TAM PREMIER PORTFOLIOS

QUARTERLY COMMENTARY : **Q4 2022**

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MARKET Review

Markets were slightly less volatile in the final quarter of 2022 but both equity and bond markets made gains and losses. Predominantly, the quarter was a positive one for global markets as inflation started to peak out in major developed markets, spurring massive rallies in markets of +5% which, whilst positive, is indicative of the level of volatility that remains.

Investors saw inflation cooling as a sign that central banks would be able to stop raising rates, and should inflation cool rapidly, even begin to lower rates once again.

All of this prompted investors to begin buying back into the bond market after one of the worst years on record, and also buying back into the equity market. This positivity also broke the strength of the dollar, which helped a lot of the market to begin to rally after a year of being suppressed. China began to step into rally mode in the final quarter with the PBoC pulling back on their zero COVID policy, allowing investors to anticipate a massive growth boost to the nation.

The latter stages of the quarter were not so positive, with December proving a negative month in markets as investors began to fret over China reopening trade, European and UK recession fears, and the perennial fear in 2022 that the US economy would begin to enter a recession.

PERFORMANCE REVIEW

The performance data below relates to the period 01 October – 31 December 2022.

	PORTFOLIO	BENCHMARK	RELATIVE
Defensive	0.75%	(2.48%)	3.23%
Cautious	1.65%	(1.48%)	3.13%
Balanced	2.33%	1.24%	1.09%
Growth	2.84%	0.52%	2.32%
Adventurous	4.11%	1.52%	2.59%
Speculative	6.51%	5.47%	1.04%

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

Portfolio repositioning remained very active in the final quarter of the year. Much of the fund range was correctly positioned into defensive areas of the equity market whilst maintaining the underweight to fixed income that had delivered good levels of capital preservation over the duration of the year. More focus was put on rotating away from core UK investments and into a broader investment set of global equity and fixed income investments, which helped to keep pace with the market.

Capital Group's Global Corporate Bond Fund was invested into within the client portfolios to capture what we believe is an attractive level of discounted value from the steep sell-off in 2022 within high quality corporate bonds.

TAM also invested into the newly launched Hermes Emerging Markets Ex China Fund covering the region with the exclusion of China. We remain very positive on this region in 2023 and, as such, this fund is a welcome addition to clients' portfolios.

Finally, TAM begun a more meaningful investment into US income equities which have performed well in 2022 and we believe will continue to do so into 2023 as the market continues to look for income paying, high quality companies, as the transition away from high growth tech companies continues.

OUTLOOK AND STRATEGY

Looking to 2023 there remains many hurdles to overcome and volatility to navigate, but off the back of a negative year in 2022 there are also positive investment stories which need to be looked at.

The market will continue along its path of pricing in a recession for the global economy in 2023, and whilst this is a known unknown, what the market will wait to see is how deep that recession will be. This is primarily based on how persistent inflation proves to be in the global economy, but most importantly in the US.

US earnings currently seem too high, so markets are preparing for these to be revised down which looks to be the most immediate issue for investors to navigate.

China has gone from a dullard in 2022 to a rising star in markets, with many investors eyeing up the massive growth potential of a China reopening in 2023. Government debt and high-grade corporate debt also remain attractive in 2023 off the back of a torrid 2022. With the US widely tipped to move into a recession this year, there is value in treating US Treasuries, at these cheap levels, as a store of value for clients seeking protection from more volatility in the equity market.

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