

# TAM Performance Update - Moving on up!

"An ounce of performance is worth pounds of promises" - Mae West

Ask most clients what they think of the show so far and they'll probably guess, what with all the volatility they keep reading about, that they've probably lost money this year. Perhaps this is understandable sentiment, but is it true?

For sure, one does get the sense that markets, like the weather, took a turn for the worse after a relatively benign summer when everything seemed fine. After all, Mario Draghi was getting amongst it with his eurozone QE, the Japanese stock market was defying gravity and the UK markets rejoiced at the Conservative election victory. Then it all seemed to go off script and markets got the sulks over Greece bail outs, Chinese devaluation and any number of geopolitical issues. We also had the interminable wait to find out what the Federal Reserve was going to do about interest rates which, as it turned out, was nothing at all.

Looking at market performance, in 2015 so far, point to point, a key equity indicators have barely moved

with the FTSE100 and S&P500 now down 2% and up 2% respectively from the start of the year. However, as any nervous investor will tell you, this doesn't tell the whole story because the FTSE100 has been 11% higher (April) or 8% lower (August) than it is today and the Gilt yield has been as high as 2.18% and as low as 1.33%. Put like this, yes, it's been a bit volatile but, depending on how you measure it, 2015 isn't really a vintage year for greed and fear compared to 2012, 2011 and the daddy of them all, 2008, the height of the financial crisis.

But it did have its moments and the mood was surprisingly negative at times, particularly in the last few months. Beyond the Federal Reserve, none of the side issues should've had the power to create as much negativity as they did. It was sometimes as though markets were trying to convince themselves, in the middle of the sell offs, that this was it, the big one. A hideous day of reckoning to atone for the mistakes of the financial crisis of 2008. Then, when it didn't happen, markets breathed a collective sigh of relief, labelled it as merely a "correction" and moved on. Nothing to see here…

Furthermore, these performance figures have been achieved by taking a lower level of risk than that of the benchmark. Our statistics show that most of the performance has come from picking the right investments rather than the right areas of the market. But as we have written before, we have deliberately targeted stock picking funds because, in this market, where the effects of QE are either wearing off or being wound down, picking the best investments in bad areas can often be a better and more rewarding strategy.

Of course, there is a list of things to worry about as long as your arm, as there has been all year. But as we approach year end, TAM clients have very little exposure to some of the areas that are generally the most worrying. It's true that the UK, US and European markets have recovered from the recent falls and there appears to be renewed optimism in stock markets despite every indication that the Federal Reserve do mean business in December. But TAM client portfolios have very little in emerging markets, China or commodities which face major challenges in a rising interest rate and stronger US dollar environment.

If, as now seems likely, we are all just as data dependent as the Federal Reserve appears to be, then we will continue to maintain a mild overweight in quality equity investments and refrain from investing in the most speculative areas of the market until we believe that the risks are more than offset by the opportunities on offer.

In the meantime, TAM portfolios of all risk types have momentum going into year end and we have every reason to believe that we can expect moving on up going into 2016.

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