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FOR IMMEDIATE RELEASE

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“Knee-jerk” portfolio changes are as big a risk to investors as any other – 7IM

Investor focus must remain on long-term trends to allow market views to fully crystallise, rather than knee-jerk reactions and portfolio churning, according to Jack Turner, Investment Manager at 7IM.

Despite growing concerns on rising inflation, tightening monetary policy, geopolitical tensions and new Covid-variants, the long-term market view has not shifted, Turner said.

“We seem to be at an inflection point in markets with a myriad of risks making investors lurch to the sell button. But while risks such as inflation, rising rates and geopolitical tensions all carry their own issues, the long-term view from our perspective is to keep going.

“The truth is, making knee-jerk changes to portfolios is just as big a risk as any other. Decisions made out of fear of temporary falls, or strategic portfolio decisions driven by negative headlines, are likely to be more damaging than anything else.”

Instead, Turner argued that a continuous approach to assessing the state of play and making adjustments with the future in mind is more beneficial. With this approach in mind, the team has made adjustments to its Responsible Choice Model Portfolios with a long-term focus at the core.

He added: “Since we went overweight equities in our model portfolios in August 2020, equity markets are up just under 40%. Hence, in the last few months, we have decided to take our profits from our overweight equity position and return to neutral, resulting in slightly higher cash levels.

“We still believe that the world is well placed for strong economic growth, but this is now being priced in more than it was previously. We are therefore taking a more selective approach to the equity market. A more robust consumer-driven cycle will see different winners emerge.

Within 7IM’s Responsible Choice Model Portfolios, the team is focused on six key tactical themes; ageing demographics; bond risks; rising global temperatures; opportunities within emerging markets; global impact; and sustainable finance.

“As the world increasingly gets older, the healthcare sector is best placed to take advantage of this. The sector still trades at a discount despite Biden’s US election win in November 2020 and we believe forward looking returns should be strong,” Turner stated.

He continued: “As for the outlook on bonds, these don’t provide the safety they once did and could suffer losses as central banks begin to hike again. We therefore hold lower duration instruments to offset this risk.

“The rising threat of climate change is another major risk. Within our Responsible Choice Models, we target those companies that are not only managing their environmental risks but also investing in a cleaner future.”

Sustainability Commitments

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As part of its 'Cleaner investments' initiative, 7IM has committed to a 30% reduction in carbon emissions within its Strategic Asset Allocation (SAA) framework, which underpins all of its Model Portfolios.

So far, this has seen the firm switching out over £300 million of assets into lower carbon investments, resulting in a 40% reduction in carbon emissions compared to the previous holding.

The 'Cleaner investments' commitment is one of four Sustainability Commitments that 7IM has made, including; Implementing 'Sustainable choices' at a business level to achieve a 20% reduction in Scope 1, 2 & 3¹ CO₂ emissions and being carbon neutral from 2021; achieving a diverse and equitable employee base; and 'Giving back' through supporting a number of charities aiming to reduce inequalities.

Attractive opportunities

The Responsible Choice Models, which have just passed the one-year anniversary mark, also focus on identifying opportunities within emerging markets that will come from the transition to a more carbon-neutral world.

"The funding gap to meet the Sustainable Development Goals by 2030 is between \$6-8 trillion and 70% of that is needed in emerging markets. We are therefore seeing a number of compelling opportunities for investors to access in EM across both the equity and fixed income markets," says Turner.

"We also look at global opportunities across the impact space, identifying those investments that are focused on delivering a material and measurable improvement to environmental and social problems."

Alongside this the portfolios also have exposure to both green bonds and social bonds linked to sustainable projects.

- Ends -

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Notes to Editors:

¹ Scope 1 covers direct emissions, scope 2 covers indirect emissions and scope 3 are emissions associated with the company but not produced by the company itself.

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About 7IM

It all began in 2002, with seven of us in a basement establishing 7IM because we couldn't find anywhere we wanted to invest our families' money. Our assets under management now stand at over £19bn, and we have moved from 'basement' to 'Bishopsgate' in the City of London.

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.

Our funds

- Our Pathbuilder fund range, launched in 2020, offers clients a well-diversified range of passive funds that benefit from our robust Strategic Asset Allocation at a competitive price.
- 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.**
- 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. There are different funds for different profiles: **7IM Adventurous, 7IM Moderately Adventurous, 7IM Balanced and 7IM Moderately Cautious.**
- 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.**

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.

Our range of Model Portfolios are available across the risk profiles: **7IM Adventurous Plus Model Portfolio, 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.**

In 2019, we launched the **7IM Passive Model Portfolios**, a diversified range of passive multi asset model portfolios underpinned by our robust Strategic Asset Allocation (SAA) process. The Passive Model Portfolios differ from our traditional offering and are built purely using a streamlined version of 7IM's robust (SAA).

In 2020, we launched the 7IM Responsible Choice Model Portfolios, combining our experience and expertise in both responsible investing and multi-asset investing to provide clients with a range of ESG focussed risk rated model portfolios.

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The 7IM funds and Model Portfolios are available through the 7IM Discretionary and Platform as well as on other platforms.

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