Perspectives from the Multi-Manager People

Active investing: have we reached the turning point?

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In September last year Rob wrote about the 'push to passive' and the tailwinds that had helped simpler investment strategies outperform. He explored the potential for a change in market regime as the power of quantitative easing faded and inflation perhaps began to build.

Would passives begin to lose their sheen? And would the environment evolve into a more fruitful one for active managers that had struggled to make headway against market momentum?

We'd heard time and again from many of the managers we invest in – and those we were researching – about the latent value in their portfolios and the opportunity they'd had to bolster quality in the sell-off post COVID-19's emergence. As 2020 progressed many felt their portfolios to be well represented in quality businesses set to prosper as the situation improved. These weren't just marketing soundbites with many buying into their own portfolios confident that value would be realised at some point.

The vaccine announcements that began to emerge in November 2020 provided investors with the injection of confidence they needed. Risk assets reacted positively and with the road to normality becoming clearer it became a better environment for active management. Why? Because a handful of large stocks no longer dominated returns, investors began to refocus on fundamentals, and the attractions of 'value' were readily apparent.

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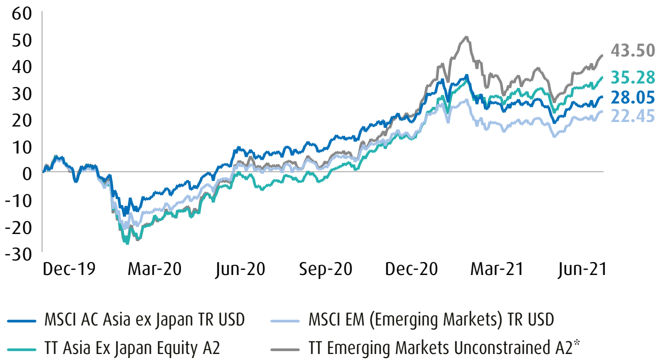
We've seen a broad-based return to form for many managers across our portfolios. Some like RWC's deep value UK Income fund benefiting as 'growth's' dominance subsided. Style trends aren't the only story, however, and as the merits of bottom-up fundamental investing begin to reassert themselves we've seen the likes of Tellworth UK Smaller Companies benefit. Further afield, other holdings have benefited as market leadership becomes less concentrated and the qualities of individual businesses become recognised. The performance of Asian indices, for example, have been less reliant on a handful of Chinese tech names – an environment that has helped the likes of TT Asia Ex Japan.

Economic news continues to point towards an ongoing reopening and recovery in economies and whilst the likes of inflation data needs to be monitored it looks set to be an environment in which select active managers can continue to prosper. This in turn should be good news for our portfolios.

Active resurgence: TT Asia Ex Japan Equity and TT Emerging Markets Unconstrained 1st Jan 2020 to-date



* Contains estimated data

Source: BMO Global Asset Management as at 30-Jun-21

Key risks

Past performance should not be seen as an indication of future performance.

The value of investments and any income derived from them can go down as well as up as a result of market or currency movements and investors may not get back the original amount invested.

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