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The value in diversification

TAM Asset Management discusses.

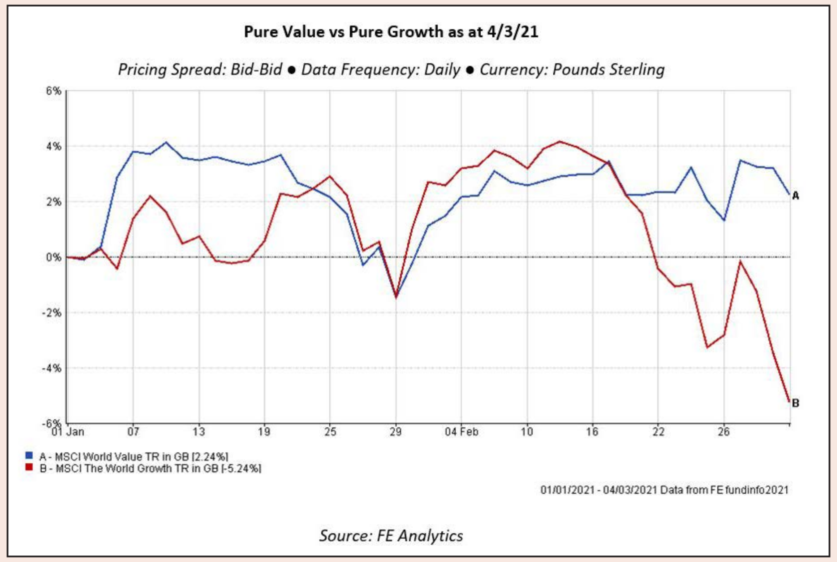
The UK began the year with its best investment returns in the first week or so ever recorded. This was in an environment in which the UK was still disentangling from the EU as Brexit is finally implemented - clarity is often all markets need. The US likewise moved higher but there are not so subtle shifts going on in market leaders and laggards.

The bulk of 2020 broadly was characterised by gains in "growth" - tech, healthcare and similar stocks known as the "stay at home stocks". These sectors made extraordinary gains as the rest of the world faltered under the pressure of COVID's impact on corporate earnings.

Growth and tech led the way and just did not stop, until that is, the first initial positive announcements on vaccine potential, then the investment world spun on its axis. Growth and tech crumbled and in November 2020 with markets making unprecedented leaps, it was the old fashioned 'value' positions that made all the headlines and all the gains. Growth bulls deem them unjustified and maybe that's possible – we personally don't think so!

Many commentators favour the idea that big tech was just in the shadows short term. Having made so much money in 2020 it's easy to afford a quarter of solid underperformance, isn't it? We think the more likely situation is that markets are in change, something that TAM discussed was likely from mid-2020.

For instance, in a recent poll completed by FEIFA members, almost half of advisers thought that tech would be the biggest growth sector in 2021. In early 2021, banks, oils, consumption, infrastructure and many an old-fashioned plays have driven markets higher - value is not giving up easily and nor will it.



Pure growth-oriented portfolios are going to be suffering badly for this 6 months and indeed likely over the next 6-12 months - emergence from COVID has moved the dial. Bizarrely, this may also have a negative impact on ESG-oriented portfolios which have been the darling of the last year or two, as many of these are naturally growth/tech heavy and don't own smoke stack industry, financials and commodities.

In short:

- Watch for big fallout in the winner funds/strategies of the last few years (that's not good for those that just look at historic track record, but then we all know past performance is no guide to future performance) and,
- A likely reversal to a period of underperformance in ESG oriented portfolios until the dust settles.

It is one thing speculating on growth potential for 2021, but what else can we do to secure better returns? The answer is similar to many other service industries - providing the necessary tools to take a proactive and efficient method to taking care of clients.

For those that watched the FEIFA Masterclass Webinar last month, you may recall some of the ways that TAM can add value to your business, but let's recap:

- Low OCFs which pass savings on to the end client. Please see March's trade press for more details on this and our competitive charging structure.
- Broader scope of client solutions (ESG, Sharia and Passive options).
- Instant MiFID II reporting which saves advisers considerable time and effort.
- Experienced client relations team.
- European, UK and International offices.
- Industry low AMC of just 0.35% for our ESG portfolios.
- Educational material and resources for advisers, such as a 5-part ESG series launching exclusively to FEIFA members from 12th April 2021. More details will follow.

TAM's business development team are a key resource to help advisers with their business needs. The more time that we can save you, the more time that you can spend addressing your clients' needs.

One of these time saving benefits is our comprehensive web delivery and instantaneous reporting system. If you'd like a demonstration of our forward-thinking technology then get in touch with **Tom Worthington – tomworthington@tameurope.com** today or tel: **+34 688 988 686**.

When genius failed

The book that describes the rise and fall of Long-Term Capital Management (LTCM) is a fascinating portrayal of the pitfalls of not fully understanding risk, says Bedford Row Capital.

There have been multiple news and comments over the last weeks of the spectacular fall from grace of the Greensill Fund. The Greensill franchise included a number of funds and a German bank. Very clever indeed. The initial idea was around commodities finance (Greensill senior came from sugarcane farming in Australia) which extended and expanded into many, as yet undisclosed areas. A German bank. Regulated. Credit Suisse fully on board. All sounds good. A Luxembourg fund structure with billions. Regulated.

However...

Fund managers and fund structures have a number of inherent weaknesses. Yes, funds dominate portfolio management so you are asking yourself how could the fund implode? Well, we are not

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Editorial Comment

Professionally developing

The adviser sector has professionalised a great deal in recent years – and we continue to try and assist you with wide-ranging, educational services.

Masterclass Webinars: you can see full details of the 2 events held last month **here**, including recorded versions of the webinar. CPD is still available if you watch them on demand.

ESG videos: from 12th April we will launch a series of 5 short videos, in conjunction with TAM Asset Management. Each one is 10 minutes long and CPD will be provided. More info to follow.

ESG Platform & Brexit Hub – we launched both of these earlier this year and the latest content to be added to them is detailed in the "Did you see...?" section on page 4 of this issue.

Regards

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