

What goes down must come up

“The value of your investments can go down as well as up".

Being investment professionals, you will all be familiar with that phrase because it’s plastered on every piece of literature in the investment industry. Whilst it’s unavoidably true, it’s a cold and sterile statement that entirely overlooks the emotional roller coaster that accompanies a major sell-off.

We say this because it’s very relevant to the last three weeks in global markets which have seen equities drop inmagnitudes not seen since 2008. Yes, it’s a stressful time for managers of portfolios but we just want to say to all of thoseclients out there with skin in the game - We get it! These markets are nothing short of an emotional rollercoaster andwhilst the value of investments do go down as well as up, this industry strapline is never used as a reason for TAM tostand back and watch it happen.

In our more cautious and defensive portfolios we made meaningful moves into precious metals and took UK and USgovernment debt to levels not seen before in clients’ investment portfolios. All of these moves have helped to defendcapital and preserve long-term performance.

Let's go back to 2019 for a moment when markets were all together happier places. Our clients made an average of 12% absolute gains with consistently lower risk levels than their benchmarks. So, in short, 2019 looked good! the long-termlooked even better. Clients with a high growth portfolio which have a greater portion invested into the equity marketgenerated over 8% returns over five years which sounds reasonable, but when you consider the FTSE All Share made a10% loss over the same period, that 8% positive return actually sounds pretty good! Again, all achieved with lower risk.

The message here is that the long-term compounded gains built into the portfolios have ensured clients from low to highgrowth have entered this sell-off with very strong long-term buffers to withstand the volatility, before those long-termgains are called into question.

Going back to our original comment, it's not enough to rely on our clients' strong, long-term gains to protect them fromthis sell-off. With respect to our higher growth clients, TAM has been actively taking out large levels of equity exposures from client portfolios as the sell-off began to take hold of markets. Opting to sit in cash rather than equities proved aprudent decision which helped to add good levels of protection as we moved lower and lower.

In some instances, equity sales were made across long-term investment holdings resulting in TAM clients banking somevery attractive profits as a result of these long-term positions. The double kicker from this is the move to cash is nowreadily available to put back into the global equity market which is already down some 20% in absolute terms.

What we need to do now is wait for investors to stop saying, "What goes up must come down" to, "What goes down must come up".

Despite the current fear around oil wars or the coronavirus, there will eventually be a recovery back from where weare, and it could well be around the corner. Regardless of when it arrives, trying to view the current sell-off as anopportunity rather than a threat to long-term gains, should enable investors to look through the clouds for the clearskies which almost always come after the storm.

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