

Staying the course

by Alex Harvey, CFA

As we come into 2021's home straight, few moments can match the drama and rivalry that played out yesterday in Abu Dhabi as the Formula One season drew to a close. A nail-biting final lap decided the 2021 championship after the two key protagonists, Lewis Hamilton and Max Verstappen, started the race on equal points. Even those not of a petrolhead persuasion would be hard pushed not to have enjoyed the spectacle. The lesson of the day was to never give up. In the highly competitive sports arena, we've seen countless times how victory can be snatched from the jaws of defeat. Whilst investment is a different game altogether, similarities can be drawn between our industry and theirs.

The first point of note is that for every driver competing on the track, there is a pit crew of around 20 and a total race team on the ground of perhaps 70 or 80 people. And hundreds more back home. It is a team sport, and everyone has a role to play. Much like an investment business, the faces you see on the factsheets are just the tip of the iceberg and there is a huge team supporting the business beyond the more visible investment desk and sales team.

The car is the investment vehicle and for us that really means the investment process. I like to refer to our process as something of a 'universal chassis', with a shell designed to suit it for the relevant jurisdiction in which we are 'racing' – be that the UK, South Africa, the Middle East, South America or Asia. Conditions will be slightly different in each location and the cars need to be styled accordingly. Higher kerb clearance here, more downforce there. The objective remains the same though; to transport the investment vehicle's passenger – the client – to a shared investment outcome. The only difference perhaps at Momentum is that we may sacrifice speed for comfort, noting our emphasis on the importance of the investment journey.

As we saw in yesterday's race, you also have to take risk. Risk is not always rewarded, but over time considered and calculated risks should translate into improved performance. In Abu Dhabi it was Max Verstappen and the Red Bull team who took the risks (tyre changes) while Lewis Hamilton stuck to his game plan. [In fact, it was something of a free option for Verstappen but that is one for another day].

Ultimately that risk was rewarded as a unique set of circumstances (and a little bit of luck) played out, allowing Verstappen to overtake on the final lap. Tactical decisions were key to his success over the course of the whole championship, not just this race. We take a similar approach with our investment process, with tactical pivots around the long-term strategic investment goal.

There is also an incredible amount of cutting-edge technology that goes into Formula One today compared to yesteryear (albeit it was the best technology at the time). This drives innovation and shows how far we have come, notably with improvements to driving safety as well as speed. Similarities can be drawn with portfolio management today where risk can be calibrated quite precisely, although tyres do still blow out and cars do still spin off the road. Some things cannot be eliminated; you just have to plan for their eventualities.

As a 10-year-old I remember being plucked out of school one day to visit the McLaren factory in Woking, near where I grew up. It was for some publicity in the local newspaper, and I was fortunate enough to sit in a F1 car cockpit for photographs and to meet John Watson who had returned to the team for his last F1 race, driving the injured Niki Lauda's number 1 car. I also remember the striking red livery on the car from the Marlboro cigarette sponsorship deal. Echoing how attitudes and styles have evolved in the investment industry, McLaren's singular focus on Marlboro – and tobacco sponsorship more broadly – has given way to a more diversified blend of sponsors (and brands) including for McLaren the likes of Cisco (Webex), Stanley Black & Decker (DeWalt), Hilton and Dell Technologies. In another 37 years, perhaps electric engines will have replaced petrol ones, or the cars will float on a cushion of air rather than tyres. Who knows? What I think we can be sure of though is that they will still be racing, and people will still be investing. The journey will continue.



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