tamsharia

Q3 2022 COMMENTARY
GBP PORTFOLIOS

MARKET REVIEW

The third quarter was another one of volatility which has been the mainstay of 2022's investment landscape. The standout differential in Q3 was a large market rally in the summer months which lasted most of the quarter. From the outset, the S&P 500 rallied nearly 15% from the lows in Q2 then sold off back to those same levels. Much of the euphoria seen in the third quarter's 15% rally has been down to a large sell off in the price of oil which feeds directly into petrol pump prices, which in turn feeds directly into lower inflation numbers.

This move lower in oil and pump prices gave investors the confidence that, with inflation consistently coming down, there would be less need for central banks to raise interest rates to such an extent that would cause a recession, which in turn caused a strong rally in global equities and bonds. The selloff set in at the back end of September as inflation numbers failed to come down in the magnitude that the summer's positivity had led investors to expect.

The UK Chancellor's mini budget focused steeper levels of borrowing and tax cuts which was so poorly received by the market that the pound and UK government bonds virtually collapsed under the selling pressure. It was narrowly saved at the end of the month with the Bank of England stepping in to begin buying bonds to stabilise the market. This capped off what has been a highly volatile quarter from not only a stock market perspective but also a political one and a social one with the very sad passing of Queen Elizabeth II.

PERFORMANCE REVIEW

The performance data below relates to the period 01 Jul – 30 Sep 2022.

	Portfolio %	Benchmark %	Relative %
Defensive	2.85	0.21	2.64
Cautious	2.71	0.48	2.23
Balanced	2.39	0.86	1.53
Growth	1.87	0.93	0.94
Adventurous	1.59	1.12	0.47

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.

PORTFOLIO ACTIVITY

Sharia portfolio turnover in the third quarter remained, once again, very quiet in an attempt to remain as defensive as possible rather than move asset allocations around wildly in what remains a very narrow market for investment choice. Sharia clients remain in high, non-interest bearing cash weightings with low investments to the global equity and Sukuk bond market.

The tactical and strategic positioning of TAM Sharia clients was excellent over the third quarter and clients benefited from owning Sukuk bond funds which outperformed conventional bonds due to their high quality nature and natural exposure to the dollar. Clients also benefited from a significant underweight equity position in a falling equity market which helped to protect clients' overall positions. Finally, precious metals started to perform once again which was positive for portfolios.

OUTLOOK AND STRATEGY

In Q4 the market looks set to remain as volatile as it has been all year. Why? The global economy appears to be slowing down but inflation doesn't, and markets seem to be waking up to the idea that central banks are going to raise rates into a recession if that's what it takes to control inflation. If volatility does remain in Q4, it will oscillate around economic indicators such as unemployment numbers, wage inflation, everyday goods inflation, consumer sentiment, house prices and interest rates.

It is worth stressing that if news flow from the above indicators surprises on the upside and indicates inflation slowing faster than many are expecting, and economic growth is staying strong, then we can reasonably expect a more positive market in Q4.

Whilst there is an opportunity in this uncertain market to start to invest now, we envisage more challenging months ahead and thus remain very much in defensive investments which are suited to protecting investors in times of stock market volatility, as opposed to stepping in and buying stocks and bonds.

Nonetheless, we have one eye on investments that we think will outperform a rallying market and will be looking to invest into these over the coming months to provide clients with the best investments to begin repairing the damage to portfolios during 2022.

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