

FOR IMMEDIATE RELEASE

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## **7IM VIEW ON LISTED PRIVATE EQUITY ALMOST A DECADE SINCE CREDIT CRUNCH STARTED**

In their annual review at the beginning of 2017, **JPMorgan Cazenove** likened the **Private Equity** investment company sector ('listed Private Equity') to the corner shop: "[it] is a great asset class in our view, but it's a bit like the corner shop – use it or lose it."

Data released this week by the **Association of Investment Companies (AIC)** suggests that advisers have indeed been making use of the sector's long term potential, with the Private Equity sector now accounting for 5% of adviser platform purchases, making it the sixth most popular sector with advisers.

**Seven Investment Management (7IM)** are longstanding investors in listed Private Equity, seeing the funds as a valuable route for investors to access this important strategy. But whilst **HarbourVest Global Private Equity** and **Pantheon International** remain firm holdings, profits have recently been taken elsewhere. This comes at a time when 7IM has been reducing UK equity exposure more generally and is mindful of how far listed Private Equity has come since the credit crunch.

**7IM** have exposure to **HarbourVest Global Private Equity** and **Pantheon International** via **7IM Unconstrained Fund** and also through the multi-manager funds: **7IM Adventurous Fund**, **7IM Balanced Fund**, and **7IM Moderately Adventurous Fund**.

**Alex Scott, Deputy Chief Investment Officer, 7IM** said: "We like the private equity model, where highly able and diligent investors are able to work alongside well incentivised management teams over a meaningful time horizon to add value. The long time horizon of private equity investing may indeed be a real competitive advantage, allowing managers time and space both to buy well and to maximise value on exit, away from much of the noise of short term market volatility.

"Since the financial crisis the opportunity in listed Private Equity had been very appealing, with private equity investment companies trading at significant discounts to net asset value. With net asset value rising through that post crisis period alongside narrowing discounts, returns have been very impressive. While we still see value in the sector and would not be surprised to see some listed Private Equity trusts trade at a premium before the cycle ends (as we saw before 2008), we recognise that the sector has come a long way already and narrower discounts mean that investors are more reliant on continued strong net asset value growth rather than simply buying cheaply.

"Any bump in the road in public equity markets could also affect the listed Private Equity funds and nervous investors could again demand wider discounts. We have recently sold some listed Private Equity holdings, but still see good value and attractive NAV potential in listed funds including HarbourVest Global Private Equity and Pantheon International, both of which offer very diverse exposure to global private equity companies, across a broad range of sectors and stages, and a good spread of vintages through the cycle.

"An allocation to private equity may be a worthwhile complement to a public equity portfolio, giving exposure to a broader selection of companies, often with a different sector mix and including both established businesses and new ventures or fast growing companies.

In many cases, private equity portfolios held by the listed Private Equity sector are marked at

more conservative valuations than publicly listed equity, despite often superior growth profiles or quality of earnings. This helps to explain why many listed Private Equity funds continue to report healthy valuation uplifts on portfolio companies that are sold.”

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**Notes to editors**

In addition to 7IM's current holdings in HarbourVest Global Private Equity and Pantheon International, Alex Scott, Deputy Chief Investment Officer at 7IM holds HarbourVest Global Private Equity and Pantheon International in his own and family personal accounts.

**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 £11bn (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 Unconstrained 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 it is not an invitation or inducement to engage in investment activity. 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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