do we expect managers to aim for the highest ESG standards, but also to provide concrete evidence demonstrating their successful efforts in implementing their ESG strategies. This proactive approach involves efficient management of energy, waste, water, materials, and carbon emissions. Such efforts are demonstrated through the day-to-day management of assets, wherein they work to minimise the carbon footprint of their portfolio while maintaining excellent service standards for their occupants.

At Momentum, we are committed to contributing to a more sustainable world, both through direct actions and indirect means. For this aspiration to be realised, it's essential for everyone to actively participate in propelling the implementation of ESG practices forward.

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Market Focus - 21 August 2023

- Global equities fell 2.5% last week
- All major world indices declined last week, and Bitcoin hit a two-month low
- Brent crude fell 2.3% to $84.8 a barrel
- Gold fell 1.3% % to $1889.3 per ounce

US

- US equities fell 2.1% last week, with metal, materials and oil/ gas outperforming; whilst banks and homebuilders declined
- July meeting minutes showed that most Fed officials see “significant” upside risks to inflation that may require more tightening.
- US core retail sales month-on-month for July were 1% (-0.3% expected)
- US initial jobless claims were 239k last week (vs 240k expected)

UK

- UK equities fell 3.4 % last week
- The June average Earning Index and Bonus was 8.2% (vs 7.3% expected)
- Consumer Price Index (month-on-month for July was -0.4% (vs -0.5% expected)
- Core retail sales month-on-month for July was -1.2% (vs -0.5% expected)
- Annual inflation slowed in July to 6.8% from 7.9% in June, driven lower by falling energy and food prices

Europe

- European equities fell 2.2% last week, with retail and telecoms outperforming industrial goods and travel/ leisure
- It was a quiet week for volumes with Assumption Day celebrated in Italy on 12 August

Rest of the World/Asia

- Crude oil inventories were -5.96m barrels (vs -2.32m expected)
- Global Emerging Market Equities fell 3.3% last week
- Japanese equities fell 2.9% despite a stronger Q2 Gross Domestic Purchase (GDP) of 1.5% (vs 0.8% expected)
- Chinese equities fell 5.6% last week
- Japan’s GDP grew by an annualized 6.0% quarter-on-quarter in the three months to the end of June 2023, far exceeding the 2.9% expansion forecast by economists
- China’s Central Bank unexpectedly lowered key interest rates as it ramped up stimulus to support a weakening economy. The Peoples Bank of China cut the rate on its one-year Medium-term Lending Facility loans by 15bps to 2.5% and lowered the seven-day reverse repo rate by 10bps to 1.8%. Fixed-asset investment from January to July was also worse than expected Separately, authorities are considering cutting the stamp duty on stock trades for the first time since 2008
- China’s state-owned property developers are sending warnings of widespread losses, fuelling concerns that the crisis is expanding. Goldman Sachs has cut its China stock targets on contagion risk from the property slump

Past performance is not indicative of future returns. Source: Bloomberg Finance L.P., returns in local currency unless otherwise stated.

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Market Summary - 21 August 2023

Asset Class / Region	Currency	Cumulative returns: Week ending 18 August	Month to date	YTD 2023	12 months
Developed Markets Equities					
United States	USD	-2.1%	-4.7%	14.7%	3.2%
United Kingdom	GBP	-3.4%	-4.9%	-0.3%	-0.5%
Continental Europe	EUR	-2.2%	-4.6%	9.5%	6.8%
Japan	JPY	-2.9%	-3.7%	20.0%	15.5%
Asia Pacific (ex Japan)	USD	-3.7%	-8.2%	0.0%	-3.2%
Australia	AUD	-2.4%	-3.2%	4.0%	5.2%
Global	USD	-2.5%	-5.3%	12.6%	4.3%
Emerging Markets Equities					
Emerging Europe	USD	-3.9%	-4.3%	18.8%	42.8%
Emerging Asia	USD	-3.5%	-8.0%	1.6%	-2.9%
Emerging Latin America	USD	-2.7%	-7.9%	14.8%	12.2%
BRICs	USD	-4.0%	-8.6%	-1.8%	-4.4%
China	USD	-5.6%	-11.1%	-6.9%	-7.9%
MENA countries	USD	-0.4%	-2.7%	3.5%	-11.5%
South Africa	USD	-5.8%	-14.1%	-8.5%	-8.9%
India	USD	-0.8%	-3.1%	7.0%	4.3%
Global emerging markets	USD	-3.3%	-7.7%	2.8%	-1.9%
Bonds					
US Treasuries	USD	-0.4%	-1.4%	0.0%	-4.1%
US Treasuries (inflation protected)	USD	-0.7%	-1.9%	0.2%	-6.1%
US Corporate (investment grade)	USD	-0.7%	-2.2%	1.4%	-2.4%
US High Yield	USD	-0.8%	-1.1%	5.7%	2.1%
UK Gilts	GBP	-1.3%	-3.2%	-6.0%	-16.8%
UK Corporate (investment grade)	GBP	-1.2%	-2.2%	-0.8%	-7.8%
Euro Government Bonds	EUR	-0.2%	-0.9%	1.5%	-7.8%
Euro Corporate (investment grade)	EUR	-0.1%	-0.5%	2.6%	-2.6%
Euro High Yield	EUR	-0.3%	-0.3%	5.2%	3.3%
Japanese Government	JPY	-0.4%	-0.6%	0.5%	-3.2%
Australian Government	AUD	-0.5%	-0.6%	1.2%	-1.3%
Global Government Bonds	USD	-0.7%	-2.1%	-1.1%	-5.0%
Global Bonds	USD	-0.8%	-2.2%	0.5%	-3.5%
Global Convertible Bonds	USD	-2.1%	-4.8%	3.4%	0.2%
Emerging Market Bonds	USD	-2.2%	-3.3%	1.8%	0.4%

Asset Class / Region	Currency	Cumulative returns: Week ending 18 August	Month to date	YTD 2023	12 months
Property					
US Property Securities	USD	-3.2%	-5.5%	1.9%	-13.4%
Australian Property Securities	AUD	1.4%	-1.3%	4.1%	-4.4%
Asia Property Securities	USD	-4.1%	-7.7%	-10.5%	-12.7%
Global Property Securities	USD	-3.2%	-5.9%	-0.9%	-12.4%
Currencies					
Euro	USD	-0.7%	-1.2%	1.5%	7.8%
UK Pound Sterling	USD	0.4%	-0.9%	5.3%	6.8%
Japanese Yen	USD	-0.1%	-2.0%	-9.7%	-6.5%
Australian Dollar	USD	-1.2%	-4.6%	-5.9%	-7.2%
South African Rand	USD	-0.1%	-6.0%	-10.1%	-11.0%
Swiss Franc	USD	-0.5%	-1.4%	4.5%	8.5%
Chinese Yuan	USD	-0.6%	-1.9%	-5.3%	-6.8%
Commodities & Alternatives					
Commodities	USD	-1.4%	-2.1%	-1.8%	-4.0%
Agricultural Commodities	USD	0.0%	-1.3%	3.0%	5.2%
Oil	USD	-2.3%	-0.9%	-1.3%	-12.2%
Gold	USD	-1.3%	-4.1%	3.6%	7.5%
Hedge funds*	USD	0.0%	0.0%	1.0%	0.0%

*Hedge funds data as at 27 July 2023.
Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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