

Off-piste

Jackson Franks

Ljubljana, Slovenia had the dubious honour of being the destination for a weekend ski trip for me and a handful of Momentum colleagues. It had been 10 years since I last skied and as I stood at the top of the mountain for my first run I quickly realised that the fear of falling was significantly greater than it was in my teenage years. After taking in the views and doing what I believe most Londoners do, contemplate why they live in London after seeing such scenery, I suddenly recognised that skiing is not too dissimilar from investing in the property market.

At Momentum we invest directly and indirectly into the property market via global companies and our own African Real Estate Fund, known as MAREF. But how does a real estate investment have any similarities to skiing? Well let's break it down into three phases;

Phase #1 - Pre-construction or in skiing terminology, the chair lift

The chair lift is the time to plan. You get a bird's eye view of the resort, where you can strategize for the most successful route down whilst minimising the risk of (let's face it) death. As with the chair lift, the pre-construction phase of a development is the time to plan. It's the stage of the process where you minimise the risks whilst ensuring the project is financially viable for your investors. MAREF has strict requirements that must be met before we can move on to developing any asset, these include:

- Securing land title and zoning
- Substantially finalise project costing and design upfront
- The project must be 60% pre-let
- Debt funding must be prearranged

Phase #2 - Construction or better known as the ski run

As you ski off the chair lift without bringing down your colleagues, family, friends or fellow skier you are presented with the run. At this point you must trust your process to get down the slope successfully. You have envisaged the run, prepared for all issues you may encounter on the way down and planned accordingly. As with a development, you stare at the vacant land as you prepare to break ground and envisage the final product. You may encounter issues during the construction phase but must trust your process. You have mitigated your risks in your pre-construction phase and now you must trust your appointed professionals to deliver a product to the specifications of your tenants within a timeframe and budget. To date MAREF has completed three Grade A office developments on time and on or under budget.

Phase #3 - Post-completion or what skiers call the après-ski

The après-ski, like post-completion is by no means the time to relax. It is the time to collect the kitty, to ensure the day on the slopes remains a success. There may be one or two who try to short change you, or even not pay but the quick reminder of not receiving a Bombardino to drink quickly eradicates that risk. As with a development, the importance of tenants paying their rent on time is key to the success of the asset and the reason for MAREF being tenant driven. MAREF offers residents world class facilities to operate in, with first class services. We deliver international grade A standards to the African property market to enable businesses in growing economies to thrive, because we know that, without our tenants, the lights go out.

MAREF currently sits on the chair lift with the handle bars pulled down, scouting the slopes ready for the next run.

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Market Focus

- » US December retail sales unexpectedly fall 1.2% - the largest drop since September 2009
- » Germany narrowly avoids technical recession
- » Brent crude rallied 6.7% to \$66.3 per barrel, buoyed by the prospect of output cuts
- » Gold prices increased 0.2% on the week to \$1317.7 per ounce

US

- » President Trump signed a spending bill to avoid another partial government shutdown and in an attempt to bypass Congress President Trump will 'take other executive action - including a national emergency - to ensure the national security and humanitarian crisis at the border is stopped'
- » The 10-year Treasury yield increased modestly over the week despite a sharp decrease on Thursday following the unexpected drop in December retail sales
- » Inflation data continues to show limited upward pressure on prices. Lower energy prices have helped slow the annual rate of headline inflation to +1.6%
- » US equities rallied 2.5% on the week, with stocks in the energy and industrials sectors generating the strongest returns

UK

- » Prime Minister May suffered another defeat in the House of Commons after MPs voted down a motion endorsing the government's negotiating strategy
- » UK annual inflation rate fell to +1.8% in January from +2.1% in the previous month and below market expectations, dragged lower by falling energy prices
- » UK retail sales rebounded 1.0% in January versus consensus for a 0.2% increase and reversing a downwardly revised 0.7% drop in December
- » UK equities increased 2.6% in Sterling terms on the week

Europe

- » Germany's GDP growth was flat in the final quarter of 2018 in the wake of a Q3 decline, allowing Europe's largest economy to narrowly avoid falling into a technical recession
- » Spain's Prime Minister Pedro Sánchez calls a snap general election for 28th April after Parliament rejected the government's national budget
- » Despite more signs of a slowing eurozone economy, continental European equities rallied 3.3% in Euro terms, buoyed by fresh signs of progress in US-China trade negotiations

Rest of the World/Asia

- » China's CPI inflation slowed to +1.7% year-on-year in January, missing expectations of +1.9%
- » Chinese stocks posted weekly gains of 2.5%
- » Japan's economic growth for the last three months of 2018 rebounded from a slump in the previous quarter, growing at an annual rate of 1.4%
- » Japanese equities advanced 2.5% on the week

Currency returns					
Asset class/region	Currency	Week ending 15 February	Month to date	YTD 2019	12 months
Developed markets equities					
United States	USD	2.5%	2.7%	10.9%	3.0%
United Kingdom	GBP	2.6%	4.1%	7.9%	4.1%
Continental Europe	EUR	3.3%	2.8%	9.0%	-0.5%
Japan	JPY	2.5%	0.6%	5.6%	-6.2%
Asia Pacific (ex Japan)	USD	-0.2%	-0.3%	7.0%	-9.3%
Australia	AUD	0.2%	3.7%	7.7%	7.1%
Global	USD	2.3%	2.0%	9.9%	-1.1%
Emerging markets equities					
Emerging Europe	USD	-1.2%	-3.3%	7.9%	-11.4%
Emerging Asia	USD	-0.5%	-1.0%	6.3%	-12.3%
Emerging Latin America	USD	1.1%	-2.2%	12.5%	-4.5%
BRICs	USD	-0.4%	-1.2%	8.6%	-11.6%
MENA countries	USD	-1.0%	-0.9%	5.5%	7.9%
South Africa	USD	-2.6%	-8.1%	3.1%	-27.0%
India	USD	-2.2%	-1.5%	-3.5%	-7.6%
Global emerging markets	USD	-0.5%	-1.8%	6.8%	-12.2%
Bonds					
US Treasuries	USD	-0.2%	0.0%	0.5%	3.7%
US Treasuries (inflation protected)	USD	0.0%	-0.1%	1.3%	2.0%
US Corporate (investment grade)	USD	0.0%	0.3%	2.6%	2.7%
US High Yield	USD	0.6%	0.9%	5.4%	4.0%
UK Gilts	GBP	-0.2%	0.6%	1.7%	5.9%
UK Corporate (investment grade)	GBP	-0.1%	0.4%	2.3%	3.0%
Euro Government Bonds	EUR	0.2%	-0.3%	0.8%	2.4%
Euro Corporate (investment grade)	EUR	0.1%	0.6%	1.7%	1.1%
Euro High Yield	EUR	0.5%	0.6%	2.8%	-0.6%
Japanese Government	JPY	-0.1%	0.4%	0.9%	2.0%
Australian Government	AUD	0.0%	1.0%	1.7%	8.0%
Global Government Bonds	USD	-0.4%	-1.0%	0.3%	-1.6%
Global Bonds	USD	-0.3%	-0.8%	0.6%	-1.4%
Global Convertible Bonds	USD	0.7%	0.8%	4.9%	-2.2%
Emerging Market Bonds	USD	-0.3%	-0.6%	4.5%	1.9%

Source: Bloomberg. Past performance is not indicative of future returns.

Currency returns					
Asset class/region	Currency	Week ending 15 February	Month to date	YTD 2019	12 months
Property					
US Property Securities	USD	0.6%	1.8%	13.7%	18.7%
Australian Property Securities	AUD	-0.6%	2.8%	9.1%	17.1%
Asia Property Securities	USD	-0.6%	-1.5%	7.8%	2.3%
Global Property Securities	USD	-0.3%	-0.3%	10.2%	7.6%
Currencies					
Euro	USD	-0.5%	-1.5%	-1.6%	-9.6%
UK Pound Sterling	USD	-0.5%	-1.9%	1.0%	-8.4%
Japanese Yen	USD	-0.8%	-1.6%	-0.8%	-3.5%
Australian Dollar	USD	0.4%	-2.0%	1.2%	-10.0%
South African Rand	USD	-3.7%	-5.9%	1.7%	-17.4%
Swiss Franc	USD	-0.7%	-1.3%	-2.3%	-8.0%
Chinese Yuan	USD	-0.4%	-1.1%	1.6%	-6.4%
Commodities & Alternatives					
Commodities	USD	1.9%	1.2%	7.9%	-2.5%
Agricultural Commodities	USD	-0.9%	-1.6%	0.5%	-8.2%
Oil	USD	6.7%	7.0%	23.1%	3.0%
Gold	USD	0.2%	-0.3%	2.8%	-2.5%
Hedge funds	USD	0.1%	0.3%	2.4%	-5.7%

Source: Bloomberg. Past performance is not indicative of future returns.

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