# Rebalance Update

November 2026

SUCCESSION
MODEL PORTFOLIOS

7IM

# What's Moving Markets?

The economic backdrop has offered little certainty. The US Federal Reserve and European Central Bank held interest rates steady in October, while the Bank of England increased its base rate for the first time in more than three years, increasing it from 3.75% to 4%. With inflation still a concern, the path ahead remains uncertain. That uncertainty makes confident headlines appealing. They offer simple answers, even when investing rarely does.

As investors, it's easy to get caught up in those headlines. AI is transforming the world, so buy the biggest names. A bubble is forming, so sell them. These competing calls can be hard to ignore, particularly when we see the returns some companies have delivered. It's tempting to think, "I should have invested there." Yet the past year offers a useful reminder: the biggest names do not always deliver the biggest returns. Some rewarding opportunities have been found away from the spotlight.

The S&P 500 is one of the world's best-known stock market indices, tracking 500 leading US companies. How many could you name? Nvidia? Apple? Microsoft? Amazon? Alphabet (Google)? Akamai Technologies or Verisk Analytics might not spring to mind quite so quickly. Yet over the past year, the equal-weighted version has outperformed its conventional counterpart. Rather than giving the largest companies the greatest influence, it assigns each company an equal weight. The same companies, but with a different balance, produced a stronger return.

And the story extends beyond America. Across global developed markets, smaller companies have also outperformed their broader equity benchmark over the past year. That does not mean smaller businesses will always lead, but it does challenge the idea that the best opportunities must lie in the most familiar names. It is a reminder that investment opportunities are wider than the daily headlines suggest. Diversification is not about predicting which company will become the next household name. It is about avoiding reliance on those that already are.

The biggest names aren't the only ingredient...

...in a recipe for returns.

# From The Investment Team

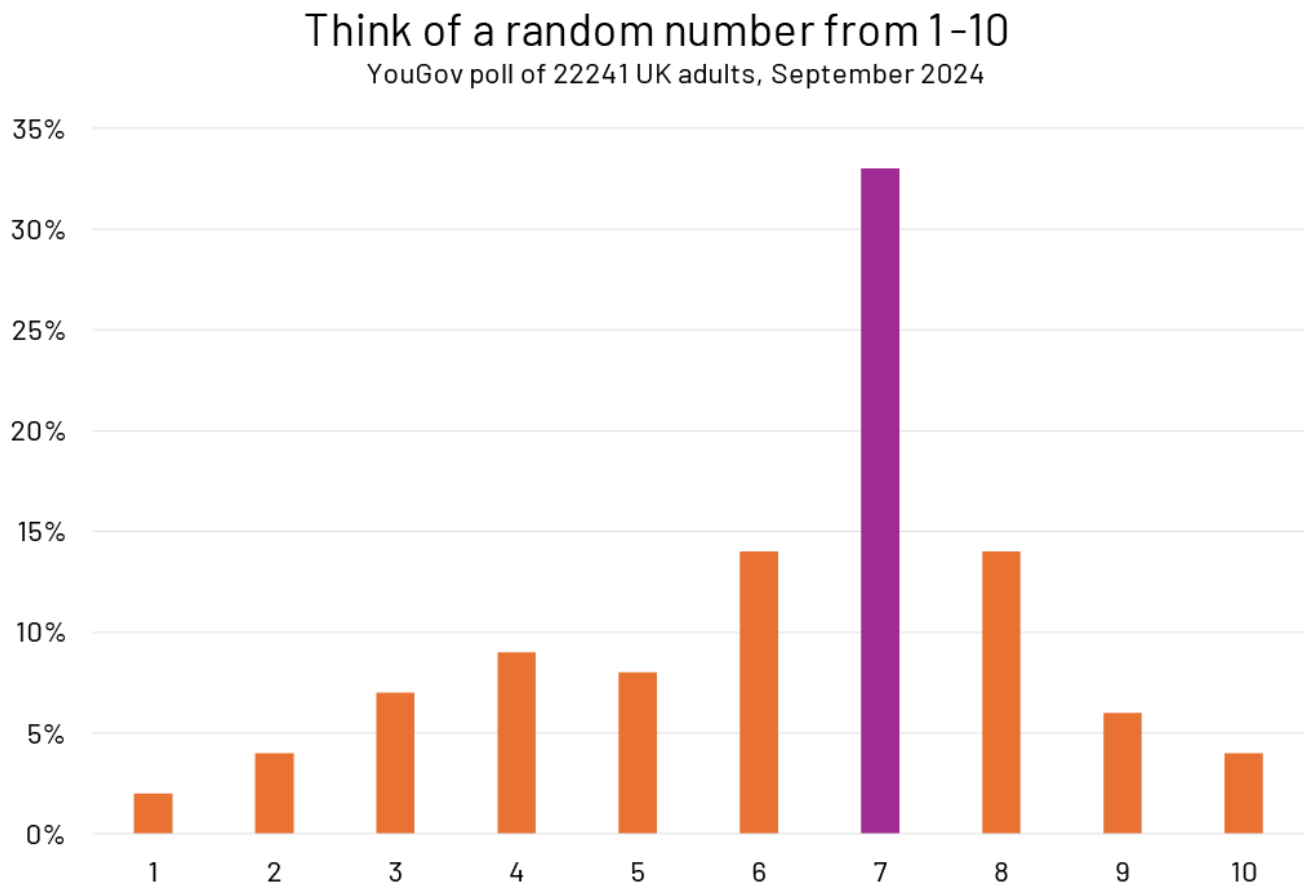
**Lucky number...**

Ask your favourite AI tool to pick a random number between 1 and 10. Regardless of whether you used ChatGPT, or Claude, or Gemini, or Grok, it probably said 7.

Now it's not that we've had our Quant team hacking your computers, so you think of 7IM. This weird result is a great example of how AI thinks.

AI models learn from us – books, articles, conversations, recordings, interactions. So, they aren't actually picking a random number. Instead, what they're doing is predicting what an average person would say if asked to pick a random number between 1 and 10.

Fortunately, for curious investors, economists and psychologists there are loads of studies on exactly that topic:




Source: https://yougov.com/en-gb/articles/51866-seven-is-the-most-random-number

Turns out that 7 is the most popular among humans too! The psychology behind it goes something like this:

- Don't be extreme – so avoid 1, 2, 9 or 10
- Don't be average – avoid 5
- Big is better than small – be above 5

So, every AI model looks for the most popular answer to the question. Since for the third of people that's 7, it presents that to you every time. Not random at all!

Financial markets work in a similar way. Market prices reflect the views of millions of investors. Like AI, they're identifying the consensus answer.

But consensus and truth aren't quite the same thing.

After all, markets don't tell you what's good. They tell you what people think is good at that exact moment. And when people change their minds, prices change very quickly.

The best opportunities often emerge when the crowd is overlooking something important, focusing on the wrong thing or asking the wrong question altogether.

That's why successful investing isn't always about finding the most popular answer. Sometimes it's about asking a completely different question...

**What we're watching this quarter**

- 17th November – NVIDIA earnings; how will markets react to the latest numbers?
- 9th December – Federal Reserve Meeting; One of the biggest events left in the year, where the US central bank decides what to do with interest rates.
- 10th December – Costco earnings; a helpful check on the strength of the US consumer.
- 17th - 18th December – Central Bank bonanza; Central banks in Europe, the UK and Japan decide for the last time in 2026 in what to do with interest rates.



**Ben Kumar**
Head of Strategy – Wealth, Public Policy & Investment

# Fund Changes

7IM monitors the funds in our portfolios and make changes when we feel we can achieve a better outcome for our customers. This table shows the funds that were new additions in the rebalance and ones that have been completely sold.

**Bought:**

| | | |
|---|---|---|
| Aegon Diversified Monthly Income | Income | A high conviction fund that has been added in order to enhance portfolio diversification and long-term performance |

**Sold:**

| | | |
|---|---|---|
| Veritas Global Equity Income | Income | This fund has been removed from portfolios, with proceeds reallocated to a higher-conviction fund. |
| 7IM Real Return | Blended | The fund has been removed from portfolios with the proceeds reallocated to our Alternatives Building Block Funds |
| AQR Managed Futures | Blended | The fund has been removed from portfolios with the proceeds reallocated to our Alternatives Building Block Funds |
| Fulcrum Diversified Core Absolute Return | Blended | The fund has been removed from portfolios with the proceeds reallocated to our Alternatives Building Block Funds |

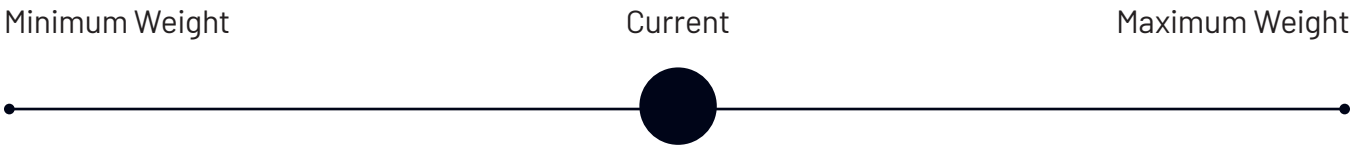
# Asset Allocation Changes

All portfolios are underpinned by 7IM's Strategic Asset Allocation, which seeks to diversify investments across a broad range of asset classes and global regions and is reviewed annually. Following our latest review in November, the 7IM Investment Team made the following updates to portfolios.

At the core Strategic Asset Allocation level, equity exposure and overall portfolio risk remain broadly unchanged, with small adjustments made to positioning across portfolios. This included a small increase to Emerging Market equities, funded from a range of Developed markets.

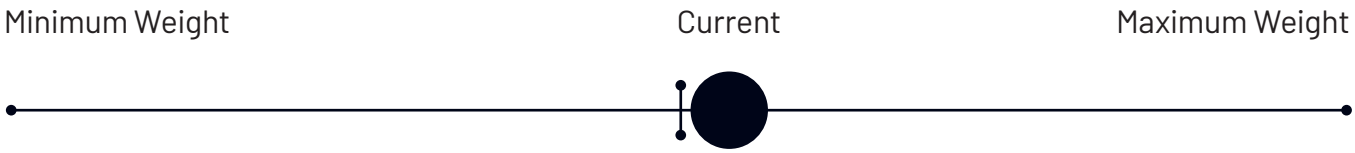
Portfolios with tactical management also saw 7IM adjust these long-term allocations to take advantage of opportunities and help navigate market conditions.

**Equity - we decreased our equity exposure**




We have slightly reduced equity exposure this month. Softer growth signals and slowing consumer spending suggest that some caution is sensible following a strong run for equity markets.

**Fixed Income - our fixed income exposure is unchanged**




Bonds continue to offer attractive income and provide balance as we take a more cautious approach to equities. We therefore remain comfortable with our current allocation.

# Diversification

To bring extra diversification into tactically managed portfolios, 7IM researches and implements long-term allocations to the following evidence-backed diversifying strategies.



**Equal Weight**

This allocation buys an equal amount of each of the 500 companies in the S&P 500 Index. This increases exposure to medium-sized companies when compared to a market cap-weighted strategy. It's a simple way to maintain exposure to US companies without overexposure to the huge technology stocks.



**Put-Selling**

Another diversifying strategy focused on generating income through selling put options on the S&P 500 Index. It aims for stable returns with less exposure to equity volatility.



**Alternatives**

This is a diversified basket of strategies which aren't correlated to bonds or equities. It continues to deliver returns above the interest rates on cash. It will tend to perform best during dislocations.

**About the Investment Manager**

Seven Investment Management (7IM) was established in 2002 by seven founders who set out to build a firm they could trust with their own families' money. Since then, we have partnered closely with financial advisers and planners - delivering not only cost effective investment but an unrivalled service experience built around responsiveness, clarity, and genuine partnership. Every interaction is designed to make advisers' lives easier and to help them deliver outstanding outcomes for their clients.

Today, we are entrusted with several billion pounds of clients' hard-earned assets, and our values remain unchanged:

- A commitment to putting clients and advisers first
- A transparent and disciplined approach to risk management
- A focus on clarity, partnership, and exceptional service

While we continue to evolve, our purpose endures: to support advisers and their clients with robust investment solutions and an unwavering dedication to service excellence.

Please note: All of the comments in this document refer to the models we run on the 7IM platform, but the models are also available on a range of other platforms. As much as possible, we try to replicate the models we run of the 7IM platform across all platforms, but due to differing security availability, not all of the points outlined in this document may be relevant across these platforms. If you are unsure whether certain changes apply to models on a specific platform, please reach out to a member of the team.

The past performance of investments is not a guide to future performance. The value of investments can go down as well as up and you may get back less than you originally invested. Any reference to specific investments are included for information purposes only and are not intended to provide stock recommendation or investment recommendations to individual investors.

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