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TAM Liquidity Plus – a safe port of call in a market storm

TAM Europe Asset Management explains what it is.

Courtesy of inflation, almost everything is more expensive. To control this, the Bank of England (BoE) has been raising interest rates. Yes, this means higher mortgage payments and credit card bills, but the upshot of higher interest rates are higher savings rates at the bank. So, as interest rates in the UK are now 5%, savers should expect to see savings rates on their cash improving. Given this new environment, TAM has relaunched its Liquidity Plus portfolio as a cash alternative product with high yield returns, designed to combat rising interest rates and provide clients with a cost-effective comparison to standard bank accounts, with added benefits.The underlying portfolio comprises investments in pure cash deposit funds which deliver a circa 5% return to investors per year, in line with the BoE interest rate. This enables clients to invest into a portfolio of very low risk investments and return circa 5% without having to invest their money into riskier bonds or stocks.

So why don't I just put my money in the bank?

Banks are notoriously slow at offering their savers the best rates of interest possible. It can be a tactic of banks to delay passing on these high savings rates to make bigger profits. Bank savings rates are certainly improving but it will be a long time before we see savings rates that approach the official interest rate (5%). In contrast, the TAM Liquidity Plus portfolio is already returning net 4.8% per annum.*

Is TAM Liquidity Plus riskier than a bank account?

In short, the portfolio is designed to be as close to the risk level of cash as possible. Of course, no investment is completely risk free, but the portfolio is about as close as we can get to the risk you would take from leaving your cash in a high savings account.

How do you do this?

The investments TAM uses within its liquidity portfolio are called "money market" funds. These are funds which invest in very low risk investments, like ultra short-term government debt and cash deposit funds issued by global institutions with low-risk credit ratings. Ultra short-term debt for example is issued and then redeemed in a matter of months by the government. The combination of such investments being backed by governments and redeemed back within a few months, make them a very low risk investment option.

Further, as we are dealing with cash-like investments, they offer daily liquidity, meaning cash can quickly and simply be returned to clients and without redemption penalty charges, much like they would expect from a savings account. This also ensures that when clients have more appetite for risk, they are not locked into the weaker returns that cash may present.

Do I have to pay for the portfolio?

TAM is a professional investment manager so there is a fee for our service, but we have specifically designed this portfolio to be as competitively priced as possible by charging just a 0.05% management fee.

By utilising the services of a professional investment manager like TAM, clients benefit from our access to money market funds reserved for large financial institutions and investment houses, and that result is a high yield for a low fee.

How long is this high savings rate going to last?

It is important to note that liquidity portfolios like this should not be seen as investment portfolios which are appropriate for long-term investment returns. The stock and bond market will always be the best place to invest in for those seeking that long-term investment return. That said, the liquidity option is an effective short-term tool to use if you want your cash savings to yield you a little more than what the bank can offer for a similar level of risk.

Rates on offer from our portfolio, as well as savings rates from banks, will come down when the BoE lower their interest rates. This can occur when inflation is brought under control or if the country enters a sharp recession. Either way, one should not expect interest rates, and thus savings rates, to be at this level indefinitely. At that point, the traditional long-term investment route will once again point back towards stocks and bonds to deliver that end goal for your long-term investment goals. So, by opting for TAM Liquidity Plus over a bank account, clients will benefit from a streamlined and cost-effective switch process between investment portfolios as and when they choose to increase their risk profile.

For more information contact **Tom Worthington – tom.worthington@tameurope.com** or tel: **+34 688 988 686**.

** Rates will vary depending on money market and other cash rates.*

Editorial Comment

Masterclass Seminars and Webinars

A few weeks ago, we confirmed the Q4 Masterclass Seminars. As a reminder, these are:

- Marbella (Spain): Tuesday 24th October. Info and register **here**
- Prague (Czech Republic): Wednesday 1st November. Info and register **here**
- Limassol (Cyprus): Tuesday 21st November. Info and register **here**

At that time, we stated that the Masterclass Webinars in this series would probably be the below dates. I can now confirm that these are definite. Webinar 1 will be on Tuesday 7th November and Webinar 2 on Tuesday 14th November

Presentation titles and synopses for all of these events should be finalised in the first half of September and we will communicate them to you as soon as they are known.

Enjoy the rest of the summer.

Regards Paul

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