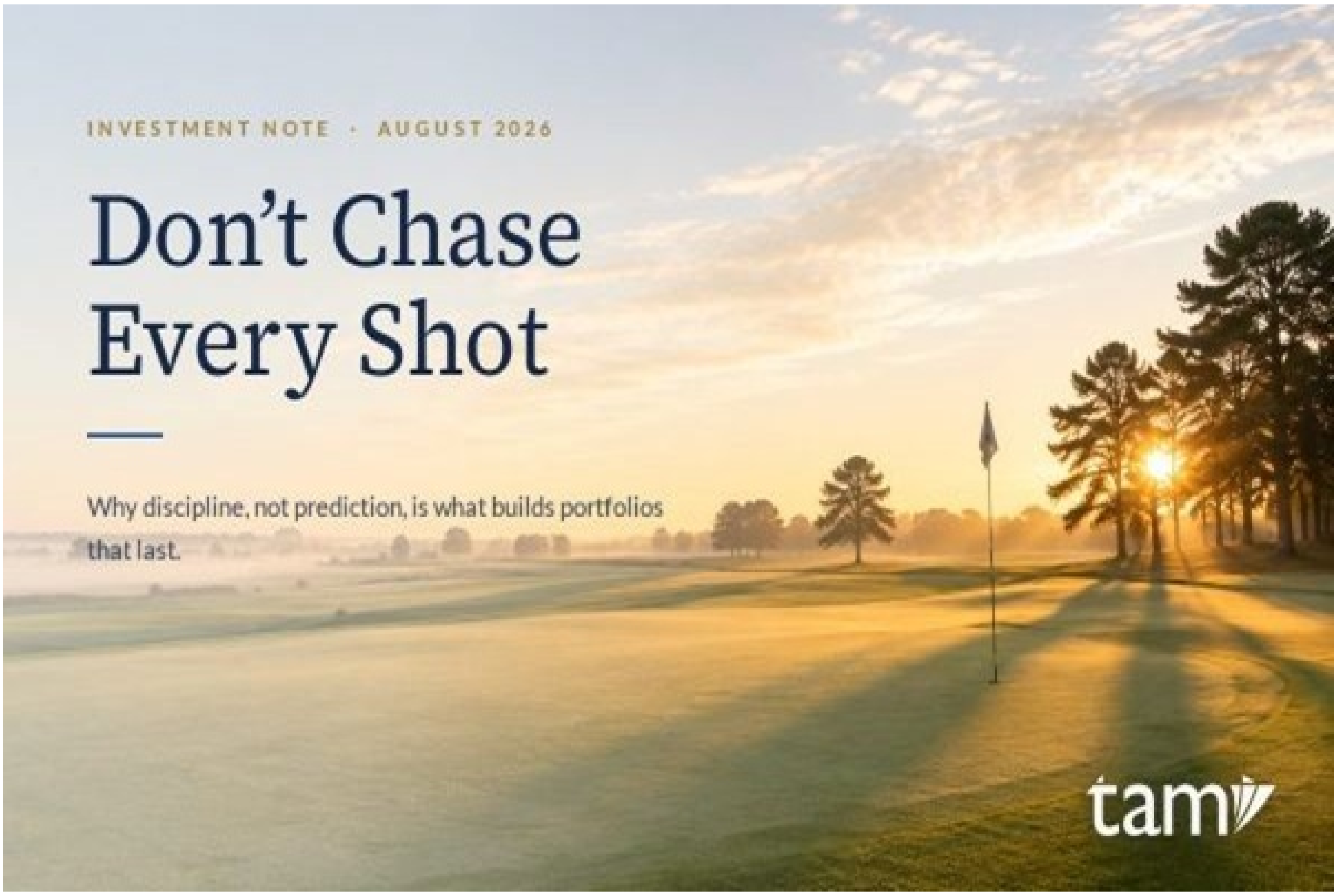

Don't Chase Every Shot

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After years of saying I was going to do it, I finally booked my first golf lesson.

I turned up thinking I would spend an hour learning how to hit the ball as far as possible. Instead, my instructor spent most of the lesson telling me to slow everything down. Forget about distance for now. Focus on the basics. Build a consistent swing and let the rest come naturally.

It wasn't quite what I was expecting, but it made complete sense.

Watching markets recently reminded me of that lesson.

The US Federal Reserve decided to leave interest rates unchanged, which was largely what investors expected. The more interesting part was the disagreement around the decision, a reminder that even though inflation has eased considerably from its peak, there is still plenty of debate about where interest rates go next.

At the same time, we have seen a sharp change in the mood surrounding some of the market's biggest winners. Technology and semiconductor companies have enjoyed an extraordinary run, driven in large part by enthusiasm around artificial intelligence. More recently, however, many of those same names have come under significant pressure as investors have started to question valuations, the scale of AI investment and whether expectations had simply moved too far, too quickly.

What I find particularly interesting is that this has not necessarily been a story about the whole market. While some of the biggest technology names have struggled, other sectors have held up considerably better. Market leadership can change surprisingly quickly.

> **That is a useful reminder that markets rarely move in straight lines. Leadership changes. Sentiment changes. Even the strongest long term investment themes experience periods where enthusiasm cools and investors start looking elsewhere.**

The temptation, of course, is to react.

When you are relatively new to investing, it is easy to think the answer is to respond to every headline or chase whichever sector has performed best most recently. In reality, that can be just as frustrating as trying to fix your golf swing after every shot. Sometimes the more changes you make, the harder the game becomes.

At TAM, we prefer to build portfolios that can cope with different market environments rather than relying on a single prediction being correct. Although bond yields are far more attractive than they were a few years ago, we continue to hold a modest tactical underweight position in traditional fixed income because we believe inflation and interest rates may remain more persistent than many investors currently expect.

We also maintain an allocation to alternative investments, helping diversify portfolios and providing sources of return that are less dependent on the direction of either equities or bonds.

The objective is not to predict every move from the Federal Reserve, or to know exactly when enthusiasm for a particular sector has gone too far. It is to build portfolios that do not require us to get every one of those calls right.

I know one golf lesson is not going to turn me into Rory McIlroy. There will be plenty of bad shots before there are good ones. But if I keep changing my swing every time I hit a bad shot, I probably will not improve very quickly.

Investing feels much the same. There will always be another headline, another market rotation and another reason to change direction. More often than not, the best results come from staying disciplined, trusting the process and remembering that success is measured over the whole round, not by any single shot.

A final thought from me

With markets around record highs, André's point is perhaps even more relevant today than when he wrote it. Strong markets can make it particularly tempting to chase what has been working, but our job is not to hit every shot perfectly. It is to keep portfolios disciplined, diversified and focused on delivering the best possible outcome for our clients over the whole round.

This Market Insight was originally published by our EU-based investment partner, TAM Europe Asset Management. It may have been adapted from its original format for clarity or relevance to our audience.

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