

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.

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 taken underweight equities in the quarter to hedge against the headline risks emanating from the risk of the FED raising rates too quickly. This had an adverse effect on Sharia stocks which remain overly tilted towards the growth market.

TAM also moderated clients' exposure to Sukuk fixed income in client portfolios to ensure there was a moderated level of exposure in what could be a volatile period for fixed income funds as interest rates are being raised. Having said that, the level of fixed income exposure remains a critical proponent of the Sharia investment strategy as a volatility hedge which was seen playing out when Russia invaded Ukraine, and fixed income began to rally once again to the benefit of Sharia clients invested into Sukuk fixed income.

In the latter stages of the quarter, TAM's Sharia portfolios were moved to a deeper underweight equity position, with more sales being made in emerging markets to ensure less probability of Russian exposure. Simultaneously, Sharia investors had their allocation to gold and silver bullion increased which helped defend capital very well as Russia invaded Ukraine.

PERFORMANCE REVIEW

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

| | Portfolio % | Benchmark % | Relative % |
|--------------------|-------------|-------------|------------|
| Defensive | -0.62 | -0.50 | -0.12 |
| Cautious | -2.04 | -1.12 | -0.92 |
| Balanced | -2.63 | -1.52 | -1.11 |
| Growth | -3.46 | -2.13 | -1.33 |
| Adventurous | -3.95 | -2.52 | -1.43 |

Source: TAM Asset Management Ltd. Notes on Benchmarks: Composite of the 1-Month Libor GBP (Cash) Index and FTSE All World Index split equally, apportioned based on each individual risk profile.

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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