

FOR IMMEDIATE RELEASE

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FRENCH ELECTIONS & GLOBAL POLITICAL RISK: 7IM'S ASSET ALLOCATION STARTER FOR SEVEN

- **European exposure trimmed for the lower risk 7IM portfolios but maintained in more adventurous portfolios**
 - **Political risk in developed markets informing asset allocation decisions**
- **Gold rises 8.2% in Q1 2017 in USD terms, justifying 7IM's overweight exposure**

There's just two weeks to go until the first round of voting in the French elections on 23 April, whittling down the current list of 11 presidential candidates to two (with Le Pen and Macron being clear favourites). **Seven Investment Management (7IM)** has shared its thoughts on the market implications of French elections in an [article](#) published today by Chief Investment Officer, Chris Darbyshire.

Two pronged approach to Europe

But what does all this mean for European markets and indeed asset allocation decisions more generally? Given **7IM's** investment approach centres on managing risk to expected returns, depending on risk profiles, **7IM** have a two pronged approach to Europe.

Chris Darbyshire, Chief Investment Officer, Seven Investment Management (7IM) said:

"We really like Europe but see some scope for volatility around the elections. Hence we have reduced European equity risk in the cautious portfolios, trimming some of our exposure, with potential currency headwinds being a key consideration (which is why we've also added to Japanese Yen as a diversifier). But we are more comfortable running European risk in our more adventurous portfolios, and here we remain firmly invested in Europe, prepared to stomach any market moves in the interest of longer term potential gains. European companies are having one of their best periods for earnings since the financial crisis – growing revenues rather than cutting costs."

How likely is another election shock?

After the shocks of Brexit and the US elections, is there scope for further shocks in France, too? **Alex Scott, Deputy Chief Investment Officer, 7IM, explains:**

"There's a view out there that because polling "failed" on Trump and Brexit, it could fail on Le Pen. There are two reasons why we think that's probably not the case: firstly, it didn't really fail on Trump - Clinton won the popular vote, by a similar margin to the national polling; Trump won due to the Electoral College structure and regional distribution of votes. That's not an issue in France, where the result is about a simple majority. Secondly, polling didn't really fail on Brexit - polling was actually very close, with several polls predicting a Leave win in the run up to the election. Many observers (including us) expected a late swing back to the status quo, which ultimately didn't happen - but that is a failure of interpretation, not of the polling. The Brexit outcome was within the range of possibilities the polls pointed to. By contrast, in a potential Le Pen versus Macron run-off, polling has consistently been around 40% vs 60% for months, with little change: a much wider margin. It would be a spectacularly huge miss by the polling (from all

companies, for months) if Le Pen did win – a completely different situation to the US and UK in 2016.”

Diversification amidst political risk in developed markets

Nevertheless, shocks can clearly not be ruled out and **Alex Scott, Deputy Chief Investment Officer, 7IM** adds that “the Far Left candidate Mélenchon has experienced a late surge in the polls: if this surge continues, this could open up new and more complex scenarios, with very little polling evidence to go on.”

7IM sees political risk in developed markets generally as a key risk for equities, and this has been informing key asset allocation decisions. **7IM remains overweight gold**, which proved a good decision in Q1, with gold up 8.2% in US dollar terms. And whilst consumer confidence in the US appears strong, **7IM** has sold down some US equity holdings. US treasuries have been added, in what **Deputy Chief Investment Officer Alex Scott** describes as “tail risk protection against uglier scenarios”. Indeed, on the outside chance of a Le Pen victory, yields could be pushed lower if demand comes through for this safe haven asset of note.

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Notes to editors

About Seven Investment Management:

7IM provides investment services to professional wealth managers, planners, advisers and investors.

These include:

- Discretionary investment management with advice
- A range of multi-asset portfolios
- An investment and open architecture trading platform
- A fantastic app, 7IMagine, to bring the client portfolios to life.

7IM – a story of Continuous Innovation

Since 7IM launched back in early 2002, it has pioneered a continuous stream of developments regarding how investment services are provided and charged for. We could just provide a list of our awards but actually think it is more useful to tell you what we have done and what we have provided for clients and their planners - and there is still more to come.

January 2001 – First Sterling Online Wrap Account launched with ongoing Asset Allocation

January 2003 – First White Label live

January 2004 – 7IM OEIC live

July 2005 – 7IM Platform live

September 2005 – New 7IM Income Fund launched

February 2007 – 7IM Sustainable Balance Fund launched

December 2007 – 7IM gains its own FSA authorisation and new institutional investors

January 2008 – 7IM joins the London Stock Exchange

March 2008 – 7IM launches the AAP (Asset Allocated Passives) range of funds

October 2009 – 7IM introduces 3rd party multi manager funds into the DFM service

October 2009 – 7IM Personal Injury Fund launched

April 2011 – 7IM launches enhanced, ‘on-demand’ client reporting

January 2012 – 7IM Unconstrained Fund launched
June 2012 – 7IM launches Fixed Term Deposits
January 2013 – 7IM launches Asset Backed Lending
March 2013 – ‘7IMagine’ launched
June 2013 - Assets under Management pass £5bn
October 2013 – 7IM launches preferred SIPP’s with DP Pensions Ltd and Carey Pensions UK
October 2014 – Assets under Management pass £7bn
January 2015 – Assets under Management pass £8bn
March 2015 – In partnership with AXA Wealth, 7IM announces preferred Offshore Bond offering
June 2015 – Assets under Management pass £10bn
February 2016 – 7IM launches My Future a new feature of the 7IMagine app which allows advisers and clients to enter the details of their existing savings and pension contributions, as well as spending expectations in retirement to identify when their cash will run out.
August 2016 – 7IM launches a Windows version of the 7IMagine App which allows 7IMagine to be used on all Windows devices including Microsoft Surface Pro, Windows phones and PC’s.

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