

FOR IMMEDIATE RELEASE

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7IM COMMENTS ON UK INFLATION

Seven Investment Management (7IM) today comment on the UK inflation data, which has held steady but remains at a five year high, the logical consequence of Sterling weakness over the last 12 to 18 months.

Justin Urquhart Stewart, Co Founder and Head of Corporate Development, Seven Investment Management (7IM) said: “UK inflation, whilst holding steady, remains at a five year high and illustrates the strain on consumers’ pockets, already £600 on average worse off over the past year in real household disposable terms, according to the National Institute Economic Review*. This is primarily due to falls in the value of Sterling and sluggish UK economic growth.

“Inflation is the incendiary that burns your hard earned savings and investments. So just how flame proof are your investments? Ordinary index linked bonds may not be enough as they are still shackled to a bond that will very likely hold down their value. Investment managers need to be smarter than that.”

Chris Darbyshire, Chief Investment Officer, 7IM said: “As Sterling’s weakness drops out of the year-on-year calculations, inflation will all be downhill for the next year or so. This will put some money back in the pockets of consumers, but we expect the Bank of England’s clampdown on consumer lending to offset that. It is clear that Brexit is deterring companies from making significant investments in the UK despite the strong global economy, and we expect UK growth next year will again be lacklustre. The Bank of England will have no reason to raise rates again for the foreseeable future. So consumers might be feeling the pinch for a good while to come.”

Inflation and alternatives

Alex Scott, Deputy Chief Investment Officer, 7IM said: “The listed infrastructure investment companies (we hold HICL Infrastructure, International Public Partnership and BBGI SICAV in **7IM Real Return Fund** and the **7IM Personal Injury Fund**) offer exposure to a diverse range of assets, such as government-backed PFI contracts and regulated utilities. In the vast majority of cases, future revenues are contractually linked to inflation for the country in which the asset is located.

“**LXI** is a relatively newly listed Real Estate Investment Trust, also held in the **7IM Real Return Fund** and the **7IM Personal Injury Fund**, which is building a portfolio of properties let to tenants on long-leases, almost all with inflation-linked rental uplifts. The properties cover a range of sectors, including budget hotels, discount supermarkets, social housing and supported living. We are generally quite cautious on UK commercial property in the face of a slowing UK economy, but assets let to robust tenants on long leases with inflation-linked rental uplifts and valued off reasonably high yields would seem to be well placed to withstand broader headwinds.”

UK Funds

UK equity funds with exposure to companies with international earnings, and the long term growth potential of the stockmarket, can offer inflation protection. However, **Damian Barry** and **Tony Lawrence** who manage the 7IM multi manager funds, are not overly concerned with inflation when choosing a UK equity fund. They like Majedie UK Focus Fund for its contrarian positioning. **Tony Lawrence** said: “Majedie are not afraid to be contrarian, hunting up and down

the market cap spectrum for ideas, and being unafraid to back maligned sectors. UK supermarkets and oil majors are two industries that have been deeply out of favour over the last few years, which is testament to the contrarian nature of their thinking. For us, this has been a buy and hold that has served us well, whatever the weather, and we would avoid looking at UK equity funds through an inflation prism.”

Ends

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Notes to Editors:

*Source: <http://journals.sagepub.com/doi/full/10.1177/002795011724200103>

**The reference to specific securities and funds is not intended to be and should not be taken as a recommendation to invest in them.

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 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 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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