

FOR IMMEDIATE RELEASE

18 APRIL 2017

7IM ON SNAP UK GENERAL ELECTION: GOOD INVESTMENT IS ABOUT MANAGING THE RISKS OF THE UNEXPECTED: HERE IS A GREAT EXAMPLE

Seven Investment Management (7IM) have commented on today's announcement by Prime Minister Theresa May to seek a snap general election, with comments from **Justin Urquhart Stewart, Co-founder and Head of Corporate development**, and **Chris Darbyshire, Chief Investment Officer**.

Justin Urquhart Stewart, Co-founder and Head of Corporate Development, 7IM said: "For investors, the course of this election will only underline the need for broad diversification across asset classes and currencies. Good investment is about managing the risks of the unexpected, and here is a great example. The consensus view has been for a weaker Pound, which would benefit the overseas heavy FTSE 100 as we headed towards a harder and harsher Brexit.

"However, just when everyone is facing one way (the consensus way), then it is usually the time to look the other way and manage the risks of exactly the opposite. This scenario could be a higher Pound and a falling FTSE 100 - it seemed so unlikely, but so did the UK referendum and US Presidential election results last year. But how many investment managers have learnt from it?"

Chris Darbyshire, Chief Investment Officer, 7IM said: "The Prime Minister's decision to request a vote for a snap general election for 8 June raises a whole host of possibilities. May explicitly declared that this vote has been called in order to shore up parliamentary support for her vision of Brexit and that the election would be, therefore, largely a second referendum on Brexit. Assuming, as we do, that the parliamentary vote to go forward is passed, the Tories will argue for Theresa May's "deep and special" relationship with the EU, and to strengthen her hand in negotiations with the EU. Labour will argue for a 'soft' Brexit that prioritises the benefits of the UK's existing relationship with the EU, while the Liberal Democrats (Lib-Dems) will probably campaign for a second referendum on the deal itself.

"Unlike a normal election, we may see a significant proportion of the electorate voting tactically, based on their preferences for Brexit. Tactical voting will apply mainly in the major cities (which typically voted to Remain during the referendum), and the fallout from this will depend on how much the urban, Tory voters care about Brexit versus other political issues. We may also see a very different turnout from the 2015 general election, as the referendum has stirred up political emotions among younger citizens, who historically have been less likely to vote. This is their chance to reverse or, at least, restrain Brexit.

"The behaviour of UKIP is another wildcard. Will UKIP see the election as an opportunity to bolster its parliamentary credentials, at the risk of taking pro-Brexit voters away from the government? Or could UKIP stand down its candidates, realising that a vote for the Tories is the best chance that they have of a clean break with the EU? With about 13% of the vote at the last election, UKIP voters swinging to or from the government would be significant.

"The Labour leadership is another conundrum. Given the overwhelming evidence that few voters seem to want Jeremy Corbyn as Prime Minister, the opportunity of a general election (and the opportunity for success as well as for self-destruction), could encourage Labour to get its act together. Recently, Sir Keir Starmer has lead the charge against a "Tory Brexit" – many would view him as more electable than Corbyn. Such a turn of events would radically shake up the expectations for the election. Moreover, Labour could further stir things up by changing its position on Brexit – for example, by echoing the Lib-Dems' call for a second referendum on the outcome of Brexit negotiations. Of course, we shouldn't forget that the government can also change its position, and so the behaviour of incumbent Conservative MPs in Remain-leaning constituencies could be another surprise element.

"Mixed up with all this is the fate of the Union and the future role of the Welsh and Scottish parliaments. The government has already promised significantly greater powers to regional parliaments in an attempt to win them over. Those powers could become pawns in the forthcoming election campaign. And we mustn't forget that the EU also has a role to play – in setting out its stall for the negotiations to come, and in demonstrating to the citizens of the UK that Brexit would only come with a hefty price tag.

“Brexit is a massive and hugely complex undertaking. It was never going to be a straightforward process. Anticipating unexpected events of this kind, we have held a relatively large proportion of Sterling in our portfolios since the EU Referendum. We also recently purchased a call option on Sterling against the US Dollar, on the basis that the more unexpected events would be likely to derail (or, at least, soften) Brexit. These could cause Sterling to strengthen rather than to weaken. This option benefits from gains in the value of the Pound. The fact that we have done this is testament to our scenario-based approach, which takes a range of outcomes into account, including even those which appear unthinkable or even impossible at any given time.

“Today’s surprise demonstrates the value of this approach, and we will now turn our attention to building scenarios for possible outcomes from the forthcoming general election.”

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Notes to editors

About Seven Investment Management:

7IM provides investment services to professional wealth managers, planners, advisers and investors.

These include:

- Discretionary investment management with advice
- A range of multi-asset portfolios
- An investment and open architecture trading platform
- A fantastic app, 7IMagine, to bring the client portfolios to life.

7IM – a story of Continuous Innovation

Since 7IM launched back in early 2002, it has pioneered a continuous stream of developments regarding how investment services are provided and charged for. We could just provide a list of our awards but actually think it is more useful to tell you what we have done and what we have provided for clients and their planners - and there is still more to come.

January 2001 – First Sterling Online Wrap Account launched with ongoing Asset Allocation

January 2003 – First White Label live

January 2004 – 7IM OEIC live

July 2005 – 7IM Platform live

September 2005 – New 7IM Income Fund launched

February 2007 – 7IM Sustainable Balance Fund launched

December 2007 – 7IM gains its own FSA authorisation and new institutional investors

January 2008 – 7IM joins the London Stock Exchange

March 2008 – 7IM launches the AAP (Asset Allocated Passives) range of funds

October 2009 – 7IM introduces 3rd party multi manager funds into the DFM service

October 2009 – 7IM Personal Injury Fund launched

April 2011 – 7IM launches enhanced, ‘on-demand’ client reporting

January 2012 – 7IM Unconstrained Fund launched

June 2012 – 7IM launches Fixed Term Deposits

January 2013 – 7IM launches Asset Backed Lending

March 2013 – ‘7IMagine’ launched

June 2013 - Assets under Management pass £5bn

October 2013 – 7IM launches preferred SIPPs with DP Pensions Ltd and Carey Pensions UK
October 2014 – Assets under Management pass £7bn
January 2015 – Assets under Management pass £8bn
March 2015 – In partnership with AXA Wealth, 7IM announces preferred Offshore Bond offering
June 2015 – Assets under Management pass £10bn
February 2016 – 7IM launches My Future a new feature of the 7IMagine app which allows advisers and clients to enter the details of their existing savings and pension contributions, we well as spending expectations in retirement to identify when their cash will run out.
August 2016 – 7IM launches a Windows version of the 7IMagine App which allows 7IMagine to be used on all Windows devices including Microsoft Surface Pro, Windows phones and PC's.

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