PRESS RELEASE

SEVEN Investment Management

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7IM ON 2017: GOLDILOCKS BREAKS RECORD AFTER RECORD – BUT WHEN WILL SHE SCREAM "HELP!" AND RUN OUT OF THE ROOM?

2017 has been a Goldilocks year for equities, buoyed by economic growth that's not been too hot or cold – and stockmarkets have flown.

Much of this growth, certainly in the US and Emerging Markets, has been led by technology stocks – so much so that Apple's market cap now looks close to US$1 trillion (currently around US$870 billion).

Data released today by **Seven Investment Management (7IM)** suggests that over the year to date, the **S&P 500** has closed at a record high some 57 times, representing 25% of trading days. Much of this growth came from FAANG type stocks, with the IT sector accounting for around 23% average weighting of the S&P 500.

It has also been a record breaking year to date for the **FTSE 100**, shrugging off muted UK economic growth and buoyed by its strong overseas exposure. The FTSE 100 has hit a new record close on 8% of trading days over the year to date (some 20 times).

Justin Urquhart Stewart, Co-founder and Head of Corporate Development, Seven Investment Management (7IM) said: "The 'not too hot and not too cold' global economic backdrop has been a perfect Goldilocks environment for stock markets, and politics just didn't matter. Goldilocks has moved from breaking chairs over porridge, to outright wild partying, breaking record after record. That said, the FTSE 100's 6.59% growth over the year to date has been a long way behind the S&P 500, which is up 20.49% in US dollar terms.

"This year's stock market exuberance is all the more reason to have a balanced portfolio. Without wanting to call the top of the market, there will always come the part when Goldilocks screams for 'help' and runs out of the room. That's where multi asset investing can be key, because it spreads risk not just across different stock markets, but asset classes too."

Bitcoin

Bitcoin has also grabbed the headlines this year, smashing new highs as the cryptocurrency market moves towards mainstream – in awareness terms at least.

Ben Kumar, Investment Manager, 7IM said: "The rise of Bitcoin has been about taking back control at a time when governments are probably less trusted than ever. People design their newsfeed and TV viewing online – money was just one of the next things on the list.

"But is it pure hype, or is there some substance? Whilst we're steering clear, most likely, it is both. Look at who Bitcoin was created by – some reclusive coding genius with a specific world view. For many people that is enough to dismiss it as a nerdy niche to be ignored. Yet reclusive coding geniuses have in recent years built some of the most successful companies in the world. But with Futures on Bitcoin to be launched later this month, the question is will that be the death knell, or another leg upwards, once hedge funds/ pension funds get involved? The jury is out, but hedge funds/ pension fund involvement won't necessarily chime with those who were attracted to Bitcoin in the first place."

Low volatility – “it’s oh so quiet”

Low volatility has also been a key theme of 2017, which is shaping up to be the least volatile year in 50 years for the S&P 500. **Alex Scott, Chief Strategist, 7IM** said: “Whilst the music is still playing, Björk’s ‘it’s oh so quiet’ is spinning around for me, with the line ‘but soon again, starts another big riot’ hanging heavy in the air. There’s no telling where markets might take us, but few fund managers have experienced such a prolonged period of low volatility that we see today.

“Since the 1950s we’ve seen an average of around 40 days a year where the market rose or fell more than 1% – almost once a week. In contrast, we have seen only eight days this year where the US stockmarket moved by 1% or more, in either direction. Whilst there’s every chance this low volatility could persist for a good while yet, a sudden squall of volatility would remind investors that today’s dead calm is highly unusual, potentially raising uncomfortable questions about valuation in more expensive areas.”

Emerging Markets – strong year, but still behind the pre global financial crisis peak

Whilst Emerging Markets have had a stunning year to date, with the MSCI Emerging Markets index up 33%, in US dollar terms it still hasn’t reached its pre global financial crisis peak in terms of price. As with the S&P 500, the IT sector contributed to a large part of the growth – accounting for 26% on an average weighted basis.

Damian Barry, Senior Investment Manager, Seven Investment management (7IM) said: “2017 has been the year when most assets classes delivered positive returns – one of the best places to have been invested was in FAANG stocks or their Asian equivalents. It’s the year when Buffet’s “be fearful when others are greedy” rang in many of our ears, but with the conflicting chime that the market momentum trend was still your friend.

“For us, 2017 has been a year of caution but also contrarian conviction, for example on the multi manager side we added exposure to some overlooked areas such as frontiers, which we think look better value than emerging markets, and US microcaps. And in a year when active managers came under sustained scrutiny, we have increased our active allocation in our multi manager funds. When markets are on a relentless upwards trajectory, the time for good specialist managers who can hunt for value is more important than ever.”

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Notes to Editors:

Source: Data looking at the number of times the FTSE 100 and S&P 500 have hit a record close is sourced to Bloomberg between 30 December 2016 – 4 December 2017. Index performance is from Bloomberg over the year to date to end November 2017.

<u>About 7IM</u>

It all began in 2002, with seven of us in a basement establishing Seven Investment Management (7IM) because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at around £12bn (more than doubling since 2013), and we have moved from ‘basement’ to ‘Bishopsgate’ in the City of London. There are now around 240 of us.

Radical common sense

We manage money aiming to meet people’s medium to long term return expectations. Fundamentally, we believe in active asset allocation in both active and passive investments (where we were one of the first to offer actively managed passive portfolios). We build global portfolios based on that allocation, and include alternative assets where appropriate to manage the risk reward trade off. Active currency management is also at the core of what we do.

7IM provides investment services to professional wealth managers, planners, advisers and private investors. These include: Discretionary investment management, a range of multi-asset portfolios, an investment and open architecture trading platform and a fantastic app, 7IMagine, which brings client portfolios to life.

Multigenerational investing

We do our best to pass on economies of scale, reducing fees so more investors within a family save with us. Grandparents, through to parents and their children can invest as individuals with one charging structure – whether they live under the same roof or not.

A story of continuous innovation.
In 2013, we launched 7IMagine, an app allowing investors and advisers to keep up to date with their portfolio. The brainchild of some clients – professional ‘gamers’ uninspired by their paper statements – 7IMagine was enriched in February 2016, with My Future. Again using gaming technology, My Future allows advisers and investors to capture details about family or individual finances, including any number of streams of income, properties, other assets and expenses, to help identify how sustainable their finances are and if / when their retirement income will run out.

Our funds

- Our **AAP fund range (Asset Allocated Passive)** is populated largely with passive structures to keep costs to a minimum. Asset allocation is actively managed to help exploit opportunities and reduce risk across the spectrum: **7IM AAP Adventurous, 7IM AAP Moderately Adventurous, 7IM AAP Balanced, 7IM AAP Moderately Cautious, 7IM Cautious and 7IM AAP Income**. Some of these risk profiles have an offshore version of the fund.
- Our **Multi-Manager fund range** invests in a range of active and passive vehicles. Costs still matter, but if we think an actively managed fund can outperform a passive alternative we have the freedom to choose it. Asset allocation is actively managed. Again, there are different funds for different profiles: **7IM Adventurous**, **7IM Moderately Adventurous**, **7IM Balanced** and **7IM Moderately Cautious**. Again, some of these risk profiles have an offshore version of the fund.
- We also have a selection of funds designed to meet specific needs, such as the **7IM Personal Injury Fund**, the **7IM Real Return Fund** or the SRI focussed **7IM Sustainable Balance Fund**.
- We also have a range of ‘smart passive’ funds known as the equity value funds. The range includes: the **7IM UK Equity Value Fund**, the **7IM US Equity Value Fund**, the **7IM European (ex. UK) Equity Value Fund** or the **7IM Emerging Markets Equity Value Fund**. These are entirely systematically managed based solely on company fundamentals, the aim being to outperform the relevant passive market cap-weighted alternative by selecting profitable, high-quality, cash-flow generating companies that trade at a discount to their intrinsic value.

Our Model Portfolios

The 7IM Model Portfolios are a range of risk rated portfolios and are available within our discretionary investment services and standalone on the 7IM platform and other platforms. The Models use the same investment process and asset allocation as our funds. Like the Asset Allocated Passive (AAP) funds, the entire asset allocation is fulfilled with ‘Smart Passive’ market cap weighted passive instruments (for example UK and US equities) which track those markets and systematic instruments. 7IM undertake the due diligence on the passive securities (such as counterparty risk and concentration). Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Model Portfolio, 7IM Moderately Adventurous Model Portfolio, 7IM Balanced Model Portfolio, 7IM Moderately Cautious Model Portfolio, 7IM Cautious Model Portfolio and 7IM Income Model Portfolio**.

The 7IM funds and Model Portfolios are available through the 7IM Discretionary, Managed Investment, Platform, and Self Invest services, as well as on other platforms.

Important information: The information contained in this document does not constitute investment advice and if you are in any doubt about the suitability of the investment or service, you should consult a professional financial adviser. The value of investments, and the income from them, can fall as well as rise and you may not get back the full amount invested. Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales No. OC378740.

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