tampremier

Q1 2022 COMMENTARY
GBP PORTFOLIOS

MARKET REVIEW

2022's January started positively, with investors remaining upbeat about moderate but steady corporate growth underpinned by robust levels of consumer spending and a strong jobs market. As a result, central banks started to talk in earnest about raising interest rates. This caused the market to start selling large quantities of bonds under fears of more aggressive rate hikes in 2022. Likewise, there was strong selling of growth stocks on exchanges such as the Nasdaq which dropped some 20% on similar fears.

In March the world experienced a black swan event with Russia invading Ukraine. The market reacted negatively as investors sold equity investments in both growth and value and, for a brief time, began reallocating back to fixed income, as all investors do under the pressure of a black swan event. Another predictable move was the resurgence of precious metals such as gold and silver which investors allocate to in times of geopolitical fear and conflict.

In the latter stages of the quarter, investors began to price in the possibility of a ceasefire and a negotiated peace between Ukraine and Russia. This rocketed Nasdaq and growth investing back up into the green for March as investors bought the dip in the heavily sold-off growth market.

PERFORMANCE REVIEW

The performance data below relates to the period 01 January – 31 March 2022.

	Portfolio %	Benchmark %	Relative %
Defensive	-2.74	-4.99	2.25
Cautious	-2.49	-4.10	1.61
Balanced	-2.29	-3.49	1.20
Growth	-2.32	-2.73	0.41
Adventurous	-3.21	-2.20	-1.01
Speculative	-3.54	-1.71	-1.83

Source: TAM Asset Management Ltd. Notes on Benchmarks: Composite of an equity and fixed income component. The equity component is the FTSE All World Index and FTSE All Share split equally, the fixed income component is the FTSE World Government Bond Index and FTSE UK Gilts All Stocks Index split equally. Both components are apportioned based on each individual risk profile.

PORTFOLIO ACTIVITY

Portfolios in Q1 were actively traded in line with TAM's long-term goal of actively protecting capital in times of market stress. Portfolios were rotated away from growth funds in January with capital being re-deployed into more value areas of the equity market. This move helped to hurdle a lot of the growth volatility oscillating from indexes like the Nasdaq.

The existing underweight to government debt was increased over the quarter with more selling of global bonds. This capital was re-allocated into a diverse mix of precious metals, multi-asset and volatility funds which all helped to deliver an increased level of diversification in Q1, as well as further boosting the alpha on the non-equity side of the portfolios.

In the latter stages of the quarter, TAM's portfolios were moved to an underweight equity position and had their allocation to gold and silver bullion increased which helped defend capital very well as Russia invaded Ukraine. As the situation deteriorated, we selectively in some models took this equity underweight from -10% to -20% which again helped to protect client assets.

OUTLOOK AND STRATEGY

The next quarter, and indeed the entirety of 2022, is going to be one of wait and see. The price of oil, the price of wheat, the price of everyday goods, sanctions and the escalation or de-escalation of the current conflict, are all going to feed into the volatility and rate hiking debate which will govern the direction of markets either up or down, but more likely in both directions every week.

Overall, and especially from the US side of the Atlantic, the better the economic news the more aggressive the hikes are going to become. This will in turn pose a challenge to growth investing as well as fixed income investing. But, as always with a market in such a state of flux, there is going to be a large amount of volatility across headline indexes and sectors as the narrative changes shape. Consumer spending and sentiment is also going to prove critical as investors try to gauge the probability of an economic slowdown in the global economy which will cause another rebalancing event for client portfolios.

As we move into Q2, TAM's equity position remains slightly underweight in line with the longer-term assumption that as long as concerns exist around slowing global growth, it remains prudent to keep clients in higher cash positions than has historically been the norm. When it comes to fixed income, TAM remains very underweight to the sector and has instead been replacing this exposure with a combination of funds benefiting from volatility, and funds invested into precious metals and commodities which we feel are better placed to deliver that all-important diversification factor against equity funds.

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