
## The skill in attending a party is knowing when it's time to leave

Back in the halcyon summer of 2019 I attended a fund manager presentation where gold was being floated as the asset class of the moment, with many shouting about its importance in portfolios. Aside from feeling pleased with myself for investing into the yellow metal nearly a year before the market, I asked the manager about the concept of investing into silver for higher risk clients as a way of getting a supercharged play on gold. I was met with "no, I wouldn't buy silver, we are not that desperate".

As with many great investments, buying in when others won't touch it is a good place to start investing. So, a week later after the ink had dried on TAM's research, our trading team started buying the equities of silver miners and silver bullion into the TAM portfolios with the right risk tolerances. Fast-forward to today, having just completed the last sale of a staged exit from the metal, clients were looking at total gains from these investments in the region of 40-50% made over a matter of months.

So, regardless where silver goes from here, one has to concede that in a year which will go down in history as one of the most economically fractious, volatile and politically explosive, being able to clip profits in the region of 45% is the very definition of a silver lining (a pun most definitely intended). Internally, TAM's commitment to being a "safe pair of hands" during all market cycles led us to blend in the silver exposure into almost all investment portfolios in some form or another, which has most definitely provided that an added performance booster.

So, much like knowing when it's time to leave, there is also, as my university years taught me, a skill in knowing where the next party is.

I feel the COVID induced dichotomy being seen in the stock market is throwing up some really interesting opportunities in stocks. What I elude to is most evident in the US market where just 5 stocks have rallied so hard that they are almost entirely responsible for the positive performance of the whole S&P500. I am of course referring to the FAANG index (Facebook, Amazon, Apple, Netflix and Google).

So extreme is the divide that research shows if you split the S&P500 into two segments - let's call them the FAANG index and the S&P495 (the same index just without the 5 FAANG names) - the FAANG index would be up near 15% today whilst the S&P495 would be negative by 8%. To those without this information, looking at the S&P500 today with gains at 5.5% year to date, you would be forgiven for assuming a rosy outlook for the US corporate sector.

However, under the hood, the dichotomy speaks to investors desperate to buy into the equity market but too scared to buy anything which isn't posting huge forward-looking growth numbers or double digit revenue growth in the height of the pandemic, which has been almost impossible for most companies to achieve. In its extremis, there are stocks on offer whose share price only makes up half of the book value of the business, which is to say you can buy good businesses and only pay half the physical value of the business and with zero growth expectations priced in... crazy.

If you want a number to match up with this, the difference between value and growth is now at a 20 year gap, which is a generational sized dispersion and thus a generational opportunity for those with the guts to buy in.
As always, calling the market is a fools game so I won't commit that sin because these new virus spikes look very worrying, but I do think the fuse which will ignite this value rally will come from an effective vaccine which has the capacity to be distributed worldwide. This, I think, should be with us in theoretical terms (i.e. not yet distributed but announced) by the end of the year.

With COVID moving into our rear view mirror it stands to reason that inflation expectations will come back into view when COVID passes, and the billions we have printed to get ourselves out of it remain. Likewise, growth in household spending will likely feed into an earnings recovery in many of these under-owned sectors such as tourism, airlines, cinemas etc. As we know, inflation and growth are the two driving forces behind value beating growth.

So, after the heady days of 45% gains in silver we are pleased to have banked that profit for clients and remain poised to carry on the party by investing into what we believe could be a generational shift into value investing in 2021 in a COVID vaccine world. As always, being a safe pair of hands will mean any value investment will form part of a well-diversified portfolio of high quality companies with robust earnings growth and high barriers to entry, along with a diverse range of investments outside of the equity market. This will give our clients exposure to some of the most robust defensive assets on offer in this testing market.

**TAM EUROPE ASSET MANAGEMENT**

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