

# INVESTMENT UPDATE: THE RIGHT MIX OF GROWTH AND VALUE INVESTING

30<sup>th</sup> July 2020

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In an article published last week, I quoted Frank Sinatra to argue that when it comes to investing, 'you've either got or you haven't got style'. What I meant was fund managers take different approaches to picking stocks. You can read my article [here](#), but to briefly recap, growth investors target companies they believe will expand rapidly and generate substantial profits. If a company's prospects are bright enough, a relatively high price won't put them off. On the other hand, value investors focus on how much they pay for a share. A good company may not be a good investment if its shares are too expensive.

Both approaches have their merits but will often deliver outcomes that can be very different in the short term. To manage this risk, the Omnis range contains 'growth' and 'value' funds. To put into context the difference between the two styles, here are a few examples.

The Omnis US Smaller Companies Fund, managed by T. Rowe Price, is a useful starting point in terms of growth within the range. As the name suggests, it invests in smaller companies which are typically still expanding their businesses and growing fast. Looking at the fund's holdings, Twilio, demonstrates this style of investing in action. Twilio's platform allows software firms to develop online communications tools such as videoconferencing. It was only founded in 2008 but is now worth just short of \$35 billion\*.

The Omnis European Equity Opportunities Fund isn't strictly a growth fund, but it tends to target medium and smaller sized companies like Hello Fresh. Founded in Germany in 2011, Hello Fresh delivers meal kits directly to the doors of customers in Western Europe, the US and Australia. It's now worth €7.5 billion\*.

The Omnis Asia Pacific (excluding Japan) Fund, managed by Veritas Asset Management is probably the purest example of a growth fund in the range. Among its holdings is a company called Kweichow Moutai which produces one of the priciest spirits in China (bottles start at around £200 in the UK). Kweichow Moutai is a bit older than the shares discussed above, but thanks to strong demand for its product it's now the largest company listed on the Chinese stock market.

Turning to value, the Omnis Income & Growth Fund is the best example in our range. This fund is managed by Ben Whitmore of Jupiter Asset Management, one of the most well-known value investors in the UK with a long track record of delivering healthy returns. We covered the Income & Growth Fund in [this recent article](#) marking the first anniversary of Ben taking over, so we won't go into further detail here.

The Japanese Equity Fund, managed by Schroder Investment Management, also targets undervalued companies, such as car manufacturer Toyota. Toyota is a classic value holding as it's financially strong and pays a reliable, and by Japanese standards high, dividend (a distribution of the firm's profits with its shareholders).

Finally, let's look at the Emerging Markets Opportunities Fund, managed by Jupiter Asset Management, which typically focuses on small and undervalued companies. Perhaps surprisingly for a value fund, the holding that we've chosen to highlight is a technology stock, microchip producer SK Hynix. Unlike some of its rivals such as Qualcomm and Nvidia which would be considered stereotypical growth shares, manager Ross Teverson decided to add SK Hynix to the portfolio as it appeared relatively cheap.

While spreading your money across asset classes and regions, a process known as diversification, is one of the principles of successful investing, having access to different styles is important too. That's why the Omnis range of funds consists of a blend of growth and value. As I discussed in my article, they tend to complement each other.

Growth, powered by US technology shares, has outperformed over the last ten years. The difference in valuation between growth and value shares is at a record high. However, this run of success can't continue forever, so market conditions will eventually turn in favour of value. We can't pinpoint when this might happen, but the Omnis fund range will be ready.

\* Market capitalisation on 29th July 2020

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