

FOR IMMEDIATE RELEASE

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7IM ON US INFLATION DATA: WE ARE IN AN INFLATION SURPRISE WORLD

Seven Investment Management (7IM) comment on today's higher than expected US inflation data.

Ahmer Tirmizi, Investment Manager, Seven Investment Management (7IM) said: "Today's US inflation data highlights that we are in an inflation surprise world. This is bad for bonds and is also likely to be more volatile for equities.

"We have been fastening our seatbelts, but not relying on bonds to do it - if inflationary fears persist and equity volatility picks up, bonds are unlikely to provide the diversification to equities. At the end of 2017 nearly 20% of the total pool of global bonds were negative yielding – perhaps one of the most curious legacies of the global financial crisis.

"Whilst last week's spike in stockmarket volatility might have come as a surprise, bonds down 4% over the last few months is in some ways more concerning. Whilst there is no single alternative asset class that is the panacea to problems of government bonds in the current environment, we have been looking more broadly for places to protect portfolios, through alternatives, option strategies, and a US inflation certificate which has outperformed inflation linked bonds.

"Post the financial crisis there has been a worry that global economic growth would not persist for a sustainable period of time, and by extension this has also applied to inflation. Whilst growth surprises have been a positive over the last year, the 'inflation surprise' that comes with stronger growth numbers is something that investors need to grapple with."

Justin Urquhart Stewart, Co Founder and Head of Corporate Development, Seven Investment Management (7IM) said: "You can see a line of dominoes here that will all be affected by the inflation number. The rise in inflation will link directly to pressure for further rate rises sooner rather than later – that domino will lead to further pressure on bond yields, and thus the next domino of capital values, and finally a potential domino of further equity price volatility. Whilst indebted governments like a reasonable level of inflation, as it erodes away their debt, their central bankers will always look to try and control it. That is where interest rate rises come in. Investment managers have a lot of inflation proofing to do."

Ends

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Notes to Editors:

About 7IM

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.

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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