INSIGHT FROM THE CEO

Perspective in a crisis

Global stock markets have been reeling from the impact of the coronavirus outbreak, with equity markets taking a pounding not seen since the 2008 financial crisis. The FTSE All-Share index, the widest measure of equity health in the UK, has now fallen some 25%, enough for a "Bear Market" to be called.

Having personally been through 4 "crashes" (not even counting what has more recently been termed a "flash crash") in 1987, 1997, 2003, 2008, this new 2020 event seems all too familiar. The short-term demise of equity markets is something that has happened before and will inevitably happen again. This latest crash has of course been the result of a completely different event, but then they always are, and none are taken lightly.

It's during these times that a wise, calm head is an absolute necessity but sometimes comes at a premium. The short-term traders will inevitably get "whipsawed" as the first consolidation phase in such times usually creates huge volatility – daily up and down market movements which you cannot trade efficiently, it's just too dangerous.

Global governments are presently throwing everything they have at the fiscal and monetary stimulus as they see this derailing the global economy. The length of any global lockdown will cause deeper damage, but also sharper upticks when circumstances improve. Overzealous actions (such as selling everything or indiscriminate buying) can prove hugely detrimental. Sanity and a calm consideration must be the order of the day.

So where are TAM's client portfolios and how have they fared?

Very short-term losses of a material amount are inevitable and, even though we are known as a conservative manager of money, we have had some short-term pain and falls in the value of client accounts. However, we did sell out some equity positions early in the crisis and have both UK and US Fixed Interest in most portfolios that are performing well.

The falls are painful but all portfolios are outperforming on the way down and, although that might seem of little comfort, we have looked at the broad 12-month returns per risk profile. In that context, given the falls in 2020, most portfolios are performing well on the 12-month timescale given the environment. This can be seen below:

PREMIER	OUTPERFORMANCE	ETHICAL	OUTPERFORMANCE	SHARIA	OUTPERFORMANCE
Adventurous	14.50%	Adventurous	22.37%	Adventurous	21.50%
Growth	15.25%	Growth	23.05%	Growth	22.50%
Balanced	19.38%	Balanced	23.50%	Balanced	26.30%
Cautious	26.08%	Cautious	24.00%	Cautious	28.86%
Defensive	27.38%	Defensive	25.50%	Defensive	32.26%

FTSE ALL-SHARE DOWN 25% OVER 12 MONTHS

Source: TAM Asset Management Ltd Premier, Ethical and Sharia portfolio return from 15/3/2019 to 14/3/2020.

I've listed some highlights of the above numbers against the FTSE All-Share down 25% over 12 months to 14/3/2020 (bearing in mind that this is a daily moveable feast as a result of the volatility):

a) Defensive and Cautious accounts have broadly lost no money
b) Balanced accounts are down approximately 5-6%
c) Ethical accounts from Defensive through Adventurous are down no more than 2-3%
d) Sharia Defensive, Cautious and Balanced are in positive returns with limited losses at the higher risk end

These figures will fluctuate based on daily market movements of course, but TAM is strongly positioned to take advantage of the extraordinarily weak pricing as the volatility unfolds.

I trust the attached table of outperformance against the FTSE All-Share falls over 12 months alleviates some of the inevitable fears that clients will have, and reaffirms that client monies are in very good, calm and mature hands at TAM.

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