

**FOR IMMEDIATE RELEASE**

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## **7IM: BULL MARKETS DO NOT RUN OUT OF STEAM – THEY NEED A CATALYST**

Over the year to date, the stockmarket has experienced more volatility than for the whole of 2017. In just over two months the S&P 500 has moved by more than 1% on more than ten days, compared to just eight days for the whole of 2017, according to **Seven Investment Management (7IM)**.

Does this signal that the bull market is running out of steam, or is it simply a return to normality? And what are the implications for active and passive managers?

**Ben Kumar, Investment Manager, 7IM** said: “The volatility we have seen so far this year is actually quite a normal state of affairs – we’ve simply been lulled into a false sense of security by very recent history and completely forgotten that this is how markets usually behave. Overreacting would be akin to having a couple of hot weeks in September, and deciding that you will never need central heating again. Even just going back to 2016, what is currently happening was reasonably ‘normal’ – markets moved by 1% or more nearly 50 times, rather than the eight days for the whole of 2017.

“Bull markets do not simply run out of steam – they need a catalyst, yet global growth looks set to continue. Even so, we have slightly lower than average equity holdings (markets look expensive, but can certainly continue growing), decent cash allocations (to pick up any opportunities), and have invested in some other defensive measures. These should help mitigate any pain and, more importantly, could provide chances to invest cash into attractive assets should the opportunity arise.”

### **The multi manager view – opportunities for active managers**

**Damian Barry, Senior Investment Manager, 7IM** said: “Many investors will wonder if time is up on one of the longest bull markets we have ever seen. Is an increase in volatility about to bookend this formidable period of returns?

“A key focus for markets in 2018 is whether inflation is going to push bond yields appreciably higher. We are at a challenging time for the US Fed as it transitions from quantitative easing to quantitative tightening. This has already contributed to a noticeable rise in market volatility. But from an investment perspective, volatility in markets tends to be a random force and it doesn’t take the time to discriminate between good or bad companies. For skilled active managers, this provides them with an opportunity to take advantage of the volatility and reposition their portfolio using their best ideas.

“On balance, higher volatility may create an opportunity for active managers. It is not inconceivable to think that some of the headwinds for active management might abate if market volatility increases. Last year we have seen markets dominated by momentum and less influenced by company fundamentals.

“Towards the end of last year we took the decision to increase exposure to active managers in our multi-manager fund range. We anticipated any increase in volatility in 2018 as an opportunity for managers to outperform. Year-to-date we have seen an increase in volatility and that has corresponded with outperformance by most of our underlying managers. This bull market may continue, but don’t be too surprised if active managers have a greater opportunity to outperform.”

**Justin Urquhart Stewart, Co-Founder and Head of Corporate Development, Seven Investment Management (7IM)** said: “This bull can still snort and bellow, but is growing tired after such a run. This year, the lances of the picadors, in the form of interest rate rises, may increasingly take their toll. But beware the anger and pain of this bull before he dies by the sword of the matador. He still has the strength to run up before falling back.”

## 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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