

Carolean Carousel



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May is one my favourite months. Not only is it my birth month (the excitement fades a little each year), but the cherry blossom, lighter evenings, and smell of freshly cut grass mark the seasonal transition. Spring has sprung I like to say. In the UK we also get bookended bank holidays on the first and last Mondays of the month. This year however, we got a third,

and who could avoid the spectacular pageantry last weekend of the coronation of King Charles III, beamed into our homes as never before in HD. Three four-day weeks in a month - hurrah, three cheers for the King! There is probably no better example of stage-managed succession planning than the coronation of a new British monarch.

There is a natural linkage between the concept of success and that of succession. Derived from the Latin word *successus*, success literally means advancing or climbing, or following after. Thus, it seems fair to equate success with effective stewardship, and in order to maintain success over the longer term you must have succession planning. At Momentum, this is something we look for in the managers with whom we invest; to ensure continuity of an investment process - and to ensure its success - the business should ideally be structured in a way to promote and incentivise the next generation of leaders. This also helps ensure there is an alignment of interests between the employees and the business, which in turn helps align their interests with those of our clients. We employ several third-party managers whose founders have built successful investment businesses and who are now looking to facilitate a smooth transition to their protégés. In the investment world this is probably most well recognised with Warren Buffett and Charlie Munger, aged 92 and 99 respectively, who have anointed Greg Abel as their heir apparent at Berkshire Hathaway, although at 60 he should maybe start to think about his own successor!

As well as looking outward to those we choose to partner with, it is equally important to our own investment process to reflect this internally. The success of our clients is inextricably linked with the success of our own firm, and that of our selected investment managers. I have highlighted in a previous blog¹ how at Momentum we like to 'grow our own timber' and have recruited some exciting young prospects into the team over the years, such that one of the first interns we took in is now head of the investment desk (and considerably younger than Mr Abel too).

Sources: ¹ Jassy: Jeff's Fresh Prince. August 2021.

The concept of stewardship applies as much to investing as it does to 'The Crown' and is fundamental to the bond of trust that exists between investment managers like us and our clients, and to companies and their investors. As custodians of other people's assets there is a fiduciary duty to act in the interests of the clients or beneficiaries. Often there is an inter-generational transfer of wealth and effective stewardship is required to ensure that happens successfully. Last week I attended a conference hosted by one of our managers who pride themselves on not only being effective stewards of their clients' money, but also in identifying companies that embody the concept of sustainable investing. This is qualified through the lens of generating sustainable earnings over time, often investing alongside the founding family, where effective stewardship is guided by a sense of moral purpose which spans the environmental, social and governance issues that encompass today's 'ESG' debate. Investing in this way is more likely to achieve sustainable earnings that can be passed on to the next generation.

As we usher in a new Carolean era, and to coin a luxury watchmaker's slogan, King Charles will do well to remember that you never really own the crown and sceptre, you simply look after it for the next generation.

There is a natural linkage between the concept of success and that of succession.

With us, investing is personal

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Market Focus - 15 May 2023

- » Global equities fell 0.4% last week
- » President Biden will continue to meet with Republican Speaker of the House Kevin McCarthy this week as negotiations continue over a deal to raise the debt ceiling and avoid a default of US Government debt
- » Brent crude fell by 1.5% to \$74.17 per barrel
- » Gold fell by 0.3% to \$2010.77 per ounce

US

- » US equities fell 0.3% last week
- » Headline year-on-year Consumer Price Index (CPI) came in at 4.9% in April, marking the first time in two years it had fallen beneath 5%
- » Core inflation remained stubbornly persistent at 5.0%, which is still too fast for comfort for the Federal Reserve
- » The Senior Loan Officer Opinion Survey saw a net percentage of banks tightening lending standards on commercial and industrial (C&I) loans to medium/large businesses rise to 46% from 44.8% in Q4

UK

- » UK equities fell 0.2% last week
- » The Bank of England (BoE) announced another 25bps hike that took the Bank Rate up to a post-2008 high of 4.5%
- » The BoE also announced significant upwards revisions to their forward Gross Domestic Product (GDP) growth projections rising to 0.25% for 2023 and 0.75% for 2024 and 2025
- » UK GDP expanded by 0.1% in the first quarter of 2023

Europe

- » European equities returned 0.4% last week
- » The European Central Bank's (ECB) latest consumer expectations survey for March showed inflation expectations were moving higher again after their recent decline, with the one-year expectation up to 5.0%, and the three-year expectation up to 2.9%
- » The ECB has reaffirmed its hawkish position saying it might still be hiking in September. President Lagarde herself reiterated that the ECB's fight against inflation "is not over"

Rest of the World/Asia

- » Global emerging market equities fell 0.9% last week
- » Japanese equities rose by 1.2% last week
- » China's exports (USD) recorded a second straight month of growth, advancing 8.5% year-on-year in April (vs. 8.0% expected), compared with an increase of +14.8% last month
- » Chinese imports contracted 7.9% in April, higher than the market expected decline of 0.2% indicating that domestic demand remains tepid
- » China's CPI rose 0.1% year-on-year in April (vs. 0.3% expected), its lowest rate since February 2021. The Producer Price Index fell 3.6% over the same period
- » Household spending in Japan unexpectedly fell 1.9% year-on-year in March

Market Summary

Cumulative returns					
Asset Class / Region	Currency	Week ending 12 May	Month to date	YTD 2023	12 months
Developed Markets Equities					
United States	USD	-0.3%	-1.0%	7.9%	6.2%
United Kingdom	GBP	-0.2%	-1.3%	5.6%	11.1%
Continental Europe	EUR	0.4%	0.4%	12.8%	14.6%
Japan	JPY	1.0%*	1.9%	12.2%	17.8%
Asia Pacific (ex Japan)	USD	-1.3%	-0.7%	1.6%	2.4%
Australia	AUD	0.8%	-0.5%	4.9%	9.4%
Global	USD	-0.4%	-0.8%	8.7%	8.3%
Emerging Markets Equities					
Emerging Europe	USD	3.1%	2.9%	9.9%	33.0%
Emerging Asia	USD	-1.3%	-0.6%	1.7%	1.3%
Emerging Latin America	USD	2.8%	4.0%	10.9%	14.1%
BRICs	USD	-0.7%	0.0%	-1.1%	4.0%
China	USD	-2.3%	-1.6%	-2.3%	3.0%
MENA countries	USD	0.9%	0.2%	2.9%	-12.8%
South Africa	USD	-6.9%	-8.4%	-8.2%	-8.4%
India	USD	-0.3%	0.8%	1.9%	10.3%
Global emerging markets	USD	-0.9%	-0.3%	2.4%	1.5%
Bonds					
US Treasuries	USD	-0.2%	-0.1%	3.6%	-1.0%
US Treasuries (inflation protected)	USD	-0.3%	-0.1%	3.4%	-2.7%
US Corporate (investment grade)	USD	-0.1%	-0.6%	3.7%	0.1%
US High Yield	USD	0.0%	-0.4%	4.3%	3.2%
UK Gilts	GBP	-0.1%	-0.6%	-0.2%	-17.6%
UK Corporate (investment grade)	GBP	0.1%	-0.2%	2.4%	-9.0%
Euro Government Bonds	EUR	0.2%	0.2%	2.7%	-8.8%
Euro Corporate (investment grade)	EUR	0.1%	0.2%	2.5%	-3.9%
Euro High Yield	EUR	0.2%	0.3%	3.4%	0.8%
Japanese Government	JPY	0.3%	0.0%	2.7%	-1.0%
Australian Government	AUD	0.0%	0.1%	5.2%	3.8%
Global Government Bonds	USD	-0.4%	-0.3%	3.1%	-3.7%
Global Bonds	USD	-0.5%	-0.5%	3.5%	-2.5%
Global Convertible Bonds	USD	-0.4%	0.2%	2.2%	1.3%
Emerging Market Bonds	USD	0.2%	0.2%	2.6%	0.7%

Cumulative returns					
Asset Class / Region	Currency	Week ending 12 May	Month to date	YTD 2023	12 months
Property					
US Property Securities	USD	-1.5%	-1.0%	2.1%	-7.6%
Australian Property Securities	AUD	-0.1%	1.2%	6.4%	0.4%
Asia Property Securities	USD	-2.1%	-1.7%	-3.4%	-4.8%
Global Property Securities	USD	-1.8%	-1.5%	0.8%	-7.9%
Currencies					
Euro	USD	-1.6%	-1.6%	1.3%	4.8%
UK Pound Sterling	USD	-1.5%	-1.0%	2.9%	2.1%
Japanese Yen	USD	-0.7%	0.3%	-3.4%	-5.4%
Australian Dollar	USD	-1.6%	0.4%	-2.6%	-3.2%
South African Rand	USD	-4.7%	-5.3%	-11.8%	-16.6%
Swiss Franc	USD	-0.8%	-0.7%	2.7%	11.8%
Chinese Yuan	USD	-0.7%	-0.7%	-0.9%	-2.5%
Commodities & Alternatives					
Commodities	USD	-1.8%	-3.7%	-8.9%	-16.7%
Agricultural Commodities	USD	-2.2%	-0.2%	-3.0%	-14.6%
Oil	USD	-1.5%	-6.8%	-13.7%	-31.0%
Gold	USD	-0.3%	1.0%	10.2%	10.1%
Hedge funds	USD	0.1%	0.0%	0.3%	0.1%

Note: *data as of 2 May 2023

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