tampremier

Q4 2021 COMMENTARY
GBP PORTFOLIOS

MARKET REVIEW

The fourth quarter of 2021 in general has been one of rapid step changes between asset classes, geographies and cyclicality, essentially extreme volatility between winners and losers depending on what part of the year one chooses to look. This volatility came off the back of surprisingly dovish comments from central banks which has also been a headwind to the TAM view, which is still that debt remains at a historic price high.

Likewise, there have also been many positives from 2021. Namely remaining heavily invested into the UK's FTSE 250 over the FTSE 100 component of the All Share which has delivered stellar outperformance for clients. TAM continued to remain highly invested into the recovery theme which, in fits and starts, has proved to be a winner for the portfolios this year, as has spending most of the year invested into inflation protected fixed income, which has handsomely outperformed conventional fixed income.

In the latter stages of the year, as clients started to generate bumper returns vs history, TAM moved into protection mode with sales being made of big winners in the equity markets and purchases into funds tracking volatility. This helped to defend capital in the Omicron led volatility in Q4.

PERFORMANCE REVIEW

The performance data below relates to the period 01 October – 31 December 2021.

	Portfolio %	Benchmark %	Relative %
Defensive	1.58	0.46	1.12
Cautious	1.27	1.40	-0.13
Balanced	1.21	2.09	-0.88
Growth	0.94	3.03	-2.09
Adventurous	0.31	3.73	-3.42
Speculative	1.49	4.44	-2.95

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 Q4 remained in flux as the backdrop to markets increased in its respective volatility. TAM took the volatility as an opportunity to make some changes to the portfolios to capitalise on what has been a good year for markets as well as preparing the portfolios for a 2022 which looks set to remain in flux.

Commodities were trimmed and profits taken as the outlook clouded into Q4 for inflation, rate hikes and the effect of a Chinese slowdown on demand. A lot of the mainstream portfolios exposure globally, was moved into a share classes which takes exposure to the dollar rather than hedged into the pound, this was with the intention to capitalise on the notion that the FED was going to begin raising rates which is dollar positive.

Mainstream portfolios also saw a move towards the US equities and away from broad Asian assets into a more core China equity fund. As the market continued to favour the strong earnings story coming from the US we favoured owning more of this central story and with China having been through a rough year compared to developed markets there remains good long term opportunities to invest into this massive market at attractive prices and we did just this in the central portfolios for TAM.

OUTLOOK AND STRATEGY

Looking forward into 2022 TAM remains bullish, but not ignorant to the risk that we have not seen the back of volatility which will be a persistent bedfellow of 2022, much like 2021, so expect some bumps. Profit margins are going to be king in 2022 and the growth of these margins, which doesn't look to be as aggressive as in 2021 but still positive, perhaps in the order of 5-10%. This strength in earnings will be what underpins central bank confidence to keep tightening so expect earnings to be a stalwart of the market direction in 2022.

For this to happen we believe the market needs to see a little more COVID stability in terms of our ability as a market to overcome variant news, without swinging wildly into growth stocks then all the way over to deep value stocks. Likewise, we expect a global central bank which will finish QE and get a few rate hikes in 2022, but not too many before we are close to stall speed on economic growth which will be a hard stop for more rate hikes. Secondly, inflation should begin to top out as a combination of rate hikes and a softening out of the oil market both hammer CPI into a negative sloping trajectory. This should prove a boon for precious metals who remain negatively correlated to real yields and should also be beneficial to longer duration fixed income assets. So, expect higher yields in 2022 but not to the moon before the fixed income market steps back in.

TAM's positioning remains more and more invested into high quality companies across western markets with a special focus on Europe, believing belief that this market looks set to close the growth gap with the US. In a world where future earnings potential continues to trump actual earnings, it's a comfort for TAM's portfolios to be focusing on companies who are not only set for future growth, but are throwing off good levels of cash right now. In a world as uncertain as this one, we think it's no bad thing for our clients to be invested into these companies.

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