TAM PREMIER PORTFOLIOS
QUARTERLY COMMENTARY : **Q4 2017**

tampremier

MARKET
Review

Equity markets were strong over the quarter, with US equities leading the way, up approximately 7%, whilst government debt strengthened despite central banks in the UK and US raising interest rates by a quarter point. The pound continued to strengthen against the US dollar, whilst remaining relatively stable against the Euro. The currency found some strength after the UK managed to secure a first phase deal on its exit from the EU in early December, allowing Brexit negotiations to progress to the second phase of talks.

In Europe, the ECB announced that it would begin to cut asset purchases in 2018, easing the economy off several years of stimulus. While this signalled confidence in Europe's growing economy, the political landscape was a gloomier picture, as pro-independence parties in Catalan won the majority vote.

In Japan, Prime Minister Abe won the majority in the snap election, beginning his historic third term at the helm of the Japanese economy. Markets reacted positively to the news, which indicated that Abe had a stronger mandate from the country to continue pursuing his economic reform agenda, coined Abenomics.

The largest tax overhaul in the last 30 years was voted through the Senate in the US, which will see tax rates fall to 20% for US corporations. The Federal Reserve followed the Bank of England in raising interest rates by a quarter point in their December meeting, whilst indicating another three hikes are likely in 2018.

Despite some emerging markets giving back part of their earlier advances, they continued to benefit from pro-growth reform packages, de-leveraging and meaningful increases in corporate capital expenditure, with the Asian economies continuing to be the global growth leaders.

PERFORMANCE REVIEW

	PORTFOLIO	BENCHMARK	RELATIVE
Liquidity	(0.20)	0.12[1]	(0.32)
Defensive	1.37	1.91[2]	(0.54)
Cautious	1.70	2.46[3]	(0.76)
Balanced	1.57	2.87[4]	(1.30)
Growth	2.39	3.42[5]	(1.03)
Adventurous	2.67	3.84[6]	(1.17)
Speculative	2.73	4.24[7]	(1.51)

Source: TAM Asset Management Ltd. The above performance data relates to the period 1st October – 31st December 2017. 1) Benchmark is Cash (1 Month Libor). Benchmark is FTSE All-Share Index + FTSE UK Gilts All Stocks Index. Benchmark proportions vary according to risk profile, as per the following breakdown of FTSE All-Share and FTSE UK Gilts All Stocks index proportions respectively: 2) 15% + 85% 3) 35% + 65% 4) 50% + 50% 5) 70% + 30% 6) 85% + 15% 7) 100%

Contributors to performance on the equity side came from exposure to the FTSE 100 index, commodities, Japan and Emerging Markets. Our direct exposure to US Financials in higher risk profiles also made gains for the portfolios. High quality corporate debt funds outperformed their fixed income benchmark, whilst the small allocation to long-dated debt in lower risk profiles proved beneficial in a strong debt environment.

Detractors from performance mainly came from our European equity funds, which gave back some of the returns made in the previous quarter. Several of our domestically-focused, core UK equity funds lagged what was an extremely strong equity benchmark, driven by strength of the internationally facing FTSE 100 Index. Absolute return and market neutral strategies also failed to outperform their fixed income benchmark.

PORTFOLIO POSITIONING

We added to our value-orientated European fund at the start of the quarter as our conviction in Europe as an area of investment remains strong. We increased our Emerging Market debt position on short-term weakness following the US interest rate rise, as we continue to believe in the long-term case for Emerging Market debt and its potential to offer a yield uptick versus developed markets. We diversified our UK equity exposure through the addition of a growth-orientated, small/mid-cap fund, which complements our other more international facing, income-focused funds. Finally, we added a US equity tracker fund to higher risk models to provide core exposure to the broader US equity market, complementing our more style-specific actively managed US funds.

OUTLOOK AND STRATEGY

For the foreseeable future, we expect the UK's political unrest to continue to dominate the nation's headlines, as well as the direction of the pound. Once a figure is nailed down for the Brexit bill, we expect to see the progress of negotiations pick up, which could cause the pound to find a little more short-term strength. Domestically, with consumer spending slowing, a cabinet in disarray and the pound remaining depressed, we see no real pick up in core GDP growth over the next six months.

Within Emerging Markets, contingent on no large scale macroeconomic shocks, such as a rise in geopolitical or trade tensions, we expect to see a continuation of broad economic recovery and corporate earnings upgrades. In Europe, despite the recent volatility from the prospect of another round of German elections, and risk of a populist win in the upcoming Italian elections, we believe the broad recovery in Europe will prove one of the standout growth stories in 2018.

Whilst President Trump has under-delivered on policy reform over 2017, we believe the recent progress on tax reform could mark a turning point. We expect the reforms to be passed, after which Trump will begin to tackle the other topics on his agenda, such as infrastructure and deregulation. Despite the toppy valuations, economic indicators in the US suggest 2018 should see another steady year for growth and corporate earnings.

Overall, it seems as if the global economy will be carrying much of its recent momentum into 2018, albeit a slightly lower level of growth than we had in 2017. While 2017 may have been the year for growth stocks across the world, the US tech giants led the way; we are not convinced that the market will continue to be as narrowly led by these stocks going forward. This may lead the way for value investing in 2018 and we believe our portfolios are well positioned to benefit from this.

tam

TAM ASSET MANAGEMENT LTD
City Tower, 40 Basinghall Street, London EC2V 5DE
+44 (0)207 549 7650 | info@tamassetmanagement.com | **www.tamassetmanagement.com**