



MARKET
— Review —

Markets in December continued November’s strength to deliver more gains for clients. The extent of the “everything rally” in December helped to propel the fund higher into the end of the year which has been a welcome change to these challenging markets.

The drivers of December’s strength continued on the view that central banks have finished with raising interest rates to combat inflation. The gain in the broad global equity market from December was just under 5% with sustainability focused investments within the fund returning more than this.

Bonds were also strong performers, with the likes of emerging market debt returning strongly in December. Government debt also put in a strong reversal with the likes of US treasuries rallying some 7%, and UK gilts rallying 9% from the October lows.

PORTFOLIO ACTIVITY

TAM’s Active portfolios saw a good range of tactical trades completed through the final quarter of the year. The models were moved from 10% underweight equities back to benchmark weight after October’s sell off. Primarily, this was done through increasing exposure to the JP Morgan Global Enhanced ETF, which is a simple trade to increase tactical exposure to great effect.

In line with our investment note to clients, TAM had, through the quarter, been buying US treasuries on bouts of weakness, which we saw positively contribute to performance over this period. After the rally, this investment was sold down into the year end to crystallise profits, with these assets rotated into corporate bonds. We believe this is a market primed to capture the positivity coming back into the bond market after a torrid couple of years.

Finally, the model range had its more defensive alternatives sold down and moved into a higher bond exposure. We already had a strong weighting here going into November and December’s rally, to the benefit of relative performance, which was boosted from our fund selection.

PERFORMANCE REVIEW

The performance data below relates to the period 01 October – 31 December 2023.

	PORTFOLIO %	BENCHMARK %	RELATIVE %	YTD %
Defensive	4.01%	3.83%	0.18%	1.66%
Cautious	4.72%	4.46%	0.26%	3.95%
Balanced	5.15%	5.05%	0.10%	6.16%
Growth	5.73%	5.60%	0.13%	7.91%
Adventurous	6.15%	6.09%	0.06%	9.66%
Speculative	6.37%	6.37%	0.00%	9.96%

Source: TAM Asset Management Ltd. Notes on Benchmarks: Composite of an equity and fixed income component. The equity component is the Bloomberg Developed Market Large & Mid Cap Total Return Index, the fixed income component is the Bloomberg Barclays Global Aggregate Bond Index. Both components are apportioned based on each individual risk profile.

OUTLOOK AND STRATEGY

The steep end of year rally has served to price in around 4-6 interest rate cuts within developed economies for 2024, which we think is ambitious given services inflation remains strong, as does the jobs market. It seems prudent that the risk from here is that markets don’t get an inflation rate continuing to come down to 2%. This could force central banks to rethink their commentary around 6 interest rate cuts next year, which should see some of the 2023 positivity come out of markets.

When it comes to equities, we remain bullish on funds investing in high quality and sustainable companies. We also think it makes sense to look towards areas of the equity market which remain undervalued, as opposed to those areas which have done so well in 2023, such as the ‘Magnificent 7’ AI tech stocks.

We are also reevaluating the notion of dividends as a source of core investment return rather than just income, which we see as a strong growth area for markets in the coming years.