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## 7IM INCREASES ACTIVE EXPOSURE IN MULTI MANAGER RANGE AS BULL MARKET APPROACHES TENTH YEAR

**Seven Investment Management (7IM)** has made significant shifts towards active managers within its **7IM** multi manager fund range as the bull market approaches its tenth year and much of the 'easy money' may have been made.

The move comes at a time when **7IM** believes the stage is set for active managers to demonstrate their strengths. This follows a period in the wake of the financial crisis where Quantitative Easing created a flood of money, with passives and large caps being the prime beneficiaries.

**Tony Lawrence, Investment Manager, 7IM** said: "Quantitative easing has distorted the way markets operate, creating a flood of money which has been directed towards large caps and passives. As Central Bank policy returns to normal, this should tilt the balance back in favour of active managers. Our decision to trim our active manager exposure in 2016, a particularly tough time for active managers, has proved a good call over the last couple of years. But conditions now merit more active positioning, so we have been cutting our passive exposure – for example by selling FTSE 100 futures.

"The hunt for yield in a low interest rate environment has also led to a huge focus on big, stable dividend paying stocks, which have soared. Many of these defensive growth stocks do not have much more growth capacity in them and they are now priced for perfection when many are far from perfect – some are even borrowing money to pay their dividends.

"Passive investing has many strengths, and it has never been an 'either/ or' scenario – we will continue to actively access passive approaches where we see better cost efficiency for a similar outcome. But one of the weaknesses of passives is that they are not designed to discriminate – they sweep up whatever is in the index. So we have increased our active exposure in the multi manager funds, and when we do go active, we will go really active, using contrarian, high conviction managers with a focus on valuation."

### Increased external active manager weightings: from April 2016 low – January 2018

	% Active managers April 2016	% Active managers Jan 2018
7IM Moderately Cautious Fund	35%	48%
7IM Balanced Fund	38%	60%
7IM Moderately Adventurous Fund	52%	63%
7IM Adventurous Fund	56%	79%

**Ian Jensen-Humphreys, Chief Investment Officer, 7IM** said: "We've never been a 'passive house', but a full solution house, with active implementation across the board whether using active or passive strategies. At a time when the 'active versus passive' debate rages on, we have always actively embraced both, tilting each style to match our views at the time. But whilst we've never nailed our colours to the mast in the 'active versus passive' arena, we have tried to accommodate different needs in our different product ranges.

“Our Asset Allocated Passive (AAP) range was one of the first to use passive instruments to implement active asset allocation calls, but it is worth remembering that it was our multi manager fund range, now in its 15th year, that came first. It is now almost three years since Damian Barry and Tony Lawrence came over from Threadneedle, whose multi manager funds were merged with the 7IM fund range. Their changes are now fully reflected in the portfolio holdings, with only a handful of the original holdings remaining.”

### **Recent additions to the multi manager portfolios**

**Damian Barry, Senior Investment Manager, 7IM** said: “It may appear counter intuitive to increase active exposure at a time when the bull market is approaching its tenth year and much of the ‘easy money’ may have been made. But as the market becomes more discerning, with valuations increasingly stretched, that’s entirely our logic. We have been looking for managers who can seek out value opportunities, in under researched, overlooked corners of the market.

“We have added a significant number of active managers to the portfolios, with a focus on the UK, Europe, Japan and US small caps, and we have added to our frontier markets exposure.

“Our UK line up reflects our increased conviction in active management. **Artemis UK Select** has been added across the multi manager range and is a concentrated multi cap ‘best ideas’ UK equity fund, seeking to generate alpha in all market conditions. Free from a market cap bias restriction, it currently has 57% large cap exposure with a bias to domestic UK.

“**Polar Capital UK Value Opportunities Fund** has also been added across the multi manager range, and is an unconstrained multi cap equity portfolio, focussing on companies trading at a discount to their intrinsic value. **Threadneedle UK Extended Alpha** has been added to **7IM Moderately Cautious Fund** and **7IM Balanced Fund**, and has a defensive bias, with low correlation to other UK managers and a balance of domestic and overseas earners.”

Current themes in the multi manager range include strong franchises, recovery plays and ‘hidden gems’ with strong valuation support in out of favour sectors. In the US, where it is notoriously difficult for active managers to outperform passive strategies, the **Stageline US Small Cap Value** fund has been added to **7IM Moderately Adventurous Fund** and **7IM Adventurous Fund**. This fund hunts out neglected and oversold American businesses and those on the brink of a turnaround.

\*The reference to specific funds or indices is not intended to be and should not be taken as a recommendation.

### **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. 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 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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