



Dear TAM investor,

Who Blinks First?

Markets have started the week on the back foot, with futures weaker and Asian markets under pressure following a sharp escalation in tensions between the US and Iran over the weekend. Both sides have issued firm ultimatums, and while this may ultimately prove to be posturing, markets are clearly taking it seriously.

At the heart of the concern is not just the geopolitical risk itself, but the potential economic consequences if this drags on or escalates further. Energy markets are already reacting. Disruptions to supply, including reports that Qatar has lost close to 20% of its LNG production, are beginning to feed through into pricing expectations.

Even if tensions ease quickly, the impact may linger. Higher energy prices tend to feed into inflation with a lag, complicating what had been a relatively constructive outlook for interest rate cuts. Central banks may now have to pause, or at the very least proceed more cautiously.

This is where the market narrative becomes important. The so-called “TACO” dynamic (Trump Always Chickens Out) has underpinned risk appetite in recent months, with investors assuming that political brinkmanship would ultimately give way to de-escalation. The question now is whether that assumption still holds. If neither side backs down quickly, the risk is a shift from a short-term geopolitical shock to a more persistent macro headwind.

From a portfolio perspective, our positioning is helping to absorb some of this volatility.

We have maintained a modest underweight to equities across our risk profiles, which is providing some downside protection as markets react to the headlines. Within fixed income, we remain underweight duration, which is proving beneficial as yields move higher in response to renewed inflation concerns.

Our allocation to alternatives continues to play an important role. In particular, our exposure to commodities provides some sensitivity to higher inflation and supply-side shocks. That said, recent weakness in gold highlights that not all traditional defensive assets are behaving as expected in the short term, particularly where positioning has been crowded.

At this stage, we are not making reactive changes. Our current positioning already reflects a more cautious stance, aligned with the risks now emerging. If the situation escalates, we retain the flexibility to reduce risk further. Equally, any rapid de-escalation could present opportunities to selectively add risk at more attractive levels.

For now, the key question remains: who blinks first?

We are monitoring developments closely and will update you as the situation evolves. In the meantime, if you would like to discuss what this means for you, please reply to this email and i will arrange a call with TAM.

Kind regards,
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