

Momentum Investments expands offshore investment offering

Diversification has long been hailed as the best strategy to manage risk in an investment portfolio, and increasingly South African investors are not only looking to diversify in terms of investment category, but in terms of geography as well. Sustainability too has become a central focus for the modern investor.



Source: [Pexels](#)

To combat local market volatility, Momentum Investments has observed that many investors are seeking offshore as well as sustainable investments to further diversify their portfolios. To this end, Momentum Investments recently unveiled two new global equity funds for its South African investor market: the Momentum GF Global Equity Fund and the Momentum GF Global Sustainability Equity Fund. They represent two long-established global equity solutions that have already been proven to be a success with investors across the globe.

At the South African launch of the funds, Chief Executive Officer at Momentum Global Investment Management (MGIM), Ferdi van Heerden, said, "There is a lot of interest in off-shore investing from South African investors for a variety of reasons. For some, they have foreign interests and want to invest offshore in a way that links to their interests. For others, they may be concerned about the strength of the Rand and the local economy and would prefer to put their money overseas."

A diversified offering

"Whatever the reason, we believe there is value to be found both locally and offshore and we have aligned our investment products to this belief. Our new global equity funds expand our offshore investment offering and [it stands to] attract socially and environmentally minded local investors."

Managed by MGIM, both funds are US Dollar-denominated and provide South African investors with exposure to a diversified basket of developed market equities. The funds are suited to investors with a high-risk profile and a long-term investment horizon. Both funds aim to deliver long-term capital growth and to outperform against their benchmark, the MSCI World NR Index, over rolling three-year periods.

The benefits for South African investors is that The Momentum GF Global Equity Fund blends three core investment styles focused on quality, growth and value in an effort to offer a smooth investment journey. The underlying equities are accessed through specialist global active and systematic fund managers, to whom many South African investors would otherwise not have access.

“It is important to consider this broadly diversified strategy given this unique macroeconomic backdrop. Whatever may happen, changes will come, and it is best to diversify than to blindly chase past performance. We believe we have the right balance in terms of the number of managers and conviction levels of their portfolios. With such a large [number] of stocks to choose from globally, how can one justify concentrating [on] one or two strategies that only give exposure to a few dozen companies?” explains Director of Investment Management at MGIM, Andrew Hardy. He is one of two fund managers overseeing the new Momentum GF Global Equity Fund, alongside MGIM fund manager, Robert White.

The Momentum GF Global Equity Fund follows a balanced style approach and uses specialist third party equity managers from across the world to implement its equity exposure. The fund is therefore suitable as a core equity holding for investors who want to generate long-term capital growth by investing in a diversified US Dollar-denominated global equity fund and who can tolerate the heightened levels of volatility associated with equity funds as a whole.

Putting the future first

In contrast, the Momentum GF Global Sustainable Equity Fund is actively managed using a systematic multi-factor approach to stock selection. The fund also integrates sustainability by including environmental, social and corporate governance (ESG) criteria into its stock selection process. This allows for the achievement of an ESG rating and environmental footprint that could surpass even its own original target benchmark. The latter would be in the form of lower greenhouse gas emissions, waste generation and water consumption. The underlying equities are accessed through an asset manager based in Rotterdam.



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Lorenzo La Posta, senior analyst at MGIM and one of the fund managers for the Momentum GF Global Sustainability Equity Fund, says, “Our fund will give you not only exposure to global equities, but also a strong sustainability profile, a lower environmental footprint, and, over a full business cycle, a higher chance of outperforming the benchmark. All of this is constructed in a sophisticated way with proprietary factor definitions that incorporate advanced trading models, customised parameters and a wealth of knowledge and expertise behind it all”.

“As strong advocates of active management this product is a data-driven active fund that keeps all the good things about passive investment while enhancing the return potential and ESG characteristics,” La Posta says.

La Posta manages this new fund alongside Hardy, who also manages the new Momentum GF Global Equity Fund.

The fund's enhanced index approach combines the best of both active and passive management, resulting in lower fees than traditional actively managed equity funds, but with higher return potential. The fund is therefore suitable for cost-sensitive investors who want to generate long-term capital growth by investing in a diversified US Dollar-denominated global equity fund that actively integrates ESG criteria in the stock selection.

Investors should be able to tolerate the heightened levels of volatility associated with equity funds.

The best of both worlds

By adding to the existing US Dollar-denominated multi-asset offerings, Head of Momentum Collective Investments Kapil Joshi says that Momentum is introducing more world class offerings to enhance its global investment toolkit.

"With these two funds, not only do they give SA investors access to best in class, third-party equity investment managers from around the world, but you can also be confident that the solutions will continue to be relevant in an ever-changing investment landscape. Together, these funds provide investors with the best of all worlds."

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