

Dark Clouds on the Horizon. Should I worry?

After a standout year in 2024, it's fair to say 2025 hasn't started quite as smoothly. Equity markets, particularly in the US, have wobbled, inflation is proving sticky, and clients are starting to ask that familiar question: "should I be worried?" Well, there's no denying the headlines are a bit stormy. But at TAM, we believe that dark clouds don't always mean a storm and that, more often than not, they can create opportunity.

What's going on?
After a 28% rally in 2024, US equities entered the year priced for perfection but sentiment shifted quickly in the first quarter. A mix of renewed inflation concerns, geopolitical tensions, and the sudden emergence of Chinese AI challenger DeepSeek triggered a sharp sell-off. The S&P 500 has now corrected by around 10%, one of the fastest drawdowns in recent history.

With global equity indices so heavily weighted to the US, the knock-on effect has been broad.

But let's take a step back…

Market corrections are not new. In fact, since 1950, there have been 38 instances where the S&P 500 has dropped more than 10% and in nearly 70% of those cases, markets were higher a year later. Importantly, this doesn't appear to be a recession-led sell-off; employment remains strong and earnings are holding up for now. Historically, non-recessionary corrections have often seen strong rebounds, with markets making new highs within months.

So, is this an opportunity?
We believe so. Valuations have come down across a wide range of sectors, sentiment is deeply negative, typically a contrarian signal, and many areas of the market are now attractively priced. European equities, for example, have outperformed US markets year-to-date and continue to benefit from improved sentiment and structural tailwinds.

At TAM, our portfolios are already positioned to benefit from this broadening market dynamic.

Our portfolios are built for this
One of the most important messages for clients right now is that TAM portfolios are designed with this kind of market environment in mind.

We don't put all our eggs in one basket rather we diversify across regions, asset classes, and investment styles. While headlines focus on the US, our portfolios include exposure to European, UK and emerging market equities, along with corporate bonds, gold, and other defensive assets. That diversification has made a real difference.

So while global equity benchmarks have fallen, our risk benchmarks (which blend equities and bonds in line with each client's risk level) have done better. And TAM portfolios have performed better still.

What options can advisers discuss with clients?
As discretionary managers, our role is to actively manage portfolios in line with each client's agreed risk profile and to do so through all market conditions. However, we fully recognise that a client's appetite for risk may change over time, or in response to periods of volatility like we're seeing now.

That's why it's important for advisers to maintain open, responsible conversations with clients. It's perfectly reasonable to reassess whether a client is still in the right risk profile but this should be done carefully, and not in haste. Reacting to short-term volatility by dialling down risk can sometimes lock in losses and lead to missed opportunities on the rebound.

"Its not TIMING the market, but TIME IN the market that counts."

The strength of TAM portfolios lies in how we manage volatility. Our aim is to help clients remain invested appropriately for longer, giving them the best chance of meeting their long-term goals.

Of course, for clients who are particularly cautious, our lowest risk profile Liquidity Plus provides a practical option, delivering cash-like returns with minimal market exposure. This profile is currently expected to return around 4–5% this year.

Final thoughts

Yes, there are dark clouds but investing isn't just about avoiding the rain it's about staying the course through changing weather. Volatility is part of the journey, and it often creates the very opportunities that long-term investors benefit from most. Our portfolios are built to ride out this kind of weather and our team is here to support you every step of the way. Whether that means reviewing client portfolios, adjusting risk levels responsibly, or simply providing reassurance, we're committed to helping you and your clients navigate whatever comes next.

If you would like to speak with us about our approach to investing, model portfolios, or to discuss how our discretionary investment management services could benefit your clients, please get in touch today.

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