PREMIER GBP PORTFOLIOS
Q3 2021 COMMENTARY

TAM EUROPE ASSET MANAGEMENT

MARKET REVIEW

The third quarter of 2021 has been a quarter of broad positivity, but one in which has been more moderated in terms of overall gains. Despite the more reserved market, the overall performance picture for TAM's clients remains ahead of benchmark and very positive.

Largely speaking, this moderated rally has been down to a cooling in the Q2 euphoria about a global economic recovery, as well as severe logistical issues in global supply chains which have spiked inflation and growth fears. The Coronavirus has also played into this slowdown with investors becoming concerned around the delta variant spreading across the globe and fears of slower economic growth. Unemployment fears have also continued to keep a lid on market positivity in Q3 with sectors like services, hospitality, logistics and transport suffering. Strong consumer demand is knocking into supply side constraints which is again spurring fears around more persistent inflation. The reason the market has, in the face of some negativity, kept moving higher is down to the colossal level of central bank stimulus which continues to get pumped into the market to reassure investors to keep investing.

This moderation in gains over Q3 is no bad thing and one in which TAM widely publicised would happen in the second half of the year. Given this, TAM is positioned to take account for this environment with moderated equity positions with a focus on high quality active management into high quality companies rather than simply holding larger amounts of mainstream equities.

PERFORMANCE REVIEW

The performance data below relates to the period 01 July – 30 September 2021.

	Portfolio %	Benchmark %	Relative %
Defensive	0.59	0.32	0.27
Cautious	1.05	0.62	0.43
Balanced	1.52	0.86	0.66
Growth	2.11	1.16	0.95
Adventurous	2.25	1.39	0.86

Source: TAM Asset Management Ltd. Notes on Benchmarks: Composite of an equity and fixed income component. The equity component is the FTSE All World Index and FTSE All Share split equally, the fixed income component is the FTSE World Government Bond Index and FTSE UK Gilts All Stocks Index split equally. Both components are apportioned based on each individual risk profile.

PORTFOLIO ACTIVITY

Movements within the portfolios have remained active over Q3. TAM took some well-earned profits from the sale of its inflation linked UK Government debt ETF and re-invested these proceeds into Nomura's Global bond fund which holds a more defensive approach to bond investing and is more in line with our view of a bond market which might struggle in the last quarter of 2021.

Mainstream portfolios also saw a successful equity fund sold down in the form of Blackrock's European dynamic fund. This fund had been a huge success story for TAM clients and we were only too happy to bank these profits and re-invest into Berenberg European which is a fantastic and new entrant into the European equity space and has all the hall marks of a very successful long-term holding for clients. The quarter's emerging market volatility opened up an opportunity for TAM to increase its exposure to Mirae Asia great consumer fund which, despite the short-term volatility in China, remains an investment we believe in over the longer term.

OUTLOOK AND STRATEGY

As we look into the final quarter of the year and into 2022, there remains positivity but there is also fatigue. Specifically, investor fatigue in continuing to invest into global equity markets with little alternative. TAM sees other headwinds concentrating on the following topics which could catch investors off guard - permanent inflation, employment and supply slowdowns, consumer spending pull backs, a new COVID variant and a lack of appetite to keep "buying the dip".

On the plus side, we still see strong consumer demand moving into the final quarter and we see a slight abating of global supply side issues which should help to keep supermarket shelves stocked and keep consumers spending into Christmas. Regardless of any tapering decision, whilst central banks keep the QE taps open, we see this market continuing to move higher and so if this support remains, we envisage the market being unlikely to take a leg lower of any meaningful size. Given this, TAM clients remain invested into the equity market but exposure is moderated rather than exuberant. Q4 for will rely on active fund management into high quality companies to deliver outperformance over the equity market. TAM favours European and UK equity investments over its more richly valued US counterparts.

On fixed income, our belief is the bond market has hugely benefited from this latest and largest round of monetary stimulus, and we see bond prices potentially moving lower in the 4th quarter as stimulus is tapered. We continue to maintain an underweight position to global fixed income which we are offsetting with investments into alternatives such as commodities, volatility funds and, where appropriate, precious and industrial metals.